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DENMARK

Schluter Comments on Goals for New Coalition Government

Solution for Security Policy

36130071 Copenhagen BERLINGSKE TIDENDE
in Danish 7 Jun 88 p 4

[Interview with Prime Minister Poul Schluter by Carl Otto Brix: "Cynicism Is Fatal"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] A top politician cannot be indecisive but must make painful decisions himself when it is necessary, putting aside considerations of friendship and partnership, the prime minister says on the day the Conservative-Liberal-Radical Liberal [KVR] government introduces itself to the Folketing.

A top politician must not be cynical. He must have warmth and humanity. Otherwise he will not get results.

That is what Prime Minister Poul Schluter (Conservative) said on the day the KVR government introduces itself to the Folketing, 3 weeks after the NATO election.

"It would be fatal for a top politician to be cynical," said the man who put an end to the era of the four-party nonsocialist coalition.

[Question] Do you think it is necessary to be heartless?

[Answer] A prime minister cannot be indecisive or uncertain. He must be forceful and he must also be prepared to make painful decisions when all the arguments point in that direction.

[Question] Must warmth and humanity be overcome when necessary?

[Answer] That is all I can say about that.

[Question] Is friendship meaningless in politics?

[Answer] It means a lot—in politics as in other areas, friends and acquaintances play a large role.

[Question] Had no friendships been formed among the politicians in the four parties that were part of the government before the election?

[Answer] Yes. There was a close partnership and that is the way it should be.

[Question] And that vanished overnight?

[Answer] No!

[Question] That is the way politicians in the two parties that had to leave the government feel.

[Answer] I am sorry for them if they feel that way now. But a political leader cannot say: This year, next year and for the next 20 years I will work only with the people I feel closest to as friends. One can't do that.

[Question] Can't one?

[Answer] Not exclusively.

[Question] Who is to blame for the election defeat?

[Answer] Which election defeat?

[Question] The Conservative Party's, for example.

[Answer] I am. And I reserve the right to say the same thing when we improve our position next time.

[Question] It was also an election defeat for the four-party coalition.

[Answer] The position of the four-party government was not strengthened, but it did hold onto the same number of seats. When we look at the issue that led to the election, we can note that the resolution parties lost support, but not enough to enable the four-party government to repair our relations with the NATO allies. In the final analysis that was also the decisive factor for me. I said during the campaign that the question of allied ships calling at Danish ports and the reinforcement agreement had to be guaranteed before a new government reported to the Folketing.

By including the Radical Liberals in the government it became possible to break up the majority that has created so much anxiety about Danish security policy for many years as a result of the numerous resolutions that were approved.

After the election we were able to accomplish what we could not do earlier: find a model for both a nuclear-free Denmark in peacetime and total cooperation with our NATO partners.

[Question] For almost 6 years the four-party coalition has said that the security policy defeats had to be endured because restoring balance to the Danish economy was so important.

[Answer] Yes and then we reached the explosion point, the 23rd resolution, which endangered the very substance of NATO membership. Therefore a showdown was necessary and the election has been useful because it produced the clarification that was needed.

[Question] The KVR government is not based on a majority and if all the minor details are cut away, is there any doubt that this government will be pursuing policy together with the Social Democrats?

[Answer] On Tuesday [7 June] the government will present the main outlines of its future policy to the Folketing and I will then listen attentively to what the parties have to say. So many people have had harsh things to say in the last few days. That is understandable. But now a government has been formed and we will find out what parties have to offer the new government during the opening debate on Thursday.

All parties have an opportunity to seek influence. Whether or not they succeed depends on the line they take in the Folketing.

We have two parties that obviously represent the two outer wings of Danish politics: the Progressive Party on one side and the Socialist People's Party [SF] on the other. For many years now, SF has had a large number of seats but has scarcely had any influence at all. The days ahead will show how the Progressive Part is going to act.

[Question] The prime minister is speaking in a very threatening tone of voice. But it is the government that has to find majority support.

[Answer] The same is true of the Folketing. The government must function, but so must the Folketing. It shares in the responsibility. The election is behind us and there are enormous tasks that must be accomplished in the years ahead. It would be preferable to solve a number of these problems with the help of broad majorities. I have noticed that the other parties have accepted the new government without enthusiasm. It is so easy to express dissatisfaction. But when we get started on concrete work I still think the desire of the parties to influence legislation will win the upper hand.

[Question] One of your predecessors as leader of the Conservative Party, Poul Sorensen, predicted the demise of the Radicals. Have you made similar bombastic statements?

[Answer] Poul Sorensen's statement was premature. I can certainly say that without exaggerating! He made it in a situation where the Radicals seemed unable to gain influence. That is not the case today. It was important for me to prevent the Radicals from creating a workable majority with the Social Democrats and SF.

[Question] What was the worst part of the 3 weeks that have gone by since the election?

[Answer] The fact that the weather has been so beautiful when we had to work so hard.

[Question] Has anything good happened in this period?

[Answer] The discussions that took place under three different negotiation leaders have certainly not been in vain. Clarification was achieved on a number of important issues. The statements the parties submitted for negotiation cannot be wiped from the slate as if they had

never existed. And the Social Democrats have conceded the need to pursue a tight economic policy in the years ahead and although the party is not part of the government I must assume that the Social Democrats feel bound by the statements they made to the negotiation leaders.

Possibility for 'Broad Understanding'

36130071 Copenhagen *BERLINGSKE TIDENDE*
in Danish 7 Jun 88 p 12

[Editorial: "Speaking Frankly and to the Point"]

[Text] The KVR government is a new government. But it must continue the restoration of the Danish economy that was the primary task of the four-party coalition government from its very first day in office. Any government in this country would have to follow in its footsteps. The importance of the balance of payments and employment problems has long made the substance of economic policy a set task.

A new government has its greatest and often most decisive opportunity to create the broad understanding that is needed to carry it through adversity during its first weeks in office. This is partly because psychological factors also play an important role in the success or failure of political-economic intervention. A new government is greeted with anticipations.

What people expect from the KVR government is quite clear. The balance of payments deficit must be eliminated within a normal election period and we must start paying off our foreign debt. If this historic task is accomplished, it will create a foundation for nonsocialist governments for many years to come. If the task is neglected, Poul Schluter's third government will probably turn out to be the last chance in this round. That must not happen.

The conditions for success depend on how the government itself manages the public sector's finances. Spending and personnel growth must be checked and a wide-spread campaign must be launched to increase efficiency with the aim of creating a basis for reducing the tax burden as equilibrium in the balance of payments is achieved.

In addition to its own management, however, another vital prerequisite for success is a very clear indication from the KVR government of the limits within which the private business sector can freely negotiate and make commitments. The government must outline these limits in such a way that they fit into an economic whole that ensures balance.

Statements concerning the conditions to which others will have to adjust themselves must be clear, precise and to the point.

Income policy is part of the whole and an important part when competitiveness and excessive real wage levels are central reasons for the lack of balance.

There is no way around the implementation of regulating measures to correct the economic course, especially in a country like Denmark where the economic task is as obligatory as it is now. But the government must follow a clear line from the start so that people can see the necessity for interventions and there must be advance notice of measures that will limit business opportunities.

06578

Leftist Parties Hold Congresses, Assess Election Setbacks

Socialist Left Disappointed

36130065 Copenhagen BERLINGSKE TIDENDE
in Danish 21 May 88 p 3

[Article by Carl Otto Brix: "Socialist People's Party to National Meeting After Poor Elections"]

[Text] The party that has now become the farthest left in the Folketing is holding its national congress in the light of an election defeat and of unsuccessful government negotiations.

With a mixture of disappointment and relief the Socialist People's Party is holding its national congress during Whitsuntide in Vanlose near Copenhagen.

Disappointment because in spite of great efforts the party was not successful once again in reaching the center of political power. Relief because now the party avoids all the problems that unpleasant decisions will create internally and externally.

Together with the government negotiations, the party's poor election results will be among the main subjects of the national meeting. The party lost three seats, and the conditions are completely new. The party is used to progress. The fact that the parties to the left of the Socialist People's Party were almost eliminated is enough to make one think.

The national congress, which will take place over 3 days, will also deal with a large economic program. This is in preparation for the election to the EC parliament next year. The Socialist People's Party has two members in the present parliament.

In the Socialist People's Party at least 40 percent of both sexes will receive party positions. A proposal has been made to extend this sex quota to include the selection of candidates for the Folketing.

The Socialist People's Party has one of the worst organization percentages among the parties. In spite of voter support, there are just a little over 9,000 members.

Something is to be done about this, according to some of the members. They want a party secretary appointed west of the Great Belt in order to demonstrate that the Socialist People's Party has become a party that covers the whole country.

There is only one candidate for chairman: Gert Petersen, MF.

Freedom From Defense Alliances

36130065 Copenhagen BERLINGSKE TIDENDE
in Danish 24 May 88 p 7

[Article by Carl Otto Brix and Madeleine Blixen: "Socialist People's Party: War Against Rightist Swings"]

[Text] No one voted against it when the Socialist People's Party's national congress ended with the passage of the main policy statement.

It was a happy chairman who concluded the Socialist People's Party's national congress after the main policy statement was almost unanimously accepted. As unanimous as it can be when no one votes against and there are nine abstentions.

"Many had perhaps been waiting for the Folketing group and the executive committee to get a dressing down. But I can now state that their work has been appreciated," Gert Petersen said.

"I am also happy that it has been stressed that the worker majority strategy is the Socialist People's Party's strategy. We will see to getting rid of Schluter. He is, of course, strong in places, but we will do what we can. For this task we have received significant guidelines for a constructive policy. We have gotten something with which we can replace the nonsocialist policy."

Unity on the main policy statement, which sets down the Socialist People's Party's general goals for future action, was great. Only a few suggestions for changes were made, and the majority of these were of a purely linguistic character. The highest priority was the struggle against rightist swings and a maintenance of the alternative security policy majority.

The debate during the election campaign has strengthened the Socialist People's Party's conviction that it is necessary to increase efforts for disarmament and for freedom from defense alliances.

Next, the Socialist People's Party will continue the struggle for a workers' majority. Cooperation over the center was strongly rejected.

The Socialist People's Party will work strongly to create an image and to clarify the alternative the party stands for. This will be done by improving the argumentation and by vitalizing the insights more than they have been able to do up to now. And then they are counting on new blood.

"It is important for us to bring in new members," Gert Petersen stressed. "This is one of the most important conclusions of this national congress."

Jan Kjaersgaard has been a member of the SOCIALISTISK WEEKEND all the way from the time when it was just an experiment. He, therefore, finds it doubly disappointing to have to leave the Socialist People's Party's organ.

Connection Between Environment and Economic Policy

A change in the production of goods is one of the goals in the Socialist People's Party's economic policy, which to a great extent includes the environment. Taxes on advertisements, tougher environmental borders, and control of public purchases are among the methods to be used.

Even if the proposals for changes were almost as long as the proposal itself, the Socialist People's Party's economic policy program was accepted with just two votes against and without the very large changes.

The economic policy is to help bring out the totality of society, as the party says. A society with connections between production, nature, and culture.

The program stresses that it is a no to a centrally directed economy such as exists in the Eastern countries and, instead, a yes to a socialist market economy.

The basic thought is always worker-run and community-owned companies, but the program stresses: "From now on it will be necessary to permit the beginning of small, privately-owned businesses."

In the short run, the Socialist People's Party will work toward changing the production of goods in an environmentally friendly direction. All available means will be used: ban, order, taxes, depreciation, loans, and subsidies.

The many general support arrangements, including the tax and depreciation system, will be changed and included in selective arrangements. Here and now the Socialist People's Party proposes that the Industry Ministry give better support to lasting forms of energy, that a system to promote cleaner technologies, including provisions for recycling, be established together with an improvement of the possibilities of supporting export abroad.

The economic policy program did not cause a great debate. The largest discussion was on whether the whole medicinal industry should be nationalized or only the supply of medicines. The latter was decided upon.

Soren Riishoj, a member of the Folketing, warned against nationalization in general. "It will not necessarily bring us closer to socialism. Experience has shown that it often functions bureaucratically and badly. The important thing is to get democratization."

Nevertheless, motions were passed to nationalize the bank sector, insurance companies, and important energy-providing companies.

Steen Gade finds that especially in the environment it is absolutely necessary for Europe to cooperate—with the Eastern European countries as well.

Socialist People's Party Says Yes to Europe

The Socialist People's Party has gotten ready for the EC parliamentary elections next year by setting up a program in favor of cooperation in Europe.

The Socialist People's Party also wants cooperation expanded to include art and culture, but says at the same time that this is to take place in new cooperative organs outside of EC's control.

The Socialist People's Party has the same goal as the People's Movement Against EC, namely that Denmark must leave, but the party does not believe that this is just around the corner. The party's market policy spokesman, Steen Gade, thinks that a departure might be discussed if again and again proposals are passed in the Danish Folketing that are in conflict with the EC treaty. Then there can be a majority for leaving, both among the people and in the Folketing—or the EC can exclude Denmark.

As long as Denmark is in the EC, the Socialist People's Party will make use of the parliament's possibilities for a hearing.

"Recently only three votes were lacking to get another hearing on exhaust gases from cars," Gade said. "It would be a clear Danish interest in getting such a renewed hearing, and therefore we take part." Gade thinks that Denmark can play the mediating role between the countries inside and outside of the EC.

"Denmark has always said it wanted to do this, but hasn't," he said.

Gade also thinks that an expansion of the cooperative organs will have a beneficial effect in several areas.

Former Socialist Left Member High Up in Socialist People's Party

The former Folketing member for the Socialist Left, Anne Grethe Holmsgaard, was elected as number 5 in the party's executive committee yesterday at the Socialist People's Party's national congress.

Holmsgaard went over to the Socialist People's Party last year and was accepted in the Folketing group. But she has still not been a party member long enough for her to be able to be nominated for the Folketing.

Christina Antorini from Norrebro in Copenhagen went all the way to the top among the candidates for the executive committee. She is an unemployed member of the Union of Retail Business and Clerical Workers and a member of the youth organization's Socialist Youth Alliance's national leadership and business committee.

Christina Antorini received even more votes than the very popular chairman of the Folketing group, Ebba Strange.

Since there can only be five Folketing members among the members of the executive committee, Birgitte Husmark, MF, left, even though she was high on the list. And since there must at the same time be at least 40 percent of each sex represented in the executive committee, the former Folketing member Ruth Olsen got in, even though she was far down the list.

Comments at Congress

"Said at the national Congress..."

Lilli Gyldenkilde (MF): "We are fighting for the low paid workers. We are not fighting for the community directors. They shall have less. This party is not a high bidding party."

Villy Sovndal, Kolding: "I have never participated in a national congress that was so unified."

Christian Prip, Norrebro: "We have not explained our policy well enough. We will explain that immigrants can be a cultural enrichment."

Inger Bruhn, Sollerod: "We know that there is seldom talk of racism, but of fear of foreigners and ignorance. The Socialist People's Party will change this."

Margrethe Auken, (MF): "We cannot accept leaving the economy to the irresponsible nonsocialists."

Bjarke Moller, SFU: "I don't think the policy statement is worth the paper it is written on."

Christian Bundgaard, Arhus: "If we want to take it easy and lie down in hammocks, we must just approve the policy statement."

Poul Krogsgaard, Arhus: "Let's drop the Radicals as strategic cooperative partners."

Per Andersen, executive committee: "A ballet with the nonsocialists means the end of this congress."

Bent Olsen, Arhus: "Governmental cooperation with the Radicals is unthinkable."

Yes to Recycling

To stress the fact that the Socialist People's Party is a serious environmental protection party it was decided at the national congress that all writing and printing such as leaflets and campaign newspapers that come from Socialist People's Party headquarters will be printed on recycled paper. This was carried out "as far as possible."

No Rebate

Family rebates on party dues was one of the proposals that did not awaken sympathy among the delegates. The reason for the proposal was that many of the members' children are now so big that they can become members, but that the dues are a strain.

Not This Time

The Socialist People's Party's female members could record a victory in the passage of sex quotas for candidates for election. On the other hand, a proposal for the appointment of a women's policy secretary failed in the vote.

Party Newspaper Chief Resigns

36130065 Copenhagen BERLINGSKE TIDENDE
in Danish 24 May 88 p 7

[Text] SOCIALISTISK WEEKEND asked for an additional 600,000 kroner but only received a half a million. The delegates cut 100,000 kroner from the supplement.

The negative tone during the Socialist People's Party's national congress in the debate on the party organ, SOCIALISTISK WEEKEND, caused the newspaper's chief editor, Jan Kjaersgaard, to resign his position.

Jan Kjaersgaard, 29, has been the newspaper's leader for a year, but he had previously worked on its staff ever since the beginning a few years ago.

The national congress had a long debate on the quality of the paper's content and on the expenses connected with its publication. The paper's leadership had asked for a supplement of 600,000 kroner, but the delegates cut 100,000 from this amount.

"It is not the loss of the 100,000 kroner that caused me to leave," Kjaersgaard said. "It was the underlying tone in the debate. The Socialist People's Party members are seemingly not willing to pay what it costs to publish a quality red paper."

Kjaersgaard thinks that he has set a very open line in the editing of the paper and that this has also won recognition.

"But the party does not seem in practice to be ready for the glasnost line SOCIALISTISK WEEKEND has stood for," he said.

Conservative Views Economic Platform

36130065 *Copenhagen BERLINGSKE TIDENDE*
in Danish 24 May 88 p 10

[Editorial: "Socialist People's Party, Socialist Left Party"]

[Text] The nationalization of banks and insurance companies is just one of many old Social Democratic proposals that is now also included in an economic policy program accepted by the Socialist People's Party's national congress during Whitsuntide. It says a lot about the Socialist People's Party's position precisely on the circumstances of economic life that the party should have lain in the hammock over 30 years before it got an economic policy program, and that it then had such a predictable content that even the Social Democrats are moving away from such proposals. But in any case, it increases the joy over the fact that the so-called worker majority now only has a representation that covers 43 percent of the voters. And this explains why the Socialist People's Party no longer has a following wind.

It is evident that the Socialist People's Party—at one time!—was the party of things that had the greatest influence among young people and that knew how to represent many people's movements. But today these young people have grown older, and various people's movements have in the opinion of many become sectarian unions that don't want to see individual issues in a large connection. Therefore, the Socialist People's Party is looking for a new profile. Therefore, it is the Socialist People's Party Folketing members with Party Chairman Pedersen at the head who so much want to crown their political careers by making the party whole and completely housebroken in a close parliamentary cooperation with the Social Democrats and if possible with the Radicals as well. And, therefore, they are all at a loss in their attempt to have influence without taking responsibility. It is still not easy to get up out of the hammock....

The Socialist Left Party also had a national congress during Whitsuntide. And just like the Socialist People's Party, from which the Socialist Left Party came, it was after an election defeat that must cause reflection. For the Socialist Left the question has recently been simply whether the party should be disbanded. Whether it is

time for a big celebration, after which the members can go back to the Socialist People's Party or spread to other parties in the outermost left wing, for example Denmark's Communist Party or—like the party's best known parliamentarian, Preben Wilhjelmsen—quit politics for a time.

No one can be surprised that the realistic politician, Preben Wilhjelmsen, was one of the first to see the handwriting on the wall. Nor that the former town planning officer in Copenhagen, Vilho Sigurdsson, quickly followed. One can only be surprised that there was no agreement on closing shop. With the shift in style of the Danish Communist Party—after Gorbachev's appointment in Moscow and Ole Sohn's in Dronningens Tværgade—the most rabid Socialist Left members have a well-grounded alternative, while the more moderate will naturally enough follow in Anne-Grethe Holmsgaard's and Jørgen Løngren's footsteps over to the Socialist People's Party. In any case there is talk of a welcome cleanup in the left wing, even if many will miss the very entertaining quarrels between six or seven parties on how Karl Marx would have solved the problems of 1988. It was fun—even with the Socialist Left, but tiresome in the long run.

Defector From Left Socialists

36130065 *Copenhagen BERLINGSKE TIDENDE*
in Danish 25 May 88 p 2

[Text] The Socialist People's Party mayor in Copenhagen thinks that conflicts between the Socialist People's Party and the Socialist Left preclude Sigurdsson being picked up right away. The Socialist Left mayor is happy about the "delousing" in the party and denies that the Socialist Left is like the Socialist People's Party.

The Socialist People's Party is not ready with the red carpet or with open arms to welcome the fallen Socialist Leftist, Vilho Sigurdsson, if he goes over to the Socialist People's Party. In any case, he must count on a period of quarantine.

The Socialist People's Party's mayor at Copenhagen's city hall, Charlotte Amundsen, said about rumors that Sigurdsson might want to change parties that the bitter conflicts that have taken place between the Socialist People's Party and the Socialist Left are in themselves enough to preclude Sigurdsson being picked up right away.

At any rate he must be ready to wait a while, Amundsen told BERLINGSKE TIDENDE. She pointed to real political differences at Copenhagen's city hall between the two parties, among other things on the budget. According to the Socialist People's Party mayor, the Socialist Left has for about a dozen years considered the Socialist People's Party as its main opponent in economic policy—and Vilho Sigurdsson has been the budget spokesman to boot.

She characterizes his jump as much too quick, when one considers that Sigurdsson in the Folketing elections 10 May stood as number 3 on the total Socialist Left list.

In the Socialist Left Party, the mayor in Copenhagen, Gunna Starck, said that Viljo Sigurdsson did the right thing and that she does not regret his resignation at the Socialist Left congress during Whitsuntide: "People should not hang on if they feel they are not useful. It is better to say goodbye and to work where they feel they are accomplishing something. Viljo was right in drawing the proper conclusions from his feelings."

Concerning reports that Sigurdsson was about to change parties to the Socialist People's Party, Starck said: "I haven't heard that he is in disagreement with the Socialist Left group, but if he feels that the Socialist Left is like the Socialist People's Party to the extent that it is virtually the same thing, then Copenhagen's Municipal Council is the last place he should abandon the Socialist Left. Here we are quite clearly not like the Socialist People's Party, and we are not ready for cooperation with the Social Democratic Party right away."

In addition, she denied that the Socialist Left was weaker after among others Viljo Sigurdsson and Preben Wilhjelm had broken with the party. "On the contrary. Now the party has been deloused. The right wing, to which Viljo in some ways belonged, has left. In many ways this is a relief. For now we don't have to fight so hard internally to determine who is right." She herself has no plans to leave the Socialist Left.

In the last communal elections in Copenhagen Viljo Sigurdsson showed himself to be the big vote getter. He got 11,000 personal votes of the 28,000 total that came to the Socialist Left.

