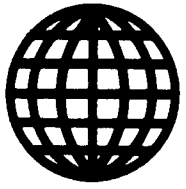


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2 September 1988



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# ***JPRS Report***

# **West Europe**

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# West Europe

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## CYPRUS

### New AKEL Secretary General Interviewed About Views, Beliefs

35210134 Athens TAKHYDROMOS in Greek  
16 Jul 88 pp 40-43

[Interview with AKEL Secretary General Dimitris Khristofias, on the occasion of a get-acquainted visit to Athens on about 1 July, by Giannis Koutzouradis: "The Youngest Communist Leader in Europe"; first paragraph is TAKHYDROMOS introduction]

[Text] The age of the new AKEL secretary general is 42. The fact that he is the youngest and least senior leader of a Communist party does not seem particularly noteworthy to him. He does not consider his election as being due to the effects of perestroika on the Communist movement, because he argues that even without that the new secretary general would have been a young person. He believes that the Soviet leadership ought to have realized the need for changes in Soviet society earlier. As leader of AKEL he says he realizes that everyone expects a great deal from him.

[Question] Are you really the youngest secretary general of a Communist party in Europe?

[Answer] "I don't know if that's so important. At any rate I calculate that I am, although I'm not entirely sure of what's happening in the Communist Party of Spain."

His name is Dimitris Khristofias. He is the son of a construction worker and comes from Kato Dikomo, a large village in Turkish occupied section of Cyprus, near Keryneia. He is 42 but looks a bit older because of all his gray hair, as well as because the way he presents himself does nothing to hide his age. But that does not appear to concern him, given his conservative clothing—a traditional suit and tie—at the same time the other people his own age at the hotel he is staying in go about in running shoes, jeans, and loud shirts. What else is there? He is of medium height and rather stout, married, and the father of three children.

In sum, a very ordinary person, one of the thousands around us, except for one small detail. He is secretary general of AKEL, the Restorative Party of the Working People, as the Communist Party of Cyprus is known, and he came to Athens 2 weeks ago for a round of contacts with Greek political leaders. Contacts for the purpose of getting to know one another and exchanging information. He met with the Prime Minister and the leaders of all the parties in a 2-day period. Between two appointments, he gives TAKHYDROMOS this interview.

Until now the only things known about him in Greece were that he has held the office of AKEL secretary general for 1 ½ months; that he succeeded a leading

figure in the Communist movement, Ezekias Papaioannou, who died recently; and that he is the youngest and least senior leader of a Communist party in Europe, which he himself does not appear to consider particularly noteworthy.

[Question] For us in Greece, and I imagine in Cyprus as well, it's striking. We're not used to leaders of large parties being so young—and I'm not talking only about Communist parties...

[Answer] "You're talking about it being unusual but as regards AKEL in particular I have to remind you that Ezekias Papaioannou held the position of secretary general for some 40 years. He was a personality of great brilliance, acknowledged both in Cyprus and internationally, and in all those years nobody ever challenged his right to that position. In that sense we had no other choice. Remember also that I succeeded Papaioannou at about the same age as he was when he became secretary general; actually he was a year younger than me."

[Question] In Cypriot society, in your own party, aren't there doubts about having a young man assume such a position?

[Answer] "For two reasons I'd say just the opposite. The first is (and I'm saying this for the purposes of the interview you want—I'm not in the habit of talking about myself) that I've passed through all the levels of the party hierarchy, so that the whole of the party has gotten to know me well, at first hand, as a rising, if you will, cadre. This didn't lead to doubts among party members. In fact I think they were expecting somebody young in any case."

[Question] Why is that?

[Answer] "That's the second reason. You know, in Cyprus the opposition propaganda tried for years to attack our party with talk about Papaioannou being ossified, past his time, etc. And that was despite the fact that after his death they all paid their respects at his coffin. But, you see, politics is ruthless. Well, this created a feeling of internal reaction in our members; they loved Papaioannou but couldn't stand being told that AKEL was past its time and ossified. I think this helped them to accept with relief the idea of having a young person in the position of secretary general."

[Question] And the others, how did they take it?

[Answer] "They may be prisoners of their own attack now. Because now a lot of people are asking them what they have to say about tired old AKEL having a young secretary general. And they've got to shut up or accept and even welcome my election."

### Perestroyka Has an Effect on Us

[Question] Many students of Cypriot life view your election as the result of the most famous word of this era: perestroyka. Is that right?

[Answer] "I can't respond with a 'yes' or a 'no.' What is happening today in the Soviet Union affects the entire Communist movement. And we in Cyprus are studying perestroyka very carefully and trying to see what elements of it we can turn into life and practice. Renewal is one of those elements and certainly has an effect on us."

[Question] Consequently...

[Answer] "No, I'm going to anticipate you. It would be unfair to AKEL to conclude that the election of Khristofias was entirely due to perestroyka. I argue—and I hope it won't be considered a lack of modesty—that even without perestroyka we would have had a young secretary general.

"Generally in filling party positions we take into consideration the need for renewal, though of course that doesn't mean that we throw our veterans into the dustbin, the veterans who founded the party and whose sacrifices have made it what it is today."

[Question] You must know, I suppose, that in analyses of AKEL here—and not necessarily hostile ones—the "hard-liner" label has stuck to you. Do you have anything to say about that?

[Answer] "Look, this started in Cyprus, where certain circles have attempted to carry out a plan to sketch Khristofias as a hard-core type who succeeded another hard-core type and who belongs to a hard-core group within our party, as opposed to the Gorbachevites, i.e. the renewers. Radio Cyprus asked me the same question the night of my election. I responded that we're all for renewal in the good sense of the word."

[Question] And thus also as regards perestroyka...

[Answer] "But of course, if that's how you want to put it. We're trying to implement whatever is feasible in our own conditions, having tremendous respect for the policy of perestroyka, glasnost, and democratization. But let's not forget that Cyprus is a country with 37 percent of its territory under a foreign power and is moving along the path of capitalist-style development, whereas the Soviet Union is a country now in its 71st year of socialism."

[Question] Forgive me for persisting, but I want your personal opinion of the changes now underway in the Soviet Union.

[Answer] "Let me tell you. We mustn't copy things blindly but we also can't remain indifferent to the renewing and revivifying elements being implemented in

Soviet society today. Well then, I consider these changes an absolute necessity, the result of societal development and of the Soviet leadership's realization of the needs resulting from societal development. In fact, I'd say the somewhat tardy realization of those needs. Maybe the leadership of our brother party ought to have realized the need for changes some years earlier. But better late than never. Now is when the Soviet Union needed those changes to meet the challenges of the 21st century. There's no other solution than perestroyka."

[Question] Complete the portrait of yourself for me by answering a nonpolitical question. AKEL is a large party, one of the largest Communist parties in the Western world proportionately, and consequently the demands it makes are very great. A young person succeeds as its leader and that certainly will entail great effort, dedication, fatigue, sacrifice. What will all this mean for his needs in terms of relaxation, free time, contact with the family, the joys of life outside party offices?

[Answer] "As regards a Communist party cadre we have to note at the outset that he doesn't have personal ambitions like career politicians in the bourgeois parties. For the secretary general of AKEL—for me, since you put it in personal terms—the burden of such responsibilities causes great uneasiness. Everyone expects a great deal from AKEL, a party—as you correctly said—with great influence and a most significant role in the political affairs of Cyprus. Here you get into a difficult position. Will you measure up? Will you be able to live up to all those expectations? To do so demands all your time, from early in the morning till midnight. That's been my experience so far. I'm not complaining since it's necessary. You ask me about my contact with my family. I've got three children. My wife's a professional revolutionary too and this makes the problem all the worse since she hasn't got much free time either.

"However, we love our children very much. Especially in the afternoon I try to get together with them, to talk, to see them as often as I can. Fortunately my comrade in life has educated the children so they understand that the entire family is dedicated to the movement. Free time? No, there isn't any, and consequently no relaxation either. To be objective about it, we're trying to steal a little time, mainly on Sundays, for all of us to get together, listen to music, read a book, or go to the theater or movies. I'm sure that later we'll get better organized and find time for all that."

[Question] I would suggest that "all that" is necessary for the self-realization even of a revolutionary, professional or not...

[Answer] "But, of course, I absolutely agree."

## FEDERAL REPUBLIC OF GERMANY

**SPD's New Plans for Schleswig-Holstein Viewed**  
*36200209a Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 7 Jul 88 p 10*

[Article by Friedrich Karl Fromme: "Engholm's First Steps"]

[Text] Backed by a strong and absolute majority in the Landtag, the SPD is unlikely to proceed in as friendly a manner as indicated in the government statement issued by new Schleswig-Holstein Minister President Engholm. Opposition leader Hoffman remonstrated with the minister president, mainly to the effect that the latter had made most of his announcements conditional upon the availability of finance and on constitutionality—in other words, compatibility with federal law. Maybe Engholm intended to guard against arousing undue expectations after the 55-percent vote cast for his party. On the other hand, no possible objections can be raised to the linkage of promises with the prospect of paying for their realization. Any new government is first of all confronted with having to accept the state of affairs it finds in place.

Still, in the spirit of the new "fairness," Engholm could have conceded that Schleswig-Holstein has made some progress in recent years with regard to the settlement of industry and job creation in the Land. In late 1982, when Barschel inherited the minister presidency from Stoltenberg, he quickly (some CDU people thought much too quickly and against all CDU doctrine) went ahead with a government job creation program for almost DM500 million—a respectable amount, given a roughly DM12 billion Land budget. Toward the end of the CDU government term this program continued with the publicity-oriented slogan "job offensive." As a result, the Schleswig-Holstein unemployment rate was lower at the time the government changed than the rate in the Saarland, North Rhine/Westphalia, Hamburg and Bremen—all SPD run—and also in Lower Saxony, ruled by the CDU and the FDP.

Nor is it something novel for the Engholm Government to wish to encourage medium size businesses. Big industry cannot be attracted to a Land that has barely any raw materials to offer, and where the transportation system is still mediocre. Engholm's statement does not provide many details about the change to be expected in the encouragement offered medium sized businesses. Highly important in this respect is the perception by the business community: Does investment in the Land appear promising or hazardous? Kiel Landtag SPD fraction chairman Boernsen says that a "liberal climate of opinion" in the Land is enough in itself to encourage investment. We are certainly entitled to ask whether the "climate of opinion" in Schleswig-Holstein was not just as "liberal" before the change of government (everybody may do everything short of—very narrowly defined—outright criminality). Most of all, though, we must ask

ourselves whether "business" is not primarily concerned with the question how easy life will be made for it, and what benefits it may expect.

The new government intends to introduce an "education leave" to be obligatorily granted by enterprises. It remains to be seen whether entrepreneurs will consider it an advantage to be compelled to improve their workers, or whether they will begin by viewing such an obligation as a rather incalculable cost factor. Nor is there anything novel about the new government's willingness to establish science and research centers in the Land. The Barschel Government, for example, was instrumental in setting up a branch of Kiel University in Buesum on the west coast, a rather modest North Sea resort. This is engaged—in the broadest meaning of the term—in research focusing on the concerns and interests of a coastal region.

However careful Engholm was in his mention of the old SPD idea called comprehensive education: That also is part of the "liberal climate of opinion" claimed to encourage industrial settlement. If things in Schleswig-Holstein proceed as they did in the Saarland, where the comprehensive school was quietly and irresistibly promoted to first priority, many corporations will feel that they cannot ask their highly qualified staffs to reside in a Land which licenses comprehensive schools on the basis of dubiously ascertainable parental wishes—with the consequence that, however ostensibly lamented, sectional schooling languishes as the result of declining attendance.

The new government announced that cuts in the hours worked in the public service would yield new jobs. This shows that the Land intends another expansion of the civil service. In addition to putting even greater strain on the budget, this is bound to lead to bureaucratization and to less money being available for the encouragement of business. The section of the Pfeiffer-Barschel committee of investigation report drawn up by the SPD alone says the following: "Conservative political and business groups are bound to be apprehensive...of far reaching changes following a change in government" (from CDU to SPD—editorial comment). If the Engholm Government really wishes for industrial settlements, it must refute this sentence.

Agriculture must be concerned about the ambitious activism of new environment minister, Heydemann. In view of Heydemann's proposal to remove from agricultural use wide strips along drainage ditches, and also as the result of some remarks by agriculture minister Wiesen—the only son of the soil in a cabinet of intellectuals—local farmers may far more quickly than expected rue their decision to vote so as to punish the CDU. Admittedly, at this time only 6 percent of the working population are farmers, but—counting family members and related trades, the SPD must be interested in not allowing the angry decision against the traditional CDU to turn into a new anger against the Social Democrats.

Jansen, the minister in charge, would very much like to deactivate the nuclear power plants as early as 1990. Engholm, on the other hand, thinks in terms of 1996, when safety objections (to be diligently sought) are to justify the withdrawal of operating licenses. Still, the latest verdict by the Federal Administrative Court in matters Wackersdorf should lower Jansen's hope for the courts to make a 180 degree turn from their present approval of nuclear energy. Jansen's goal is obviously a shutdown without compensation. After all, the SPD already considers the Land suffering unduly from previous losses, and compensation would give it the final push over the edge.

About the only item indicating a definite policy change is the abolition (announced for next Tuesday) of the "extremist decree." Future candidates for the civil service are no longer to be examined on the basis of inquiries made with the Office for the Defense of the Constitution with regard to whether they meet the legal criterion of suitability respecting loyalty to the constitution. It is a matter of opinion whether it is part of the "liberal climate of opinion" for communists to be appointed teachers or judges for life, or whether a formal inquiry at a government agency is worse than taking account of gossip which flourishes in a small Land. Politicians such as Boernsen or Mrs Tidick, deputy minister president, said (with inner misgivings?) that the advance of confidence in each candidate for a civil service job also applied to possible right extremists, not only DKP communists. We may well doubt whether this is actually going to be so—until (and that would be unpleasant enough) an NPD [National Democratic Party of Germany] activist, for example, is appointed a judge for life.

Engholm said that the law was quite adequate for "acting against civil servants who work against the constitution." That corresponds to the decisions by the Federal Administrative Court. This court does not allow membership in anticonstitutional parties alone to be grounds for dismissal from the service. But is it not better not even to appoint anticonstitutionalists to the civil service than to dismiss them in disciplinary proceedings—something considered extremely illiberal? Any such decision would be up to the Superior Administrative Court, maintained in Lueneburg by Schleswig-Holstein in conjunction with Lower Saxony. The new government plans to annul the treaty with the southern neighbor Land and set up its own Superior Administrative Court. Even this is nothing new. The Barschel Government had long considered just such a proposal—and why should Schleswig-Holstein not have its own Superior Administrative Court while smaller countries such as Bremen, Saarland, Hamburg and Berlin do have such courts? Maybe the SPD hopes that a Superior Administrative Court staffed with SPD appointees (though there should really be an end to party patronage) would indulge its wishes when "exiting" from nuclear energy. True, Lueneburg legal decisions included some elements quite critical of nuclear energy, and "Lueneburg" was far from

pliable with respect to Lower Saxon attempts to dismiss communist teachers. After all, the CDU has governed Lower Saxony only for 12 years, and—luckily—jurisdiction is not swayed by day-to-day politics.

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## GREECE

### Polls Agree on New Democracy's Superiority

#### June 1988 EURODIM Poll Results

35210128a Athens I KATHIMERINI in Greek  
12 Jul 88 p 22

[Text] According to a poll conducted by EURODIM in June 1988 on behalf of the Athens 9.84 radio station, the New Democracy Party continues to be ahead of PASOK steadily by 9 percentage points in the Athens metropolitan region. Speaking yesterday over the radio program "Public Opinion on the Air," P. Dimitras cited data showing ND ahead of PASOK by 9 percentage points (36 to 27 percent). The undecided are 16.5 percent (KKE has 12.5 percent) while a leftist coalition, if formed, would receive 22 percent.

Also, the number of Athenians who identify themselves as liberals has increased, with the result that conservatives and liberals together account for 48 percent, while the socialists, communists, and ecologists are around 46 percent, something which happened for the first time in the 1980's.

#### Comments on EURODIM Results

35210128a Athens I KATHIMERI in Greek  
17 Jul 88 p 7

[Article by Kh. K. Bousbourelis]

[Excerpts] July has now become a disaster month almost every year. The evil started in 1965 and still goes on. This year we not only had heat and forest fires, we had the slaughter in Saronikos Bay [attack on "City of Poros"], with all its consequences. All these events very graphically showed the unsettlement of the Greek government. The poll, which was published last week—and buried under news of the slaughter in Saronikos—appears to be comforting. Despite all the wrong moves by the government, a large percentage of voters—17.5 percent—continue to be undecided as to whom they will vote. This means a large segment of them may be recovered by PASOK, since those voters have not yet crossed over to the other side, burning their bridges behind them. This, together with the fact that Mitsotakis is at the head of the opposition party, constitutes the worst danger for the government.

Those in government are complacent, sure that Mitsotakis cannot win the election and carelessly pursue their petty feuds over distribution of power. They are complacent for an additional reason: 41 percent of the respondents in the EURODIM poll believe PASOK will win the election, but only 37 percent believe ND will do so. And this happens while to the question, "what party will they vote for if the election took place today," those polled answer: ND, 36 percent; PASOK, 27 percent; KKE, 12.5; undecided, 17.5 percent.

There is another unpleasant fact for the government: 22 percent would vote for a coalition of the Left beyond PASOK in which case the percentage of undecided would go down to 9 percent which barely covers ND's advantage. (The explosion of Left populist exploitation with headlines such as "CIA agents Behind the Slaughter" [of the cruise ship in Saronikos] published in loyal pro-government newspapers is proof of this statement.)

The patrons of the country's coffee shops know that it is not enough for ND to take votes away from PASOK in order to win the election. Many more votes must move toward the Left if the conservative camp is to come out on top and win an independent majority [of deputies].

The more superstitious note that only 3 months are left before PASOK completes 7 years in power. They recall that there seems to be a 7-year limit (1956-1963, K. Karamanlis; 1967-1974, dictatorship; 1974-1981, ND). Nevertheless, everyone is wondering why displeasure with PASOK is not yet translated into a visible, tangible, real shift in favor of the conservative camp. Possibly because it conducts its opposition with much greater ineptness than the [PASOK] ministers show in their exercise of power. Mitsotakis has chosen the tactic of the "ripe fruit"—expecting PASOK to fall by itself—apparently because he realizes that each of his moves is harming as much his side as it is intended to harm the government.

Recently he suggested an end to the open rallies during the electoral campaign. Certainly he did not do so because the conservative camp cannot have great and passionate rallies as some foolish PASOK men may hasten to claim. There is another reason: he cannot keep in check the revanchist passion of his followers and prefers not to have impressive rallies that scare off the undecided by showing the unacceptable face of the Right.

#### **PROGNOSIS Poll Results**

*35210128a Athens TO VIMA in Greek 10 Jul 88 p 64*

[Text] Personally, I do not have much respect for the polls, especially when they are conducted long before election day, and much can happen until then. But because I learn about everything and I don't want anyone to come and pull the wool over your eyes, I will tell you today about the latest poll which may be a conversation piece in the coming days.

Here are the facts and you know how to evaluate them.

—The strength of the opposition party appears to be on the rise, according to the recent poll conducted throughout the country. ND appears to have 36 percent; PASOK, 25 percent; while 11 percent is the estimated minimum strength for KKE.

The poll was conducted with a sample of 2,400 respondents throughout the country by a new outfit called 'PROGNOSIS'. The poll shows that the undecided and those who refuse to answer reaches 44 percent, while 4 percent is distributed among the other smaller parties.

Various theories are being advanced with regard to the final voting choices of the undecided and of those who refuse to answer. Some believe that PASOK will gain votes from this group while others believe ND and KKE will be the beneficiaries. In fact, certain people believe ND may even exceed 45 percent while 15 percent appears reasonable for KKE.

These assessments, of course, do not take into account the planned PASOK campaign with the premier's personal participation, which may change today's unfavorable conditions.

07520/7310

#### **Provisions on 'Computerized Personal Files' in Draft Law**

*35210128b Athens I KATHIMERINI in Greek 6 Jul 88 pp 1, 4*

[Article by Nikos Gerakaris]

[Text] Deputy Premier Agam. Koutsogiorgas, speaking on the draft law for protection of the individual from processing of personal data, asserted that the bill, made public yesterday, protects to an absolute degree personal information on a person's sexual and emotional life, his political and philosophical beliefs, and his labor union activities. In addition to Koutsogiorgas, Councillor of State M. Khalazonitis, chairman of the Commission which drafted the bill, answered questions from the press also.

But there is an opposing view: The bill will create files with confidential, personal data, i.e., "computerized personal files" of citizens as shown by Article 3 of the draft law, titled, "Creation and Functioning of Personal Data Archives." The basic provisions of the draft law are:

—Processing of information is absolutely prohibited except in certain cases when it is specifically permitted by a formal law enacted by the Chamber of Deputies [Vouli].



—Particularly strengthened is protection of “confidential information” (regarding nationality, religion, family relations, health, aesthetic preferences, occupational status, participation in associations, criminal and administrative prosecution and sentencing) since its processing is allowed under strict conditions. Principal among these conditions is the issuing of permission by the Commission, by the organ, that is, which has jurisdiction and responsibility to implement this law. Another basic condition is the previous consent of the concerned person and only specific exceptions are allowed.

—By contrast, protection of simple personal information, that is, that which is not included in the previous two categories, is less strict with no requirement for previous permission or statement by the Commission. Of course, this does not mean that processing of this type of information is exempted of all control. Such control at any rate, is designed to punish abuses.

—Processing of information of any kind or category must be done in order to serve a specific purpose which must not be contrary to law or ethical conduct. Therefore, the gathering and processing of information must be made within the context of the objectives of the file pool.

—Special provisions regulate the gathering, filing, preserving, and transmitting of information domestically and abroad, and the inter-connection of files. Conditions for the transmission and interchange of confidential information are especially strict.

—Setting up a uniform code number that can be used in all or most file pools is prohibited. Thus, the extension of EKAM [Registered Special Code Numbers] to other file pools is not allowed, while at the same time, it is not allowed to inter-connect file pools which use EKAM, if and to the extent they refer to confidential information. The use of the same code number is, therefore, limited to the file pools which have the same objective and which are processing information of the same kind (in other words, basically to central and regional file pools by the same agency processing the same information).

—The law establishes the right of access to the personal information file pools. Any individual has the right to know if a file pool keeps or processes information relating to that individual; and to seek correction or removal if the data are not true or are kept illegally. Thus, for the first time the individual has control over information relating to him. It must be noted that even file pools relating to serious matters of national defense or security are not exempted from this because even in such cases the Commission has the right of access and intervention.

—There is provision for a commission which will play a central role within the system being established for protection of personal information. Of the 11 commission members, the government appoints only 2, while

the rest are nominated by the superior courts, the Athens Bar Association, institutions of higher learning, and the parties recognized by Vouli rules. The decisions of the commission are obligatory.

—A system of sanctions is introduced in the event of violations of provisions of the draft law. The penalties are civil, penal, and administrative.

07520/7310

## PORTUGAL

**Poll Reveals Loss of Popularity for Soares, PS**  
*35420118a Lisbon EXPRESSO in Portuguese*  
*23 Jul 88 p 6*

[Text] A drop in popularity for Mario Soares and the PS is the most significant feature of the July poll of the EXPRESSO/Euroexpansao panel.

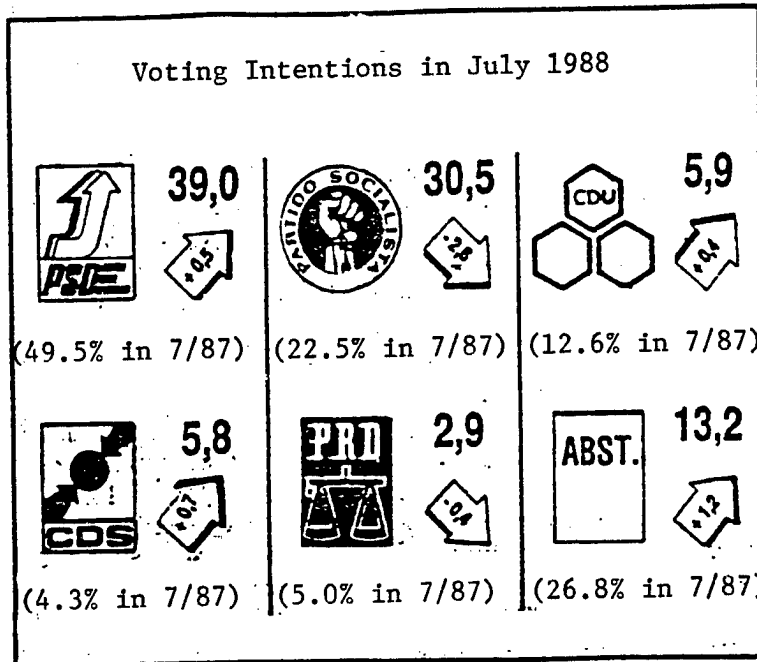
The president of the Republic suffered the greatest drop this month (7 points), but he still enjoys the highest level of popularity at nearly 70 percent. It remains to be seen over the next few months whether this unfavorable swing for Mario Soares is within the normal range of his usual popularity levels or the result of a deterioration in his image which may grow worse and which is due to his increasing political intervention in the promulgation of executive orders and the fact that he is coming to be linked with such problems as those that have been building up in relation to the government of Macau.

The decline shown for the PS is more moderate. The PS has fallen another 3 points behind the PSD but is still above 30 percent and not far behind the Social Democrats, considering that in the legislative elections a year ago, the PS received less than half as many votes as the PSD. In fact, those two parties exercise obvious hegemony in the party spectrum, leaving the other party forces with minimal and insufficient weight when it comes to influencing major political decisions.

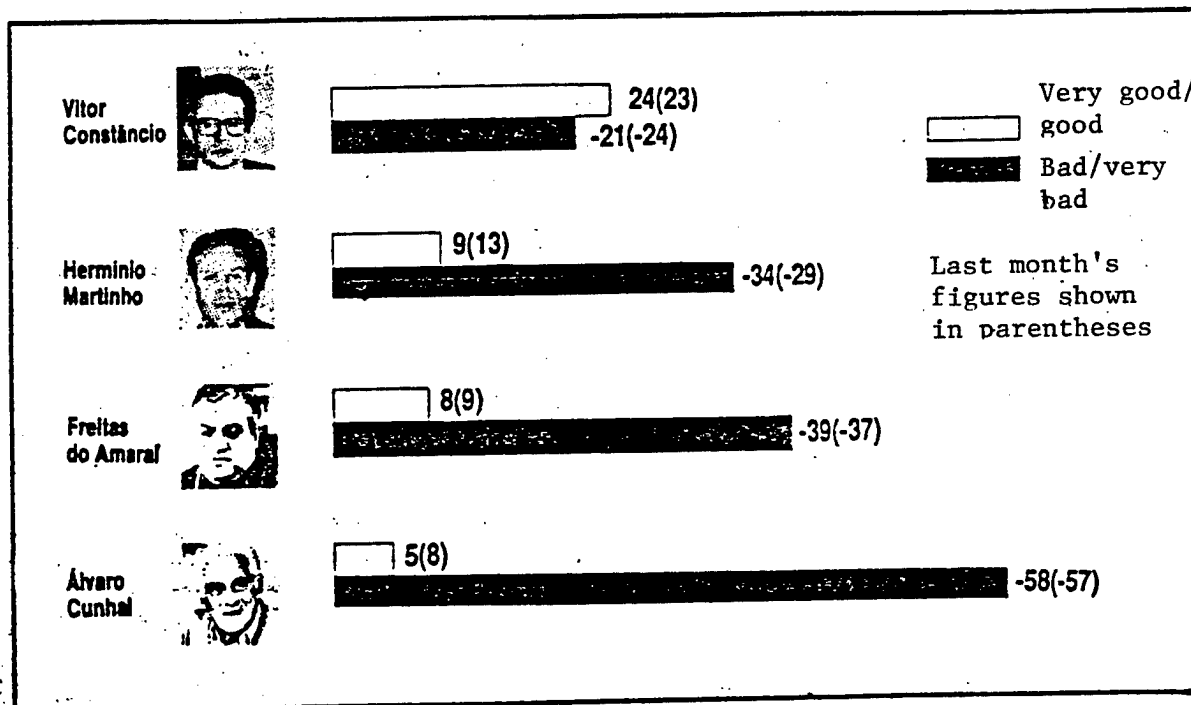
### No Improvement for Government, Parliament

Despite intense legislative activity this July by the government—and, consequently, by Parliament—neither of those two organs of sovereignty managed to improve its image. Cavaco Silva's government even reduced its favorable balance to 6 points, while the Assembly of the Republic has only a scant 1 point in its favor (with favorable opinion amounting to 16 percent and unfavorable opinion totaling 15 percent).