09124

FEDERAL REPUBLIC OF GERMANY

INFAS Analysis of Schleswig-Holstein Election
36200120 Munich SUEDEUTSCHE ZEITUNG in German 10 May 88 p 6

[Text] Bonn (DPA)—The pollsters at the INFAS Institute in Bonn have found unusual results against an unusual background following the election in Schleswig-Holstein. They reach the following conclusion in their analysis:

The voters in the northernmost Land have indicated clearly how they stand. The stalemate last fall has turned into an very clear majority. After nine legislative terms in the opposition, the SPD has in one fell swoop gained 46 of the 74 seats, 19 more than the CDU, the party that has set the tone and wielded power since 1950, and has had its self-assurance shaken by the Barschel affair.

There are several Laender in which the opposition must content itself with one-third (or less) of all votes cast: the SPD continually in Bavaria, for some time in Baden-Wuerttemberg and lately in Berlin as well; the CDU was even reduced to one-fourth of the votes in Bremen. However, the CDU is not as weak in any other rural and basically conservative Land as it has been since 8 May 1988 in Schleswig-Holstein. And never before has the tide turned so completely in such a short period of time: In 1983, the SPD was still 5.3 percentage points behind the CDU, while today it is 22.5 points ahead of its middle-class competition.

This fact alone is evidence that this election was unlike any other before it. Voter surveys in recent months point to the plebiscite character of this election. For most, it was a foregone conclusion that a change would take place, and it was simply a matter of who would be the new leader of the Land. Even voters who did not want to play an active role had few complaints about this role switch.

The theme had been intensified more by the media than by the parties. The fact that the politicians ignored the "Barschel affair" did nothing to alter its significance. The voters must have been reinforced in this respect by the fact that the politicians made the issues of fairness and political style the central theme in the campaign. Few of the new concepts concerning voter flexibility and reasons for it that have been learned from Landtag elections in recent years were reflected in Schleswig-Holstein.

Even voter turnout contradicted the most recent trends and theoretical expectations. At 77.4 percent, it was somewhat lower than on 13 September 1987 and no lower than the level in other Landtag elections. In view of the considerable degree of irritation and disappointment in recent months, greater rejection of all politics and a high degree of abstention would have come as no surprise. Under normal conditions, such a calm campaign would have clearly generated voter indifference. But even in Hamburg it was seen that repeat elections do not dampen voter interest.

Mobilization of Previous Nonvoters

However, the CDU's campaign style was not totally ineffective with respect to that party's supporters. The INFAS balance sheet of shifting voter patterns indicates strong gains by the SPD through mobilization of previous nonvoters in the magnitude of 50,000 people, and losses by the CDU through abstention of nearly 30,000. Contrary to the trend, voter turnout in some electoral districts in which the CDU has up to now had a solid base fell off compared to 1987. In the SPD strongholds, however, turnout was higher.

Voter behavior was particularly uncharacteristic in that it did not lead to close results and less clarity concerning who wields real power, as has been the case in Hesse,

Hamburg or Lower Saxony, but rather resulted in clear polarization and, again for the first time, in a stronger concentration of voters in the two major parties. The fact that the SSW [South Schleswig Voter League] delegate continues to be represented in the Landtag, in fact with even greater backing among voters in the northern parts of the Land, is due to the special provisions of the electoral law. A result in which 88 percent of the vote went to the two major parties and neither the Liberals nor the Greens are in parliament is not in keeping with the trend in recent years.

What is striking is both the volume of voter mobility and its clear direction. It is true that there have been many occasions recently in which a party has lost more than nine percentage points in a Landtag election, such as the SPD in Hamburg in 1986 and the CDU in Bremen in 1987. In noncity-states, however, the losses are at most between six and seven points (such as for the CDU in the Saarland and in North Rhine-Westphalia in 1985, in Lower Saxony in 1986, in Rhineland-Palatinate and Schleswig-Holstein in 1987, and for the SPD in Hesse in 1987).

Major Inroads Into New Strata

Nowhere, however, has the SPD ever made such major inroads into new strata of voters as it did this time in the north (an increase of 9.5 points compared to the fall of 1987, and 11.1 points compared to the spring of 1983). The strongest Social Democratic gains in recent times had been in Lower Saxony in 1986 and in the repeat election in Hamburg in 1982 (8.6 points), in the latter case as the recovery of earlier losses. The CDU advance in Hesse in 1970 was even more spectacular (13.3 points), but it was more the case of a need to catch up that took place at the expense of all the other groups, not just the ruling SPD. The losses of one party have generally benefited several parties at the same time, because the voters reorient themselves pluralistically in many directions. A situation in which one major party has benefited almost exclusively from the losses of the other one is in fact unique.

There is something else that is new and remarkable about these results: the high percentage of female deputies in the Landtag. Women hold 17 out of 74 seats, which comes to 23 percent. Their representation will be even greater in the leadership positions in the cabinet, which will have four female ministers.

Voter movement generally takes place in the form of a multi-sided exchange. Even if one stream of voters is particularly strong, there are many other types of movement under way. In contrast to earlier elections, the important movement this time did not take place within the two major political "camps," but rather between them.

The balance of voter movement in this election shows the extraordinary significance of the large flow of nearly 90,000 voters that moved from the CDU to the SPD on balance. The SPD has the mobilization of previous nonvoters to thank for its further growth (around 50,000 votes).

In contrast, internal movement in the middle-class and in the Red-Green voter domains were less important. There was an exchange of voters between CDU and FDP in the magnitude of 20,000 votes, which on balance resulted in a slight lead of 3,000 votes for the CDU. Movement between the SPD and the Greens resulted in a growth of just under 20,000 votes for the SPD.

Among the most striking results of the voting in Kiel was how little the FDP was able to profit from the CDU's sticky situation. The FDP apparently did not present itself to discontented CDU supporters as a serious alternative; in the opinion of many voters, it did not initially demonstrate enough distance from the shattered CDU, and later on not enough constructive consistency. Most of all, however, it was not able to live up to its well-known skill for tactical calculation based on the state of affairs and could not give the impression that it is indispensable for balancing any scales of political decision-making.

No Chance for the Greens

Likewise, there was little maneuvering room for the Greens in the Land, even though they really played no role in the affair. The issues important to them remained in the background; in addition, the leading SPD candidate—just as in the Saarland—showed himself to be very open to environmental and energy issues. In questions of political style as well, which are often significant for the Greens, Engholm dominated the agenda.

At any rate, the structural conditions in Schleswig-Holstein are rather unfavorable for the Greens and have never allowed their share in Landtag elections to rise as high as four percent. In the sole, modest "stronghold," Kiel (5.6 percent in 1987), they had to swallow a loss of over 2 percentage points, the largest in the entire Land.

No Swing to the Right on the Fringe

Despite the erosion in the CDU range of support, there is scarcely any indication of dispersal and disintegration on the rightist fringe of the party spectrum in the northernmost Land, as has been registered in Bavaria and Baden-Wuerttemberg. The swing to the right has limits. The splinter parties were able to accumulate a total of 3.1 percent. Of the six groups, the NPD, with 1.2 percent, had the highest total throughout the Land, but it was unable to achieve 2 percent in any electoral district. The rightist parties were unable to provide any orientation on the issue that disturbed CDU supporters to such a great extent.

More clearly than anywhere else, the SPD succeeded in breaking into the middle-class and the farmer environment. The fact that the party was accepted there has to do with the specific themes of this election, but also with a loosening of party bonds. All evidence indicates that this election did not involve the classical political themes to which the party system had learned to react, but rather represented a vote on a fundamental issue of political morality (or immorality). The behavior of the individual voter was thus decided more by his basic psychological orientation than by his socio-economic interests. To that extent, the results extend beyond Kiel. The capacity to accept heavier loads has its limits, even among loyal voters. Traditional loyalties are less important in critical situations, and many "modern" voters react with flexibility to a present-day situation.

This is the explanation for why the strong movement from the CDU to the SPD was rather uniform throughout the Land. Deviations can scarcely be explained by structural differences. City and country, blue-collar and white-collar worker, prosperity and poverty, unemployment and technical progress: All of these factors do little to explain the results of this election.

The regional pattern is relatively homogenous: The percentage of votes for the Greens decreases in 44 electoral districts; the Liberals make gains in only four electoral districts, in the vicinity of Hamburg, and register losses everywhere else. The SPD gain is at least 7.3 points in all the electoral districts, the CDU loss at least 6.4 points. The general rule is that wherever the CDU lost a great deal beyond this, the SPD gains were likewise higher than average.

Because of this wide swing of the pendulum, the SPD has become the strongest party everywhere and has taken all 16 direct seats away from the CDU. It fell short of an absolute majority in only eight electoral districts, four of which are northern districts with high SSW percentages. Even in what was previously the best CDU district (Rendsburg-West), the Social Democrats achieved a jump of six points.

A comparison of all 44 electoral districts, however, shows several striking deviations from the upward and downward trend in the Land for the CDU. For example, in the very northwestern corner (Suedtöndern district), it gave up only 6.4 points compared to 1987; in the very southeastern corner (Lauenburg-South district), in contrast, it lost 13.2 points. This latter district was the one that Uwe Barschel had taken repeatedly. The particularly weak result this time corresponds to the particularly good result in the previous election, when the CDU registered its smallest loss here on the basis of the personal reputation of its minister president. In the longer-term trend from 1983 to 1988, Lauenburg-South, at minus 15.8 points, is in keeping with the trend throughout the Land.

These two electoral districts in the extreme north and south each represent a larger region. On the one hand, there are districts in the northwestern part of the Land (Husum, Schleswig-West, Dithmarschen, Rendsburg-West) with CDU losses of around eight points or less. It was here that the Independent Voters Community [UWSH] profited from farmer dissatisfaction in the fall of 1987. This time, many UWSH voters apparently returned to the CDU; this offset its losses a little. The FDP too came off more poorly in this part of the Land than on the average for the Land. The rightist parties were relatively unsuccessful here.

North-South Difference Corrected

On the other hand, the Christian Democrats registered losses of over 10 points in Luebeck, and more than 11 points in the entire region near Hamburg. Here in the southeastern part of the Land, where many Hamburg commuters live, the FDP held its own in many places. However, it was the rightist splinter parties in particular that were able to achieve above-average successes. The NPD and Republicans together got 3.1 percent in Lauenburg-East, 2.7 in Lauenburg-South and 2.5 percent in Luebeck.

These slight regional deviations from the general trend indicate more the special nature of the election in September 1987 than influential factors on 8 May 1988. The noticeable north-south difference in the previous election—small losses for the CDU in the south, heavier losses in the north—was corrected in this election.

For the Social Democrats, such deviations are similarly noticeable in reverse, even if the contrast is less stark. Almost all the rates of change move within more narrow bounds than is the case with the CDU, with gains of between 11 and 8 percentage points. Here too, however, there are two exceptions: Kiel-Center leads the way with a gain of 11.7 points, because the Greens lost 3.4 points here; Husum-Eiderstedt is at the tail end with a gain of only 7.3 points, because the SSW was able to add 1.3 points here compared to 1987.

These exceptional features confirm that debate focused less on individual political issues than on a central issue of political style. National politics played a special role in this case. Still, the larger political climate scarcely had any positive effect on doubtful CDU supporters. The personal union of Bonn minister of Finance and Kiel party chief made Gerhard Stoltenberg seem a double burden in this situation. Thus, diversion from the cabals of Kiel could not be expected.

In formal terms, the voters felt that the parliamentary inquiry committee had clarified the question of guilt and innocence. The CDU, as an accessory, bore part of the responsibility. It had promised rejuvenation. And yet, according to the INFAS voter survey, 82 percent came to the conclusion that this rejuvenation had been only superficial, although only 7 percent blame the CDU

leading candidate, Heiko Hoffmann, for this. Expectations and hopes were thus focused on a change, a truly new government. Essentially, this anticipated change was merely confirmed by marking the ballot; through the election it was, so to speak, officially sanctioned. The voters in the north lived up to the moral expectations of the German public and complied with Bjoern Engholm's desire for "a clean-up."

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FINLAND

CP Politburo Quits Following Finance Scandal

Politburo Offers To Resign

36170071 Helsinki HELSINGIN SANOMAT in Finnish
12 May 88 p 11

[Text] The Politburo of the Communist Party announced on Wednesday that it was resigning because of the party's economic crisis. On Wednesday the Politburo resigned, with all positions to be filled by the Central Committee. This dramatic resignation is not, however, expected to lead to personnel changes in the party's top leadership, because Party Chairman Arvo Aalto and Party Secretary Esko Vainionpaa are willing to continue, if the party's Central Committee decides on this at the end of the month.

The Politburo approved the resignation request of Jorma Sorvari, the Finnish Communist Party's business manager, because the business manager was regarded as responsible for initiating the unsuccessful investments. By its resignation, however, the Politburo wanted to emphasize the political responsibility of the party leadership for the economic problems. The yield from the SKP's investments has led to a significant deficit in last year's final accounts.

The proposal that the Politburo should resign was made by the SKP's deputy chairman, Member of Parliament Arvo Kemppainen. He does not believe, however, that the Central Committee will make personnel changes in the top leadership of the party. According to Kemppainen, the resignation gives the Central Committee the opportunity for an open discussion of the party's economic crisis. Deputy Chairman Helja Tammissola is also reported to be one of the group that initiated the idea of resignation.

Arvo Aalto, the chairman of the SKP, Party Secretary Esko Vainionpaa and several other members of the Politburo announced already on Wednesday that they were willing to continue in their posts if a vote of confidence is obtained from the Central Committee. Esko Seppanen, a member of Parliament from the Communist Party, demanded on Tuesday that Aalto and Vainionpaa resign.

The Central Committee will meet in Tampere on May 28 and 29 or two weeks later than planned. The Politburo assigned to a working group on Wednesday the task of compiling a detailed report on the party's financial management and the means involved in rectifying the situation.

At the meeting of the Politburo it was emphasized that the SKP's final account balance from last year has a deficit of 9.1 million marks. The deficit was caused for the most part by the relatively unsuccessful investments of two companies owned by the SKP. The income from these investments was several million marks lower than anticipated. In addition election and party congress costs have been larger than expected.

Fewer Employees

According to Reijo Kakela, party secretary of the SKDL, who sits on the Politburo, the committee has received bad and incorrect information from Sorvari. In Kakela's opinion the SKP should reduce the number of employees. This matter will also come up at the Central Committee meeting.

Kakela emphasized that the business manager and the SKP leadership bear responsibility for the matter. He considered the the resignation of the Politburo to be an exceptional act in Finnish political culture in which political responsibility for the bad management of affairs is not generally admitted. Kakela characterized the resignation decision as "collective and unanimous."

Esko Helle, the chairman of the SKDL, surmised on Wednesday that the economic weakness of the SKP would have reflected effects on the SKDL image too, because the SKP is a member organization of the SKDL.

According to Helle, the problems of the SKP will not have a direct economic significance for the SKDL, in view of the fact that their economic activities are completely separate from one another.

Of the approximately nine million marks in party support to be paid on the basis of the SKDL members of Parliament just under one million marks are allocated to the SKP. In addition the parties have a few jointly-salaried functionaries.

Helle indicated that the SKDL had not engaged in any investment activity but just lived "from hand to mouth." It owns only its office space on Kotkakatu and a few residential properties obtained through bequests.

The Politburo is the organization that decides on party policy and carries out the administration of the SKP. It is made up of the party chairman, the party secretary, two deputy chairmen and seven other members. The Central Committee is the highest decision-making body of the SKP between party congresses.

SKP-Y Complains About Lack of Self-Criticism

The SKP-Y hopes that the crisis that has broken out in the Communist Party led by Arvo Aalto will lead to still broader renewed criticism of the developments that led to the splitting of the SKP. In the judgment of the SKP-Y Politburo what is involved here is not only an economic crisis but also policy

"The announcement by the Politburo headed by Aalto that it would put let the Central Committee decide its future does not, however, contain any self criticism about its attitude to such things as casino capitalism and party member democracy," the SKP-Y Politburo noted on Wednesday.

In the opinion of the committee the communist forces should join together to defend an honest leftist policy and socialist ideals "instead of playing in a casino economy."

Paper Assesses Party's Problems

36170071 Helsinki HELSINGIN SANOMAT in Finnish
12 May 8 p 2

[Editorial]

[Text] The economic experiments of the Finnish Communist Party outside its own sector have been expensive. After the resignation of the business manager economic and ideological comments are expected from the party leadership. Jouko Kajanoja of the Democratic Alternative has already remarked that casino economy games do not pay.

The situation is most ticklish for the SKP from an ideological standpoint. The fact is that in other respects, too, there have been deviations from the path of the original ideals whenever it has been in the party's interests. The importance of labor instead of earning from capital, however, has remained uppermost in the program of the SKP at all times.

A communist party operating in a capitalist country requires funds, however, just like other parties. But contrary to other parties, including the Social Democrats, who have adopted capitalist values, the communists became involved in gambling for purely material reasons, in the hope of earning quick money. For the bourgeoisie, on the other hand, business life and capital income are not just a means but the normal way of living.

The SKP's apparent intellectual unpreparedness together with inexperience and secretive management were the basis for the bad luck and painful losses. The same thing could happen to anyone who wants to sit on two chairs, especially if they are of different heights.

Outsiders should not gloat about this, since it is really advantageous for our party life for each party to obtain its own funds through its own resources and from its own country.

Minister Criticizes Party's Actions

36170071 Helsinki HELSINGIN SANOMAT in Finnish
13 May 88 p 12

[Text] Minister of Justice Matti Louekoski (Social Democrat) promised that the granting of subsidies to the Finnish Communist Party would be closely monitored now that irregularities had come to light.

The Communist Party and the SKDL receive over four million marks in subsidies each year. The deficit revealed in the SKP's accounts is equivalent to two years' subsidization.

The authorities have the right to study the use of subsidies received by the parties. "In such cases the authorities react without a separate request. After this fiasco the SKP's use of subsidies will be investigated. That is clear," Louekoski said.

The minister did not want to incite the authorities to undertake a special inspection, however. A normal inspection would be sufficient.

The Ministry of Justice is now in the process of recruiting a special inspector for supervising the use of party subsidies. After the revision of legislation pertaining to the subsidization of political parties, the supervisory power of officials over the parties has been expanded somewhat.

Louekoski noted that the original purpose political subsidies was to support party activity. "The party support funds are intended for maintaining the fundamental organization - not for commercial activity. They are not intended and usually are not sufficient for gambling."

"The SKP is a wealthy party. I am not familiar with the SKP's situation nor do I know whether the money was going into a bottomless pit. Although the loss was caused by bad investments, the money is not earmarked to show where it came from. In investigating the use of party subsidies it is sufficient to show the extent of the activity for which the money was used."

Crisis Group in the SKP

The SKP leadership, itself, has also been investigating party investment activity. It has just set up a crisis group to study the use of party subsidies. The group has been staffed with SAK, Eka and Kansa auditors and financial specialists.

The objective is to be able to clarify the financial situation for the SKP Central Committee, which meets in Tampere at the end of May. A second objective to present a proposal for economic reform to the Central Committee.

The information that has come to light so far indicates that the SKP did not suffer an actual loss as a result of the collapse last fall of the casinos that the party had invested in. The value of the SKP's investment portfolio was 50-70 million marks according to different estimates from which investments were made in rather small enterprises through the SKP development companies Corona Invest, Viestintlink, Fennosev and Sijoituslink. The main part of the assets, however, have been invested in land parcels and urban renewal projects.

In addition to the SKP's own funds, the party's headquarters, the House of Culture, has been mortgaged to secure debts. In the Finnish Union Bank's vaults there are bonds worth 50 million marks. A portion of the bonds is made up of old construction and repair loans taken before the beginning of the investment activity. The SKP leadership gave assurances that the House of Culture would not go on the auction block.

The SKP's balance of accounts for last year showed a deficit of 9.1 million marks. The occurrence of a deficit did not come to the SKP leadership as a surprise, since the investment activity was begun only last spring.

The original intention was for the deficit to be revealed to the public in the spring. Along with this the intent was to reveal income in the millions generated in the first half of this year, although business manager Jorma Sorvari, who resigned this week, promised yields quickly.

A discussion of basic principles concerning the use of subsidies was held by the SKP leadership during the initial stage of investment activity. The conclusion is portrayed as "ideologically limited," since, in the opinion of the SKP leadership, funds were not to be invested in large companies and casinos.

Money is not going to be made by the companies, at least not quickly. It is easier to make money from urban renewal and land transactions. At the present time SKP companies are renovating an apartment building in Kallio. Land purchases are underway in Turku.

The Company Group Sprouts

The SKP treasury attracted various party entrepreneurs like bees to honey. According to initial estimates the weakest link in the investment chain is considered to be the real estate company Luode Invest, which has had payment difficulties, among other things. The SKP business associate Veikko Luode left the company a few weeks ago.

Luode Invest has a subsidiary Luode Invest Trading, which is supposed to become a trading company in East-West trade.

The Luode companies also include Helsingin Omakoti Oy representing Swedish Marbodol furnishings, Suomen Rakennusvuokraamo, the racing stable Hot Trotters, and Tanneco OY. Through Tanneco the SKP owns about ten percent of the share capital of the men's clothing firm Kuusinen. Together with businessman Peter Fryckmann SKP companies own Suomen Tilaelementtitehdas Oy, which produces Valmis-Parma homes, Projektisijoitus, and Merenkurkun Linjat Oy, among others. In addition the SKP investment companies holdings in Muovihake Oy and Polar-Juomat Oy in Pertunmaa.

As far as is known the companies have had discussions with several travel companies, but negotiations concerning cooperation have been broken off before an agreement could be reached.

CPSU Support Ended

The SKP leadership admits that there was a joint decision to undertake the investment activity. The income obtained from the SKP's own old companies had declined in the last few years. An especially painful setback occurred a few years ago, when the Communist Party of the Soviet Union shifted the printing of its Sputnik magazine from the SKP press to Kursiivi Oy, which is owned by the taistoite communists.

The SKP's former chairman, Aarne Saarinen, said on Thursday in Kansan Uutiset that in past years the SKP had been dependent on "international support." According to Saarinen the support ceased when the SKP began to follow a more independent line.

Within the SKP, there has also been a fight going on over the political legacy of the party under the guise of economic disputes. The Central Committee will take up the offer by the Politburo to resign at its meeting. The "lieutenants" around Party Chairman Arvo Aalto have raised the flag of revolt. Aalto is expected to make a statement in the next few days about what he intends to do. To date Aalto has remained silent about his plans. It is considered likely that Aalto will stay on but Party Secretary Esko Vainionpaa will lose his job.

A change has been pushed most forcefully by Deputy Chairman Arvo Kempainen and the SKDL party secretary, Reijo Kakela. No one knows yet how Kakela's own attempt to become SKDL chairman on Whitsunday will go.

The shares of Kakela's supporters rise in the chairman games as the position of Aalto, who opposes his election, weakens. Kakela's opponents, on the other hand, want to

hunt for a new unsoiled candidate for the SKDL leadership. Kakela is also a member of the SKP Politburo, which submitted its resignation.

Other Newspapers Comment

36170071 Helsinki HELSINGIN SANOMAT in Finnish 15 May 88 p 15

[Text] Many papers are still continuing the discussion of the economic difficulties of the Finnish Communist Party. The chairman of the SKP, Arvo Aalto, has finally promised his own protest on Saturday in the party's various organs.