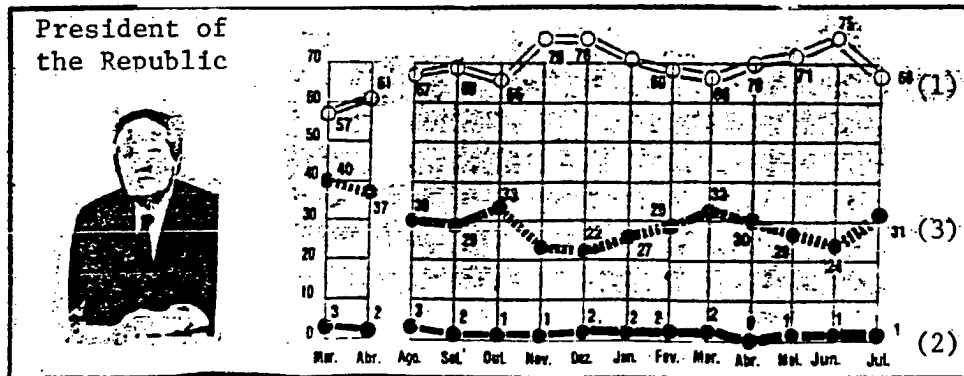
Following an unchallenged appearance at the PSD Congress and a favorable television interview—accompanied by stepped-up political initiative on his part (structural reforms and negotiation of the constitutional revision)—the prime minister further increased the favorable trend that had started the month before.



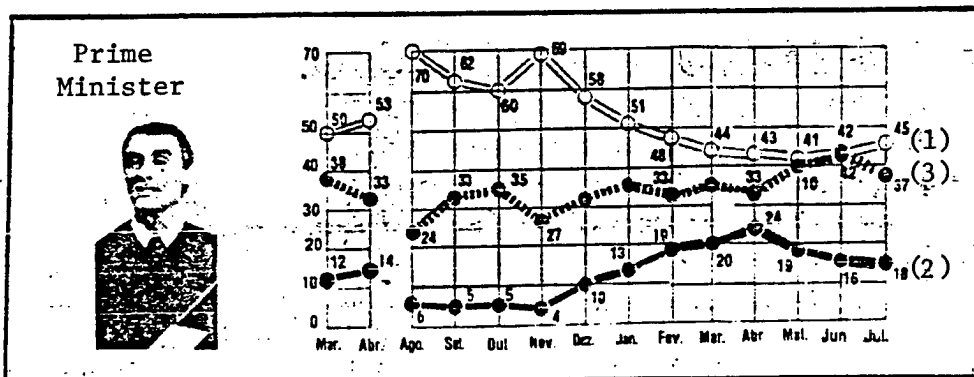
The PSD and PS are still in the 30-percent range, but the PSD is improving its lead.



Vitor Constancio is the only opposition leader who did not lose popularity in July and the only one with a positive balance.



Mario Soares is down 7 points: a natural variation or the first sign of a more serious drop?



Cavaco Silva seems to be emerging from the phase of decline that began last November. He is now up 3 points.

Key: 1. Very good/good 2. Bad/very bad 3. So-so

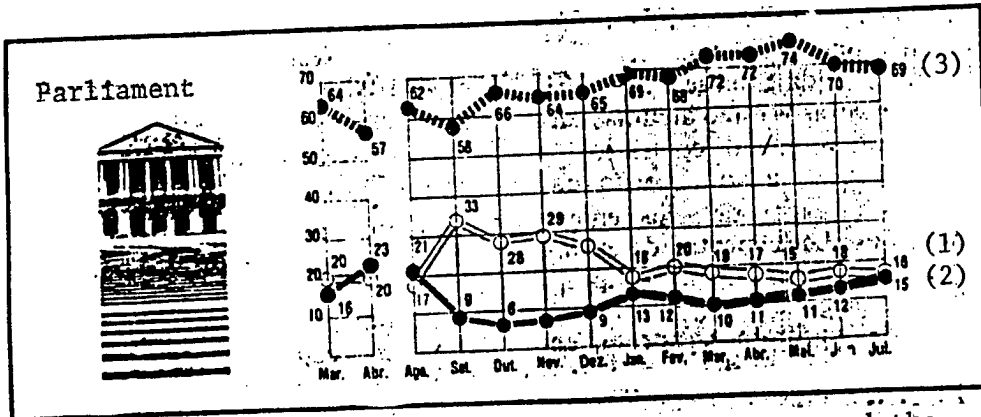
**Constancio Moving Ahead**

Cavaco Silva has regained the points he lost between February and May and again has a higher percentage than his party.

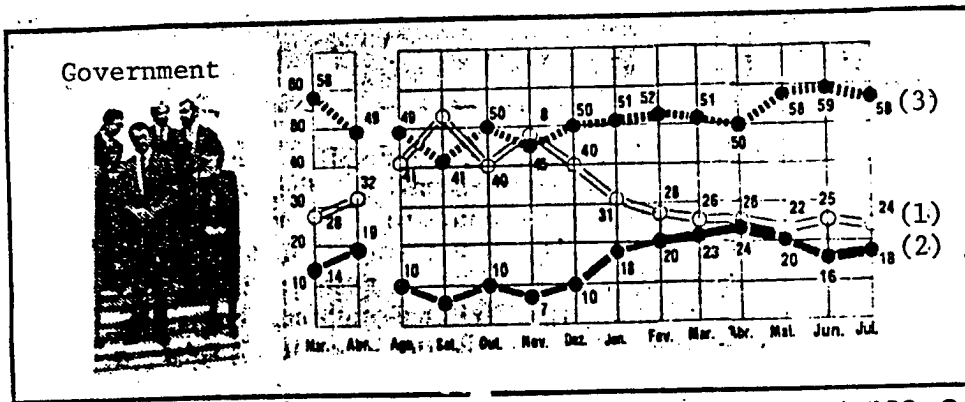
Except for Vitor Constancio, the opposition leaders have seen a further decline this year in their already middling popularity. With negative percentages far outweighing their positive percentages, Herminio Martinho, Freitas do Amaral, and Alvaro Cunhal—like their parties in comparison with the PS—are seeing Vitor Constancio move ahead

alone to an unrivaled position. The secretary general of the PS has a positive balance of 3 points this month, reflecting an improvement over his previous figures.

Technical Data: Poll conducted from 18 to 20 July. The universe consisted of mainland voters. The sample varies between 500 and 550 individuals and comprises about 270 sampling points, the sampling being obtained from a file resulting from a stratification of the universe based on region, size of town, sex, age, level of education, and voting option. The poll was in the form of personal interviews conducted by telephone. Confidence interval: the maximum semirange, with 95-percent probability, is from 4 to 4.4 percent. Euroexpansao was responsible for the poll, and the results were analyzed by EXPRESSO.



The recent parliamentary marathons have not improved the Assembly of the Republic's low level of popularity.



Despite intense legislative activity over the past few weeks, the government has not improved its public image.

Key: 1. Very good/good 2. Bad/very bad 3. So-so

11798

**PCP Support of 'Perestroyka' Seems Verbal Only**  
35420122 Lisbon TEMPO in Portuguese 28 Jul 88 p 13

[Article by Eduardo Fidalgo: "Is the PCP Leadership Preparing To Expel the 'Factionalists'?"]

[Text] The issue of discipline is one of those likely to receive the most dedicated attention during the preparations for the next PCP congress, since it is clear that the expulsion provision presently found in the party statutes might require adaptation to the fact that there are members in the PCP who disagree with the orientation of the leadership, and who thus might be subject to disciplinary penalties because of their status as "factionalists."

While the "Group of Six" and the "Third Way" have authored proposals which claim to represent a critical analysis of the "democratic centralism" options of the communist leadership, Alvaro Cunhal believes (and it has been possible to verify this from some of his statements) that ideas should be analyzed and observed within the PCP on the basis their value, independent of their origin.

Except that there is no acknowledgment of proposals which are publicly reported without the permission of the Central Committee, which, as the "big brother," is the source of all decisions and all analyses. It only publicizes what is viable in terms of the communist structure, and in the amounts and with the seasonings it deems necessary and desirable.

It is thus that the PCP interprets the development from "individual opinions to collective participation." Beyond this, "the effervescence of ideas" is not tolerated, nor is a broader discussion of the choices and strategies of the PCP outside the definition of "collective participation" by the leadership itself.

At the present time, the PCP leadership is combating the "factionalists" by making it clear that it thinks little of their contributions. In the coming meetings, but without haste, it will analyze what future scope will be allowed these militants, who have already been classified as an "enemy group" by a certain Central Committee.

Alvaro Cunhal expressed himself in a statement carried on Channel One last Saturday, using other terms, in such a way as to set the tone for this foreseeable situation. He admitted that there is concern about the conduct of some militants, because "Given the party statutes, no one has the right to put his own ideas into practice in violation of the regulations."

#### Central Committee Meets in August

The Central Committee of the PCP has been scheduled by the Political Commission to hold a meeting on the 23d and 24th of next month, at which preparations for the congress in December will be pursued and the proposed amendment of the statutes will be analyzed.

In this phase, the communists intend to sift through ideas so that, as they say, it will be "possible to make concrete proposals to our people."

Some sources we contacted say that this capacity to act "is inherent in a party which determines its own directions, and in which all the militants are committed."

Such a self-determined orientation, based on observation and analysis, can only be established (this underlies the statements of the main leaders of the PCP) if there is a heavy dose of discipline, with the possible result that there will be no place for the divergent elements who dare to "attack" the invincible edifice cemented by the mortar of ideas into a relatively invulnerable structure.

It is not yet known when the PCP leadership plans to make an offensive move, but TEMPO has information indicating that the beginnings of concern can now be glimpsed among the so-called factionalists. They are trying to remain behind a screen of anonymity—except for those individuals who because of their public political importance have been unable to avoid the inconvenience of being photographed.

Obviously, this does not mean that the PCP is the same today as it was some months back. The actions of the "factionalists" have made it possible to see that there is some turmoil in the PCP, too, and there may be disagreement without iron adherence to the leadership structure. But from that to causing a reversal of the procedures, so as to make it possible to glimpse a new PCP, is a truly gigantic step.

The PCP, which delayed in adopting a position on Gorbachev's "perestroika," is apparently supporting it with "revolutionary enthusiasms" verbally expressed, but internally, there is no opening to the world by a long shot. Particularly because, above and beyond everything else, even if no other kind of change comes about in the

Soviet Union, the fact that younger individuals more open to broad social changes are in charge of political affairs will constitute a concrete development which that the Portuguese "gerontocracy," where the prevailing PCP apparatus is concerned, is not in a position to welcome.

In the coming months, we will continue to witness a process within the PCP in which a party forced toward openness by circumstances will have to disavow those who oppose it and, after the purge, to retreat within itself, taking refuge behind its "glass walls," which are now semitransparent.

5157

### SWEDEN

#### Nonsocialist Parties, VPK React to Ebbe Carlsson Scandal

##### Scandal Uniting Nonsocialists

36500158b Stockholm DAGENS NYHETER in Swedish 8 Aug 88 p 8

[Article by Magdalena Ribbing: "Protect the Constitutional State"]

[Text] Halmstad—With a nonsocialist proposal for legal security in his hand, the Conservative leader, Carl Bildt, opened the election campaign in Halmstad on Sunday. He received the most applause for his demand that the provincial regiments should be retained, and for his tough criticism of the Ebbe Carlsson affair.

The three nonsocialist party leaders, Bengt Westerberg (Liberal Party), Olof Johansson (Center Party) and Carl Bildt (Conservatives) have agreed in their desire to protect Sweden as a constitutional society, in accordance with the 12-point program held up by Carl Bildt on Sunday. The three were largely in agreement on the points when they appeared in Visby last week. The description of the details is up to each party, but the principles are to be the same, Carl Bildt explained.

First comes the proposal to protect ownership right in the constitution, followed by a number of proposals for changing laws into what they believe is better protection for individual citizens. More policemen is a well-known Conservative demand, which does not run into opposition from either the Center or the Liberals, although the three disagree on how many new policemen are to be trained.

A nonsocialist government will have a legal consultant in the government, according to the joint nonsocialist legal security proposal. The legal consultant is to be there regardless of whether the justice minister is a lawyer or not:

"We believe it is necessary and proper; laws and regulations are tremendously important," as Carl Bildt said to the press people before going out into the unexpectedly sunny weather in order to deliver his election speech.

Norre Katts park in Halmstad is well-known to Carl Bildt, born in the city and a resident of it since his first years of school. Around 400 Halland Conservatives had gathered in the park, and among them was the entire Conservative parliamentary group, including the former Conservative leader, Ulf Adelsohn, who had spent the weekend in Halmstad in order to review election speeches and tactics.

### Digressions

Will he stick to what the party council decided, wondered a member, following the Bildtian digressions in the speech.

Well, Carl Bildt more or less adhered to what will be the Conservatives' tune in this election campaign. The election is about confidence and about course of direction, the Conservative leader said, and described the Social Democrats' policy as "fanning distrust of individuals." The fact that the Social Democrats have not specified how their proposal for extended parental insurance is to be paid for will be pointed out by the Conservatives in the election campaign. In his speech Carl Bildt said that everyone already knows that there will be tax increases under Social Democratic rule, so the announced increase in indirect taxes is not an explanation. And he got applause for the slogan "it isn't time to redistribute taxes in Sweden, it's time to reduce them," followed by a promise that on 1 January 1989 the wage-earner funds will be abolished, if there is a nonsocialist majority in the election.

The Ebbe Carlsson affair is basically a national tragedy, Carl Bildt said:

"From having been an amusing celebrity in Social Democratic "in" circles in Stockholm, this Ebbe Carlsson has become the country's most well-known Social Democrat. To many people the public hearings by the Standing Committee on the Constitution may have appeared as something of Social Democracy's very own soap opera, with power plays, intrigues, people making fools of themselves and ruthless revelations, a new installment each day on Carlsson Crest.

### Applauded

Of course, the listeners on the lawn of Norre Katts park laughed and applauded. But Carl Bildt was concerned: The criminal investigation following the murder of Sweden's prime minister has been seriously impeded, and the Social Democratic administration is fully responsible for the acute problems, he said. The Security Police which is to protect Sweden against espionage, revolutionary activity and terror has been weakened, which surely was not the intention, but was the result of the incident. And Ambassador Carl Lidbom's article in DAGENS NYHETER recently, that constitutional laws and the Code of Judicial Procedure are no more important than the murder investigation, was called "a philosophy of lawlessness" by Carl Bildt.

"I do not believe that the Social Democrats will be able to restore confidence in the legal order. If one says that a person who has committed serious mistakes (Anna-Greta Leijon) should have a watertight guarantee of a new top-level job, one cannot have people's confidence as regards law and right and order."

### Infantry

The I-16 infantry regiment is stationed in Halmstad, and Carls Bildt ended his speech by demanding that the provincial regiments be kept on. The supreme commander will request the disbanding of around 10 brigades and 10 peacetime regiments in the Army, and it is the most serious disarmament since 1925, Carl Bildt said. He got applause—and an entire salmon as a present, the famous Halmstad salmon, which now comes from Falkenberg, and then the audience gathered in their children, blankets, portable chairs and small dogs. Some registered in the party, for 5 kronor. That included party leader Bildt's signature on the membership card.