Concern for the Communists

Suomen Sosialidemokraattii regretted the misfortunes of the other leftist party.

"Party rules allow for various amendments even by the SKP. The section regarding amendments remains unchanged from the last party congress. Considering the party rules, the Politburo's tendering its resignation is thus extraordinarily dramatic. The Central Committee now certainly has as one of its items the election of a Politburo, in addition to regular matters. Was it luck or accident on the part of the party leadership that the rules with regard to the power wielded by the Central Committee were not changed?"

"The SKP is in a sad situation. Washing the party's financial dirty linen in public just before the municipal elections is a heavy burden for the SKP as a political movement, not just the economic losses which have resulted mainly from participation in private business life and faulty estimates of the meandering course of the speculative economy. Other leftists have no reason to gloat over the communists' problems. They arouse great concern."

A Setback in the Elections

The independent Etela-Suomi—published in Kotka—predicts a setback for the Communists in the fall municipal elections.

"How can anyone believe that the SKP is capable of managing other people's finances well when they cannot even manage their own. The economic setbacks are so large that the SKP will probably be forced to reduce its personnel too, which may have an effect on the results of the municipal elections."

"There is nothing surprising per se in the casino investments engaged in by the SKP. Every party has to try to obtain as much money as it can through legal activity. Support received by a party whether domestic or foreign always causes a bond dependency, which then narrows the party's own decisionmaking power."

The Resignation of the Leadership Is a Charade

The Center Party paper Keskisuomalainen—published in Jyvaskyla—interprets the resignation of the SKP leadership as simply play acting.

"Men's clothing establishments and race horses as well as many company groups in which the SKP participates have aroused discussion and wonderment among party members and supporters. The agent for the destitute proletariat now turns out to be Finland's richest party, which is not going bankrupt even with losses in the millions."

"In addition to money, the SKP lost its credibility. The theatrical resignation of the leadership group does not improve the situation, especially if it later proves to be purely a formality."

Kakela Is Hypocritical

The taistoite Tiedonantaja labels Reijo Kakela, who wants to be chairman of the SKDL, as hypocritical.

"The Politburo, which has stepped down from its post, did not utter a word of criticism about its capital speculation carried on in the name of the party or about trampling on member democracy. The statement by Reijo Kakela in which he raised the Politburo's submission of its resignation as an example of a new political culture which will go down in history for its hypocrisy."

"In a surprisingly short time Aalto's group has managed to cause the SKP serious damage and at the same time make a thorough mess of its own affairs. Its current situation can be termed moral as well as economic bankruptcy."

Aalto Explains Actions

36170071 Helsinki HELSINGIN SANOMAT in Finnish 15 May 88 p A 12

[Text] SKP chairman Arvo Aalto explained the party's economic muddle in the weekly supplement of the SKP's and SKDL's KANSAN UTISET on Saturday. According to Aalto the SKP undertook the investment transactions for unselfish reasons. The election defeat had weakened the SKDL's finances, but the party wanted the activity of the people's democratic organizations to continue in its previous scope.

Aalto laid the blame for the failure of the investments on the back of the business manager.

In November the party's Central Committee decided that the investment activity should be put under the supervision of a group of experts. Aalto said in the interview that right after the meeting he had requested the business manager to make a report on the matter.

"When I had not heard anything, I asked the party secretary (Esko Vainionpaa). And when nothing came of this either, I assembled one myself. And this was the impetus for the clarification then in January," Aalto said.

Aalto repeated in the interview "that he bore the political responsibility for the investment scandals unambiguously."

District Secretaries Express Confidence

36170071 Helsinki HELSINGIN SANOMAT in Finnish 16 May 88 p 16

[Text] In the opinion of the Finnish Communist Party's district secretaries the Politburo should continue its work. The SKP Politburo decided last week to submit its resignation because of the party's financial difficulties.

According to the party secretary of the SKP, Esko Vainionpaa, the prevailing spirit at the meeting of the sixteen district secretaries was that it was not necessary to replace the Politburo, but that it could deal with the problem.

The Central Committee, which convenes at the end of the month, will take a position on the Politburo's offer to resign. Among others the deputy chairman of the party, member of parliament Arvo Kempainen, has demanded the replacement of at least the majority of the party leadership. In Kempainen's opinion, a special party congress should be called if the Central Committee does not make changes in the party leadership.

In the opinion of the district secretaries there is no need for an special party congress.

The chairman of the SKP, Arvo Aalto, has announced that he has not yet made a final decision on his willingness to continue as party leader.

The Politburo is the SKP's decisionmaking body and is responsible for the party's administration. It is made up of the party chairman, the party secretary, two deputy chairmen, and seven other members.

Kakela Reports to CPSU

36170071 Helsinki HELSINGIN SANOMAT in Finnish 18 May 88 p 11

[Text] The party secretary of the SKDL, Reijo Kakela, explained the surprising financial problems of the Finnish Communist Party to representatives of the Communist Party of the Soviet Union on a quick visit to Moscow.

"I told them approximately what has been said publicly in Finland. The comrades seemed to already be aware of the matter, but they were not greatly interested in it. The

matter is none of their business, and they did not take any position on it," Kakela said when he returned to Helsinki on Tuesday evening.

Kakela gave assurances that "unfortunately" he did not have a bag full of money for the SKP.

Kakela's two-day visit to Moscow was surprising in that it occurred just a few days before the SKDL party congress. Kakela is regarded as one of the stronger candidates to be the new party chairman of the SKDL.

Kakela strongly denied the supposition that the invitation to Moscow was a demonstration of support by the CPSU for his election.

"The SKDL is an independent organization, and the people working in it decide on their own affairs themselves. The Soviet comrades do not interfere in our internal affairs," Kakela puffed.

Kakela remarked that he had not even announced that he would be a candidate for chairman of the SKDL. "I shall announce my position when I see what is decided at the meeting."

Kakela said that it was also not beyond the bounds of possibility that he would remain as party secretary of the SKDL. "It depends on what kind of personnel changes take place."

According to Kakela there was nothing dramatic about his trip to Moscow. In Moscow they talked about "the future of cooperation between the SKDL and corresponding Soviet bodies." According to Kakela the outlook for cooperation is good.

Party's Blunder Reveals Problems

36170071 Helsinki HELSINGIN SANOMAT in Finnish 21 May 88 p A 8

[Article by Janne Virkkunen]

[Text] The Finnish Communist Party has experienced financial losses, the final extent and significance of which it is impossible to estimate for lack of data. The deficit of nine million marks in the party accounts is large by any standard, but it is only the tip of the iceberg when the details of the casino investments are revealed and the political consequences are paid.

The SKP has gotten into financial difficulties that doubtless will lead to personnel cuts. While waiting for the final figures each SKP functionary may ponder what will happen to those responsible. The SKP business manager has already resigned finally and the whole Politburo has submitted its resignation, but with almost the same breath has announced that it would favor being elected again.

Publicly, everything appears to be in order, and things seem to be going according to the rules, even if the Central Committee elects the former leadership again. The hypocritical talk about a new political culture has apparently been effective.

The real question, however, is whether the old leaders can be elected again in a situation in which the party's auditors have not been able to recommend that the Politburo's actions be formally approved.

Although many details of the casino investments are still shrouded in secrecy, one thing is certain: SKP Chairman Arvo Aalto and Party Secretary Esko Vainionpaa have made a royal mess by permitting their business manager to speculate with millions and, in the final analysis, the credibility of the party has been damaged. It is also obvious that Aalto and Vainionpaa could not have been as completely uninformed of the financial adventures as they now say they were.

Thus the SKP has obtained direct experience with the stern laws of capitalism. In its own programs and positions the SKP has condemned speculation, but it now turns out that the party's funds have not been invested—as one was given to understand—altruistically in small and medium sized industry at all but in dubious minority holdings in rather small enterprises and even in race horses. One of these companies has filed for bankruptcy already.

The SKP Central Committee will be entrusted with a great deal when it assesses its own credibility in addition to that of its leaders next week, and it will be a real miracle if Aalto's and Vainionpaa's offers to resign are not accepted for both or at least one of them.

There are many levels in party activity. Under all circumstances, however, the successful operation of a party demands the voluntary self-sacrificing work of thousands of people and the payment of membership dues. In addition, credibility, which now has wavered, is required of the leaders.

The SKP investment fiasco may also have serious consequences for the SKDL's support just when a light was flickering at the end of a dark tunnel: the ideological split that had tested was in the initial stages of being overcome, and the presidential elections went much better than expected under the auspices of the red-green Movement 88.

Operating in the obscurity of private dining rooms is accepted in politics, but there is also much that is shameful in politics. One of the worst of these is becoming ridiculous.

Dissidents Found New CP

36170071 Helsinki HELSINGIN SANOMAT in Finnish
23 May 88 p 14

[Text] The strictest revolutionary communists founded a new communist party, which is named For Peace and Socialism—the Communist Workers Party or KTP—in Vantaa on Saturday.

The Communist Workers Party will be entered in the association register next week and will begin gathering the 5,000 names of supporters required for the party register right away.

A group calling itself the Central Committee of Communists has long planned the formation of a new party under the leadership of the Uusimaa taistoite communist Markus Kainulainen. The founders of the party are disillusioned with the activity of the Finnish Communist Party and the taistoite communists who were thrown out of it.

"National Assembly"

There were 188 participants, most of whom were from Uusimaa, in the "National Assembly" in Hiekkaharju. A carload of people from Lapland also came. Most of them have been active in the taistoite communist SKP-Y and some from the SKP.

Unanimously elected chairman was the Lohja computer executive Timo Lahdenmaki, who is district chairman of the taistoite communists' election party Deva. Helsinki businessman Juhani Eero was elected deputy chairman. Eero is also chief editor of the party organ Tyokansan Sanomat, which was founded in November. The second deputy chairman, tool fitter Hannu Tukominen, is a member of the SKP- Y Central Committee.

Hardliners Not for Unification

The organizer of the new party, Markus Kainulainen, has announced that he is retiring. He will be content with serving in the Central Committee of the KTP, to which 24 members were elected. The party's Politburo includes 11 members.

According to supporters of the Communist Workers Party, the SKP has sold out to the Social Democrats and consensus policy. "Socialism has been put in the cupboard, the pharmacies and banks have remained unsocialized; soon perhaps the postal savings bank will be sold to the highest bidder, Lahdenmaki thundered.

The founders of the new party are also disappointed in the taistoite communists, because they have not made decisions about independent party activity but have moving into the embrace of the SKP chairman, Arvo Aalto. "The SKP-Y leadership is only capable of being in

the opposition. It has kept hanging around the SKP's back door and will knock on the SKDL's door too," Lahdenmaki said scornfully.

The KTP predicts that although the taistoites do not care to go back, they will return to the SKP as individuals, and the SKP-Y will wither away. Lahdenmaki demanded that the "helpless crawling" in the direction of the House of Culture be ended.

The Communist Workers Party denied being the left of the left. On the other hand it considers itself as the only party based on Marxist thought that aims at a revolution. The party intends to accomplish the revolution through keeping the idea of socialism in the forefront and broadening it in the minds of people and the working class.

The KTP wants to junk consensus policy and the present government: "Better even Centrist and Social Democrat cooperation than the present red and black government."

The party is also opposed to Finland's joining the Council of Europe and participating in European cooperation.

It intends to make known the achievements of socialism in the Soviet Union and to support the economic reform and peace initiatives now underway in the Soviet Union.

The KTP does not have relations with the Soviet Union. The founders suspect that the Soviet Communists "may look down their nose a bit at our decision, because they are of the opinion that communists should strengthen cooperation."

The KTP leadership does not want to guess how long it will take to gather the names of 5,000 supporters. The party's objective is to participate in the next parliamentary elections in 1991. The party will try to make an appearance in the municipal elections if circumstances permit. Its members will participate in the elections on the Democratic Alternative lists "if we manage it."

The Old Parties Have Become Bureaucratized

The atmosphere at the Tikkurila vocational school was relaxed despite the shudder of revolution. "We are not so scary," the communists assured.

The Helsinki carpenter Veikko Paananen set out to found the new party after having become disappointed in the communist parties' bureaucratization. He has been in the SKP "for years." "I do not want to be a puppet of the functionaries in any party. Party work must not be just paying membership dues that someone then invests in race horses," Paananen said sarcastically.

Lasse Moisanen from Sipoo based his joining the new communist party on the fact that chairman Taisto Sinisalo did not favor transforming the SKP-Y into a separate party. Moisanen longs for concrete activity at the workplaces, in the trade union and among youth.

The main address of chairman Lahdenmaki contained a few jokes in addition to the roar of ideas.

"The newspapers are flooded with anecdotes about embittered former communists from the 1970s. People ask where the real communists are. Well here we are, a little bit older, of course," Lahdenmaki told the audience, whose age ranged from the thirties to pension age.

Aalto Leaves 'Fed Up'

36170071 Helsinki HELSINGIN SANOMAT in Finnish 24 May 88 p 11

[Text] The chairman of the Finnish Communist Party, Arvo Aalto, said that he had decided to leave his job over a week ago. It feels somewhat lightweight," he sighed on Monday after the decision, which he characterized as irrevocable. Actually reaching the decision was for him the most difficult stage of the process.

Originally Aalto intended to say that he was resigning only in the Central Committee. It meets next weekend to elect a new Politburo for the party to replace the one that resigned because of the financial scandals.

Events swept past Aalto, however. The SKDL got away from the guiding strings of the SKP leadership, and the struggle for Aalto's head heated up as it went.

"There was this fuss gathering strength around Aalto here," Aalto emphasized. "I wanted to spare these agitators by this announcement."

"Unworthy Play"

In a statement released on Monday Aalto accused the agitators of playing unfairly. He said that in its present composition the party leadership is incapable of managing its affairs.

Aalto did not want to stipulate more precisely who the unfair players were or the forms the unfairness took. "I believe the reading ability of the Finnish people is quite good. They have read the papers, so I do not need to explain."

In public Member of Parliament Esko Seppanen (Communist) has demanded the resignation of Aalto and Party Secretary Esko Vainionpaa.

Aalto left the SKDL meeting held last weekend early citing scheduling problems. Observers surmised, however, that the actual reason was the fact that a candidate objectionable to Aalto was elected chairman of the cooperation organization.

Aalto denied that the SKDL elections had finally forced him to make his resignation announcement public.

In Aalto's opinion, far-reaching unanimity prevails with regard to the SKDL's plans for a red-green leftist league. He admitted that especially among young and educated people a leftist league arouses interest. "But especially in this beginning stage it is difficult for the traditional proletariat and the low-paid workers to see anything attractive in it."

In his opinion, when the Central Committee chooses the new leadership it needs to pay special attention to ensure that the final result arouses confidence particularly in this traditional group of supporters of the communists.

"By announcing my resignation I am trying to send a message to the Central Committee that its most important job is the election of the party leadership," Aalto said.

No Names

He did not want to submit any names for the chairman contest.

He is of the opinion that the successor would receive a party "that stands on its own two feet and thinks with its own head" to lead. He does not feel that he is leaving a sinking ship.

The whole picture of the financial troubles is not yet completely clear. Aalto said, however, that he was taking full political responsibility for these troubles.

"The situation will become clear in its entirety when the reports are finally completed. The whole picture, however, is that the SKP has lost a significant amount of money in these ventures. Not so much, however, that the foundations for independent political activity will be rocked as a result."

The resigning SKP chairman considers his next project to be his forthcoming summer vacation. "I plan to spend a more peaceful than usual summer vacation and meditate."

The workers' warhorse does not, however, intend to gambol off to the pension pastures. "I have the notion that there is still something for me to do in this republic."

There has even been public speculation that Aalto would be made director of the Bank of Finland after Ele Alenius (KD). At that time, however, the financial mess of the SKP had not yet come to light.

Paper Views Possible Successors

36170071 Helsinki HELSINGIN SANOMAT in Finnish
24 May 88 p 11

[Article by Pekka Ervasti]

[Text] When the mason Arvo Aalto, 56, steps down, it may happen that the gavel of the SKP party chairman will shift not to the rugged fist of a laborer but to the elegant fingers of someone with an academic education.

Among those mentioned as potential successors are the second chairman of the SAK Aarno Aitamurto, 52, a lawyer, and the chairman of the SKDL parliamentary group, Jarmo Wahlstrom, 49, a school teacher.

The Prince

The party comrades christened Arvo Aalto the prince early on because of his autocratic manners.

The designation may derive from literature, too, since the renaissance author and politician Niccolo Machiavelli's horribly realistic guide to the use of power is called "The Prince." The book counsels that the leading factor in politics is power rather than justice.

In purging the SKP of the taistoites Aalto has not given Machiavelli cause to turn in his grave, according to observers.

Aalto joined the party in 1952, went to the Sirola Institute and was appointed a party official in Lapland.

From the position of district secretary in Lapland he rose to become Party Secretary in 1969 when Aarne Saarinen was leading the party and factional quarrels were shaking it.

For about four years he served as Labor Minister in two governments at the end of the 1970s and beginning of the 1980s but surrendered his position then to Jouko Kajo.

The change paid off, since Kajo in turn had to give up his place in the SKP leadership to Aalto.

Together with his combat partner, Party Secretary Aarno Aitamurto, Aalto carried out the separation of the taistoites from the SKP at a rapid rate. The operation succeeded, although the taistoites from time to time attacked the chairman indirectly through the CPSU.

In his statements Aalto has displayed a better than average ability as a political forecaster. In one interview many years ago he stated that a position in the SKP leadership could not be any sort of retirement job.

Hatchet Man

Although Aarno Aitamurto has an academic education he gives the impression of being a brisk laborer. His operating style has always been as straight as hair standing on end.

Aitamurto, who joined the party in 1961, put in a long stint in the Construction Workers Union. The accomplishments of his term as chairman, which began in 1970 and ended in 1987, included the purging of taistoites from the executive bodies.

The purge went so expeditiously that in 1984 Aitamurto received the assignment also of "renewing the organization" of the SKP.

His tour as party secretary was short but effective. It lasted only about a year. During that time, however, the organizational decisions were made as a result of which the country will soon have three communist parties.

Aitamurto's return to the Construction Workers Union in 1985 fed rumors that the party secretary and chairman perhaps did not get along too well.

Now the chairman has announced that he is stepping down, and talk about Aitamurto's return to the House of Culture has grown stronger.

Once before he already announced that he was interested in the chairmanship.

A Secretive Person

Jarmo Wahlstrom has always been careful about what he says. Other people have regarded this as dullness. Those who are more closely acquainted with the man know that what is involved here is rather far-sighted deliberation.

Wahlstrom will not say a word until he is certain of the situation. He does not say a word now when he is asked about interest in the party's leadership.

Wahlstrom earned political credit by serving for a short term as minister of communications in the Sorsa Government at the beginning of the 1980s.

Recently Wahlstrom has displayed special interest in environmental questions. He is said to have been an opponent of nuclear power already before Chernobyl.

Those who are more closely acquainted with the man know that the musical member of Parliament from Vaasa knows by heart a whole collection of Ostrobothnian songs. "Those blood and guts songs," one acquaintance explained.

After the hatchet-wielding Aalto the party will hardly find the expert on the traditions of the ferruled knife and steelyard strange.

Victory for Younger Generation

36170071 Helsinki HELSINGIN SANOMAT in Finnish
24 May 88 p 11

[Text] During the past few weeks SKP Chairman Arvo Aalto has lost a lot of important supporters within the party. He has thus been pushed to his final announcement that he was quitting.

Behind the criticism has been dissatisfaction with Aalto's allegedly autocratic manner of leading the party. Especially the younger wing of the SKP has been hunting for Aalto's scalp for a long time. The financial scandal that was revealed a few weeks ago accelerated the criticism.

The weakening of Aalto's position could be seen most clearly in the SKDL's league meeting over the weekend. The word of the communist leader did not have the weight it used to. The election of Reijo Kakela as chairman of the SKDL against Aalto's will showed that Aalto no longer had any clout inside the SKDL.

In announcing his final decision to step down on Monday, Aalto blamed his closest colleagues. Among the leadership there was manifested a readiness for "unworthy games." Aalto said that the SKP had suffered a great deal of damage because of poor management of financial affairs, but the economic basis for the independent political activity of the SKP had not been crushed. The report of the work group studying the damage caused by the party's investments will be discussed in the meeting of the Politburo on Wednesday. According to preliminary data the SKP balance of accounts showed a deficit of 9.1 million marks last year.

Aalto's supporters say that the basic reason for his resignation was in fact the behavior of his colleagues in his hour of need. When the rundown financial affairs of the SKP became known a few weeks ago, Deputy Chairman Arvo Kempainen proposed in a meeting of the SKP leadership that the whole Politburo submit its resignation to the Central Committee, which was to convene at the end of May.

The offer to resign came as a surprise to Aalto and Party Secretary Esko Vainionpaa, but they had no choice but to acquiesce. Kempainen continued the pressure by demanding the resignation of the majority of the leadership and the convocation of an extraordinary congress if the Central Committee was not able to form a new leadership.

Kakela, who has been vying for the post of SKDL chairman and is also a member of the SKP Politburo, washed his hands of the whole financial mess publicly. Kakela's supporters used the SKP financial difficulties ruthlessly in the SKDL chairman struggle. About a week before the SKDL meeting Kakela went to Moscow and said after the trip that he had explained the SKP's financial matters to the CPSU too.

At the SKDL meeting Aalto's old supporter, the chairman of the SKDL parliamentary group, Jarmo Wahlstrom, surprised all the observers. Wahlstrom as chairman of the election committee was expected to ensure that Kakela was not elected. Wahlstrom, who had returned from China just before the meeting, turned out to be a calm king maker and ensured the decisive votes for Kakela.

Aitamurto Decides the Game

Aalto's resignation announcement quickly heated up the struggle to assume the chairmanship. In preliminary betting the strongest candidate is Wahlstrom, who is a member of the Central Committee but not of the Politburo. Kakela's forces hung out flags for Wahlstrom, but they have not found a suitable candidate for party secretary.

Wahlstrom himself has not said anything final. He wants to think about it until Saturday. "If a decision is not made in the Central Committee, then a special congress, which I do not support, is facing us."

Wahlstrom points out that Aalto and Vainionpaa bear responsibility for financial matters. They made the decisions and set policy.

Another strong candidate is the second chairman of the SAK, Aarno Aitamurto, to whom Aalto and Vainionpaa, who has not yet talked about his desire to remain as party secretary, could give their support.

Aitamurto is expected to be a boss who could put the SKP's affairs in order. Once before Aitamurto cleaned up the nest after the 1984 party congress, when the taistoite groups had to be split off from the SKP.

Aitamurto is also a member of the Politburo. As the director of the SKP's internal "trade union party" Aitamurto has the decisive word under normal circumstances in the SKP. Aitamurto has not yet been willing to say anything about his desire to become chairman.

Arvo Kempainen is playing his own, but he could not obtain a majority in the Central Committee. Kempainen's chances lie in a special congress in which Kempainen's supporters, the North Finland district organizations, could obtain a near majority.

Kempainen's fortunes are declining. At the SKDL meeting Kempainen made what many participants consider injudicious speeches, which he has been known to do previously, including on visits to the Soviet Union.

In addition to Kempainen, the supporters of Member of Parliament Esko Seppanen, who are not represented in the present Central Committee, are striving for a special congress.

Revolt of the Younger Generation

The financial mess left behind by business manager Jorma Sorvari has brought out into the open the dissatisfaction with Aalto that had long been submerged. At the party congress in 1984 the SKP majority wing was staunchly behind Aalto. After the taistoites were kicked out Aalto's position among the rank and file remained strong, but in inner party circles he was criticized for autocratic actions.

The deficit in last year's balance of accounts that was revealed in the SKP's own newspapers increased the criticism. Especially the younger, 30 to 40 year old organizational activists, have been dissatisfied with Aalto's old fashioned public image.

Under the surface there has been dissatisfaction in the party over the fact that relations with the Communist Party of the Soviet Union have not improved. Aalto has been a red flag to the CPSU and the taistoites.

The younger generation broke through into the SKP's Central Committee at last year's party congress. Over half of the Central Committee members joined the party in the 1970s. Likewise the party's officialdom is manned by members of "the class of 1970." The SKP's young laborer views Kakela as this group's guru.

The young functionary generation recruited by Aalto has been very bitter about its fate in recent weeks. In the wake of the financial difficulties the SKP had to discharge a few dozen officials from their positions. The youngest had to leave and hunt new work.

A Place To Return for the Taistoites

Aalto's announcement of his resignation also changes the situation of the SKP and taistoite SKP(y) parties. Aalto has been a symbol of the whole split to the left. If the House of Culture had a new boss, a change to return would be much easier.

There has been authoritative support for unification from the CPSU too. The fraternal party has continually weighed in on the side of unity and would surely be glad to act as a midwife, if the taistoites could be brought with honor to the SKP's embrace.

Making the decision will probably be easier for the taistoites if Markus Kainulainen's wing breaks off to form its own party. The greatest disagreement is in how the return could be made. The SKP's old and new leaders want to split up the taistoites and choose the best off the top. The taistoites would like to return in as large a group as possible through a so-called partnership agreement.

They are aiming for 1990 when the SKP will hold its party congress. Esko-Juhani Tennila, who has been the strongest advocate of unification within the taistoites, has demanded that the party congress be prepared jointly.

Salme Kandolin New Secretary

36170071 Helsinki *HELSINGIN SANOMAT* in Finnish
24 May 88 p 11

[Article by Unto Hamalainen]

[Text] The rise of Salme Kandolin, secretary of a parliamentary committee, to Party Secretary of the SKDL was a complete surprise to her closest colleagues. Members of Parliament, from one side to the other expressed amazement at how a cool and efficient bureaucrat suddenly sprang into view as a full-fledged politician.

The mood is exactly the same as at the time the party secretary of the SDP, Ulpu Iivari, was elected. It was hard for the SDP members of Parliament to believe that the group's assistant leaped far from the back benches to the first rank.

Kandolin has been secretary of the Parliament's Communications Committee for seven years. "I had thought about changing jobs within the career track for bureaucrats, but this offer came ahead of these plans. In Parliament I have continually had to discuss current politics and longer term questions a lot. In due time we shall see what I'll be missing," the new party secretary explains her move.

In the small world of Parliament Kandolin has managed to make waves. The institution's lawyers scratched their heads when the master of administrative science from the law drafting division of the Ministry of Justice was appointed to the committee secretary position that had been reserved for judges. The revolution came to the House of Parliament in the form of administrative sciences, was the way a colleague recalled the discussion about appointing Kandolin.

Among the staff of the Parliament Kandolin was also regarded as a stylish woman. She is undoubtedly one of the best dressed women in Parliament. She is a customer of the Boutique Françoise, a shop for the stylish and elegantly dressed.

"The Most Qualified Person Should Be Chosen"

Salme Kandolin has participated in politics for more than 20 years. She learned the rudiments in Tampere's student politics, but she joined the SKDL only when she moved to work in Helsinki. "I joined the SKDL only as an adult when I had settled down."

Kandolin, a 40-year-old single mother with one daughter, has been active in the SKDL local organization in her neighborhood of Lauttasaari and is a member of the socialist lawyers professional organization.

In conversations at the SKDL meeting it was emphasized that the league's new chairman or party secretary should be a woman. The new party secretary is not enthused about selections being based on sex.

"I have always gone on the assumption that the most competent person should be chosen. I do not like sexual quotas."

Before the league meeting Kandolin was looking for new leadership for the SKDL as a secretary of the committee making preparations for the meeting. She said that she was greatly surprised when she herself was proposed by the districts. The group that was pushing Reijo Kakela for chairman decided to select Kandolin just before the meeting.

The SKDL has looked enviously at how the unknown Ulpu Iivari had captured a permanent public position. Kandolin is a countermove to Iivari.

Now there is a social demand for the educated, independent competent woman who understands how information technology works, explained one of the members of the group of activists. It is easy to believe the explanation. The Parliamentary Center was choked with requests for interviews with Kandolin on Monday morning.

A Week's Pay Will Fall Drastically

The biggest problem in convincing Kandolin to be a candidate was created by her salary for the next three years. She had time in the interval to refuse to be a candidate citing salary reasons. Kandolin will have to take a leave from the Parliament and will receive a significantly lower salary as party secretary.

[Question] How much did you lose?

[Answer] I lost 6,500 marks per month. My salary fell from 17,500 marks to 11,000 marks."

[Question] Is this a big sacrifice?

[Answer] It is somewhat of a sacrifice. What influenced my decision the most was the fact that I would be able to work on behalf of my own views of life."

[Question] Do you feel yourself a novice in politics next to Reijo Kakela?

[Answer] I do not believe that I am a novice as far as political judgment is concerned. In terms of organizational work, of course, there are a few shortcomings.

[Question] The SKDL wants to change over the course of time into a broad leftist league. Should socialism be preserved in the program of a leftist league?

[Answer] It should.

[Question] Which of the present models of socialism is the most appropriate?

[Answer] None of them. A Finnish model must be developed.

[Question] Attempts are being made to recruit people, even from the ranks of the Social Democrats, into the leftist league. Is this an offer of cooperation by the new leftist league to the SDP?

[Answer] What can I say to that? The leftist league attempts to gather persons who think like leftists. It is for these people to decide for themselves in which organization or party they want to function.

12893

GREECE

Strikes Seen Originating Among PASOK Followers

35210103c Athens I KATHIMERINI in Greek
25 May 88 p 7

[Editorial: "In the Midst of a Storm"]

[Excerpt] The more objective and moderate observer surely must notice that the country is in the epicenter of a very acute social crisis, the expression—if not "explosion"—of which constitutes the current and lengthening storm of strikes.

The teachers' strike, unprecedented in terms of the numbers participating, which brought all secondary education to a standstill in the most critical period of examinations and refuted the government's "expectations" concerning its—even if partial—failure, is one of the "indicators" of this barometric "social low-pressure field." The preceding militant strike of the DEI [Public Power Corporation] workers, which ended with the government yielding, was another. The continuing, now regular strikes and "halts" among the means of transportation which are upsetting life in Athens, the doctors' abstention from their hospital jobs, and the canceled bank employees' strike—for the next few weeks—is the third phase of this wave of strikes which is sweeping the country, harming our national economy and threatening our social calm.

There is the opinion cited—belatedly, of course—mainly by the government, that this explosion of strikes is due to the inordinate "rekindling" of the so-called "corporate egoism" of certain classes and groups which insist,

unjustifiably, on the maintenance of their privileged income position despite the general and necessary period of austerity for the rest of the population.

Although this assessment of the "strike mania" prevailing today is not entirely wrong, nevertheless it is not sufficient to explain the phenomenon. Far closer to things is the explanation that, for large groups of people, the limits of endurance for the government's restrictive income policy have already been exhausted—along with the political tolerance which PASOK, for so many years, has been used to asking for and extorting from its supporters and non-fanatical adversaries.

The overwhelming, in percentages, participation of the "rank and file" of workers—therefore, of that which politically and syndicalistically influences PASOK—in the strikes, speaks for itself:

PASOK, its government, is losing more and more the "good socialist references." It can no longer demand sacrifices from the classes on behalf of which, as it says, it exercises power.

It is not only the disenchantment of the credulous masses over the denial of the promises which were so indiscreetly scattered by the power-crazy "movement" of that time, which is the driving force behind the strikes; it is the average worker's painful consciousness of the unrestrained drop in his standard of living and of the inability of the government to simply manage the forces to halt the economic and social decline.

9247

Doubts Within ND on Mitsotakis' Nonaggressive Policy

35210103b Athens I KATHIMERINI in Greek
15 May 88 p 5

[Article by Themos Anastasiadis: "ND: Problems of 'Psychology'"]

[Text] ND's most significant problem en route to the coming elections is the psychology of certain of its adherents who are ready to reject the things which attracted them to the party.

ND President K. Mitsotakis came to this estimation recently while visiting Crete, an area where passions and vendettas are a tradition, and surely the specific place played a part in this determination. However, the problems connected to the repulsion of voters who are deliberating on the side of ND are wider and on higher levels than the "psychology of certain fanatical adherents." They concern the general style of the oppositional tactics and include other elements of "repulsion," such as:

1. Doubts and criticisms which are already being expressed as to the appropriateness and effectiveness of

the tactic of "mildness" and low profile which ND has chosen in this period.

2. The difficulty of determining the exact boundaries between the slogans and "cliches" which are necessary to maintain the struggling spirit of the organized rank and file and the fomenting of precisely those vengeful, revanchist instincts which were considered one of the fatal mistakes of the 1985 elections.

3. The lack of a specific and organized penetration by ND into the center-left, the great pool of wavering voters.

As concerns the policy of Mitsotakis' "low profile" and mild tones, the criticism is focused on the judgement that a policy is being followed which, de facto, will be radically altered before the elections.

The opinion which apparently has prevailed, that is, that low tones and the sober-minded "language of truth" strengthen ND's image as the serious moderate and the restrained, responsible party which is worthy of confidence, is basically correct. However, it disregards the fact that it is the government and the prime minister personally who will, in point of fact, determine the tone and atmosphere of the pre-electoral climate. It is considered certain that they will prefer polarization, acrimony, and opposition on every subject toward the Right and toward Mitsotakis on a personal level.

Party officials who are ruminating over the tactic which is being followed discern the danger of ND being imprisoned at this point in a lackluster climate (in a period in which all the problems from foreign policy to health, education, the economy, and the environment are getting worse), offering Papandreou an unexpected facility for movements. At a given moment, however, which the prime minister will choose, ND will be forced to suddenly shift to much higher tones, which will help the propaganda about "reaction" and overinvigorate all those elements of a revanchist psychology in the "adherents" which Mitsotakis now fears. Without suggesting a different policy, the same officials observe that the tone of opposition must be escalated and they consider the reduction to 12 months at the latest before elections disputable and surprise elections not at all unlikely.

In the same spirit, they stress that it is necessary to report the dramatic situation in which PASOK is abandoning the country, particularly the deficits and debt, but not with a tone and frequency which creates in certain people the feeling that ND is practicing nothing but a new austerity...with perspectives—since, in fact, it is assumed that the prime minister, with favors and hirings, will try to create a completely different picture.

There is certainly a way, they maintain, for more optimistic prospects to be given without necessarily telling horrible lies. Generally, as concerns his policy of a low profile, Mitsotakis is criticized for accommodating ND's tactics to his own "style" instead of the reverse.

In addition, there is a dispute over the expediency of particularly insisting on projecting the "program." "Up to now, our adversaries have accused us of not having a program; we will see what they say now," says Mitsotakis with satisfaction (which is justified by the seriousness and realism which the program secretariat showed in its work). However, he does not take into consideration the irony-truth-probability of ND at long last acquiring a program at the moment when, because of PASOK's innumerable false promises, any programs whatsoever have lost their credibility.

ND certainly must have a program but the game will not be decided there. As is happening now in France, as happened perceptibly in Greece in the municipal elections, it will be decided on an advertising level, on what we call image, the picture, that is, which each candidate will manage to project on the wavering public, not his program and proposals. In this sector, ND still needs to do more work—as concerns both the general method of approach, which is the old-party type, and the modernizing of its physiognomy on the level of party and leadership. It has a far greater need for clever, simple, opportune and vague slogans of the type, "Better days" or "Mitterand generation," than several volumes of a program.

Finally, on the particular issue of the revanchist psychology of certain adherents, the ND leadership can do many things to curtail it; or not do certain things, such as the frequent statements that "it will throw into jail the PASOK thieves and will rectify the injustices," which are used to "raise" the climate and fever at rallies.

9247

EAR's Kyrkos Related Meeting With Florakis

35210103a Athens TO VIMA in Greek 21 May 88 p 7

[Interview with Leonidas Kyrkos by Stelios Kouloglou]

[Text] "Leonidas, take care you do not get lost for three days in Perisso, as happened with our letter," said an EAR cadre to Secretary General Leonidas Kyrkos shortly before he left the building on Koumoundourou Square for the "People's House."

Finally the EAR Executive Office's letter, which proposed the meeting of the two secretary generals, was found, the KKE's original reservations (political will for substantial solidarity according to P. Lafazanis, designation of a subject for discussion and preparation in

accordance with Florakis' initial statements) were overcome and "Comrade Leonidas"—the expression belongs to Florakis—ascended yesterday morning to the tenth floor of the KKE's offices in Perisso.

Both sides agreed on the need for a strong Left and decided to continue contacts at the Politburo level; the KKE secretary general will visit—probably in a few days—the EAR's humble offices. The ice has begun to melt, but the essential differences remain. The KKE views the EAR as the indispensable component in a viable array, betting on the EAR's more realistic tendencies which do not exclude an electoral collaboration if the electoral law does not change. The EAR estimates that it cannot refuse the dialogue when, in fact, such a refusal would bring the KKE's pro-renewal forces to a difficult position, to the benefit of the more dogmatic forces. The planning of the two staffs is, at any rate, far from achieving a substantial solidarity, especially in a such a short period of time.

In the game being played, the EAR has emerged the winner thus far on certain points: The initiative for the meeting belongs to it, its position as a key player in whichever array is officially recognized, and the tendency within the KKE to isolate it is weakening. On its side, the KKE is preparing to exploit the contact, for an assault in solidarity which the EAR will have far fewer weapons to repulse than it has had until now. The battle—for solidarity of the Left—has not ended yet.

Question: On what points did you agree with Florakis?

Answer: "We agreed that a new period is opening in our relations. This is positive for the overall functioning of our political life. We agreed, moreover, that the way out of Greek society's crisis lies to the left. There of course, was broached the question of what Left is needed. My own opinion is that a renewed Left is needed, with a new political language, with answers to the problems of our time."

Question: Did Florakis have the same opinion?

Answer: "At this point, Florakis spoke in terms of a coalition of leftist forces. This may contain some logic, but I think it is not enough, it does not answer the essential problem of trust. The fragmentation of the Left creates distrust among the people and this, of course, is not overcome with an artificial renewal of the fragmented forces. We are in agreement that the dialogue must be continued. I said that maybe there are polemics, he said, laughing, that it would be good for us to avoid polemics, let us talk about astute criticism, and naturally I agreed. I invited him to come to our offices."

Question: Really, were you impressed by the People's House?

Answer: "Anyone would be impressed. It is not the exterior mass, which is a bit repellent. The interior arrangement made a good impression on me and the same impression was made by the cordiality of the comrades who were there."

Question: Where did you disagree?

Answer: "Probably on his side it was an insistence on the coalition of the Left. I told him that such a thing makes no sense if it has not been preceded by a convergence of opinions, a programmatic agreement concerning the big problems."

Question: Did you get an idea about the KKE's opinions concerning Gorbachev's policy?

Answer: "I do not know about the KKE's opinions, which the press presents as contradictory. I must say, however, that Kharilaos gave me the impression that he is completely open about the things happening in the USSR and accepts them with satisfaction. To what degree these things are being assimilated by the party is another matter."

Question: Speaking about international matters, was there any reference to the course of the communist parties in West Europe and the recent downfall of the French communists?

Answer: "I referred to it in order to underline the need for a renewal of the Left in Greece. I do not think my fellow-converser sympathized with the analysis as he made no comment."

Question: The stance vis-a-vis PASOK seems to be a point of disagreement. Speaking immediately after the meeting to journalists, Florakis put it outside of a solidarity of the Left.

Answer: "Pay attention to his statement: We are battling against PASOK's policy. We also are battling against it. Although we did not talk analytically about PASOK, I think that, in the logic of Florakis, just as in our own, there are forces which follow PASOK."

9247

ITALY

Goria Comments on DC, New Government
35280143a Rome LA REPUBBLICA in Italian
15-16 May 88 p 5

[Text] Rome—"The current leadership will not last until the year 2000," said Giovanni Goria. "It is up to us to work to develop 20 individuals capable of leading the DC [Christian Democratic Party] and the country." The former prime minister broke the silence following his resignations 2 months ago. He indirectly offered himself for leadership of the party, asked for an immediate party

congress, and criticized De Mita's openings to the PCI. He seems to be carving out an independent role for himself (parallel to the movement that is developing), and is critical of the current administration. [In doing so, he has] positioned himself as a potential mediator of any future fluctuations within the majority. "I am doing a quadruple somersault without a net and without a trampoline," said Gorla in an interview for PANORAMA. He was referring to his pre-electoral activism, but perhaps he was also thinking of something else. Talking about the three governments over which he presided in the course of 9 months, he said that it amounted to an "exalting experience; the only bitter aspect is that it could have lasted longer. Anyone who did not understand that was being foolishness."

Then he went on the attack. "I believe that the party congress should be scheduled as soon as possible, or deliberately postponed; a postponement would function as a kind of pre-congress that would undertake some basic directions," he affirmed. The important thing is "to put an end to this situation of uncertainty that resembles a trick to maintain a precarious situation. De Mita's intentions must be clarified, because they have not yet been stated. He said some time ago that he was tired, but the party is not interested in individual fatigue, it is interested in policy directions." And then? Then, said Gorla, "it would be opportune for the secretary to provide a clear statement of his intentions. I will run against him if the occasion arises. But now there is no debate within the party."

Then, the government. They are "talking too much" about institutional reforms. They say, "We have to prepare the alternative. I do not agree with that. We run the risk of legitimizing the Communist Party as a ruling party. Are we going to go out and tell the people that the Communists have become good guys, that they no longer eat children, that they are reliable people, and then have them claim that they are very displeased, that it pains them, but that the government is dealing with the others because that is history, the just political evolution? We are not joking." Gorla criticizes anyone in the DC "who thinks he can convince the PCI not to trust in Craxi. I believe that one should do the exact opposite—try to prevent the possibility that those who are today thinking about the alternative might become a majority. Instead, real reform involves the modernization of the country's structures, and the creation of a ruling class that would prepare itself to replace the Fanfani, Andreotti, Forlani, De Mita, and Colombo." Gorla also questions the DC members of the government (the "underestimation" of DC stalwarts: "It will be difficult to explain to the party choices that appear to me to be entirely of a personal nature"), the core of the party program, and some points of that program (nuclear power, monopolization in the media). Obligatory question: Who does Gorla side with in his party today? I have been a De Mita supporter from the beginning, from him I learned how to plan the future, to never linger. Thus far, De Mita has demonstrated that he appreciates me. I hope that will be true in the future also. It is not a problem."

Thus, Gorla is in fact running (even though an EPOCA poll of 62 DC members of parliament puts Arnaldo Forlani among the likely winners, and the former prime minister in second position), while in the DC the internal debate is resuming in anticipation of Tuesday's leadership meeting (which is to form the Political Office) and the meeting of the National Council at the end of the month. That is naturally related to the congress, which has been postponed without a future date. This session, Antonio Gava observed, "will not be an exceptional event. I foresee a unanimous conclusion, or one by a very large majority. We should not invent a policy line, it is already in existence; we should confirm it and improve it. The congress should strengthen the majority and the government by following the development of the political forces, and not only those of the majority." Enzo Scotti, calling on the DC to strengthen its unity, added that "from internal decomposition we have come to mobilization around a common plan, while leaving behind us what is old." The commitment of the entire party must be to support the secretary who is leading the government: "If this effort fails, the Italian problems will grow."

9920

PCI's Natta Interviewed by NOVOYE VREMYA
35280143b Rome L'UNITA in Italian 13 May 88 p 9

[Article by Giulietto Chiesa]

[Text] Moscow—The Soviet weekly NOVOYE VREMYA publishes in this week's issue a lengthy interview with Alessandro Natta conducted in Moscow right after conclusion of the talks between the PCI and CPSU at the end of April. The PCI general secretary answered questions on all topics; foreign policy issues, perestroika, the democratization of Soviet society, and on relations between the two parties. with regard to the latter issue, Natta rejected the "trivial gossip" and "spitefully belittling" interpretations with which part of the Italian press has commented on the Moscow meeting. He said: "The basis of the relationship between the two parties has already been defined with extreme clarity. We have our political vision, a strategy for the advancement of democracy and socialism in this part of the world." Moreover, "the questions of models, of relations between parties from an organizational standpoint, have now been resolved."

The meeting with Gorbachev, which was "extremely significant and important," only confirmed the "clarity of the respective positions and, for each, of their own function." Natta then expressed an overall judgment on the new developments underway in the Soviet Union, stressing the interest of Italian Communists in a "policy of renewal that has evoked positive judgments on our part, also because it seemed to us to correspond to our perceptions of the Soviet state, both during this latest phase and in the past." This is not only of theoretical

interest, because "there is a close link between perestroika and detente, coexistence, and global dialogue." And Gorbachev's statements on "interdependence," the necessity to solve the major problems of the contemporary world on a joint basis between the two systems, represent, along with the proposals already made, a great contribution to the policy of international detente.

The part of the interview dealing with political reform in the Soviet Union is particularly significant, especially considering that it was published in a Soviet paper. Alessandro Natta affirmed: "The party should not command," nor "should it be the administrator of everything." Recalling a quip he had made in the first meeting with Gorbachev ("the party should seek to be the opposition to itself"), the PCI general secretary reaffirmed the need for "trade unions to be real trade unions, for youth organization and associations to have a real role;" moreover, the party "must not be a cog wheel of the state, or directly identify with the state itself." These are observations, Natta added, that should not be interpreted as "interference."