### Werner Sees Nonsocialists Benefiting

36500158b Stockholm SVENSKA DAGBLADET  
in Swedish 28 Jul 88 p 8

[Article by Omar Magnergard: "Lars Werner Wants the VPK To Show More Perestrojka and Glasnost"]

[Text] Sundsvall—Lars Werner shuffled uphill across the goal line on the meadow by Sidsjon, dried the sweat on his forehead and said:

"This was the most fun I've had this year, damn it."

In that respect the VPK [Left Party-Communists] leader is a heavyweight among the seven political speakers this week in Big Square here in Sundsvall: He weighs 106 kg. But politically he is small and, apparently, not exaggeratedly optimistic about 18 September.

"We should have been able to show more glasnost and perestrojka in our party, too," he admits. "The internal problems within the party leadership last year were not good, we can't pretend that. This is also true of the endless discussions about NY DAG."

Lars Werner is betting that the election outcome will be about the same as in 1985. That would mean 5.4 percent for the VPK.

"If the election were held today, the Environmental Party would certainly gain entry to Parliament. But they will have a more difficult time keeping their opinion poll figures the closer we come to the election."

### Environment and Privatization

His speech in the square among the red banners dealt with the environment, the government's in his opinion grossly unfair distribution policy, the privatization, care issues and the public sector. Not a word about Ebbe Carlsson.

"No, there was no reason to. I only had time to see 12 minutes of the Constitution Committee hearings. Our attitude to the Ebbe Carlsson scandal is clear since

before; a special parliamentary session is to be called if the investigation by the Standing Committee on the Constitution can be finished in time before the election."

Lars Werner also says that he is convinced the Ebbe affair will stick around in one form or another during the entire election campaign.

#### Godsend for Election Tactics

"Just for election tactics, Ebbe is a godsend for certain nonsocialist parties."

He also wants to say that he regrets that the EC issue has not so far been more important in the election campaign. Lars Werner seems to have noticed that "the government tries to harmonize Sweden into the EC through the back door." And he also wants to talk some more about his orienteering adventures this morning.

He talks about "1-meter juniors" whom he met in the forest, about the beautiful views he was charmed by, about the wonderful spirit among all the orienteers. And he says that of course he relied on the red portion of the compass needle (world champion Arja Hannus saw to it that he did not continue toward the magnetic North pole).

"You liked to take the right hand choice of road," she points out.

"I did? That was unawares, then."

#### Old Club Champions

As an 11-year-old Lars Werner actually won an orienteering competition, so he is not entirely unused to map and compass. He has also played soccer and jumped 1.8 meters in the high jump, and once (in Benke Nilsson's absence) became club champion in Westermalm. But then politics and the kilograms took over.

11949

## TURKEY

### Ministers Dislike Younger Ozal's Method

35540170 Istanbul HURRIYET in Turkish  
15 Jul 88 p 19

[Excerpts] Ankara—There appears to be no end to the internal conflicts and problems of the Motherland Party [MP]. Although the tensions that erupted after the party's general convention have somewhat subsided, complaints have begun to surface within the government and the MP about the prime minister's brother, Minister of State Yusuf Bozkurt Ozal. The complaints come chiefly from ministers responsible for large investment projects such as former Minister of Health and Social Assistance Bulent Akarcali, Minister of Public Works and Resettlement Safa Giray, and Minister of National

Defense Ercan Vuralhan. Yusuf Ozal, who is considered the top man responsible for the economy, has also been the target of criticism from businessmen. These complaints are growing like an avalanche.

The complaints began after the decision centers of the economy, such as the State Planning Organization [SPO], the Undersecretariat of the Treasury and Foreign Trade, and the Central Bank were brought under the supervision of Yusuf Ozal. When ministries with spending authority began to encounter difficulties in having decisions approved on projects and operations in their areas of responsibility, they whispered their discontent to certain people. But seeing that these whispers are inadequate they recently begun voicing their complaints more loudly.

#### Akarcali Resigns

The complaints about Yusuf Bozkurt Ozal first surfaced in public with the resignation of Minister of Health and Social Assistance, Bulent Akarcali. Akarcali candidly expressed the concerns he felt about Yusuf Ozal in a private conversation. But when these concerns, said to have been expressed in a private conversation, were reported in a newspaper, Akarcali lost his job.

Akarcali's principal complaint was that certain decisions were taken on issues within his ministry's area of responsibility without consulting him. For example, the SPO decided to open a large number of health centers, but Akarcali did not know about it. Similarly, the SPO approved spending on health-related buildings and equipment, but the minister learned about these decisions only after everything was over. In Akarcali's words he was "being told what to do."

#### Giray's Complaints

Almost all ministries responsible for large investments are dissatisfied with Yusuf Ozal. Some, like Akarcali, are dissatisfied because decisions have been taken without consulting them, while others are discontented because they are not paid their appropriations. In addition, they all have difficulties in getting access to the Minister of State to resolve their problem.

Minister of Public Works and Resettlement, Safa Giray, is one of the most aggrieved members of the cabinet. Giray is having problems with major road construction projects. Decisions taken without consulting his ministry upset him at times.

Another area where problems have surfaced is military expenditures. Yusuf Ozal is not the sole source of dissatisfaction in this area. The Prime Minister himself is in charge of the large projects. But Yusuf Ozal intervenes at various stages. Minister of National Defense Vuralhan has noted that persistent delays in the completion of

many projects played a major role in the departure of his predecessor, Zeki Yavuzturk, from the ministry. Because of this Vuralhan is reportedly "discomforted with delays in investments."

Akarcali, Giray and Vuralhan are only three of the ministers who are dissatisfied with Yusuf Ozal. These three ministers are known for their candor in cabinet meetings; they are not hesitant about expressing their discontent in front of everybody. However, several other ministers have complained about the same problem.

#### **Who Is Who: The Youngest Ozal**

Yusuf Ozal is the youngest member of a family which has excelled with its political capabilities and technocratic qualifications.

This may be the best way to define Yusuf Ozal's special position in the Ozal family. This is the source of the recent conflicts between him and other ministers and parliamentary deputies. While his elder brothers, Turgut and Korkut, have managed to wrap their technocratic nature in attractive "political packaging," Yusuf has not been able to generate affection for himself since his return from a tour of duty with the World Bank because he holds his technocratic nature above political realities.

A friend of his who has known him since their childhood says: "He is a well-meaning person. When someone says something he immediately believes him. But he gets aggravated very easily and he may become abrasive."

It is hard to tell whether Yusuf Ozal was appointed to the top economic position in the nation by virtue of his technocratic qualifications or because he is also the Prime Minister's brother. While his grasp of "exact sciences" is often talked about, it is also frequently said that he has weaknesses such as not understanding the bureaucracy and not being in charge of his crew.

Like his brothers, he was born in Malatya. This year he became 48 years old, and he had his daughter married recently. After graduating from the Malatya High School in 1957, he studied telecommunications in Britain with a scholarship from the PTT [Post, Telephone and Telegraph Administration].

On his return to Turkey, Yusuf Ozal began working as an engineer in the NATO Department of the PTT. Later, he was given a job in the SPO which his brother, Turgut, headed at that time. Turgut Ozal quickly promoted his younger brother to head the SPO's Undersecretariat Research Group despite Yusuf's youthful age. At the time Yusuf Ozal had not even completed his military service. After serving in the Navy, Yusuf Ozal began to work for the Ercan Holding Corporation—which is on the verge of collapse these days—as the company's assistant general coordinator to gain "experience" in the private sector.

After serving as Ercan Holding's general coordinator and board member, Yusuf Ozal was transferred to the World Bank in the critical days of 1979 on his second overseas training mission. Returning to Turkey in 1984, after his brother's election to the government, Yusuf Ozal was named to head the SPO which he knew well from his younger days. In 1987, Yusuf Ozal was elected parliamentary deputy from Malatya and was appointed Minister of State to "run the economy."

9588



## FEDERAL REPUBLIC OF GERMANY

### Sharp Rise in Number of Alternative Service Applications

**Bundeswehr Strength Seen Unaffected**  
36200196 Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 28 Jul 88 p 1-2

[Article by "fy": "Renewed Rise in Number of Conscientious Objectors—Bonn Unclear About Motivations"]

[Text] Bonn, 27 July—There is a sharp rise in the number of young men who prefer civilian service to service in the Bundeswehr. During the first 6 months of this year the number of applications for recognition as conscientious objectors was up almost 20 percent over the same period in 1987. This development has raised concern in the ministries involved, i.e., the ministry for family, youth and health and the defense ministry particularly because the reasons behind it are unclear and because a continued rise in the number of such applications cannot be ruled out.

Officially, the rise in applications is ascribed to the fact that the applicants would like to be called up for civilian service prior to 1 July 1989 when the terms of service for military service are due to increase from 15 to 18 months and those of civilian service from 20 to 24 months. Unofficially, however, this interpretation is being discounted. It is more likely, sources say, that fewer and fewer young people see the necessity of military service. For another thing, more and more young people seem to feel that the government is offering a choice between military and civilian service. The attractiveness of civilian service is said to be rising among young people not just for reasons of laziness but also because its positive social function, e.g., in the public health sector, in old age care and environmental protection is valued higher than military service. At present, the defense ministry announced, the size of the Bundeswehr which requires an annual minimum of 206,000 draftees is not yet in danger. The number of physically fit draftees still is large enough to offset the rising number of conscientious objectors.

The total number of applications for civilian service for the first 6 months of last year was 32,364; the corresponding number for the first 6 months of last year was 37,793. The number of applications began to rise markedly in February. In January, the rate of increase still was a modest 1.8 percent, rising to 10.6 percent in February and jumping to 26.5 percent in March. Since that time, it has remained fairly constant, i.e., 25.1 percent in April, 28.4 percent in May and 22.6 percent in June. If this trend were to gather even more strength, which cannot be ruled out, the number of applicants might top the 100,000 mark for the first time this year.

The reason why the theory that the applicants are primarily interested in entering civilian service prior to 1 July 1989 is being discounted is that most of them (who are high school graduates as a rule) submit their application at the time they register for the draft.

But since high school graduates may expect to be called up at the very next induction date following registration, i.e., sometime later this year and thus much sooner than July 1989, the desire to escape the longer term of service does not appear to be much of a motive as yet. In this context, the experts are pointing to a rapid change in attitudes toward the necessity of military service and the capability for defense. According to a survey conducted by the Allensbach Institute for Demoscopy, the number of people who favor unilateral disarmament rose from 35 percent in May 1982 to 50 percent last year and the number of those favoring a cut in defense expenditures climbed from 61 percent in July of last year to 68 percent earlier this year. In all likelihood, this has had an impact on public opinion concerning defense preparedness.

For the time being, the number of civilian service jobs is sufficient to satisfy the growing demand for them which presently stands at 94,000. Of these jobs 56,000 are in public health and old age care; 11,000 jobs are in trades and crafts; 5,000 in individual care of the handicapped; almost 9,000 in ambulance and rescue services and just over 1,200 are administrative and office jobs. At the present time, more than 70,000 conscientious objectors are performing civilian service. Next year, there will be 75,000 men holding down such jobs. The funds earmarked for this purpose are expected to climb from DM1 billion this year to DM1.2 billion next year. Nevertheless, there are budgetary problems because the supplemental funds will not be large enough to pay for 14,000 jobs in mobile social aid and individual handicapped services next year. This year's budget calls for an expenditure of DM115 million for this purpose; but next year's budget calls for only DM75 million.

**Ethics of Choice Questioned**  
36200196 Frankfurt/Main FRANKFURTER  
ALLGEMEINE ZEITUNG in German 28 Jul 88 p 1

[Commentary by "fy": "As You Like It"]

[Text] The first piece of legislation of political consequence of the Kohl government in the fall of 1982 was the revision of the right to refuse military service—but the recognition of that right has remained a formality. Anyone who applies on the basis of conscience and does not forget to submit a vitae and evidence of a clean police record and gets his application in on time will have his application approved. This ordinance put a conflict to rest which had long vexed the politicians and spared the Bundeswehr lots of trouble with draftees who would otherwise have been inducted against their will. But as a consequence, attitudes, too, have changed. The statement that fulfillment of military service must be the rule and civilian service can only be an exception

becomes meaningless once the state assigns equal status to military and civilian service in practice. Thus, public opinion has long since transformed the duty of military service (with exceptions on the basis of conscience) into a free choice between military and civilian service.

If this state of affairs raises problems both for the Bundeswehr and for the attitudes of individuals toward the state and their civic duties, then those must be held responsible who thought it proper to give equal recognition to military service and the refusal to render the same and who virtually left it to the individual to choose between the two.

Doing one's duty in the military may well be a bitter pill for an individual to swallow. If worse comes to worst, it may cost him his life or force him to live with the knowledge that he has killed others in combat.

Anyone who leaves it up to the individual to make a choice between fulfilling and refusing to do his duty raises doubts as to whether he is really serious when he speaks of performing one's duty. In fact, he even provokes others to try to shirk their duty which seems a doubtful requirement under the circumstances. It is not surprising that the number of those who decide in favor of civilian service is on the rise. What is surprising is that there still are so many young men prepared to do their military service. Those who have written the duty to do military service into the law books but have left it up to the individual whether he will fulfill it or not are guilty vis-a-vis those who take this duty seriously. What is more, they raise doubts about their right to call for fulfillment of that military service.

09478

## GREECE

### U.S. Seen Willing To Accept Delays in Bases' Agreement

35210126a Athens I KATHIMERINI in Greek  
3 Jul 88 p 7

[Article by Nikos Simos]

[Text] It would certainly be impossible not to assess the execution by 17 November of one more American official within the context of the negotiating procedure between Greece and the U.S. over the fate of the American bases in our country. Washington's cool-headed reaction and—more important—the fact that it did not “threaten” Athens but offered instead to help uncover the culprits, is a very significant element.

Washington is in a position to know that such actions against Americans do not reflect a climate of a more general Greek anti-Americanism encouraged by the government as in the past. As a result, the June 28 murderous act does not seem to affect the course of negotiations.

But what course? Even the seventh round was wasted on questions of principle and the negotiators did not go into those essential details which determine what kind of agreement there would be on the bases. Is the slow process due only to the desire by Greeks to thoroughly examine the terms in order to secure “optimum” benefits for Greek interests? We don't think so because the Americans, too, show a deliberate lack of eagerness to speed up negotiations.

They show a slowness similar to that shown on the eve of the 1981 election when Washington showed an evident desire to sign the new agreement with the new government. Let us not forget that Washington then (or should we say “then, too” to be more accurate) predicted with some certainty the victor of the election.

This tactic reveals some complacency, perhaps reasonable complacency because in the event ND wins the election and forms the next government, its desire not to “dismantle” the bases is certain, even though it may insist on starting negotiations anew. Even if ND is still in opposition, it does not mean that all PASOK voters favor an end to the Greek-American defense cooperation. In the last analysis the only agreement on the bases ever signed was that signed by PASOK, yet this did not prevent its re-election in 1985.

Even if PASOK were to win the next election, the Americans do not seem to be worried by such an eventuality. First of all, the aid used to pay off the purchase of F-16's is a strong Washington trump. The same applies to the so-called “Turkish factor,” which is cleverly advanced.

With regard to the plebiscite, the Americans either believe it will never happen or the election will have the character of a plebiscite—but the people are little affected by foreign issues such as the fate of the bases. Or, even if a PASOK government holds a plebiscite, the “question” will not be whether the bases should stay or go, but whether the people approve or disapprove a signed agreement. And if the people disapprove, this will not necessarily mean dismantling of the bases, but a mandate for a new agreement. And as the Turkish practice has shown, the bases may continue to operate while at the same time talks “go on and on.”

7520/12223

### Landing Craft Sales to Turkey Detailed, Rapped

35210126b Athens AMYNA KAI TEKHNOLOGIA  
in Greek Jun 88 p 10

[Article by G. Papadakis]

[Text] Disclosure: The Turkish Army will buy from a Greek manufacturer 20 (inflated) high-speed boats equipped with permanent self-defense weaponry which can be used for assault action.

The supplying of the Turkish Army with Greek vessels which can be used for landings on our islands becomes even more scandalous—and strange—if we take into account the following:

In the past, Greece repeatedly pointed out to Allied circles the existence of a large landing craft fleet on the Asia Minor coast, across from the Greek islands. These vessels, both in terms of numbers and size, are not justified under Turkey's NATO obligations. Specifically, the inflated speed-boats—which total 500—are of no use to NATO, but they serve the gunboat diplomacy Turkey uses against our country. With its 500 boats, Turkey can transport within minutes in one sortie approximately 5,000 commandos and land them even on rocky and inaccessible shores of a Greek island. Even a layman can easily understand the meaning of such action.

Details: Last year Turkish officers visited the "Naval Salon" in Piraeus and saw the inflated speedboats of the Greek company Mostro. They contacted the company representatives and asked for one sample of the 5.80-meter long craft for tests.

The boat was delivered in 1987 to a Turkish commando unit near Istanbul, where it was evaluated. The results were positive since the Turkish general staff approved the purchase of 20 more and is expected to soon make the order public.

#### The Vessel

The vessel has a polyesterine keel which enables it to achieve high speeds. Its inflated parts are separated in six chambers for greater safety; it is 5.80 meters in length and 1.35 wide. When empty it weighs 320 kilograms and can carry 12 persons or 1,800 kilos of cargo; it has a 115 horsepower engine and when fully loaded can reach a speed of 45 miles per hour. It can carry machineguns permanently installed for support of landing commandos and for self defense.

The above facts, together with the fact that vessels of this type are not easily detected by radar—because of the plastic—make them ideal for their use by commando units.

In the open market the vessel costs 1,400,000 drachmas, but we don't know for how much it will be sold to the Turkish Army. The vessels to be delivered will most likely be navy grey in color while the test vessel was white. These high-speed vessels are manufactured at the Mostro factory at 45 Greek Officers Avenue, in Karea, Attiki. Mostro also has factories in Haiti and in Istanbul, but they are of limited capacity.

Very likely the Turkish general staff decided to buy these vessels knowing that Mostro has experience in production of military vessels. One of its vessels was bought by NATO and is used by Dornier Meteor Company for recovery of targets at the Crete target range. A second

vessel is to be used by the West German Fire Fighting Service which will test it for durability and viability under conditions prevailing in the Baltic Sea before it decides to buy more vessels.

7520/12223

#### 'Davos' Spirit Seen Not Modifying Turkish Aggressiveness

35210132b Athens *ELEVETHEROTYPIA* in Greek  
12 Jul 88 p 10

[Article by Lt Gen G. Ioannou (Retired)]

[Text] The effects of the Davos meeting and its possible impact on the course of Greek-Turkish relations have been exhaustively discussed by the country's political leadership as well as by the Greek and foreign press.

We will try to approach the problem from its military side in order to seek and define any repercussions on the overall military situation following meetings of the appropriate communities, statements from "both sides," and continuing violations of our air space.

Turkish Premier Turgut Ozal himself noted the importance of the military sector in a statement to TO VIMA correspondent (Sunday, 15 May 1988) Evstasthiades, in which Ozal openly involved the military directly into settlement of problems and consequently in strengthening trust between the two countries. Ozal said:

"Much has to be done in the military sector. So, in my view, I would suggest that our military must find common ground. They must try to solve some of the problems which in their majority are technical, not political in nature."

We wonder if Ozal includes in those technical problems the limits of our air space which his young pilots reduce by four miles—certainly not on their own. We also read in *ELEVETHEROTYPIA* of 11 May 1988 the following:

"The Greek-Turkish Committee on the question of military exercises and flights in the Aegean did not find any common ground. The Greek delegation knows the Turks have no intention of changing their views on Greek air space. Ankara has made known through diplomatic channels that it does not intend to cease accepting six miles as the limit of Greek air space."

#### Possibilities and Intentions

On the question of Greek air space violations, the Turks continue their old policy even after the Davos meeting and quite often penetrate our air space they dispute. The above clearly reveals the close ties between diplomatic and military actions of our neighbors.

At this point I hope the readers will allow me to say a few words about some simple elements of military art in order to facilitate participation in my reasoning, even of those who are not specialists. Military schools teach with emphasis the following:

—Operational assessments are based exclusively on capabilities and not on intentions of the opponent for the simple reason that the former determine in the last analysis the kind and extent of the true enemy threat and enable staff officers to determine their views on the likely modus operandi of the opponent.

—The opponent's intentions—even when certain revealing hints about them are available—are not, of course, ignored but they do not form the basis for our own reactions for the following reasons:

a. A clever combination of deceptive indications which are deliberately "leaked" to the opponent may result not only in hiding the opponent's true intentions, but also in provoking faulty reactions on the part of friendly forces.

b. True intentions are not unchangeable and may therefore be modified at any time, provided the time needed for any such change is shorter than the time needed by the other side to adjust to it (successful maneuver).

#### Truth Serum

It is evident from the above that only those forecasts which take into account all the enemy capabilities and "the likely ways of operation by the opponent"—ways deriving from those capabilities—satisfactorily and reliably cover all possible and unknown combinations of enemy intentions. In support and verification of this we may invoke the recent actions of the superpowers which were not satisfied with oral or written promises of peaceful intentions, but very logically moved on to the implementation of measures which reduce their military capabilities through destruction of some of their nuclear weapons. Some indications which define enemy capabilities in a given time and place are the following, and they can serve as a truth serum:

—Deployment of the opponent's forces and military means: Defensive deployment is different from offensive deployment and one can easily recognize one or the other. Deployment and preparedness of Turkish forces, in contrast to that of our own, is clearly offensive and gives them the ability to undertake at any time a possible attempt to put into effect Turkey's expansionist designs.

—Dogma, exercises and armaments: Exercises conducted by the Turkish armed forces (landings) are incorporated into the category of offensive operations, while support means (landing craft, helicopters) increase in number and are constantly modernized.

—Violations of our air space and territorial waters: Violations, and especially those of Greek air space by Turkish aircraft are definitely aggressive provocations. One cannot rule out a "major crisis" with unforeseen developments in the event of hasty and inept actions by young pilots in the course of an incident.

—The proportion and type of forces in a given area: For example, concentration of armored land units or landing craft in frontier areas is not designed for defensive purposes.

—The political-military situation which in our case is not known for its undisturbed stability.

In conclusion, we could present the following comments:

1. Regardless of any statements by Turkish officials, Turkey continues to maintain all military capabilities it had before the Davos meeting for aggressive action against our country.

2. Turkey's true intentions about "no war" can be verified only by modifying the factors that affect Turkey's military capabilities vis-a-vis Greece—as follows:

a. By moving from an offensive to a defensive deployment.

b. By discontinuing all military exercises of an aggressive nature.

c. By modifying (reducing) the armament rate in offensive means (landing craft, etc.).

d. By discontinuing forever violation of Greek air space.

In my view, unless these matters are discussed, it will not be possible to reach any favorable results in the military sector whose importance is evident because of the unbearable financial burden of armaments on both countries and because it is the key for improvement in Greek-Turkish relations.

In the context of these suggestions, we do not rule out, of course, acceptance of similar measures by Greece in the military sector.

### Details on Modernization of 'Armed Forces' Tank Program

35210117d Athens AMYNA KAI TEKHNOLOGIA  
in Greek May 88 pp 10-11

[Article by Lt Gen Angelos Lazaris, retired: "The Modernization of Greek Tanks"]

[Text] Today the tank is one of the main weapons of modern armies, necessary, despite its cost, for the defense of every country not wanting to be at the mercy of its neighbors. It is a necessary weapon, both for attack and defense in a war situation and it is not possible to replace it with any, and of course cheaper, antitank weapon. The principle that the greatest opponent of a tank is another tank remains unchanged. Besides, this has been proven in all current war conflicts.

The Greek Army started to develop its armored units, the continuation of the glorious cavalry, after World War II. Similar efforts were made also by neighboring countries.

The rapid technological developments, however, lead to the continuing appearance of new types of high tech tanks with great firepower, with the result that the old tanks are quickly becoming obsolete. At the same time, costs are rising and a present modern tank costs 300-400 million drachmae. So, the replacement of old tanks with new modern technology is perhaps the ideal solution, but its cost cannot possibly be absorbed not only by the Greek economy but also not by the economies of the rich industrial countries. The purchase of only a number of the necessary tanks brings to the army another different type of tank, in view of the difficult problems of standardization, without solving the problem of the old tanks that Greece does not have the luxury to throw away or even to easily sell. So, many countries (France, Spain, Israel, Korea, Turkey and others) proceed with upgrading their equipment, something that may not be the ideal solution but that has serious financial advantages since the cost ranges from between 40-60 percent of the cost of a new tank. Especially for Greece, upgrading can be accomplished with the purchase of the technology and the necessary equipment, something that calls for foreign exchange, use of labor, and the importation of technology.

Upgrading, however, also has some serious disadvantages, such as:

An upgraded tank cannot possibly achieve the same power and operational capability as a new modern type.

Not all types of old tanks can be upgraded.

The life and operational availability of an upgraded tank is clearly less than any modern tank and consequently, the introduction of a new tank to the armament of a country is sooner or later unavoidable.

In order to judge the two solutions properly it should be assumed that the equipment of the Greek Army must be similar, equal to or better than its potential rivals and that it is not possible for Greece to compete with the Big Powers. With this as a base, therefore, a good solution appears to be a combination of upgrading and purchasing new tanks. Upgrading should aim to maintain the Greek Armored Force at high performance levels until the year 2000 and at the same time carefully select one of the tanks that the manufacturing countries are drafting for the decade 1990-2000 and would remain combat effective for a considerable number of years in the 21st century. It is possible for this tank to be manufactured with the participation of Greece, now that there is the necessary industrial substructure to progressively replace the obsolete models.

### What Is Upgrading?

Upgrading of an old tank is the replacement or modification or even the reconstruction of various parts and systems, for the purpose of improving its technical performance, firepower, Fire Control System, defense and communications system, so that it can almost match the modern tanks. The cost depends on the requirements.

At first, the Greek Army turned to both solutions. From 1977-78, it began a series of programs for upgrading a large part of the M48 and M48A1 tanks that it had, to a M48A3 (with a 90mm cannon) and M48A5 (with a 105mm cannon), while in 1981, it signed an agreement with the German company Krauss Maffei and bought the 106 Leopard 1 GR.

The upgrading of the M48 was done with the technology of the US Army, with collections that were bought with FMS loans. The work was done by the 304 Tank Factory of the Army in Velesino and was absolutely successful. The main elements in the upgrading were:

The replacement of the old gas power train with a new diesel one. Thus the tank increased its range from 100 kilometers to 480 and its speed from 42 kilometers to 48.

The 90mm cannon was replaced with a 105mm (only in the M48A5), the computer (mechanical) for firing components was upgraded, new observation and target sights were installed with an improved telemeter and an infrared system (first generation operative system) both for driving and for firing at night, and finally a smoke making system and a PBX war protection system were installed for the tank's self defense.

Many other small modifications and improvements, as well as the reconstruction of almost all the parts. It is typical that in the last stages of upgrading, 65 percent of the equipment, that represented 55 percent of the total cost, was of Greek manufacture.

At the present time, the status of the Greek tanks is the following:

- M47: Old and not possible to upgrade.
- M48 and M48A1: Old gas-powered tanks that need general upgrading of the body and turret.
- M48A3/A5: They are very good and combat worthy, but need upgrading in the Fire Control System so that they may continue to be effective for a decade. Turkey has already upgraded 780 M48A5s with the Fire Control System of the American company Texas Instruments.
- AMX-30: They are much better than the M48. They too, however, need upgrading in the power train and the Fire Control System because they are not considered modern.
- Leopard 1 GR: It will be modern for about another decade.

In view of this situation, the ministry of National Defense decided to accept the offer and to purchase 300 M48A5s of the U.S. National Guard at a very low price, in excellent condition (probably for the replacement of the M47), and to proceed to the upgrading of the Fire Control Systems of the Greek M48A5s. Already, the first tanks have been received during the last month. For the rest of the tanks, decisions will be made and they will be upgraded, probably in the second year, while negotiations are being held for the French AMX-30. At the same time, studies and research are being made for selecting the new future tank of the Greek Army.

International bids have been asked for the upgrading of the M48A5, and the interested companies are, according to information, the American Texas Instruments, Napco, Hughes and Koltzman and the German KAE and Wegmann.

#### The Basic Requirements of the New Fire Control System

The new Fire Control System should replace the existing one of the tanks or should embody the existing one and improve it. Its new parts must be:

- 1) Thermal Instrument for Observation and Targeting (3d generation) to secure the possibility of firing under any conditions of visibility (day, night, smoke, fog).
- 2) Laser Range Finder for the fast and accurate measurement of distances.
- 3) Different Sensors for calculating the internal and external firing conditions (environment temperature, wind speed and pressure, missile tube wear, etc.).

4) Electronic computer for the automatic processing of firing elements and conditions and the automatic transfer of the firing elements to the target sight instruments and the cannon.

5) Stabilizing Systems for executing accurate fire while the tank is in motion.

#### Selection of the Fire Control System

The selection procedure will be effected in three stages. In the first stage a technical evaluation will be made at the 304 Factory, where the participating companies will install the Fire Control System on the Greek tanks and have them evaluated by a committee of technical officers. In the second phase, an operational evaluation will be effected at the tank target practice area of Litokhoron where the Fire Control System will be tested and evaluated by a committee of operational officers (firings during the day, night, in motion, etc.). The third phase is the selection of the Fire Control System by the General Staff of the Army that will be done on the basis of the performance, the financial offers, the offsets and the cost effective factor. The final approval will be given by the government.

Finally, the terms are expected to include the technology (know how), the participation in the manufacture (of course in whatever is possible) and the installation of the Fire Control System in Greece. It is believed that the entire selection process will be completed by fall and that all the expenses of the tests, which come to several hundreds of thousands of dollars, will be paid by the competing companies.