Each one must solve his own problems himself. But we in Italy are also engaged in a battle "to affirm with strict clarity a plurality of expression in political and social life and to guarantee democracy and deepen it." Answering a specific question by the paper on the subject of

"existing social pluralism," Natta expressed the opinion that "also in a society such as the USSR one must recognize that a pluralism does exist." And one must note that "when in a society the right to information has limitations or is in the hands of a few, or in the hands of a single party, then there is something to review, to reorganize." "Democracy and openness," continued Natta, "should in my opinion pervade the entire social, cultural and political activity. Establishing areas of prohibition would mean inciting or reinforcing elements of resistance, of hostility." Also in the religious field, it is necessary to review patterns that are now outdated. Natta continued: For a long time, Italian Communists have recognized that "ideas, visions of the world and of man such as those offered by religions can support progressive causes and aspirations for peace and world development. One cannot say that religion is aimed at stifling, at detaching men from commitment in history, from political commitment."

To conclude on a note of encouragement and hope: "I believe that the process of democratization of the USSR will significantly reduce the image, widespread in the West, of a country threateningly bent on imposing its own will."

FINLAND

Air Force Inaugurates New Fighter Training Program

36170049 Helsinki HELSINGIN SANOMAT in Finnish
2 Mar 88 p 9

[Text] Rissala—Historic moments from the point of view of the Finnish Air Force are now being experienced at Kuopio's airport in Rissala, the air base for the Karjala Flight Wing: the first "crash trained" noncommissioned officers, who have transferred from the Vinka elementary training aircraft directly to the new Hawk training aircraft, will assume the controls of the MiG 21 bis interceptor aircraft.

The Air Force has been planning the new fighter training program since the beginning of the 1980s. It was implemented 2 years ago at the Air Academy in Kauhava. The young sergeants of the Karjala Flight Wing are now the first in the entire Air Force to solo in an actual aircraft alone after completing the rigid training program.

After the completion of the Air Academy course, some of the new noncommissioned and commissioned officers of the Air Force transferred to Rovaniemi and Pirkkala to receive training on the Draken fighter plane. They will not be able to perform any solo flying of interceptors until later in the spring because of a separate training program.

Savings in Millions for Taxpayers

Colonel Matti Ahola, commander of the Karjala Flight Wing, does not conceal his satisfaction with the effectiveness and advantages of the new training program. The training of a new generation of fliers will continue at the air bases for many years, but according to him it can already be said that the training program has fulfilled expectations extremely well. The young pilots are noticeably ready for surveillance flights earlier than before.

"Previously, we had a rather slow jet, the Fouga Magister, between the elementary training aircraft and the hard-class destroyer. The elimination of this intermediate type and the direct transition to efficient Hawk training aircraft have already produced vast savings," Ahola assures.

The Air Force's new "three aircraft" training program has aroused extensive interest in the small neutral countries of Europe in particular. Ahola even says that military technology, which has become very expensive, has forced decision-makers everywhere to consider means for cutting back defense expenditures.

Snowstorm Snatched Victory From Noncoms

The workday for the noncommissioned officers who came to the Karjala Flight Wing a year ago from the Air Academy began on Tuesday at 8:00 o'clock with a

repetition of MiG training and flight commands from the previous day. The awaited solo flight on an interceptor aircraft was to take place on Thursday. Now the intent is still to practice on the two-seater training aircraft.

A bad snowstorm, however, snatched a victory from the new generation of Air Force pilots. The training aircraft were ready for the pilots, but the future interceptor pilots had no business in the sky. The experienced pilots in the flight wing, however, continued their own program: the grey and green interceptors continued to take off and land.

"We have had amazing luck since it has not been until now that the weather has prevented this younger class from participating in the operation of MiG-flights. On the other hand, even in the Air Force one must learn to respect the 'lord on high' in spite of all the new technology. The weather can never be forgotten," noted Major Heikki Lahtela, commander of the 31st Interceptor Squadron.

Air Force Again Appeals to Youth

The young noncommissioned officers in the MiG training class, however, put on their heavy flight gear and under the direction of the instructors they—once again—went through the equipment and instrumentation of the aircraft. The new interceptor pilots will also apparently be the first to prepare for the "breaking in" of the Air Force's new equipment in the middle of the 1990s.

"I had no flight experience at all before training at the Air Academy, but amazingly I have learned. I decided to become a pilot since there was no certainty of a job or opportunities for advancement in civilian life. Now the pace is fast. The pressure has been on in the sky and in the classroom," said a new MiG pilot, 22-year old Mika Salonen.

A little less than 30 young officers and noncommissioned officers completed the Air Academy course at Kauhava a year ago. More than 700 young men interested in a flying career have applied for the school's new course.

Colonel Ahola laughs at the fact that the times are far behind when the Air Force lost its best men to Finnair: "The civilian side now has a shortage, we do not!"

10576

PORTUGAL

Possible INDEP Cooperation With U.S. Firm on Rifle Production

35420092b Lisbon SEMANARIO in Portuguese
28 May 88 p 12

[Report by Maria Joao Vieira]

[Text] A United States weapons company has made a proposal to the Portuguese government that could help INDEP become profitable. One of the congressmen on

the Defense Committee whom we contacted this week termed the offer "one we can't turn down." So far, little information has come out of the office of the defense minister. The final decision is to be made by the new INDEP board of directors, which will not take office until next week.

The U.S. proposal is called "The Colt M16A1 Automatic Rifle Program." Colt Industries, which is represented in Portugal by Defex, suggested that the inventory of G3 rifles be sold off to Third World countries and that INDEP begin manufacturing Colt M16A1 and M16A2 automatic rifles which are "lighter, simpler, and more reliable." The new rifle will be used to equip the U.S. Army and later, the Portuguese Armed Forces as well. But the U.S. firm would not prevent INDEP from selling this model of automatic rifle in foreign markets. It is of the same caliber as used by most of the NATO countries. Norway and The Netherlands, two Atlantic Alliance member countries, would be the first two potential markets for the automatic rifles that Portugal may begin manufacturing.

Rifle Would Contain 20 Imported Components

In 1980, Portuguese military leaders expressed their intention to replace the G3 rifle with a more modern, NATO-caliber (5.56-mm) weapon. It was then that the first contacts were made with Colt Industries and, over the past 7 years, the new U.S. rifles were demonstrated in Portugal and delegations of INDEP officials made several trips to Colt Industries factories in the United States. Last week, the content of the final report concerning the potential subcontract with INDEP became known. At a one point in the report to which SEMANARIO obtained access it states that: "...it was found that the M16A2 could be introduced immediately and manufactured almost entirely at INDEP, inasmuch as only 20 components (16 percent of the weapon) require new equipment in which investment is not considered to be justifiable...."

A new press with the measurements for the caliber used by NATO has already been ordered by INDEP and should arrive in Portugal shortly. The information available so far indicates that INDEP's new leaders will accept the proposal by Colt Industries, which represents "a way of making the company viable."

European-Grade Plant in Setubal

For years, Portuguese weapons factories were devoted to furnishing equipment for the war with the former colonies. Very quickly the calibers of weapons made in Portugal fell into disuse in the countries of the Atlantic Alliance and, after 1974, in order to continue to market its inventory, Portugal sold the G3 to the Somoza government (Nicaragua) and supplied both sides of the Iran-Iraq conflict.

Now the challenge is to manufacture more up-to-date materiel and to consolidate the five Portuguese armaments manufacturers in the Setubal area on property belonging to Extra, which will be the site of the new Portuguese weapons-manufacturing industrial park.

At the end of the report sent by Defex to the Portuguese authorities, its says, further, that "it shall be the duty of the Armed Forces to point out the most obvious gaps and instances of obsolescence in its armaments in order to enable INDEP to carry out programs that will not only make weapons manufacturing economically viable through supplying domestic needs and opening foreign markets, but bring about a palpable improvement in its operating procedures, approaching the levels attained in Europe."

12830

INDEP Chairman Interviewed on Firm's Restructuring Needs

35420092a Lisbon DIARIO DE NOTICIAS ECONOMIA in Portuguese 30 May 88 pp 1, 8

[Interview with Gen Casimiro Proenca, by correspondent Rosa Pedroso Lima, date and place not given]

[Text] In peacetime, defense industries are a very heavy burden on the Portuguese government. INDEP [National Institute for Promoting Education and Research] is now losing money at the rate of 3,000 contos a day, a figure that brings unanimous recognition of the need for restructuring. Actually, however—as the chairman of the board of INDEP, Gen Casimiro Proenca, explained to DIARIO DE NOTICIAS ECONOMIA—little is known and nothing is being done. The following interview is just one more chapter in a long story in which the leading protagonists include high government officials of the Ministry of Defense and company employees.

[Question] The administration considers the restructuring of INDEP to be of priority importance. While the former government was in office, a comprehensive plan to make the company viable was developed. Now it is acknowledged that "it is essential to strengthen and replace" that plan. If the plan was a failure, can we conclude that INDEP is not a viable company?

[Answer] Under current circumstances and as presently structured, the company is not inviable, but it is losing money. I draw this distinction between being inviable and operating at a loss because a defense industry should not be looked at from the point of view of viability. It exists for the same reason as the railroads or the utility companies. A country absolutely must have suppliers of certain services, for social or strategic reasons. Well, this company falls within the strategic concept of defense and therefore its continued existence is not at issue. What is

more important, then, is to determine how INDEP should exist, since it is obviously in a deficit position and its excessive size is an unjustifiable burden on the public coffers.

[Question] You believe it is inevitable that the company exist, but it is a fact that the situation has changed considerably. Initially, INDEP's function was to provide logistical support for a colonial war. Now that the war is over, is the company still essential?

[Answer] Certainly it is. If a country wants to claim autonomy and be capable of preserving its identity and providing for its own defense—even if only to discourage potential aggressors—then it must have military forces. In order to have military forces, there must be a defense industry. One cannot imagine a country demanding and justifying military forces and then not having even a minimum ability of maintaining them, whether or not the threat of aggression exists.

[Question] But is INDEP capable of serving the Armed Forces in a modern way?

[Answer] Not necessarily. But it is not just when an industry is capable of resupplying the Armed Forces that it becomes needed. We might also think about the security forces—the GNR, the PSP, etc.—who's going to furnish the bullets for those forces, for example? Foreign companies? And if they should refuse to do so for transitory political reasons, then our police force couldn't even guarantee law and order. Now if this argument holds true for the public safety forces, then it is much more valid as regards the military forces.

To Have or Have Not, That Is the Question

[Question] Are the sales prices INDEP charges for materials competitive in the context of the world market?

[Answer] Certainly they would be if INDEP's size were adapted to make it competitive at some approximate levels of competition. But this is not to say that this company can always be the one that sells at the lowest world market price. There are times when, due to circumstances, this type of industry holds "fire sales" that change the market prices.

At any rate, I repeat and insist that the issue is not one of selling or buying more cheaply. The question is whether or not we can dispense with certain domestic defense companies that are the bulwark of our Armed Forces—without getting into a political position such as we were in during the African war, when no one who would sell us the items we needed unless they could do so pretty much undetected.

We cannot and should not view this problem of the military equipment industries as something we can either have or not have. Just as we cannot consider doing

without the Armed Forces (because they are in the Constitution), we cannot do without the defense industry, which also has its own legislation.

[Question] That's the government's position, too. Must the company stay in business, even if it is losing money?

[Answer] That has been the government's policy toward this company, and that is how the executive branch has legislated the matter. No one, neither this administration nor previous ones, have questioned the need for the defense industry.

[Question] This brings us to the matter of the need for restructuring. What is the status of this process now? Would it be legitimate to say that the first comprehensive reorganization plan failed?

[Answer] Yes, I would say so. The first plan failed—in the first place, as regards restoring financial health, which did not occur. It also failed in terms of the sales plan that the company officers themselves had proposed and which was based on contracts which we had already signed but which did not materialize. The defense industries are unique; they have peculiar characteristics which create a situation where neither sufficiently credible commercial prospects, nor even signed contracts can be considered as things that will actually produce results.

In this branch of business, after obtaining various authorizations and drawing up a contract, you have to open a letter of credit in which the buyer irrevocably commits himself to the bank. Nothing is ever certain. The plan we had then included several signed contracts that, so it seemed, would generate enough profits to make the plan viable, but these did not materialize. So these two factors kept the plan from being a success.

Iran-Iraq: Supplies Continue

[Question] But there are geopolitical factors to be kept in mind. I'm thinking, for example, of the Iran-Iraq war.

[Answer] Yes and no. Portugal has actually taken a very cautious position on those matters.

Underlying this is an acceptance of the idea of supplying our products to either combatant, provided that these sales don't alter the balance of forces involved in the Iran-Iraq war. Now the shipments we have made are negligible in proportion to what the combatants have actually used, and although there has been talk recently about restrictions, in actual fact they are not tighter than the ones set previously. So far, neither side has imposed an embargo. We sell munitions, once it has been determined that the balance of forces is not being altered.

[Question] But, according to the latest decree-law, one of the problems posed for INDEP concerns markets and the need to expand them.

[Answer] The government's intention now—and it is laudable in every sense of the word—is that the company not remain dependent on markets, such as Iran-Iraq, to which it could become politically undesirable to sell. First an attempt will be made to carry out a restructuring of the company that, on the one hand will make it better able to respond to the needs of our Armed Forces and, on the other, prepare it to penetrate other markets that are not in such desperate need as a country at war is. Right now we are essentially dependent on war situations because our products are so average in terms of technology that almost every country make them; only a country at war finds it necessary to buy from us.

[Question] What role does the "consumption" by our Armed Forces play in the whole INDEP production picture?

[Answer] Our Armed Forces' needs are very limited. I would say that they absorb no more than 5-10 percent of INDEP's production.

[Question] So unless there is a war somewhere, INDEP cannot penetrate other markets?

[Answer] Given its technology, INDEP is largely unable to make inroads in other markets. But, without mentioning names, we can point out that there are countries in Latin America and Africa that either have no armaments industry, or whose technology is worse than ours. But then, their needs are small.

[Question] Well, going back to the problem of the letters of credit...

[Answer] Yes, certainly. This Iran-Iraq war is something of an anomaly because only countries that have sources of income such as those in the Middle East can sustain a war with that level of requirements.

Vicious Circle

[Question] Then under what terms can the new restructuring plan hope to resolve this problem? You spoke of the possibility of appealing to our allies in the Atlantic Alliance, but does NATO really need INDEP's products?

[Answer] It ought to consider them and keep them in mind. In my opinion, NATO really should help absorb our production.

The current plan covers four very specific areas. The first—and a real "must"—is the restoration of financial health. Until this is achieved, the company cannot pay its interest charges. These are so enormous today that even if INDEP could sell all it could produce when operating at maximum capacity, all it could really do would be to pay its finance charges.

Furthermore, and also because of the current financial situation, there is no communication with the banks. This puts us in an untenable position: After INDEP has certain signed contracts and needs to buy raw materials to produce under those agreements, then there's no credit. So it can't produce and sell in such a way as to be able eventually to reduce that same debt.

[Question] Then we're caught up in a vicious circle?

[Answer] Exactly. This is a situation that is extremely embarrassing and very difficult to resolve, and the position taken by the banks is hard for INDEP to understand.

[Question] Restoration of financial health is urgent, but how is it to be done? By payment in kind?

[Answer] According to what the Secretary has been saying, consideration is certainly being given to the idea of contributing some asset that is not essential to INDEP's mission of supporting the Armed Forces. For example, there is a plan to turn over the Barcarena factory. That facility was supposed to make military gunpowder but is not actually doing so because it has never operated in manufacturing. Furthermore, the conditions for expansion of its production activities have been created by the fact that an entire urban community has grown up around the facility. Gunpowder production on that site has been banned, and so another has to be found. This land could be transferred. Furthermore, there is also a possibility of developing Moscavide. Located in an urban area, the factory is only making ammunition for light weapons and there is no chance of expanding its activity to include medium-caliber ammunition. Consequently, we could consider transferring this factory.

[Question] But wouldn't that involve constructing another factory building somewhere else? Have sites been selected and schedules worked out for all that?

[Answer] No, nothing.

Hypotheses and Conjecture

[Question] There has even been talk about a future merger of INDEP with Extra? Are these just conjectures, too?

[Answer] I think so, because no one has gone into the specifics with INDEP. The main idea seems to be that the defense industry should move out of the Lisbon area. This means it would have to go somewhere that has expansion capacity, no prospects for urban development, and is near both a seaport and a testing zone such as the Alcochete firing range. These specifications would suggest a site not far from the Setubal peninsula.

[Question] Nevertheless, nothing has been decided yet. The administration considered the situation of priority importance, but...

[Answer] As far as I know—as far as INDEP knows—no decision has been made. And we need to know what is going on in order to begin planning to stop work at the two facilities and start setting everything up in the Southern Zone.

[Question] And that is a process that will take years.

[Answer] Of course. For example, you can never install a gunpowder factory in less than 2 or 3 years.

List of Surplus Employees Being Readied

[Question] Restructuring INDEP requires drawing up a list of surplus personnel. How many workers are going to be affected?

[Answer] The list has already been made up and submitted for ratification and eventual publication in DIARIO DA REPUBLICA. At this time, there are 260 people on the list and more will be leaving during the second half of the year, if product orders don't justify retaining them.

[Question] Then it is possible that a second list will be prepared?

[Answer] Yes, certainly. The law provides that INDEP draw up a list of surplus employees, but no deadline or specific number of people was prescribed. Lists will be issued when there is no longer any work for them at INDEP.

[Question] This aspect is one of the main reasons why INDEP is being criticized by the workers. Specifically they argue that, when all is said and done, the restructuring of INDEP seems to be limited to making a list of excess employees. Would you care to comment on this?

[Answer] Reducing the scale of operations is just one of the aspects of the restructuring. There are others, among which the most important is, as I said, financial renewal. Then there is the reduction of unbearably high interest charges, the making of investments to modernize production and, lastly, the attempt to penetrate other markets. The rethinking of our size has necessarily led to the preparation of a list of surplus workers.

The fact is that we do have too many workers, and one must ask whether it is logical that these people, who have nothing to do, be on the INDEP payroll while other units of the government service need people and have closed down. The list will be handled by the Ministry of Internal Administration, which will certainly try to place employees in other government departments or in autonomous public institutions.

An Additional 500,000 Contos for INDEP

[Question] Recently, INDEP received an appropriation of 500,000 contos. Where does this sum fit into the restructuring plan?

[Answer] In the area of investment in new product development.

[Question] Specifically, what is going to be done?

[Answer] We have submitted four projects where we foresee opportunities to invest in the manufacture of a new line of ammunition having a caliber of more than 105 mm. At present INDEP's equipment only permits it to make 105-mm ammunition, while the 155-mm size is the most commonly used for artillery. There are even 175-mm and 203-mm sizes, but these are less popular and are not even used by our Armed Forces.

Our concern has been to equip ourselves to support the Army and to bid on a NATO tender. We did win part of that business.

[Question] And does that order involve supplying a large quantity of munitions?

[Answer] Unfortunately, no. The contract is not a big one, but the important thing is that we have succeeded in establishing ourselves as a NATO supplier.

[Question] How much money does the contract involve?

[Answer] (Laughter) The contract is for 5,000 units of ammunition at \$125 each. That's 93,700 contos.

[Question] Hardly the solution to INDEP's problems this year?

[Answer] Not all by itself. But there is no single item that can resolve our situation all by itself. What matters is to find out how many little things can, taken together, reduce the company's deficit.

12830

Armed Forces Chief of Staff Succession Discussed

*35420092c Lisbon TEMPO in Portuguese
12 May 88 p 10*

[Report by Handel de Oliveira]

[Text] Although almost a year away, the race to replace Gen Lemos Ferreira as Armed Forces Chief of Staff has already begun. According to legislation, this post carries a 3-year term of office, which may be extended for an additional 1 or 2 years. In March 1989, Lemos Ferreira will have been in office for the full 5 years during which the law allows an individual officer to exercise the duties of CEMGFA.

The present assistant chief of EMGFA, Gen Soares Carneiro, was selected by Lemos Ferreira when his mandate was extended for an additional 2-year period, i.e., in 1987. It is Soares Carneiro who, by all indications, will ascend to the highest leadership post in the Armed Forces next year. The well-founded hypothesis that Gen Firmino Miguel, the present Army chief of staff, will be appointed has also been advanced; but precedent does not point to such an outcome.

As is known, the members of each of the three services vote for the chief of each branch of service. The names of the three who garner the most votes in the Army, the Navy, or the Air Force are included on a list drawn up in order of seniority, not of votes obtained. This list is delivered to the government, which then takes it to the Superior Council for National Defense after indicating its choice. It is the council that has the task of sanctioning and formalizing the appointment.

The last military chief to be appointed was the Navy chief of staff. This caused some turmoil, inasmuch as Adm Rasquilho Raposo, who was the assistant chief of staff, was passed over in favor of Andrade e Silva. Since neither the candidates' military capabilities nor their leadership qualities were in question, it was felt that the government preferred Andrade e Silva because he was seen as more conciliatory and closer to the present chief executive than his colleague.

The way the Navy chief of staff appointment was handled leads observers to conclude that the administration will probably not approve Gen Firmino Miguel to succeed Lemos Ferreira, all the less so because Prime Minister Cavaco Silva is not likely to forgive him for not promoting Hugo Rocha to the rank of general. Openly supported on that occasion by his fellow officers, it remains to be seen whether, in 1989, Firmino Miguel will continue to enjoy that support or whether the passage of time will weaken the aid he received then.

After the Navy posts had been filled by the selection of Andrade e Silva and his naming of Adm Sachetti as assistant chief of staff, the Army question was resolved when Gen Tome Pinto was called to serve as assistant chief; (the appointment should become official at the next meeting of the Superior Council). That left open the question of what will happen in the Air Force.

Assistant Chief of Staff of the Air Force Costa Gomes, a three-star general, will be 59 years old on the 16th of this month, which means he will have reached the maximum age and must transfer to the Reserve. Moreover, four-star Gen Brochado Miranda, now Air Force chief of staff, will be 62 years old on 29 August and so he, too, will be required to go into the Reserve. Thus the post of assistant chief will not be filled before August, and only after Brochado Miranda's successor has been appointed.

Six generals are being mentioned as potential candidates for Air Force chief of staff: Conceicao e Silva, the current chief of the Presidential Military Household; Mendes Dias, commander of logistics and administration for the Air Force (CLAFAs); Helder Freitas, co-commander-in-chief of the Azores; Paulino Correia, who heads the Portuguese military mission to NATO in Brussels; Lino Miguel, minister of the Republic in Madeira; and Fernandes Vazquez, coordinator of operations for the Air Force. Thus there are plenty of candidates to choose from in this branch of the Armed Forces but here, too, the appointment will not be as easy as it appears.

12830

SPAIN

CASA Continues To Reject Consortium With Ceselsa

Serra To Pressure CASA

35480092b Madrid DIARIO 16 in Spanish
12 May 88 p 9

[Text] Madrid—The Defense Ministry is prepared to pressure the president of the public company Construcciones Aeronauticas, S.A. (CASA), Javier Alvarez Vara, to the bitter end to agree to the formation of a consortium with the private electronics firm Ceselsa to modernize the 24 Mirage III's.

Thoroughly reliable sources have told DIARIO 16 that Defense Minister Narcis Serra was very annoyed by the CASA president's refusal to accept the solution proposed by his ministry.

They indicated that even though his remaining president of the public company does not depend strictly on the Defense Ministry, the minister would be prepared to pressure the Council of Ministers into removing Alvarez Vara from his post unless he accepted the solution adopted by the Directorate General of Armament and Materiel (DGAM).

As its reason for opposing the consortium CASA cites the impossibility of reaching agreements with Israeli firms, which are partners in the bid submitted by Ceselsa.

Sources close to CASA indicated that the involvement of Israeli firms in the modernization of the Mirage III's would harm the Spanish aeronautical company's relations with Arab countries.

Ceselsa sources have indicated that they are prepared to do without cooperation with Israel Aircraft Industries if the government so requests in an effort to foster the formation of the consortium and insure the DGAM decision.

The Defense Ministry decision calls for the establishment of a consortium between CASA and Ceselsa as the main contractors in a 21.3 billion peseta modernization of the air force's 24 Mirage III aircraft.

The terms of the decision are that both companies can subcontract with other firms that they deem appropriate. The DGAM has apportioned the contract 60 percent for Ceselsa and 25 percent for CASA; the two companies would agree between themselves to divide up the remainder.

CASA sources have always maintained that the company is capable of undertaking the entire aircraft-modernization program itself. They even feel that it was ridiculous for the Defense Ministry to grant part of the contract to Ceselsa, a firm that, according to the aeronautical company, does not even have the facilities to test the Mirages.

The Defense Ministry, however, has always favored Ceselsa's bid because it regards this company as among those best equipped technologically to undertake this important project for the Spanish Air Force.

CASA-Israel Airbus-Parts Contract

35480092b Madrid DIARIO 16 in Spanish
18 May 88 p 8

[Report by M.A. Liso]

[Text] Madrid—CASA subcontracted more than 40,000 work-hours with Israel in 1987 for the manufacture of small Airbus parts, reliable sources have told DIARIO 16.

One of the state-run aeronautical company's objections to working with the private electronics firm Ceselsa on the upgrading of the Mirage III's is that Ceselsa is presumably going to use Israeli military technology, which will harm its relations with the Arab world.

This is one of the chief reasons why CASA has opposed the formation of the consortium proposed by the Defense Ministry under which the two companies would upgrade the Mirage III fighters stationed at the Manises base (Valencia).

Business circles are surprised that CASA has used this argument because they know that last year CASA established commercial ties with Israel when it was unable to fill its Airbus orders.

CASA sources confirmed to this newspaper that the subcontract was executed; it was also signed with British Airways and Aerospatiale. The reason for the subcontract, according to the same sources, was the strike by workers at the Getafe plant, which prevented the Airbus orders from being filled.

The same sources indicated, however, that the subcontract with Israel was for small, not very important carbon fiber parts manufactured with technology for civilian, not military use. In the judgment of these sources, the subcontract should not harm the commercial relations that CASA has established with Arab countries.

In recent years CASA has managed to sell more than 200 billion pesetas of its main aeronautical products, the Aviocar and the CN-235 transport plane, to Jordan and Saudi Arabia.

Separately, on Monday Ceselsa published a surprise announcement in several national newspapers countering reports linking it to Israel Aircraft Industries (IAI) and influence-peddling.

In the announcement Ceselsa gave assurances that the bid selected by the Defense Ministry rules out any role for Israeli technology in the upgrading of the Mirage III's.

As we will recall, the Defense Ministry opted to award the contract for the modernization of the Mirage III's to the two firms, CASA and Ceselsa.

Ceselsa Bid for Mirage III Upgrade

35480092b Madrid DIARIO 16 in Spanish
2 Jun 88 p 11

[Report by M.A. Liso and J.A. Navas]

[Text] Madrid—The electronics firm Ceselsa is prepared to upgrade the Mirage III fighters alone, in view of the obstacles that CASA is erecting to the formation of the consortium that is supposed to undertake the project.

The president of Ceselsa, Jose Antonio Perez Nieves, has sent a letter to Defense Minister Narcis Serra reminding him that his company's initial bid called for it to undertake the modernization of the Mirage III's by itself.

Ceselsa would install the avionics in the aircraft at its Aeronautica Industrial (AISA) branch; under the Defense Ministry's plans CASA is supposed to perform this function.

Perez Nieve decided to write Serra in light of CASA's failure to respond to the Defense Ministry's decision that the two firms should form a consortium to upgrade the Mirages.

CASA, which from the beginning voiced its displeasure with this decision, was supposed to respond officially by 24 April, and even though more than a month has now passed since then, no response has been forthcoming.

CASA hoped to upgrade the Mirage III's by itself and rejected any joint work with Ceselsa, claiming that Ceselsa was going to use Israeli military technology, which would harm its commercial relations with countries in the Arab world.

Sector sources reiterated to this newspaper that they were surprised by the stance of CASA management, inasmuch as in recent years the firm has been in contact with Israel in connection with several aeronautical projects.

One of the contacts came in 1987 when the Spanish firm subcontracted with Israel for the manufacture of small parts for the Airbus after it was unable to meet the manufacturing demands for the aircraft owing to labor problems.

Another major contact took place 2 years ago, when the then president of CASA, Fernando Caralt, proposed upgrading the Mirage III's in cooperation with Israel Aircraft Industries (IAI) in accordance with the following shares: 20 percent for the Spanish firm and 80 percent for the Israelis.

The negotiations did not jell, and Caralt withdrew from the project, judging it unattractive, even though its budget totaled more than 20 billion pesetas.

Nonetheless, when Javier Alvarez Vara became president of CASA, he decided to take part in the project and submitted a bid of some 30 billion pesetas.

For its part, Ceselsa took advantage of CASA's initial withdrawal from the project and began negotiations with IAI. After their talks it submitted two bids to the Defense Ministry, one for 28 billion pesetas, which called for IAI involvement, and another for 21 billion.

Finally, on 23 March the Defense Ministry selected Ceselsa's second bid, albeit on the condition that CASA install the avionics in the aircraft.

8743

Total Transfer of ERT Defense Division Reported
35480092a Madrid DIARIO 16 in Spanish
27 May 88 p 58

[Report by J.A. Navas and Tania Juanes]

[Text] Madrid—The North Atlantic Treaty Organization has sent the Spanish Government a letter in which it voices its opposition to the defense division of Explosivos Rio Tinto (ERT) remaining linked to that company, which is now controlled by KIO. NATO does not want part of the defense production of a member country to be in the hands of the Kuwaiti state agency.

The letter squares with the position taken by Defense Minister Narcis Serra, who has always been in favor of the complete separation of the division in question, citing arguments similar to those advanced by NATO.

His stand won out, in fact, after a "battle" that transcended business aspects. Last Tuesday, the vice president of Torras, Javier de la Rosa, the largest shareholder in ERT, announced that Explosivos would let go of 100 percent of its defense production. He acknowledged, however, that in principle he had not been in favor of such a solution for financial reasons.

He made these statements 2 weeks after indicating that ERT would sell only 50 percent to private companies. That same day, the vice president and managing director of KIO, Fouad K. Jaffar, asserted that the defense-division commission set up in ERT was going to make a decision consistent with the desires of the Spanish Government.

Strategic Hardware

The solution of selling 100 percent has apparently won out owing to the difficulties that arose when the time came to differentiate between strategic and nonstrategic installations. In this regard, business circles indicate that the same factory could manufacture hunting-rifle ammunition and ammunition for the military.

Thus, the Defense Ministry position, which at one point was also that of ERT president Jose Maria Escondrillas, has won out after several months of disagreements. In contrast, the Industry Ministry advocated a mixed solution that called for one part of the defense division to remain in ERT and another to be shifted to Spanish companies, which could be either public or private.

Moreover, for the time being private enterprise is not ready to take on the entire defense business that is being sold off, although there have been contacts with private groups. According to official sources, Banesto and the "Albertos" have expressed an interest in learning the conditions for a possible transfer. The latter were the favorite partners of Torras, as their relations are excellent. Business circles indicated that Santander could also be interested in the transaction.

The public sector would also be involved in the transaction, through the Empresa Nacional Santa Barbara, several of whose production lines coincide with ERT's.

Nonetheless, this arrangement was based on a sell-off of just 50 percent of the ERT's defense business. According to the same sources, the larger amount that is now involved could foreseeably complicate the deal, which is also going to entail a rearrangement of the defense sector in Spain.

New Report

In this regard, the issue is also in the hands of the prime minister, who has asked the National Institute of Industry to draft a report suggesting a solution.

Galdacano (Vizcaya), Alumbres (Murcia), El Garrobo (Seville), San Andres (Santa Cruz de Tenerife) and Gutirribay (Vizcaya).

ERT has seven factories earmarked for defense production: Manjoya (Asturias), Paramo de Masa (Burgos),

8743

FEDERAL REPUBLIC OF GERMANY

Economic Slowdown Predicted for 1989

36200138 Duesseldorf *HANDELSBLATT* in German
3 May 88 p 3

[Text] Duesseldorf, Monday, 2 May 88—In the opinion of the five leading economic research institutes, substantially higher growth rates could be expected in 1989, if the tax reform scheduled for the nineties were introduced at an earlier date and the plans to raise excise taxes were abandoned. In presenting the spring forecasts in Bonn yesterday, Klaus-Werner Schatz of the Kiel World Economy Institute said that the growth rate would amount to 2.5 percent.

Given present conditions, the experts predicted a slowdown of the growth rate ("even to the point of stagnation") to just 1.25 percent in 1989. For the current year, the experts expect the GNP to rise by 2 percent.

The five institutes, i.e., the German Institute for Economic Research, the Hamburg World Trade Academy's Institute for Economic Research, the Ifo-Economic Research Institute, the World Economy Institute of Kiel University and the Rhineland-Westphalia Institute for Economic Research, believe that last fall's stock market collapse and the further decline in the dollar exchange rate at the end of last year have had only a minimal impact on economic development. On the other hand, risks still exist in view of the continuing uncertainties of the world economy.

In their assessment of the current year's economic situation, the experts start out from some of the following assumptions:

Both demand and production in the industrial countries are still on the rise, albeit at a somewhat slower rate than in the preceding 6 months.

The price for crude oil stands at \$16-\$17.

The Bundesbank continues to watch the dollar exchange rate closely.

The dollar exchange rate stands at DM1.60-DM1.70.

The adjustment of EMS exchange rates serves to balance differences in cost of living increases to some extent.

In view of continuing (though slower) economic growth in the industrial countries, the experts believe that exports this year might increase by 3 percent in real terms. German exporters, they say, are likely to lose market shares to suppliers from the dollar area while sales by OPEC countries are likely to increase slightly.

Since imports are increasing at a rate of 5 percent in real terms, i.e., much faster than exports, exports in real terms are likely to decline further. The trade surplus is expected to decline by some DM5 billion.

In the view of the institutes, public sector budgets are providing the main support to the economy in the current year. Government revenues are rising by more than 3 percent whereas government expenditures are rising by 4 percent, as they did last year, i.e., at a higher rate than the nominal GNP. But expenditures for public investment are likely to rise even less than 1988 because of the tight budget situation. A slight decline in real terms is to be expected. The government budget deficit is expected to increase from DM34 billion in 1987 to DM47 billion in 1988.

As before, private consumption is providing strong impulses to the economy in 1988. Disposable income of private households is expected to rise by 4.5 percent as against 3.8 percent last year. But because of the rise in consumer prices by more than 1 percent, the increase in purchasing power amounts to just 3 percent, as it did last year.

The investment climate continues to be overshadowed by foreign trade risks, the institutes contend, pointing to the unpredictable nature of developments in the world economy, the uncertainty about foreign exchange rates, the threat of increased protectionism and the severe debt crisis. As a consequence, industry has been assigning a higher risk premium to its investment calculations than before. For this reason, a good many projects are either postponed or shelved entirely because of a lack of profitability.

Investments for the purpose of expansion are likely to be made on a small scale, the experts say. Industry would rather face capacity limits than build up excess capacities.

As a consequence, investment in plant equipment will rise by an average of only about 2 percent in real terms in 1988. In view of the meager starting levels at the beginning of the year, however, it will take a 4-percent rise for the remainder of the year to reach that goal.

Once more, investment in construction will rise between 1 and 2 percent in real terms, thereby contributing to the rise in GNP. Industrial construction should increase by 2.5 percent as against 1.5 percent last year. Housing construction is expected to increase by 1.5 percent. In view of the tight budget situation faced by many communities, public sector construction is likely to decline, however. The December 1987 decision by the Bonn government to lower interest rates is expected to provide funds for projects which would also have been undertaken in the absence of this program.

The institutes do not expect the employment picture to improve in any meaningful way. At the end of this year, the total labor force will exceed the 1987 end-of-year figure by about 100,000. Once again, additional jobs have only been created in the service sector. As against 1987, the number of unemployed is expected to rise by about 50,000 to a total of 2.28 million.

The institutes are looking forward to 1989 with concern, worrying about government fiscal policy which they say will slow down the economy. For another thing, they fear that employee contributions to the unemployment insurance fund will be raised. Fiscal policy, they say, is unlikely to provide any additional impulses to the economy.

The rise in private consumer prices will accelerate during the remainder of the year, reaching more than 2 percent by year's end. The annual average cost-of-living increase will be more than 1 percent.

Under these circumstances, real GNP next year is likely to increase by just 1-1.5 percent. The slowdown is expected to concentrate on private consumption which is likely to increase only one-half as much as this year.

Projection of Major Macroeconomic Indices for 1988

	1986 ¹ Years	1987 ¹	1988 ²	1987 ¹ 1st Half-Year	2d Half-Year	1988 ² 1st Half-Year	2d Half-Year
1. Origin of GNP (Percentage Change as Against Preceding Year)							
Size of working population	1.0	0.7	0.5	0.9	0.5	0.5	0.5
Working hours (by workday)	-0.8	-1.0	-1.0	-1.0	-1.0	-0.5	-1.0
Working days	0.0	0.2	0.5	0.0	0.4	0.5	0.0
Work volume (by calendar month)	0.2	-0.1	-0.0	-0.1	-0.1	0.5	-0.5
Output	2.4	1.9	2.0	1.6	2.2	2.5	2.0
Gross domestic product at 1980 prices	2.6	1.8	2.0	1.5	2.1	3.0	1.5
2. Utilization of GNP at Current Prices (in Billions of DM)							
Private consumption	1080.1	1119.6	1169.5	535.5	584.2	563.0	602.0
Government consumption	382.1	396.8	409.5	183.4	213.4	188.5	220.5
Capital investment	376.8	388.3	402.5	174.1	214.2	183.0	219.5
Equipment	161.4	168.7	175.0	76.9	91.8	78.5	96.0
Construction	215.4	219.7	227.5	97.2	122.4	104.5	123.0
Stockpile variations	-2.1	8.7	8.0	19.8	-11.1	19.0	-11.0
Balance of payments	111.9	109.8	105.5	53.4	56.3	53.0	52.5
Exports	636.3	636.6	664.0	308.4	328.2	326.5	337.0
Imports	524.4	526.8	558.5	255.0	271.8	273.5	284.5
Gross national product	1948.8	2023.2	2094.5	966.2	1057.0	1007.0	1087.5
3. Utilization of GNP at 1980 Prices (Percentage Change as Against Preceding Year)							
Private consumption	4.3	3.1	3.0	2.6	3.5	4.0	2.5
Government consumption	2.4	1.6	1.5	1.8	1.3	1.5	1.5
Capital investment	3.1	1.7	2.0	0.8	2.5	3.5	0.5
Equipment	4.1	4.0	2.0	3.2	4.7	1.0	3.0
Construction	2.4	0.1	1.5	-0.9	0.9	5.5	-1.5
Exports	-0.2	0.8	3.0	-1.1	2.7	4.5	1.5
Imports	3.7	4.8	5.0	3.4	6.1	6.5	3.5
Gross national product	2.5	1.7	2.0	1.4	2.0	3.0	1.5
Domestic demand	3.8	2.9	2.5	2.9	3.0	3.5	2.0
4. Origin and Distribution of Income (in Billions of DM)							
Gross income of wage and salary earners	1041.3	1080.6	1117.5	507.6	573.0	526.5	591.0
Gross wage and salary amount	838.3	870.4	899.5	408.7	461.7	424.0	475.5
Net wage and salary amount	565.0	579.9	600.5	275.5	304.4	286.5	314.0

Projection of Major Macroeconomic Indices for 1988

	1986 ¹	1987 ¹	1988 ²	1987 ¹		1988 ²	
	Years			1st Half-Year	2d Half-Year	1st Half-Year	2d Half-Year
Gross income from business activity and capital withdrawn	472.1	490.8	508.0	238.1	252.7	252.0	255.5
Net income from business activity and capital	398.3	419.9	435.5	205.7	214.2	218.0	217.5
Profits and capital withdrawn	365.7	375.0	387.5	178.9	196.1	183.5	204.0
Retained profits	32.6	44.9	48.0	26.9	18.1	34.5	14.0
National income	1513.4	1571.4	1625.5	745.7	825.7	779.0	846.5

5. Government Revenues and Expenditures (in Billions of DM)

Revenues

Taxes	473.4	491.7	502.5	228.4	263.2	235.0	267.5
Social contributions	337.4	350.6	365.0	165.3	185.3	172.5	192.5
Earnings	34.0	27.8	21.0	17.2	10.6	10.0	10.5
Other ongoing transfers	22.3	21.5	26.0	11.8	9.7	13.5	12.5
Capital transfers received	5.9	6.2	6.0	2.7	3.5	2.5	3.5
Total revenues	873.0	897.8	920.5	425.4	472.4	434.5	486.0

Expenditures

Government consumption	382.1	396.8	409.5	183.4	213.3	188.5	220.5
Interest	57.2	57.9	60.0	32.2	25.7	33.5	27.0
Ongoing transfers	393.5	412.5	433.0	203.5	209.1	214.5	218.5
To private households	317.2	332.7	346.5	165.0	167.6	172.0	174.5
Businesses	45.1	47.7	49.0	21.6	26.1	23.5	25.5
Out of country	31.2	32.2	37.5	16.8	15.4	18.5	18.5
Capital transfers	31.1	31.4	31.5	13.0	18.4	13.0	18.5
Net investments	32.9	33.4	34.0	12.2	21.2	13.5	20.5
Total expenditures	896.9	932.0	968.0	444.3	487.7	463.0	505.0
Financial balance	-23.9	-34.2	-47.5	-18.9	-15.3	-28.5	-19.0

Footnotes

1. FRG Bureau of Statistics and own calculations.
2. Projections by participating institutes.
3. Variation in working days taken into account only in part.
4. Gross domestic product at 1980 prices per wage earner hour.
5. After deduction of consumer debt.
6. Regional agencies, ERP, equalization of burdens fund, social insurance.

09478

Strauss Exhorts Economy to Competitive Performance

36200133 Duesseldorf *HANDELSBLATT* in German
22/23 Apr 88 pp 3, 4

[Text] [Boxed Material] At the *HANDELSBLATT* conference, held in accordance with tradition at the 1988 Hanover Industrial Fair, Bavarian Premier Franz Josef Strauss exhorted all economic, social and political forces to guard the attraction of the Federal Republic of Germany as a preferred location for manufacture and investment. Up to now, he said, the FRG as an industrial location had enjoyed the benefit of immaterial advantages—despite high wages and incidental wage expenses as well as high taxes and many costly environmental obligations. However, the trend is now against us. Strauss warned that every hour cut from working hours is bound to operate to the disadvantage of the FRG as a location of industry.

Strauss indicated two developments likely to affect international links and world economic positions of strength:

—The world is carefully observing the shift of international economic dominance from the Atlantic to the Pacific region.

—The world is equally attentive to the fact that the EC will soon become the largest domestic market of the free world.

Both the United States and Europe are now taking the competition offered on their traditional export markets by the “four dragons”—Korea, Taiwan, Hong Kong and Singapore—very seriously indeed because these countries are tackling exports more aggressively than ever. While they are able to hold their own with the Japanese in terms of technology, they beat the latter soundly in terms of prices.

According to the reports by the Economic and Social Commission for Asia and the Pacific (Escap), the mean growth rate in this group of countries was about 6 percent in 1987. The prospects for 1988 are estimated at 5.6 percent, that is just as good as in the previous year. With regard to the apparently precise growth estimates, Strauss commented with some irony that he had always admired the boldness of the estimators in confidently stating the expected rate as 5.6 percent. He expected an improvement in scientific performance so that in future economists will be able to just as surely miss the second place, behind the decimal point, as they already miss the first place. Their watchword was surely “better precisely wrong than imprecisely right.”

Mean economic growth hovered around 2.8 percent last year worldwide. In fact, the industrial countries managed only 2.4 percent. At 1.7 percent, the Federal Republic did much worse. South Korea, Taiwan and Hong Kong, on the other hand, achieved growth rates above 10 percent.

Strauss pointed out that the export strength of the “four East Asian dragons” is not entirely due to technical superiority and cheaper manufacturing costs. It is also strongly favored by the decay of their currencies. Still, the fact remains that these young countries have speeded up their conquest of U.S. and “old world” export markets.

The challengers have already won many points and early rounds in the struggle between the aspiring economic powers and the classic industrialized nations. Strauss said: “Japan and the southeast Asian region are becoming a world power with a future.” Not only because the people in these states and their social systems have a very different attitude to work, and because they labor for many more hours per annum and for less money. Another reason is the fact that Japan, for example, is able to devote its entire financial strength to research and development.

Strauss reminded his audience that, after World War II, Japan had been banned from building up an army. Even at the present time it has only a phantom army. This is not allowed to call itself a military force but only a

self-defense force. Japan’s entire financial capacity is at the disposal of its economy, a consequence of the fateful American blindness to historic and geostrategic interrelations.

As the Soviet leaders had confirmed in the course of talks held at the end of December, the Soviet Union would not be a decisive factor in the long run, unless it were to spend less on defense and instead do more for the economic build-up of the country.

The criteria of present-day political strength now have to be evaluated differently from the era of Stalin who asked “how many divisions does the Pope have”? Strauss said: “The future struggle for world leadership will not be carried on on battlefields and the barricades of revolution. Instead it will take place in the laboratories, development centers, science and research establishments of the industrial nations and their factories.”

Both Europe and the United States will become less important at the international level, while East Asia will make great strides. Nevertheless, he does not feel pessimistic nor does he wish to be a prophet of doom. Strauss said: “Europe is not damaged and need not fear being knocked out in this fight.” Europe is on the way to turning into a genuine common market. From 1992 on, the EC plans to become the greatest domestic market of the free world. With 320 million consumers, it will have 60 million more than the United States and double those of Japan.

This fact already draws the world’s largest corporations toward Europe, compels European firms to increasingly practice international cooperation and encourages corporate mergers.

Strauss also appealed to medium enterprises to fully use the opportunities offered by the European dimension.