However, beyond any efforts, and sacrifices, for the procurement of the best possible equipment, it must not be forgotten that the fighter factor of High Morale and Excellent Training will for many years be the predominate on the battle field. During the first 50 years of the 20th century the Greek Army participated in six wars, of which five were won, and never had equipment that was better than that of its foes. For a long while yet, the Best Tank will be the one that has the Best Crew.

9346/12223

#### Arms Industries Reject Establishment of Sole-Control Entity

35210132a Athens I KATHIMERINI in Greek  
24 Jul 88 p 13

[Article by Eirini Kakoulidou]

[Text] Once again the government's decision to form a sole entity for our weapons industry meets strong opposition from the top executives of state enterprises producing war materiel.

The removal of two of the strongest opponents—former Greek Arms Industry [EVO] Chairman V. Arsenis (last year) and the Greek Aircraft Industry [EAV] P. Fotilas (he resigned a few days ago) apparently did not solve the problem since, according to reliable reports, pressures against forming a sole entity continue to be strong. The same sources assert that opposition against the sole entity is developing in military circles as well.

The refusal of the weapons' enterprises to accept control by a central agency is attributed to the "power" complex; they believe, in other words, that they will lose their autonomy in decision-making. The government knows well the results of this autonomy and correctly returns to the idea of creating a sole control.

Competition between EVO and the Munitions and Cartridge Company [PYRKAL] is a case in point. As an illustration, they mention EVO's refusal to sell dynamite to PYRKAL with the result that the latter was forced to import dynamite EVO had...exported!

Of course, there is a reason for the feud between these two enterprises.

PYRKAL came under state control through the process of heavily indebted private enterprises. From the beginning EVO was a [state] enterprise with a clearly defined objective. But the fact remains that at this point the state has two similar weapons enterprises which must be coordinated.

But to go back to the autonomy of decision-making and its ill effects on the weapons industry, we will mention one more strange occurrence. EVO, the future manufacturer of the much-talked-about anti-aircraft system Artemis—if it ever succeeds in producing it—has expanded its production activities for manufacture of military uniforms in a factory set up in Kymi. This may be regarded as "a drop in the ocean."

Concurrent choices of items to be produced, total lack of coordination in investment plans by the weapons industries, pressure on the government to buy items from one enterprise instead from another, are some of the existing, serious problems the sole entity is expected to solve. Advocates of such an entity doubt it will ever come into being because they believe that the government will once again give in to pressure.

In any event, those who wish the weapons enterprises placed under supervision of a sole entity believe this could be effective only under the following conditions:

—it must coordinate government procurement from each of the enterprises.

—it must coordinate their investments, research programs and technological developments.

—it must set a common administrative orientation for all of them.

7520/12223

## NORWAY

### First ULA-Class Submarine Launched by West German Builder

36390087 Oslo *AFTENPOSTEN* in Norwegian  
5 Aug 88 p 4

[Article by Dag Fonbaek]

[Text] On Thursday [4 August], the first of the Navy's new ULA-class submarines was launched. This took place at the Thussen Shipyard in Emden, West Germany. At the same time, assembly is starting on the remainder totaling 6 Norwegian submarines of the ULA class.

The launching was not marked with any ceremony. Festivities will not take place until the first ULA-class boat is delivered from the shipyard in April next year.

The Armed Forces have ordered a total of 6 new, advanced ULA boats, which are to replace units of the aging KOBLEN class over the decade of the 1990's. The first of her class, which incidentally has been christened ULA, will not become operational from Haakonsværn [Naval Base] before the spring of 1990. Before that time, the submarine is to be fitted out, tested and get its crew trained.

With regard to her hull, ULA is ready. Within the 60-meter-long, pressure-secure steel hull, there is now only "junk" however. Loose pipes and hoses hang in disarray, and most of the internal fittings are still lacking. ULA was put in the water in order to free building-hall space for the next ULA submarine. The first hull section for the latter has already been brought from Kvaerner [Shipyard in Norway] to Germany, and the keel laying took place with Norwegian defense officials in attendance on 23 June.

Kvaerner is only one of several Norwegian main suppliers for the new large submarine project. That Oslo firm is making the hull sections, while Norsk Forsvarsteknologi of Kongsberg has made deliveries of the boats' weapons systems. NEBB is manufacturing transformers and generators. Siemens in Bergen is building the major part of the propulsion system, while Anker in Morten is delivering the main batteries. Firms in the United States, England, West Germany, Italy and Sweden have large orders from the Thussen Shipyard and the ULA project.

Officers in the first ULA crew have already been in Emden and inspected the new boat. So far, things look good. Both the Norwegian building director, Capt Bjorn Jaeger, and shipyard director Wolf-Rudiger Schneider, are satisfied with the progress. The latter holds the

submarine agreement up as a promising, new example of industrial cooperation. The contracts have brought much prestige. The ULA boats will constitute one of Norway's most vital defense weapon for the next decades.

The Thussen Yard also delivered the 15 KOBLEN submarines to the Norwegian Armed Forces in the mid 1960s. Two of these submarines have been cut up; another three are being modernized. Three will be taken by the Danish Navy, with a couple of others being handed to the Americans for "testing."

/9274

## PORTUGAL

### Modernization Measures in Commando Training Described

35420111a Lisbon SEMANARIO in Portuguese  
2 Jul 88 p 18

[Excerpts] The first step in restructuring and modernizing the most emblematic Portuguese elite troops, the commandos, will be taken this month of July with the conclusions and delivery of the studies on revision of training for the Permanent Staffs (QP) by the Infantry Directorate of the Infantry Branch (DAI). Brigadier Monteiro Pereira, commander of the Intervention Light Brigade [BLI] (Special Forces Brigade), the major unit that embraces the Commando troops, told SEMANARIO that the new Commando course for QP personnel, "who will replenish and freshen the Commando Regiment with new members," will begin next September. The next incorporation of enlistees will take place with the first class of 1989, and the respective studies for restructuring the course will be ready in September or October at the latest.

The program for restructuring the commandos is based on three measures: revision of the courses and transfer of control of training of the Special Forces Brigade (which will become the Intervention Light Brigade) to the DAI (due to the restructuring of its mission and doctrine of employment, which we will see further on); establishment of recruiting on an exclusively volunteer basis and the contractual rendering of longer service; and abolition of the Santa Margarida training detachment, distributing the various phases of training among the facilities of the [Commando] Regiment, Carregueira, Special Operations Training Center (CIOE), and the regions in the interior where the exercises are usually held.

All these changes stem from the role assigned to the Intervention Light Brigade, which encompasses the two operational Commando battalions, in the system of ground forces under the responsibility of the Army. Gen Firmino Miguel, the Army Chief of Staff, explained that the brigade—which "will have the capability of intervening in any part of the national territory or where it is ordered by higher authority to utilize means that will

enable it to conduct very aggressive and mobile actions"—will be able "to conduct classic operations and, in special conditions, high-risk operations. As a result of the degree of training of its maneuvering forces," the Army Chief of Staff added, "it will be able, with selected teams, to conduct special operations, particularly coups de main, long-range intelligence-gathering patrols, and operations in support of the main action of classic conventional forces." It is that triple mission that is leading to the change from the conceptually more restricted designation of Special Forces to Intervention Light Brigade. It is its meshing with and role in support of the missions of the other conventional forces that led to the transfer from the brigade command to the DAI of the tasks that heretofore had been assigned to it: namely, planning, organization, direction and control of training of the Commando Regiment and the CIOE.

### Allied Mobile Force

Firmino Miguel considers that "the Intervention Light Brigade must also anticipate its utilization in the context of NATO. Because of their characteristics, especially their mobility, the maneuvering forces of the BLI (namely, the Commando Battalions) would be particularly capable of intergration into the Allied Mobile Force (AMF)." In terms of equipment, the "BLI already has and will continue to be equipped with the most modern antitank weapons systems possible that will guarantee actual improvement of its countermobility function capabilities." According to the Army General Staff, "the purchase of vehicles and other equipment appropriate for a reconnaissance squadron of a large unit of that type is being concluded. The BLI will also have combat support units (engineering and antiair) and services (that will permit all the operations characteristic of direct support)." In that regard, Gen Firmino Miguel considers that the brigade "the maneuvering forces of which are Commando forces that fought in the former overseas territories where they gained the greatest prestige for efficiency." [as published] This is a statement that must be understood in its neutral and technical acceptance of military efficiency. This was confirmed recently by the interest with which all foreign military attaches accredited to our country sought out the issued volume of the "Historical-Military Summary of the Campaigns in Africa," the White Book of 14 years of war, that was similarly misunderstood at both extremes of the political spectrum, rejected by some and praised by others, an attitude that shared a political and ideological perspective in relation to what should have been judged in terms of its objective: that of a report of a military situation. It is also abroad—in the General Headquarters of the U.S. intervention forces in Fort Bragg—that the tactical procedures used by the Portuguese in the special war, kept in computerized files, are studied and analyzed to exhaustion—a special war in which the Portuguese were the last European army to participate and in which the activities of the commandos, the most important of the ground forces, played an outstanding part.



### Only Capital

Strangely enough, the officer currently in charge of the intervention forces of the Portuguese Army, Brig Monteiro Pereira, is not a "Special Forces" type by training. Coming from the Cavalry Branch, of which he was interim director until a short time ago, Monteiro Pereira is not a parachutist like his predecessor, Fausto Marques, nor was he even a Ranger or Commando. He does not consider that fact important—"at least the Chief Staff of the Army did not consider it such in appointing me"; his manner is between formal and relaxed. His task is to set up an elite intervention unit along completely reformulated lines. Methodical in his presentation, he says: "Do we or do we not need special forces? Let us see what the Strategic Concept of National Defense says about our own military capability. Let us see what is contained in the Military Strategic Concept about the possession of a highly flexible structure in order to grant autonomy and a minimum of credibility to an armed force. Let us look at our strategic position, the smaller threats to which we are subject and the manner in which regional conflicts develop, smoldering, in a nonconventional manner. We have only one capital and it is necessary to conserve it and transmit it. That seems to me to be of obvious national utility."

8711/08309

### New Navy Chief Cites Lack, Obsolescence of Ships

35420111b Lisbon SEMANARIO in Portuguese  
2 Jul 88 p 4

[Interview with Adm Andrade e Silva, chief of staff of the Navy; date and place not given]

[Text]

[Question] Is the Navy's naval equipment sufficient to fulfill the military and civilian missions to which it is committed?

[Answer] The means we have are largely insufficient to meet any of our national or NATO responsibilities. Our ships are outdated, especially in weaponry and sensors, and none of them has onboard helicopters.

There are shortages of ships, with the order of priority being antisubmarine warships, followed by mine warfare ships.

There are also difficulties regarding missions of public interest due to the fact that the ships we are using are not the most appropriate. For example, Cacine-class patrol ships were conceived for the calm seas of the western coast of Africa and for that reason experience frequent difficulties in sea conditions off the Portuguese coasts.

There are thus inadequacies regarding the number as well as the quality and appropriateness for the tasks to be fulfilled.

[Question] About 3 years ago, I heard a Navy officer say that in a few years naval equipment would reach "point zero" despite the new frigates currently under construction. What is the present situation?

[Answer] The situation is cause for concern because of the age of the present ships and the lack of essential units such as minesweepers; even more so if we take into account the period of about 10 years that normally elapses between the beginning of a construction program and its practical implementation with the delivery of the ships.

At the moment, except for the project for acquisition of five fast launches for fishery control, there is no delivery planned besides the Vasco da Gama frigates.

The problem is aggravated by the fact that the ships are all approximately the same age, all over half of their useful life, which will lead to their being decommissioned within a very closely spaced period of time. In the period between 1967 and 1974, the Navy received 7 frigates, 4 submarines, 10 corvettes, 10 patrol ships, and other smaller units; after that date, only 3 launches were built: 1 landing craft and 2 hydrographic launches. Logically, all of those ships will be unfit for service by the end of the nineties.

We can, thus, arrive at the situation of having only the three Vasco da Gama-class frigates by that time if, in the meantime, appropriate construction programs for new units are not undertaken.

[Question] A short time ago, a mine was deactivated off Caparica during a naval exercise, which alerted us to a threat that in the event of war would certainly be one of the first to be felt. Portugal does not have minesweepers. Is equipping the Navy with these ships on its list of priorities?

[Answer] The problem of mine warfare represents one of the greatest concerns of the Portuguese Navy. When our intervention in the former African territories ended, we had only four coastal minesweepers, currently nonoperational. At the present time, we have a "clearance diving team" with up-to-date equipment.

Despite the degree of priority of the mine threat and Portugal's dependence on the sea, it has not been possible to restore that sector owing to budgetary difficulties.

### Frigate Helicopter Crews Should Belong to the Navy

The solution to the problem will have to be achieved by phases. Initially, a small mine warfare nucleus will be created using detection equipment and means of destruction to be installed in the four existing minesweepers if it is financially feasible to proceed with their recovery. By this means, it would be possible to have a mine warfare school in operation.

At a more advanced stage, when financial means are available, it will be necessary to think about modern ships, beginning with a force of six to eight mine countermeasure units.

Obtaining these units is the highest priority following the nine frigate program. But, despite that, there is no planning to implement it.

[Question] What are the main difficulties that Navy faces today?

[Answer] In the personnel area, as a result of the reduction of the term of obligatory military service, problems arise especially in the training and utilization of the specialists that the Navy needs so badly. On the other hand, the number of good recruits who plan to make the Navy a career has fallen as a result of a well organized antimilitarist campaign, which has not been countered by the clarification of public opinion.

Similarly, low military pay has introduced insecurity among officers, who leave to seek better living conditions, and among those who are thinking of following the military profession. This situation is aggravated by the difficult acceptance of discipline and the unfavorable social environment for a military career.

To fulfill the military and public interest responsibilities entrusted to the Navy by the nation, it is essential that in the medium term the Navy be reequipped and modernized with other types of ships to replace current outdated and obsolete craft which, as I have already mentioned, will soon irretrievably reach the end of their useful life.

[Question] The Navy's new frigates under construction will be equipped with helicopters. Will they be under the control of the Navy? Will their crews be trained by Navy personnel?

[Answer] The reason for having navies is control of the sea. In order to exercise this control, the contribution of air measures is necessary. Some of these will have to be based aboard ship, being an integral factor in the performance of the specific tasks of the ship itself, specifically in the context of antisubmarine as well as surface warfare.

The concept of an integral helicopter for antisubmarine ships is the only one that satisfies the operational perspective, and that is the way it is in almost all the navies in the world because it is a sensor and one of the weapons systems of the ship itself.

Without seeking to revive naval aviation and much less to recover old bases, according to our point of view, which is considered to be correct and is the concept adopted by the overwhelming majority of the other nations, the crews of the helicopters should be comprised exclusively of specialized Navy personnel, as occurs with the other specializations we already have (for example, the submarines).