Strauss thinks that the European market without borders is attractive to foreign countries. That is why he expects a wave of mergers and new establishments. At the same time, he pointed out that the common market is bound to raise tremendous problems even within the EC, because not all the regions can offer the same qualities in terms of location. Wages, incidental wage costs, taxes and infrastructures are not comparable or uniform within the EC. Strauss expressed some worry lest German firms abandon Germany to seek a new location in Spain or Britain and then manufacture there for the German market. Similar developments and thoughts are noticeable in the field of telecommunications also.

Strauss foresees great challenges approaching German EC commissioners and deputies. It will be up to them to make sure of avoiding new investment divergences and sales movements liable to create new centers of unemployment.

Strauss warned that national policy does not have much time left for improving the framework conditions for German industry in such a way that the common market may represent an opportunity rather than a gamble. The tax law needs to be harmonized, business taxes lowered, company and trade laws standardized, environmental obligations coordinated among themselves and non-tariff trade and production obstructions removed.

Strauss reminded the audience that the Airbus syndicate—the largest European industrial syndicate, with billions of orders in hand, billions of orders expected, many hundreds of aircraft in operation, hundreds of aircraft on order—is working on a legal basis that could not possibly be slighter, namely an economic interest syndicate. That legal basis is provided by a French Government decree. He blamed the absence of a European company law. The European Airbus syndicate virtually “cries out” for the form of a European joint stock company.

According to Strauss, Europe is in the mood to make a new start. The European member countries are fighting for a good starting position in the great economic race for “Europe 1992.”

And yet Strauss mentioned some worrisome features:

—The FRG as an industrial location is again losing its appeal to domestic and foreign investors,

—German products are again lagging behind in the international competition,

—Firms are compelled to shift some function or entire manufacturing processes to cheaper foreign countries in order to maintain themselves and still have enough financial scope for innovation.

Strauss indicated the example of the Airbus production, subject to strong pressures to save money. The French are solving part of the problem by subcontracting some of the orders they are handling to Canada. The better currency ratio in Canada permits the price to be kept low. Here, negotiations are under way on how to contract some of the German construction segments out to Korea or Singapore, Hong Kong or Taiwan. If the German Airbus GmbH [firm] is supposed to manage with the price offered by the market, significant segments of manufacturing will have to be shifted to lower cost countries.

Strauss regretted that even the “raw material represented by intellectual capacity” is not always able in this country to develop as freely as needed in a nation depending on exports. In this context he criticized socialist leveling proposals, according to which our society should be like to a British golf course, where no blade of grass is allowed to grow higher than another.

At the same time Strauss stressed the advantages enjoyed by the FRG: Monetary stability, a large degree of labor peace (in other words few labor disputes), a generally good education system, high productivity and high efficiency. However, these advantages are no longer quite so much in demand in the international comparison of desirable locations. Strauss said: “The German economy is no longer illuminated by a youthfully strong spring sun but by a mild autumn sun, although, admittedly, the latter still has some curative effect on rheumatism and gout.” It will be up to all political forces in Germany to change from the mild autumn sun to another strong spring sun without moving through winter.

Strauss underlined the German economy’s great dependence on exports. Every third D-mark is being earned by exports. The two most important industries—the automobile industry and machine construction—send almost 50 percent of their output abroad. Strauss said: “In other words, we live off superior quality, intelligent technology, clever ideas and seductive solutions, the individual offer of products conforming to customer wishes. Our watchword should therefore be this: We need to stay at the top wherever we are at the top. And we will have to reclaim the top wherever we have lost that position.”

He pointed out that Prognos AG has confirmed German technology’s continued world leadership in many fields. He also reminded his audience that the government and business spent at least DM58 billion on research in 1987 (1986: DM 55 billion, 1988 estimates more than DM60 billion). This sets a new record. Altogether some 2.9 percent of the gross national product were spent on research last year, a notable achievement in international terms.

He appealed to business not to relax research efforts. The state also needs to continue to make money available for research and to provide research impetus. In this context, Strauss sharply criticized the rigid fiscal policy that at some point intended to commit the “unbelievable stupidity” of collecting withholding tax from all non-profit foundations and research establishments. Strauss dubbed this an “act of rare idiocy.” Legislators should also provide legal backing for research. This is urgently required—primarily in the fields of genetic and biological engineering. He called on German business to establish closer cooperation with universities and colleges. Fortunately, he said, the “Great Wall” between these two has been crumbling for some time. Strauss said: “We cannot afford to let the ‘raw material represented by intellectual capacity lie fallow’.”

Also to be considered from this aspect is the commitment of German and European industry to aviation and space exploration as well as the readiness of European governments to provide substantial financial aid. The aviation and space industries are the point of intersection of almost all earlier technical developments. Thousands of new inventions are due to them and have given

new impetus to many industries and markets. Concentrated rational efforts have prevented the Federal Government from committing the mistake of getting out of manned space flights, because this would have meant abandoning a promising scientific-technological field of as yet unimaginable proportions.

Aviation and space provide the bases for the technologies of the future and, therefore, the economic and social wealth of future generations. Strauss backed this conviction with a few statistics of the German aviation and space industry. Between 1985 and 1986 alone, for example, the turnover of this innovative key industry has risen by almost 15 percent, from DM18.1 billion to DM20.8 billion—while prices remained stable. In the same period, the numbers of employees have grown by 5.5 percent, from 80,000 to 85,100. Almost 49 percent of MBB personnel are university or technical college graduates.

This market has a future. New demand or replacement needs through 2000 will require the supply of about 6,500 civil aircraft. Airbus expects a 20-25 percent share. If this percentage is not achieved, the Americans will have a monopoly and dictate prices, something we are familiar with already from the Boeing 747.

Strauss also pointed to the worldwide demand for civil and military helicopters as well as large and small satellites for telecommunication purposes.

He considers corporate spending on professional training and further education another important investment in the development of the "raw material represented by intellectual capacity." This spending amounts to around DM20 billion per annum. As much as 60 percent of this investment in the future is accounted for by small and medium firms. Strauss said: "High educational standards, our renowned scholastic education and intensive and continued professional training are the irreplaceable capital of our national economy. They make up for many disadvantages as regards the FRG as the location for industry." The dual educational system represents our strength. For many years past he has battled attempts to make occupational training more and more a matter of theory. Strauss criticized ongoing efforts in North Rhine-Westphalia to create double professional training—scientific-theoretical alongside apprentice craftsman practice. The result, he claimed, is a double semiskill.

Strauss emphatically backs increased corporate efforts for improved qualifications. The future belongs to the skilled worker, particularly if he is also professionally mobile and ready to allow his firm to employ him abroad. A good education is tantamount to a safe job.

At the same time the "raw material represented by intellectual capacity" is not the only consideration. Strauss said: "A people cannot live by exports of blueprints only." An industrial nation also needs to remain

attractive as the location for manufacture and investment. Our free economic system, social market economy, stable currency, liberal foreign trade policy, political stability and rejection of socialist and labor union nationalization demands are pluses for the Federal Republic of Germany. So, too, is the rejection of those who formerly sought new gods in science and technology but now decry the new technology as the demon of our age. Other FRG advantages are the productivity of the labor force, great efficiency, our internationally renowned educational standards, high product quality, punctuality, discipline, precision, responsible social partners, the opportunity for free profit and capital transfers, legal security and the safety of rights. Our country's continued standing as a desirable location is reflected in the fact that we are in third place on the world creditworthiness list published twice a year by the American financial journal INSTITUTIONAL INVESTOR. Due to our high wage and incidental wage costs, high taxation and many expensive obligations for the maintenance of environmental control, red figures appear in our accounts and work against the FRG as the location for production and investment. However, up to now immaterial advantages have counteracted these trends. We should not, though, believe that we will be able to forever exploit this capital. Strauss said: "The overall trend is running against us. We are about to gamble away our reputation."

We must consider the fact that the FRG is falling behind with regard to direct foreign investments an alarm signal. The statistics of direct Japanese investments in EC countries reveal that the FRG has lost much of its glamor as a location for industry. Strauss also cites another example—direct American investments in 1984. Britain accounted for \$29 billion, Switzerland for \$15 billion, the FRG for \$15 billion, Japan for \$8 billion and Spain for \$1 billion.

Labor costs in the processing industries of important industrial countries are one reason. In this context Strauss pointed to the FRG's top ranking next to Switzerland (DM32.70 and DM33 respectively in mid-1987). Another cause for concern is the fact that German corporations exported roughly DM34 billion investment capital in the period 1984-1986, while foreign corporations invested only DM12 billion here. Strauss commented: "At the present time we export far more growth and jobs by way of direct investments than we import."

By comparison with Korea, for example, German labor costs for engineers are 5.5 times higher, for skilled workers 8 times and for semiskilled workers 8.5 times higher, while labor productivity in world market oriented Korean corporations is no longer much below that prevailing in the FRG.

We are standing in our own light due to rigid bureaucracies with respect to the labor code, working hour regulations, leveling standard wage agreements and statistical investigations. Strauss said: "We are standing in our own

light by short working hours and long vacations. We treat ourselves to 30 vacation days, the Americans have only 12, some Japanese no more than 6." German industrial workers already work only 1,708 hours per annum, while his Japanese counterpart labors for 2,156 hours. At the same time both offer generally similar intelligence, quality and skills. "Every hour cut from working time is bound to adversely affect the attraction of Germany as a location for industry."

All government efforts to lower unemployment resemble the labors of Sisyphus: The stone, painfully rolled upward, constantly falls down again. It is simply not feasible for the government to be held responsible for the unemployed, while the standard wage agreement partners fail to assume any responsibility whatever for employment. With respect to research, it is already being complained that lengthy programs, tests and studies would be better if sent out to be done abroad. Research work cannot be done by the clock.

We also stand in our own light by high energy costs and endless discussions about the peaceful use of nuclear energy. Many people flatly refuse to accept that nuclear energy provides cost benefits ranging from 3.5 pfennig to 4.5 pfennig per kilowatt hour. Another self-inflicted disadvantage is represented by high costs in the field of telecommunications. The imminent reform of the post office should at least make good some of this disadvantage.

At the same time Strauss warned of repeated ideological-political investment blockades regarding license procedures. As the head of government in the Land where Wackersdorf and the large Munich II Airport are located, he knows enough to hold an entire seminar on this problem. Strauss also underscored the pigheaded fomenting of fear and hostility toward technology, the mentality of apathy and disinterestedness, the hostility toward performance and responsibility. Our youth must be inspired with hope for the future, it must say "yes" to a technology that is responsibly handled and controlled by man; it certainly must not be driven to pessimism and fear for the future. No young people in past centuries have had such wonderful opportunities as our present generation.

Strauss pointed out that the tax reform and its various graduated concessions will provide net relief in the amount of DM45 billion. This is the greatest net relief of the postwar period (and most likely of prewar history also). Strauss reaffirmed his view that—despite the poor financial situation of some federal Laender and the financial burdens on the Federation—it would have been better either to renounce any compensation or so to limit the tax reform that a significant compensation would either not have been needed or sought.

Indicating financial psychology, Strauss opined that the dispute about compensation in the amount of DM19 billion and its organization have largely negated the

psychological value of the immense revision of charges. The political benefits have been buried and forgotten under the mountain of resproaches. They may perhaps resurface and become visible again when individuals will—as of 1 January 1990—notice how much more they will keep in their pockets, when they get their wage slips and tax assessments. Some tax concessions have certainly become obsolete, others evidently require a review though this must not threaten the overall success of the tax reform, its enactment. Strauss reminded his audience that he had stoutly resisted the extension of the withholding tax to fields never covered by coalition decisions—accepting the only too well known accusation of launching a "crossfire from Munich." He pointed out that income from capital assets, securities and savings accounts has increased both absolutely and in terms of percentages. A large part of this unearned income escapes taxation, to some extent due to ignorance of the person who does the saving. That is why he had reluctantly agreed the "small capital yield tax," foolishly dubbed "withholding tax." However, at no time had there been any mention of extending the withholding tax to income that had hitherto been tax exempt.

The Ministry of Finance introduced this clause in its proposals subsequent to the coalition agreement. Strauss insisted that the logic of probability proves him right. After all, only one exception was originally made: The superbook yields of long-term life insurances alone—until now tax exempt—were, with CSU approval, to be subject to the small capital yield tax. It is an indication of mismanagement that now the Catholic Church, the Protestant Church, the Jewish Community, the Red Cross, the Internal Mission, Caritas, all pension funds, all benefit funds, all non-profit foundations, the Reconstruction Loan Corporation, public corporations, and so on—a 2-page catalogue he had found to his horror upon returning from a trip—are also to be subject to withholding tax.

Strauss said: "I am not prepared to yield to this mismanagement. I am raising my voice, not because I want to assert myself, but because such mistakes need to be avoided for the benevolence of current federal policies to be properly appreciated by the people instead of simply fading into the background as the result of foolishness—leaving behind a general impression of confusion."

Another stage in tax reform will certainly have to be completed in the 1990's. In this instance it will be a matter of the retention or transformation of the trade tax. However, it makes no sense now to talk about the abolition of the trade tax before being sure how to replace it. Strauss pointed out that the trade tax accounts for DM32 billion local authority revenues.

The Bavarian finance minister has made a sensible suggestion: To abolish the trading capital tax [levied by local authorities on capital employed]. This would once and for all remove the parts of the trade tax that do not depend on profits. Instead the trade tax contribution of

the local authorities should be waived. Strauss emphasized: "I am against a value added tax, because it specially affects small and medium business and trade. I also object to a per capita tax, in other words to the suggestion that every local resident should have to make up for the loss of the trade tax by paying higher income tax as the result of the local authorities' right to a surtax."

Strauss took the occasion to warn against political suicide. This might be initiated, he said with some irony, if he were to announce to the worker "the good luck" of being uniquely fortunate to be allowed by a higher wage tax to make good the loss to Munich resulting from BMW being exempted from paying any further trade tax.

Strauss reaffirmed his opinion that there is no alternative to the coalition in Bonn—despite the fact that he is one of its most outspoken critics. He considers it imperative to make prevail sensible policies in all political parties receptive to common sense. Tax policy must not be conducted with false ideas of equity or socialist leveling philosophies, let alone socialist-tinged envy. He reminded his audience of the painstaking discussions about the organization of the top tax rate. Strauss said: "Nowadays we would need a 49-50 percent top tax rate for wages and income tax and 44 percent for corporation tax."

In the course of the discussion with the plenum, Strauss rejected the proposal by Lower Saxon Premier Ernst Albrecht that the Federal Government should shoulder 50 percent of national assistance payments and, in return, receive a 4 percent greater share of the turnover tax. The gap remaining is to be closed by an increase in excise duties. As regards the monorail proposals, Strauss had the comment "volunteers to the fore." He would welcome the establishment of a monorail between Hamburg and Hanover by the Land governments in Hamburg and Hanover, with financial subsidies from the Federal Government. Bavaria would certainly give such a proposal the green light.

In answer to the question what politics might do to change the trend running against the FRG in the competition for industry location, Strauss said, among other things, that something had been missing already in the era of the liberal-socialist coalition and was now also failing to be done to a sufficient extent—the contribution of politics to the spiritual-moral leadership of the nation.

While politics cannot take on the entire spiritual-moral leadership of the nation, it must provide a definite contribution to this leadership. Other contributions are needed from social groups, the churches, science and associations.

Strauss called for a grand coalition of commonsense about the foundations of our future existence. After 1945 we faced a Himalaya of anxieties, needs and problems. The situation we now have to cope with is entirely

different. This spiritual turnaround—to which the labor unions are also indispensable—must gradually get a grip on our people as a whole. He said: "We need to reconsider the bases of our nation and the vital preconditions for retaining our place in the sun in future also." If this does not happen, the FRG is bound to slowly but surely decline.

In our time other countries and cultures are ascending. Strauss mentioned Japan and other East Asian countries. Although it might take a long time, China and its (then) 1.2 billion people—currently 1.1 billion—will certainly become a genuine competitor, and so will India with a population of 800 million, Indonesia and the Philippines.

These peoples are now striving for and inexorably advancing to a place in the sun. They have different social criteria, different moral and cultural attitudes. The FRG will need to be able to compete with these peoples, unless Oswald Spengler's erstwhile vision is to become the reality now or in the next generation.

Photo Captions

1. p 3 (Franz Josef Strauss) "The overall trend runs against us. We are about to gamble away our reputation."

2. p 3 At the HANDELSBLATT conference held on the occasion of the 1988 Hanover Industry Fair, Bavarian Premier Franz Josef Strauss expressed the opinion that Europe and the United States would lose importance in the international comparison, while East Asia would catch up. Still, Strauss did not consider himself the prophet of doom but rather the provider of well-timed warnings. Pointing to German history and the postwar reconstruction achievement, he called for a return to the fundamental values of our nation.

11698

Banks Extend USSR Credit Line of DM3.5 Billion

36200139 Duesseldorf HANDELSBLATT in German
9 May 88 p 1

[Text] Duesseldorf, 7-8 May (DPA)—A consortium of banks under the leadership of Deutsche Bank AG is going to extend to the USSR a credit line of up to DM3.5 billion. This is the central element of an agreement reached over the weekend in Duesseldorf between Deutsche Bank, represented by board spokesman F. Wilhelm Christians and the board member responsible for East Bloc dealings, Georg Krupp, and the Foreign Trade Bank of the USSR, represented by the chairman of its managing board, Y.S. Moskovskiy.

The credit is intended to help finance the modernization of the Soviet food industry and light industry, according to a statement released on Sunday. The credits may be

utilized after individual supply contracts are concluded. Negotiations between around 200 representatives of small German companies and a Soviet delegation under the leadership of the deputy prime minister of the USSR, Aleksey Antonov, had been held with the Soviet guests since last Thursday.

The central focus of the "exploratory talks against a very serious background" was the development of major projects in western Siberia and on the Kola peninsula. In addition, deliveries of equipment for the consumer goods and food industry were discussed. Although Christians declined to provide any further information about volume, his statements indicate that billions of German marks are at stake, as well as proportions that will require "a massive effort" on both sides. Further details are to be discussed in individual negotiations.

Christians said that the USSR, after years of abstinence, is now reopening its borders to major projects by Western companies. In western Siberia there is reportedly a project in the making that is of interest to the chemicals industry in particular. The USSR no longer wants to simply exploit its wealth of energy in this region and then supply it to the West, he said; instead, the goal of the new policy is to refine on site and offer trading partners semifinished goods. The Kola project involves primarily the construction of industrial processing enterprises. This is why German plant construction in particular is in demand.

As part of the effort by the Soviet government to take better care of the population, the consumer goods industry is to be modernized with the help of Western imports. However, Christians noted, the negotiations, which both parties depicted as interesting and useful, did not revolve around the import of German consumer goods into the USSR. The Soviet delegation came to the FRG at the invitation of Deutsche Bank and also held talks with Minister for Economics Martin Bangemann in preparation for the 16th meeting of the German-Soviet Economic Commission, which is meeting this week in Moscow.

12271

Modernization Plans for Postbank Viewed
36200137 Duesseldorf WIRTSCHAFTSWOCHE
in German No 20, 13 May 88 pp 106-116

[Article by Jens De Buhr: "Postbank: Electronics and Tips"]

[Text] The Postbank, the independent enterprise planned by the federal postal ministry, wants to show the credit banking sector a thing or two. However, the postal bankers still have much to do in order to hold their own against increasing competition.

After the holder of a postal savings account has carefully filled out the deposit slip, the official behind the counter finally takes pen in hand to complete the involved and time-consuming procedure of depositing funds into a postal passbook account. First the amount is entered in the passbook. Like a bookkeeper, the conscientious official takes a ruler and draws a line through the empty spaces. Finally, he adds the figure to a kind of cross-checking list. In the meantime, the line of impatiently waiting customers grows longer and longer. Some already show signs of disgust and depart with their cash.

Guenther Detjen has taken aim against this archaic work method used at federal post offices in the FRG. This marketing expert and head of the Postbank services innovation project at the postal ministry is working on a strategic concept intended to carry Postbank services into the next millenium in a more competitive and flexible manner. Appointed the head of a three-man project team in April 1986, he wants first to devote all effort to furthering technical development of EDP systems and improving customer service.

Admittedly, the proposed reform of the post and telecommunications administration places narrow limits on postal bankers in terms of planning. The paper states categorically: "Entry into private credit operations or development into a full-service bank is not intended." What remains, therefore, is primarily business involving credit-transfer (Giro) and savings accounts. Even if postal critics like Eckart van Hoooven, a member of the board of Deutsche Bank AG, remain suspicious and among other things even accuse the German Bundespost of "quietly occupying, little by little, ever larger areas within the banking sector" (van Hoooven). The Bundespost is distancing itself from such accusations which are directed in particular toward the bank deposit business of the postal giant. Erhard Schramm, the department head of postal savings account services, sees it as a necessity that the Bundespost adapt to changing market conditions. In so doing, he says, the development of new, special types of savings instruments is inevitable. Otherwise, says Schramm, the Bundespost would run the risk of losing further market shares in the battle for people's savings. This would have serious ramifications: The savings business is the only sector in which the Postbank services are squarely in the black. This means that the postal savings bank overall—including the deficit-ridden money transfer service—in the past few years has provided even higher covering contributions than the telecommunications sector.

At the same time, the problems within the deposit business are not far in the past, and thinking about them still makes postal bankers turn pale today. A change in attitude toward savings, together with a distinct trend toward more flexible and diverse types of investments at higher interest rates, caused growth rates to melt away. All of a sudden the commercial and savings banks had the advantage over the postal service. Their savings

certificates, time deposits and fixed interest-bearing securities sold like hotcakes. Their competitors at the Bundespost, with their nice little passbooks, were left out in the cold.

The result: These sorely missed special types of savings instruments were henceforth also introduced by the Bundespost. They were intended to compensate for the money departing from the classical passbook account and at the same time bring in higher savings figures. The Postbank no longer wants to administer only the less profitable bits and pieces. Although the postal ministry has about 16 percent of all West German savings accounts, its market share in terms of deposits is exactly 5.34 percent. Therefore, savings with growing interest and savings-by-installment with bonuses were newly added to the market.

However, the concept took hold only to a certain extent. The drain on savings funds was able to be stopped, but there were still no major increases. So in 1987 the Bundespost, with an increase in deposits of 5.5 percent, remained behind the rest of the banking sector. All banking groups together had a 6.9 percent increase in time deposits and savings deposits. By themselves the large banks had 11.2 percent growth. The postal bankers wanted to close this gap with a new type of investment for profit-oriented savers. Since the postal savings bank was not able to offer the savings certificate in view of legal questions, the clever managers offered savings at fixed interest rates as of December 1987. With this method savers invest their money for 1-2 years at 3.5 or 4 percent interest. Under such conditions, many credit institutions were left out in the cold. The Deutsche Bank, for example, with its 1-year fixed-interest savings plan pays only 3 percent on amounts over DM20,000.

It is no wonder then that this coup by the Bundespost was so very successful. In the first month, DM243 million poured into these types of savings plans. The spectacular part of it was that 82 percent of the capital came directly from the market of non-postal savings account holders and the average investment in this type of savings plan was over DM10,000. Compared to the postal passbook with its statutory period of notice, this is an increase of over 700 percent.

This successful bid for more clients caused a hail of protest from the credit banking sector. The ZKA (Central Credit Committee)—the mouthpiece for the entire German banking sector—thus accused the Bundespost of having a policy of excessive interest rates which was not consistent with the required profitability of a publicly owned enterprise. These offerings, it said, in no way corresponded to market conditions and were therefore being subsidized by the other postal services. These charges were vehemently denied by departmental director Bernhard Zurhorst who is responsible for the finances and Postbank services at the postal ministry.

However, this competition involving the interest rate offered alone, so furiously attacked by the credit industry, has probably already been exploited to the fullest by the Bundespost. Otherwise the special types of savings would become too expensive and uneconomical. But in order to remain in the business nevertheless, the Postbank wants to structure the marketing of its range of offerings more efficiently. At the same time, consultation is considered to be of central importance. Therefore, in a few months specially trained Postbank consultants will provide comprehensive information to their customers. This means that the investment experts are not simply to offer blind praise of Bundespost products, but should also be able to use their salesmanship expertise to address the strengths and weaknesses of the competition.

Initially a total of 80 selected post offices will provide this special service, which has another function in addition to promoting sales. If current types of investments carried on the passbook should lose out in terms of attractiveness and market share, the postal savings bank would be able to react quickly and also draw on their arsenal of savings and insurance-related products, which are more difficult and require more explanation. In such a serious case, manager Schramm also no longer sees the postal savings bank as inextricably linked to the passbook. In his view, savings certificates and time deposits would no longer be taboo in the future.

The efficiency of the work performed by the consulting officials is to be improved additionally by employing a modern, customer-friendly postal savings bank system (PSA). With the on-line system already tested at the savings bank offices in Munich and Hamburg, tellers will then be able to access all 21.5 million accounts. Initially about 200 special windows will be installed a few at a time in 100 post offices during the second half of 1988. With the aid of the computers and consultants, says postal manager Schramm proudly, some post offices would finally become competitive with branches of commercial banks and savings banks.

The introduction of the PSA system obviously represents only a small portion of the modernization efforts of the postal service. The image of the official who spends his time filling out lists should be past history by 1992 at the latest. By that time 20,000 terminals will have been installed a few at a time at the post office windows. The new computer system will then take over approximately 280 different tasks. The large-scale use of data processing at the window—called Epos in post office jargon—must still run off-line initially, however. The project, budgeted at DM500 million, will only go on-line during the second phase, allowing the 17,200 post offices direct communications with the two postal savings banks and 13 central clearing banks. Therefore, it will still be years before the postal customer will be able to get money from his own account at any post office as quickly as he can at the branches of commercial banks. Up to now the customer with a postal credit-transfer account has access to his money only at a post office where he has his signature on file.

A way out of this malaise may be the introduction of a post-office-specific user card. As of May 1, approximately 30,000 cards with magnetic strips are undergoing a year-long test free of charge at a factory in Berlin. Cardholders can obtain up to DM600 at the window or at automatic teller machines (ATM) at the post office using the postal bank transfer card—a limited service considering the fact that commercial bank customers frequently have access to substantially more money with their cards. Moreover, the Berlin group will have difficulty finding an ATM at the post office. At present there are only 86 of these machines in the entire FRG. This miserable figure will show improvement by 1992 at the earliest. By that time more than 500 ATMs are expected to have been installed. The savings banks will surely just sit back and smile. Their 3,000th ATM will be placed in service this year.

Despite the high investments in rationalization, the postal savings banks will still have two major money-losers: the postal money order and credit transfer services. In 1986 the two together produced a deficit of DM550 million. In order for the post office to make progress in this area as well, the new software will make it possible in the future, with the credit transfer account, for example, to have simultaneous posting of deposits and withdrawals (establishment of the so-called availability date) and to pay interest on the accounts. Since establishment of the availability date is an additional profit element, its introduction is only a matter of time. At present a customer can go to an ATM on Friday and take out several days worth of interest-free credit, since the withdrawal will not be debited until the following Monday or Tuesday. No financial institution can afford something like this. Whether the post office will also guarantee credit interest along with establishment of the availability date is still unknown. In any case, most banks pay 0.5 percent on their accounts. In this regard, says Detjen evasively, "We will do what the market demands."

Naturally the deficit-ridden payment sector is also to be made more profitable by means of improved customer response. While the post office has a market share of 13 percent in terms of the transactions involved in its 4.5 million accounts, in terms of average credit balances it has only about 6 percent. Only relatively low, short-term interest gains can be obtained under these unfavorable conditions. One reason for this is that a significant number (10 percent) of the postal credit transfer accounts are used commercially. On the average the base rate in these accounts is higher than in private accounts. Two things are now expected increasingly to attract businesses. In the first place the post office is advertising its money transfer system very heavily. Using the system, business customers are supposed to be able to reach up to 4 and ½ million customers at lightning speed and low cost. In addition, the post office also wants to intensify consultation with its business customers. Around 40 new business customer consultants who will regularly and actively speak with important business

customers are to be recruited for this effort. What success these new steps taken by the post office will have remains to be seen. What is certain is only that as a special institution for money transfers and the savings business, it will not be easy to hold their own in an ever more fiercely competitive atmosphere. The way in which market shares develop will naturally also show how successful the work of Detjen's project group was and whether the handwritten lists were retired in time.

Pro and Con

WIRTSCHAFTSWOCHE asked Bernhard Zurhorst, departmental director responsible for finances and post-bank services at the FRG postal ministry, and Wolfgang Grueger, member of the board of directors of the BVR (national association of people's banks and farmers' credit cooperatives), about the pros and cons of the postal banking business. The BVR is currently the central coordinating association within the ZKA (central credit committee), the mouthpiece of the FRG's credit institutions.

QUESTION: The federal post office, because of its banking activities, is at loggerheads with the credit institutions. What positions are taken by its opponents and proponents?

ZURHORST: The postal service greets these attacks with calm, since they are largely the result of a lack of information. There are repeated attempts, with reference to meeting demand adequately and to corresponding offerings by commercial and savings banks, to assign to the postal service, for competitive reasons, the role of a not only undesirable but also unauthorized participant in the market. Regarding such accusations, we, on the other hand, are of the opinion, confirmed in the expert opinions written by renowned professors, that a constitutional subsidiary principle is not recognized as a functional obstacle to the postal service. The postbank services do not see themselves as unnecessary competition. Proving oneself in the marketplace against fair competition, in our economic system, represents the best argument justifying the activities of an enterprise and, therefore, also of the postal service.

GRUEGER: In the case of the state-owned Bundespost, more and more frequently for several years unfortunately, the danger has existed that the banking activities of the postal service are being openly or covertly subsidized by the postal and telecommunications sectors of this monopoly or are unfairly profiting from these sectors. The transport by the postal service of remittances or statements of account at no charge to the customer is one example familiar to everyone. There have frequently been political and constitutional doubts about such practices because neither postal legislation nor other legal rulings anticipated that the postal service, with all of its opportunities as a public company and monopoly,

would encroach into functioning private-enterprise markets. In view of the 450,000 banking locations in the FRG, making it the most dense network in the world, there is no reason or justification for expanding Postbank services.

QUESTION: What changes will take place as a result of the planned Postbank enterprise?

ZURHORST: In terms of Postbank services, the reform is an important and necessary step for preserving the market position which has developed and for increasing integration within the scope of fair competition. The creation of a company called the "Deutsche Bundespost Postbank" will permit more justice to be done to the special features of this sector of the enterprise than would ever be possible with its current incorporation within a communications and transport enterprise. Furthermore, the economic success of the Postbank will be determined by company account statements and not simply by way of cost accounting. This will make the performance relationships within the enterprise clearer and also apparent to outsiders, which will contribute substantially to clearing up the misunderstandings vis-à-vis the credit banking sector.

GRUEGER: There is no doubt that an autonomous branch of this enterprise for Postbank services would be focused on expansion. This would be particularly problematical if the Postbank services would be allowed to artificially increase their competitiveness by engaging in equalization of financial burdens or by utilizing the advantages obtained from the postal and telecommunications sectors. Such a practice would of course represent a crass disregard for the basic market-economy principles of the FRG Government which wants to concentrate state activity on its own truly necessary functions. We are not afraid of true private-enterprise competition—something like quality consultation or product diversity—as long as the links to the monopolized sectors which we fear do not come about. This is exactly what is expected—beginning with data transmission.

QUESTION: Have the Postbank services resulted in unfair competition?

ZURHORST: In the past 10 years the Postbank services have provided a substantial cost cover in that the postal savings bank service in the past 4 years in succession has been able to achieve a surplus of more the DM500 million per year. The charge that the Postbank services would be subsidized by the other postal services is therefore without any foundation whatever. The methods used in the accounting of our payments and costs—as the Bundespost has also repeatedly pointed out in public statements—are in accordance with recognized principles of business management. Using a procedure which is at times very involved, all of the payments and costs arising within the joint enterprise are calculated and charged to the individual service branches on the

basis of an actual cost system. For example, this means that the mailing of postal checks—although postage-free to the customer—is definitely charged to the Postbank services in the cost accounting. The attacks are therefore not justified.

GRUEGER: The most recent example of this was "saving at fixed interest rates." In this case the postal service offered interest rates on deposits which in no way corresponded to the prevailing market conditions. Since this was the test phase of a new product, one could get the impression that here, in a trial phase using elevated interest rates, a success could be achieved which would then provide the justification for nationwide introduction of this product. Apart from the fact that such a high-interest policy by the postal service counteracted the national low-interest policy of the government, the question naturally also arose concerning the necessary profitability of publicly-owned enterprises. Only following intervention by the ZKA did the postal savings banks offer conditions which were based on market demands.

QUESTION: Will the Postbank develop other activities in new business sectors in addition to the savings business and money transfers?

ZURHORST: The Postbank will remain a specialized institution for the areas of activity mentioned. It will do everything within the scope of its legal options to secure its market share and win back lost shares. The positive profit situation in the postal savings bank division must be retained so that in the future deficits in other subdivisions of the postal banking service can continue to be offset and an overall operating result whereby all costs are covered can be ensured. This is the most effective protection against any kind of cross-subsidizing. The expansion of the product range to include time deposits or savings certificates—which is considered permissible under certain conditions by the experts we mentioned—has not been set for the foreseeable future.

GRUEGER: Since the mid-1970's the postal service has engaged in numerous activities intended to expand the postal checking and savings services. There is no indication that the Postbank services have given up their strategy of fitting in with the banks in terms of the credit transfer and savings business. Their policy regarding service charges and the hours that they are open for business in particular continue to point in this direction, whereby the postal service, here especially, is mercilessly taking advantage of its opportunities as a publicly owned company and monopoly in the postal and telecommunications sectors.

12552

Max-Planck Institute Site for Joint Energy Research

36200140b Frankfurt/Main FRANKFURTER
ALLGEMEINE ZEITUNG in German 21 May 88 p 13

[Text] For the first time ever, a cooperative arrangement is being attempted between East and West intended to tap a new source of energy. A group of Americans,

Soviets, Japanese and Europeans—each with 10 representatives—is currently in the process of drawing up plans for the joint development at the Max-Planck Institute in Garching. Federal Minister for Research and Technology Riesenhuber said on Friday that this cooperation between the United States, the USSR, Japan and the European Community intended to build a joint fusion plant not only is possible, but is in fact necessary. On their own, even major countries would not be able to advance nuclear fusion to such a stage that it can be used to generate electricity, he said. All of the partners are aware that this difficult and expensive task can only be tackled scientifically and economically within the context of a broad cooperative agreement, he added. Like space travel, solar technology and breeder reactors, nuclear fusion is one of the developments that would be operated internationally, with good long-term prospects. Just as things are progressing with the breeder reactor in the FRG, it will be further developed internationally as a future energy source, as can be seen in the USSR in particular, he said.

Riesenhuber called the fact that a major international cooperative arrangement is starting up in the FRG an acknowledgement of German fusion research. The Garching group, which will be working until the end of 1990, means that the FRG is in a good maneuvering position for being chosen as the site of the next nuclear fusion plant. According to what is currently known, such a plant would also bear up to the strict German licensing process. The probability that the risks of nuclear fusion would fall within a narrow range and would be manageable is great, he said. Riesenhuber also expects that, based on existing experience, trouble-free waste disposal from fusion plants will be possible.

At present, the FRG provides around a quarter of a billion marks a year for nuclear fusion within the framework of European cooperation. According to current plans, the joint European plant in Great Britain is to be followed by another comprehensive experimental phase in a prototype plant, until the construction of a larger testing facility. If this experimental plant is not built jointly by Europeans, Americans, Japanese and Soviets in the ITER (International Thermonuclear Experimental Reactor) project, Riesenhuber feels that it should be the European NET (Next European Torus) follow-up project. For that as well, the FRG government would propose a German site.

Riesenhuber clearly indicated that there are many unresolved questions involved in developing nuclear fusion, including its economic feasibility. He said that it could be 30-40 years before a decision could be reached on whether nuclear fusion is well-suited for generating electricity. The commercial application of nuclear fusion as a source of energy might not be possible for 50 years at the earliest, he added.

BGW Criticizes Proposed Natural Gas Tax
36200140a Duesseldorf HANDELSBLATT in German
6/7 May 88 p 18

[Text] Duesseldorf, 5 May 88—The National Association of the German Gas and Water Industry (BGW) in Bonn has again sharply criticized the introduction of a tax on natural gas. In its view, the introduction of such a tax would be detrimental to consumers and to the economy and would represent a setback to environmental protection. In addition, it would not be compatible with the planned European domestic market for energy.

The introduction of a natural gas tax is being demanded by oil dealers in particular, in order to achieve equal treatment of the energy suppliers competing on the heating market. The existing tax on heating oil is to be increased considerably; the EC Commission foresees a six-fold increase in the current rate (see HANDELSBLATT of 2 May 88).

The BGW calls it absurd to attempt on the one hand to lower taxes through tax reform and on the other hand to in turn retax the more than 20 million consumers living in the approximately nine million natural gas-heated households through a tax on gas. As a cost tax for trade and industry, a natural gas tax would be contrary to the goal of the stimulating the economy through a tax reform package intended to promote growth and employment. Furthermore, the association points to the negative consequences of such a tax on environmental policy. "Taxing consumption of the fossil fuel that has the lowest level of emissions and is least detrimental to the environment would be a blow to environmental protection."

Finally, the BGW says that introducing a natural gas tax would stand in the way of the current goal of creating a European domestic market by 1992. For the sake of harmonization, no new consumption taxes should be introduced by the individual countries. A consumption tax on natural gas was allegedly ruled out explicitly by the EC Commission because of the tax harmonization issue.

Through exploitation royalties to the Laender (approximately DM550 million in 1987) and licensing fees (around DM600 million last year), natural gas is already taxed, the BGW contends. These special taxes totalling DM1.15 billion supposedly compare to penalties of DM850 million (heating oil tax of approximately DM800 DM and exploitation royalties on petroleum of approximately DM50 million) paid by the competing energy supplier, oil. Raising the tax on heating oil while at the same time introducing a natural gas tax would be a double burden on natural gas, due to the dependence of natural gas prices on heating oil prices. Natural gas would be even less competitive with district heating, electricity and coal, and the role of natural gas in

promoting the goals of energy and environmental policy would be jeopardized, says the BGW. Finally, a natural gas tax in order to finance the coal priority policy, which is otherwise accepted in principle by the gas industry, is considered constitutionally unjustifiable. The costs of this policy cannot be charged to one energy supplier, the BGW maintains, but rather must be obtained from the community, and thus from general tax revenues. The gas

industry can scarcely be held responsible for the problems of the German coal industry; in the area of power plants, natural gas has supposedly lost considerable shares of the market since 1979, in part for the benefit of the German coal industry.

12271

ITALY

Research Shows 70 Percent of Youth Have Xenophobic Tendencies

35280139 Rome LA REPUBBLICA in Italian
8-9 May 88 p 18

[Text] Rome—Fear of the future, insecurity. Menacing dissatisfaction and the desire for blind revenge fills the hearts of youth, drives them to take extremist positions, to avenge themselves by becoming closed and hostile toward foreigners and, in some cases, makes them racists. A survey of Roman high school students reveals young men and women who are defensive, arrogant, misinformed, possessed more by specters than by true information; and, in any event, the great majority—70 percent—favor total or partial closing of borders to foreign immigrants.

Only 25 percent of the 5,573 students interviewed seem to be in any way idealistic (the way students used to be), are not against allowing workers from the third and fourth worlds into Italy, and declare themselves explicitly in favor of a society that is more "cosmopolitan, multicultural and multiracial." The rest say that it is necessary to bolt the doors to foreigners because "they steal jobs" (26.3 percent said this), they are "terrorists" (24.2 percent), "they are burglars," "they bring in drugs" (6.1 percent), and also "disease" (2.6 percent). Italy's heart of gold is shrinking. Also, 5 percent of the students are particularly hardened: in self-satisfied fashion, these students openly declare that they are "racists."

Elementary school children from Villongo are writing to their pen pals in Sicily to tell them to stop writing because they are southern "clods." And, while the xenophobe Le Pen shows up in Roman squares announcing furious and disquieting incidents of intolerance, Roman high school students are also joining in. This kind of news, moreover, is no longer shocking. These incidents are occurring over and over at a steady pace: from the barricades against the gypsies of Tor Bella Monaca to the case of the Senegalese immigrant who was beaten and robbed by city police in Pisa; from the Florentine boarding houses that refuse to accept Mozambican teachers, to the numerous attacks against the "people's hotel" that houses immigrants and foreigners in Rome. But the "evil ideas" of the young people hit harder, inflict damage. They foreshadow dark scenes and unhappiness.

The almost 6,000 students in 16 classical and scientific high schools and two important technical institutes in Rome who were interviewed by the St Giles Community (a group of Catholics who are concerned with assistance to the poor) have no room for illusions. First of all, these teenagers, who are theoretically the most cultured in the capital, are ill-informed. They say they are indeed aware that the third-world immigration problem exists, but half of them have a rather vague notion of it. One out of five feels he is practically being invaded by foreigners, and believes that third-world immigrants in Italy number

"three and a half million." The situation by a large margin by 31.7 percent: They think that the number is between 50,000 and 300,000. 46 percent have a clearer idea: They say the number is "1,000,000," which is more or less correct.

Even though they are opposed to entry of Africans and "the poor," more than three out of four believe that the reasons behind the immigration are "good," that the immigrants come to seek work (38.7 percent), due to hunger (19.9 percent), due to political reasons (18.1 percent) or religious reasons (5.7 percent), due to war (17.6 percent), underdevelopment (8 percent), to study (2.4 percent). It is strange that many (29.5 percent) put the answer "to seek work" among the "bad" reasons that impel the foreigner to take the big leap to immigrate, along with "terrorism" (19.1 percent), or merely "to steal" (12.8 percent). The somewhat racist youngsters are certain they know it all. They say, for example, that they know where the foreigners come from (74.3 percent), but actually they almost always say that the immigrants are Moroccans (21.7 percent), or, generically, "Africans" (19.4 percent). Next are Filipinos (12.3 percent), a number of scattered places that vary from Cambodia to Chile, by way of Cape Verde, whereas the groups that are most numerous in the capital are absent, namely Eritreans and Poles, and Palestinians, Iraqis and Vietnamese are hardly even mentioned. This is a strange way of thinking about immigration; a strange way of not looking around yourself and identifying a distant bogeyman to get worked up over.

The arrival of all these people, according to 80 percent of the Roman high school students, leads Italy to onerous and negative consequences. What are they? First of all, "fewer jobs" (48.5 percent say this), "terrorism and drugs" (19.7 percent), and "bums in the streets" (15.7 percent). Opposed to this large mass of students, who are so young yet so desirous of "order and cleanliness," is a timid 16.1 percent who, perhaps due more to ideology than conviction, answer to the contrary; that immigration will bring about only benefits. The people from the St Giles Community are discouraged: As they present the data they speak of a "racism" and an "intolerance" that is rooted deeply in the insecurity of each and every one of us for our own future. They say that Italians have forgotten that they, too, were immigrants in the still very recent past.

Furthermore, the most recent surveys have not had different results. And if mothers and father are full of antipathy and prejudice toward foreigners, why should the children be better than they are? A survey by Demokopea, which in December caused quite a stir, revealed that Italians were often inspired by very bad feelings toward people who are "different": 11 percent of those interviewed said they were hostile toward "blacks and Jews," 12 percent "the insane," 17 percent did not like "atheists," 26 percent "Arabs," 42 percent didn't trust "addicts" and 45 percent are suspicious of gypsies. So, actually, there is nothing new under the sun.

TURKEY

Government Worried by Orthodox Title Problems

35540155 Istanbul *TERCUMAN* in Turkish
27 May 88 p 6

[Article by Jale Ersoy: "Iakovas in Ambush"]

[Text] Ankara (AKAJANS)—Recent developments involving the Phenar Greek Orthodox Patriarchate in Istanbul have reportedly led to a difference of opinion between the government and the Foreign Ministry.

The Foreign Ministry is reported to be watching the Phenar Patriarchate with "anxiety."

One official said, "The government is being conciliatory, tolerant in this matter. We cannot bury our heads in the sand as regards the Phenar Patriarchate."

The dispute between the government and the Foreign Ministry stems from the "status" of the church. According to the Lausanne Treaty, the Phenar Greek Orthodox Patriarchate is considered a "Turkish" institution. By treaty, it cannot get involved in politics.

What worries the Foreign Ministry is a development which brought the Greek and Russian Orthodox churches face to face some time ago. Russian Orthodox Patriarch, Pimen, raised the Georgian Patriarch from

ninth place to sixth place within the Orthodox hierarchy, to the consternation of the other patriarchs. In response, the patriarch of Greece, Seraphim, cancelled the trip he was to make to Moscow next month and decided to send three representatives instead.

Dimitrios's patriarchal capacity is "ecumenical." That is, he is "first among equals." After the recent developments involving the Georgian church, therefore, the Egyptian, Syrian and Jerusalem patriarchates felt that they should consult Dimitrios on a common stance to adopt. However, the Turkish government does not recognize the "ecumenical" aspect of the Phenar Patriarchate and, therefore, worries about every development in which Dimitrios assumes the role of "ecumenical."

One Foreign Ministry official rebuked the government for this and said that it was "in the time of this government that the burned-out patriarchate was allowed to be rebuilt." The official recalled that the status as "persona non grata" of North and South American Patriarchate Iakovas had been lifted while this government was in office also. He stressed that everyone knows that Iakovas has his heart set on the Phenar Patriarchate and said, "He must become a Turkish citizen in order to be Phenar patriarch. This government may give him that also."

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