There are environmental factors at sea that demand lengthy and continual adaptation by personnel, that is, naval training. In addition, naval aviation officers retain their experience in the Navy when they stop flying and begin serving in commands and in general staffs; their acquired experience is extremely useful.

However, the decision on this matter belongs to the government.

[Question] The Navy conducts various missions of a civilian nature (patrolling the ZEE, management of lighthouses, etc.). Are the specific means that it possesses sufficient for these missions? Particularly, are faster and more effective patrol ships necessary?

[Answer] Very high priority is given to the acquisition of a new type of patrol ship that will improve the exercise of vigilance and control of the waters under national jurisdiction. Those patrol ships, which will be of a size appropriate for the conditions of our seas and which do not need sophisticated weaponry, will be supported by a coastal radar surveillance network, which is also essential for fulfillment of national defense missions. It is precisely the multiplicity and simultaneity of the missions that the Navy must fulfill on the sea (about nine), some in the context of national defense and others in the public interest, that makes it much more reasonable and economical to assign the indicated means to the Navy and not to any other institution.

[Question] Would the Navy have the possibility of sending a ship or ships to the Persian Gulf as several [countries] did last year.

[Answer] Hardly. The Falklands conflict and the Gulf war itself have revealed the extraordinary technological development applied to the weapons and equipment of modern ships. Our current ships would be at a great disadvantage in the highly sophisticated environment of a modern naval theater of war.

**Air Force Pilot Recruiting, Training Aimed at Stanching Losses**

35420111c Lisbon *DIARIO DE NOTICIAS*  
in Portuguese 7 Jul 88 p 2

[Text] The Portuguese Air Force is studying the adoption of a system of pilot recruiting and training capable of ending the distortion and instability currently affecting its personnel owing to the frequent offers to officers of this branch of the Armed Forces from other organizations, among them TAP.

DIARIO DE NOTICIAS learned that one of the possibilities under study in the Air Force involves a budgetary measure that will permit expanding the roster with supernumeraries in the expectation that a predetermined number of trained pilots will leave periodically for commercial aviation companies.

The offers that are insistently made to the Air Force pilots by TAP or other companies are due basically to the high costs of training and qualification. At the present time, various requests for transfer to the Reserve are pending at the Air Force as a result of competitive exams opened up at the national aviation company, and it is acknowledged that the number of officers who will make such requests annually will increase shortly due to the growth of LAR's operations.

This action by the Air Force responds to efforts recently undertaken by the Air Line Pilots Association (APLA) to negotiate agreements with the state to train those professionals.

DIARIO DE NOTICIAS also learned that in some ranks of Air Force personnel there is a feeling of "dissatisfaction and disagreement" with the promotion system.

Officers and sergeants of that branch of the Armed Forces lodged appeals with the Administrative Supreme Court contesting decisions of the command, alleging that the criteria adopted favor the system of promotion by selection, to the detriment of seniority as provided in the relevant statute.

Signers of some of those appeals told DIARIO DE NOTICIAS that the Air Force command "is deliberately obstructing the application of justice; there are even cases in which it refused to comply with rulings of the Administrative Supreme Court."

These charges were refuted by the Air Force. A spokesman told DIARIO DE NOTICIAS that "the criteria followed in the promotion processes scrupulously respect legal procedures" and that "if there are legal judgments that have not yet been complied with, that is due exclusively to the fact that they are being appealed by the command."

8711/08309

**Cooperation Agreement Between Air Force, Industrialists**

35420130 Lisbon *DIARIO DE NOTICIAS*  
in Portuguese 6 Aug 88 p 2

[Text] One of the main objectives of the agreement signed yesterday between the Air Force and the Portuguese Industrial Association (AIP) is the reduction of foreign dependence through efficient cooperation for the development and the exploitation and promotion of national capabilities in the industrial and technological sector, especially in the field of aeronautics.

The institutional ties that were established yesterday are founded on the assumption that the constant modernization of the Armed Forces, the very technological development that has occurred within them and the acknowledged need for a closer relationship with the civilian population mandate permanent progress in the quality of the scientific and human training of their personnel, allying a solid grounding in the technical and management fields with the traditional military characteristics.

The Air Force and the AIP have thus decided, within the context of this agreement, to promote the involvement and the cooperation of research centers, laboratories and teaching and training establishments.

The agreement envisions an exchange of information regarding the basic training of personnel and their respective subspecializations, taking into account the exploitation of existing human and technical potential. This exchange would refer to activities plans, available means of action—especially technical documentation—and periodic colloquiums, exhibitions, symposiums and other initiatives.

This agreement would be administered by task forces and by a permanent coordinating committee to be comprised of three representatives from each institution, whose task will be, among other things, to elaborate a detailed work plan, including the determination of available financial resources. At the signing ceremony, the AIP chairman, Rocha de Matos, stated that this agreement may allow Portugal to compete at the international level, notably through the development of certain aspects of the industrial sector.

**SWEDEN**

**Rescue Equipment From Intruding Foreign Submarines Found**

36500154b Stockholm *SVENSKA DAGBLADET*  
in Swedish 23 Jul 88 p 6

[Article by Peter Ohman: "Masks From Submarine Puzzling"]

[Text] Several finds of rescue equipment from a submarine have been made in Stockholm's northern archipelago. One of the theories on the part of the military

authorities is that the equipment comes from a submarine that was damaged by one of the Swedish armed efforts against the intrusions on the east coast last spring.

From the beginning of May until last week eight items of the kind of rescue equipment that is normally used on a submarine have been found in various places in the Stockholm archipelago. One was found near the Harsfjard in the southern archipelago, while the others were found in various places in the northern archipelago.

There are no known indications of submarines in the northern archipelago. But Tomas Gur of the Defense Staff information department says that the equipment could have drifted a long way before it was found.

"Even though it was found within the same area, it could have drifted a long way on the same current. There have been several armed efforts along the east coast this spring which might be connected with the finds," says Gur.

#### Explosion

He is referring both to a mine explosion between Uto and Orno at the end of May and to the large submarine hunt at the beginning of June around the lighthouse, Gustaf Dahlen, outside Oxelosund.

The nationality of the equipment has not yet been determined.

"We have only noted that it is not Swedish," says Tomas Gur.

#### Long Time Under Water

The equipment consists of a closed breathing system which is to be used when the crew must rescue itself from a submarine without leaving traces in the form of air bubbles.

You breathe through a snorkel-type bit, the air is cleaned by a filter of calcium carbonate and can be reused. In favorable conditions you could manage to remain under water for up to an hour with such equipment.

The equipment that was found is the same type as what was formerly used on Swedish submarines.

"It is the same principle as that used earlier in Sweden. But we have changed to a combination of gases in a closed system which is better and more modern than this," says Gur.

#### Chemical Analysis

It is still not clear how long the equipment had been in the water before it was found nor whether it was ever used.



The device from a so-far unidentified submarine consists of a breathing system to be used when the crew must rescue itself from a submarine without leaving traces in the form of air bubbles. Sweden has gone over to a different system on its submarines.

"We will put them through a chemical and technical analysis before we can determine whether they have been used, what country they come from, and how old they are," says Gur.

The equipment has now been sent to the Defense Research Institute, the Defense Material Administration and the State Crime Technology Laboratory for the required analysis.

It is estimated that the results will not be ready until the beginning of August.

#### Previous Finds

This is not the first time that similar equipment has been found in Swedish waters.

"During the 1970's and 1980's we made two or three similar finds," says Gur.

Parts of the east-coast fleet, the so-called submarine hunt force, have returned to duty after vacation and were training along the coast of Ostergotland last Friday.

**Paper Views Implications of Tight Defense Budgets Ahead**

36500145 Stockholm SVENSKA DAGBLADET  
in Swedish 18 Jul 88 p 2

[Editorial: "Choice of Path for Armed Forces"]

[Text] SVENSKA DAGBLADET has been persistent year after year in strongly advocating increased defense appropriations. A great many articles have shed light on the consequences of the belt tightening that has affected our military defense in recent decades. The Navy and Air Force are half the size they were, while the Army has been undermined from within. The level of materiel and skilled training is not commensurate with the impressive number of soldiers available for mobilization.

Our opinion has not changed. Certainly the 1987 defense decision meant that for the first time in a great many years, the Armed Forces would be receiving more money in real terms. But those additional funds were clearly insufficient. What is more, the evaluation by the OB [supreme commander of the Armed Forces] shows that even the modest programs called for in the defense decision cannot be carried out.

But it is not newspapers which make the decisions. Nor is it lieutenant generals who determine financial conditions for the Armed Forces. That is done by Sweden's Parliament. And even though mass media and lieutenant generals are dissatisfied and continue to propagandize for more money, Parliament's decisions are a fact which must govern military planning. Program plans cannot be based on castles in the air. They must be based on the economic reality established by Parliament.

When Carl Bjoreman writes in a letter appearing on today's editorial page that SVENSKA DAGBLADET seems to be accepting the financial limits imposed, "at least in its criticism of the OB's critics," that presents a false picture of this newspaper's position. As was evident even in the editorial being attacked by the commanding general, we are striving untiringly toward the same goals as before—that is, financial resources for the Armed Forces that will make effective defense of our neutrality possible.

But no one can ignore reality. The policy we advocate has no majority support in Parliament today. In our previous editorial, we therefore called for an intensive defense debate before the election in order, if possible, to influence the course of events after 18 September. We have no illusions about the results, but we do not intend to give up just because of that.

But as was said, defense planning in the future cannot be based on uncertain hopes. The Military Council has to work within the limits that exist. In those conditions, we cannot see any alternative to saying that the policy that was outlined is the correct one. The Army's organization is being slimmed down to make the replacement of

materiel possible. Efforts are being focused on what Bjoreman calls "shell defense"—that is, the ability to fend off invasion attempts at an early stage.

If one must choose for economic reasons, that is the obvious course to follow. Our geography and our entire modern social organization clearly point in that direction. The Air Force must be modern and effective, the Navy must constitute a serious threat to invasion attempts by sea, and the Army should be able quickly to knock out the small number of troops that could be landed in the first wave.

Lt Gen Bjoreman has long been in the forefront of the Military Council's adversaries. In no way do we wish to judge the general's skepticism as a whole. But his criticisms and counterproposals sometimes seem blurred around the edges.

The commanding general himself writes that the quality of materiel will become an Achilles' heel if we "do not venture in the near future to make the decision to replace tanks and ships, among other things." Right he is, and that is precisely the starting point for the Military Council's work. Trimming the organization will make it possible to spend money on the necessary purchases.

Things will be tight all the same. In connection with the latest defense decision, the political leadership in the Ministry of Defense said frankly that there would not be enough money to replace every unit with a new one. Unless drastic steps are taken, it is possible that scarcely any of our aging tanks can be replaced.

That is the reality. In such a situation, it is unrealistic to assign priority to forces for holding actions deep inside the country at the expense of invasion defense. The decisive battle for Sweden is not going to take place around Karlsborg, as was once imagined. If the attacker—who in the foreseeable future can only be a superpower—is able to bring large forces into the country and seize sizable areas including the nation's most important centers and railroad junctions, the situation will be desperate.

And in that case, poorly armed brigades on the periphery will scarcely be of much help. The many years of struggle by the resistance in Afghanistan—no matter how heroic and successful it may have been—cannot serve as a model for Swedish defense planning with a view to the future.

11798

**Paper Cites Concern About Plans To Cut Training Time**

36500154a Stockholm SVENSKA DAGBLADET  
in Swedish 25 Jul 88 p 2

[Editorial: "Realism in Defense Question"]

[Text] It is not surprising that one of the social-democratic members of the recently appointed defense committee, which will study the future design of the Army, is

skeptical of the military leaders' thoughts on reducing the training time for some groups of draftees. Earlier the defense minister bluntly rejected the army chief's efforts in that direction.

If the preservation of the current system were reciprocated by a willingness to give the defense further resources, everything would have been fine. There is nothing to point to that being the case, unfortunately. The Social Democrats, especially, seem locked into the insufficient parameters of the latest defense resolution.

Under such preconditions, the consequences to the efficiency of the Army could be devastating in the long run. For ideological reasons, the general draft would then be maintained at its present level and the political motives—the strong military-communal complex—would make it more difficult to justify the organization of peacetime units. After a while not many kronor will be left for effective training, refresher courses and renewal of materiel.

When a member of the Home Guard, Goran Ulfsparré, strikes a blow for training in a letter to the editor, he seems to overlook the fact that the units are already showing obvious deficiencies. According to the latest program from the commander-in-chief, many war units have to be trained for 1 or 2 weeks after mobilization, before they are able to handle their main functions. The materiel must also be renewed. The commander-in-chief also states that the immediate war efficiency of a large part of the organization will deteriorate further, if the trend continues.

These are serious deficiencies in a defense based on mobilization. Furthermore, Goran Ulfsparré's light-hearted belief that suitable weapons can be bought from one day to another is not based on facts. When the war-clouds gathered in the 1930's, it was certainly not

easy to plug even the worst gaps through of imports, and modern advanced equipment cannot simply be placed into the hands of untrained people.

Given the current economic conditions it makes sense to concentrate the resources on fewer attack brigades. Naturally this does not mean that the rest of the draftees are going to twiddle their thumbs if things become serious. Those who have been given a short training period could be used for other tasks and supplement the Home Guard. In order to meet surprise attacks by sabotage units, there is a need for many local units that can be ready for action very quickly. A reduction of the army organization should also make it possible to strengthen the Home Guard with the surplus weapons. A restructuring of the Swedish land defense should definitely not neglect this important organization which commands an earned respect in the world around us.

It is necessary to be a realist in defense questions. Those who want to defend Sweden as well as possible given the current economic parameters should not play into the hands of those politicians who are primarily considering industrial distribution policies. Army spokesmen on all levels, who have sharply criticized the plans of the military authorities, had better explain what it would really mean if we, as they say, must be "prepared to continue the operations on our own territory at an early stage" and if the main action of the ground defense troops "must be displaced from the coasts and the borders to within the country."

What kind of defensive war are they really contemplating when our natural barrier in the form of the sea around us will already have been breached and considerable parts of the country have been abandoned to the attacker?

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## BELGIUM

### Claes on Economic Growth, Debt, Natural Gas, Nuclear Power

36190012 Brussels LE SOIR in French 2 Jun 88 pp 1, 3

[Interview with Willy Claes, minister of economic affairs, by Guy Depas, Guy Duplat, Catherine Ferrant, and Martine Vandendriessche]

[Text] Following 6 years of wandering in the desert, Willy Claes is back with undisguised pleasure at his dear Ministry of Economic Affairs. Everyone remembers it: during the seventies, economic policy was incarnated by the "little red man" from Limburg. Textile, steel industry, energy, prices. Willy Claes put his imprint on the last years of the welfare state and negotiated a few curves.

But today, the environment has changed. It is the hour of budgetary austerity. The margins within which the Belgian state can maneuver are very narrow. And yet, the minister of economic affairs, with whom we met, believes in the possibility of effective action. The authorities must, he said, help stimulate growth and better orient the economy. Mr Claes also shared with us the personal shock he felt at the time of the nuclear accident at Chernobyl. As far as he is concerned, it is time to put an end to nuclear escalation.

[Question] Mister Minister, what are your first projects?

[Answer] First of all, drafting legislation which will allow the government to verify and if necessary reestablish the competitiveness of our enterprises. Next, developing an anti-OPA law. This law would not simply be a reworking of the Eyskens bill: that provided only for the openness of financial operations, but did not give the government any means for action. There needs to be more. We must provide for the regulation of public purchase offers. That is the point which is by far the most urgent. Within the next 3 weeks, the minister of finance and I will introduce a bill to that effect. Next, we will have to add to this text legal provisions to protect small shareholders and the strategic interests of the country.

[Question] You say that this bill is urgent, but one has the impression that the government's priorities are first off all community oriented.

[Answer] It is true that the community agreement has set specific dates for the enactment of legal texts. But this government will have to find the time and the means to deal with the economic and budgetary problems at the same time. And if it continues to function at a very high rhythm and in a good atmosphere, then this would seem possible to me.

[Question] The responsibilities of the Ministry of Economic Affairs have exploded in various directions. The small and medium size enterprises, specifically, have gotten away from you, the economy will be largely regionalized.

[Answer] That is hard to deny. Coordination is necessary. That is the key to cohesion and effectiveness.

[Question] The margins to maneuver left by the world economy and by the budgetary deficit are weak. What can a socialist minister of the economy do?

[Answer] I am aware of the narrowness of the margins. But it should be possible, over a period of 3 to 4 years, to slightly stimulate growth while keeping an eye on the budgetary deficit and on the danger of a return of inflation. It is possible, through a voluntary policy in the private and public sectors, to improve growth by 0.7 to 1 percent of the gross national product per year. I have always believed in consultation with the social partners. Well then, as I see an increase in investments since the end of 1987, then I would say that the private sector has not exhausted all its possibilities yet. Considerable margins do exist. They could be invested. That is a question of market, of climate, and of flexibility in personnel management. If we could stimulate private investment and increase economic growth, this would benefit employment, purchasing power and budgetary recovery.

[Question] But what about the international climate?

[Answer] I think that they are all the more capable of hearing that language as the economic prospects are good, and that there is less and less talk of the negative consequences of the stock market crash.

[Question] What inducements can you offer?

[Answer] The deductability of investments will not be questioned again. And if the intersectoral negotiations go well, then we could continue the Maribel operation, if not consider new formulas: end the 5-3-3 operation and draw a line through the balances still due from enterprises to the Employment Fund.

[Question] There is also the recovery through public investments, is there not?

[Answer] It is clear: we can no longer continue scraping them. Compared to 1981, they have been reduced by 50 percent in 1987. The rate of public investments in our country is the lowest in the EC. Thus, we will no longer reduce those investments. On the contrary, we will increase them. But very cautiously. We will have 9 billion Belgian francs a year at our disposal for that purpose. That is not much, but it is obvious that what is important is not the quantity but the quality. I had a lengthy meeting with the commissioner for economic

planning, who is also president of the Orientation Committee for Public Purchases. I think that a medium term planning of government investments is imperative.

[Question] Investments to help lame ducks?

[Answer] I would prefer it if we looked toward the future.

[Question] The minister of national defense has announced that he will be able to place orders worth 70 billion Belgian francs within 2 years. But Louis Tobback has already challenged that figure, and it is known that the SP is opposed to an increase in military programs.

[Answer] There is no figure in the government agreement. And we will have to seriously discuss all investments. It will first be necessary to draw up the balance of Guy Verhofstadt's action—there is no shortage of skeletons in the closets—and consider the means to reduce the budgetary deficit in 1989 to 7 percent of the gross national product. It is from that angle that we will study the appropriateness of investments to be made by the Ministry of National Defense.

[Question] Let us return to the lame ducks. What about the national sectors?

[Answer] They have been seriously reduced over the last 6 years. But, except for the shipyards, everything is doing better. Even the steel industry.

[Question] The Walloons are complaining about their textile industry. And in Flanders, they are smelling whiffs of scandal.

[Answer] I would not say that the "textile plan" was carried out the way I had planned it. The problem is real. I cannot be uninterested, if only for reasons of the European constraints. It is a big issue, a difficult one, and... one you cannot get around, as they say. It will be necessary to take stock.

[Question] SONATRACH and DISTRIGAZ still need to renegotiate the delivery of Algerian natural gas to Belgium. What does the person who was the father of the contract's renegotiation think about that?

[Answer] That problem is primarily one for the two companies involved. But I want to correct the potshots that have been directed toward me: I have nothing to reproach myself for. I am the one who managed to ensure that for a certain period of time we were buying only half the contract quantities. Having said this, I do indeed believe that today the Belgians have to make an effort to adopt a credible position. That depends on the goodwill of the electric power companies, that is to say on the increase in volume they could accept to handle. Then, I believe that we could reach an honorable agreement on the prices.

[Question] Another delicate problem: the nuclear power station N 8. The government agreement provides for another equipment plan to be completed by the electric companies. And it says that the government will make a choice by favoring non-nuclear scenarios. Hence, the door has not been closed on a new nuclear power station, even though barely a month ago you said that there would never be an N 8.

[Answer] I said it, and it is true. But like everyone else, for the last 3 weeks I have stuck to the government declaration.

[Question] What is your personal feeling?

[Answer] Nobody can say that I have been opposed to nuclear energy. I am the one who favored it. And if I had to do it over again, I would. I am convinced that in the middle of an energy crisis, we cannot do without nuclear energy.

[Question] Even today?

[Answer] Too much is too much. We should not exaggerate. We must also think about the diversification of our supply sources. Together with France, we have become the most nuclearized country in the world. That is enough! Moreover, there was Chernobyl. And that has forced me to review my positions.

[Question] Are you afraid?

[Answer] If you accept an industrial society, then you have to accept its risks. But there is a ceiling, which is difficult to establish, but which is real. The industrial society cannot accept risks which are measurable neither in time nor in space. That is what Chernobyl is about. It is an ethical problem. Personally, I will firmly defend the non-nuclear option.

[Question] There are commitments.

[Answer] That is what the electric power companies are saying. They accuse the government of being responsible for a real financial catastrophe... They talk about commitments made by the state with regard to N 8. I would invite them to show us the documents. For heaven's sake, let us be clear: I believe that only private agreements were made. Let us all sit around the table, like big boys, and try to find solutions without taking the debate to the streets.

[Question] There are also several "skeletons" in the nuclear industry: the Eurochemic plant and the BR 3 reactor which have to be dismantled, the scandal in Mol, the need to find a storage space for all the nuclear waste?

[Answer] Those problems are serious. They demonstrate that it is time to stop the construction of nuclear power stations. But it would be irresponsible for me to say more about this today. I have requested a study on the subject.



[Question] What will your price policy be? Are you going to continue liberalizing them?

[Answer] We will have to take a stand before the end of June. I will propose that the current situation simply be extended until the end of the year. The liberated sectors will remain so and the others will remain under supervision. But I will reintroduce a bill on competition. It will be a copy of Philippe Maystadt's bill but, in addition, it will also have all the amendments he was unable to get the previous Christian-liberal government to "swallow."

8463

**Study Claims That Flanders Subsidizes Wallonia**  
*36190013 Brussels LE SOIR in French 6 Jun 88 p 3*

[Article by Guy Duplat]

[Text] Speaking in Louvain, on Friday, before the upper crust of Flemish politics, Paul Van Rompuy, professor at the Catholic University of Louvain [KUL], presented the latest rehashing of his study of the financial flow between Flanders and Wallonia. One will recall the research he conducted during the early 1980's, which tended to demonstrate that Wallonia was living off Flanders, and which gave rise to demands for economic and financial autonomy by the northern part of the country. As far as Professor Van Rompuy is concerned, nothing has changed today. On the contrary. In 1985—last available figures—Flanders had to "give" Wallonia 258.8 billion Belgian francs (nothing to Brussels, which is good at balancing its expenditures and receipts). That amount represents 10.4 percent of all the products and services rendered in Flanders.

Hence, if the study is to be believed, the Flemish have worked one out of every 10 hours just to please the Walloons. Between 1975 and 1985, the total financial flow from the northern to the southern part of the country amounted to 1.3 trillion Belgian francs.

The 1985 figures show that half of the transfers to Wallonia were due to public debt costs. As a matter of fact, the public debt we have, which amounts to more than 5 trillion Belgian francs, is the result of years of government deficits.

Analyzing the cause of these successive deficits, Mr Van Rompuy believes that he is able to distinguish between the Walloon public debt and the Flemish public debt. And, given that repayment of the interest remains at the national level and that the debt is primarily Walloon in origin, the KUL professor figures that in 1985, Flanders had to pay 120 billion Belgian francs in interest on a public debt caused by Walloon deficits.

To this is added 88 billion Belgian francs paid by the Flemish in 1985 for social security for the Walloons. This financial flow is said to be due to greater expenditures in Wallonia for pensions, unemployment, work related accidents, and industrial diseases.

The balance of the north-south financial flow, on the other hand, is said to be due to public investments and purchases, to the appointment of civil servants, and to aid to enterprises which are supposed to be favoring Wallonia.

**Politics Before Anything Else**

This type of study aims first of all at being scientific. And everybody should be pleased about that. Good debts not only make good friends, but also good savings. But in a country like ours, which has the worst (or nearly) economic statistics in Europe, Professor Van Rompuy's data will undoubtedly be challenged by other economists, French speakers this time. But, of course, the risk lies in abuses in the political use of such economic data. The 1980 studies led politicians and the Flemish press to draw a black picture of Wallonia, "spendthrift, prone to strikes, rejecting budgetary rehabilitation, because it was living at the expense of the central government." There was talk of a "two speed Belgium," "with the Walloons threatening the country's economic and monetary unity."

The political exploitation of the above mentioned studies conducted by KUL economists extended significantly beyond the scientific framework of the studies themselves and of the unquestionable financial flow from north to south.

Should one worry about the same thing happening today? The contrast between Mr Van Rompuy's studies and the state reform in progress today is striking. True, on Friday in Louvain Professor Moesen expressed his pleasure at the fact that with the state reform which is to be enacted, the share of Flanders in community expenditures would go from 56.1 to 58 percent and in regional expenditures from 52.1 to 57.4 percent (that is to say billions of Belgian francs less for the French speakers!), but otherwise the main causes of the financial flow from the northern to the southern part of the country remain unchanged. The debt costs will remain largely national and the unity of the social security system is not being challenged. Professor Van Rompuy's figures will add grist to the mill of people such as Hugo Schiltz who are demanding the regionalization of the social security system.

The university professors also regretted the fact that expenditures were nationalized but not receipts. In the latter case, they painted in glowing colors the dream of a possible tax reduction in Flanders whereas taxes would go up in Wallonia. This whole game is obviously very dangerous at the time when the new state reform providing for important inter-regional solidarity mechanisms is

being introduced in the House and in the Senate. Their position strengthened by these studies, will not some Flemish representatives once again question the financial gains the French speakers snatched from the three Flemish parties?

On Friday in Louvain, the politicians present were very careful and concerned not to question the agreements that have been reached. Mr Dehaene stressed that it is necessary to maintain the unity of the social security system because, he said, there is nothing to say that one day the situation may not be reversed and that, due to the demographic push of immigrants in Wallonia and Brussels, it will be Flanders' turn to have a social security deficit. Willy Claes and Mark Eyskens made similar statements. While Guy Verhofstadt saw in Professor Van Rompuy's figures one more reason to demand a quick reform of public finances.

In spite of the current goodwill of the Flemish politicians, the debate started by Mr Van Rompuy will make waves. Because it is clear that the state reform currently under discussion will not put an end to the Belgian community controversies. On the other hand, it is possible to hope that it will reduce the number of potential conflicts and thus improve public management. Which in itself would be remarkable!

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**Van den Brande Plea To Combat Unemployment**  
*36190015 Brussels LE SOIR in French 1 Jul 88 p 3*

[Text] The new minister of work and employment, Luc Van den Brande, will soon have to stand the test of governmental credibility. He will have to give substance to employment: a "top priority" highly advertised by Martens-VIII. Now that budgetary restrictions, defined by Hugo Schiltz, are taking effect, the failure of Van den Brande's task would be the negation of his social promises ("Social-Plus"). The former chief of the CVP (Peoples' Christian Party—a center-right organization) at the Parliament, especially known for his intransigent federalist positions, does not doubt his chances of success. He declares that he will ask employers and unions "to do more" every day for employment and youth training. Without prejudging the results of social concertation, he is unveiling his own credo: to better apportion jobs through career change and increased reliance on "improved" part-time work. "I want to create a framework allowing everyone more flexibility throughout his working life."

—The government wants employers and unions to sign an agreement for 1989-1990, which would strongly favor employment. What is the percentage of the available margin you would like to see used for employment, even if you interfere with the free process of negotiation?

—I cannot give you a precise figure today. We cannot declare that we respect the freedom of negotiation, and, at the same time, impose limits. It is a question of timing. But I can already say that if the agreement does not increase employment, the government will not prolong "operation Maribel," this bonus which represents 15 billion Belgian francs of social security deductions. My colleagues and I hope that agreements by sectors or firms will not be concluded because these stress salary increases, ignoring the issue of employment. The workers should be realistic. As for companies, I understand their hesitations to do what they call: "the artificial creation of jobs with no economic function." However we are expecting the employers to devote a substantial margin to the training of the young. They also should strive to improve the creation of part-time jobs. Belgium has not even reached 11 percent in part-time jobs which represent 16 percent and 17 percent in the neighboring states.

[Question] Aren't you afraid to speed up the trend toward the creation of part-time jobs which will be used to absorb the loss of full-time jobs?

[Answer] Politics is not meant to make people happy. I do not want to create a rigid category of jobs for employment. I see a framework which allows the people a real choice, according to their needs and aspirations. I strongly hope that people will really change their attitudes. Why do you have to make a choice which determines your whole life? Why shouldn't we organize a self-regulating system which would organize and favor flexibility of employment, according to age and family circumstances? I see that a great number of women would like to work part-time. However, I would like to bring two improvements to the part-time system. It should become really voluntary and have its judicial status improved with the right to unemployment benefits. There are also a great number of people seeking a career change and many jobs could be shared. Here, too, why not institute flexibility?

[Question] Is flexibility in employment one of your priorities?

[Answer] Yes. As Minister of Labor, I have three goals: to correct the situation in the sector of part-time employment, to stretch the concept of career change, and to improve work conditions which would reduce absenteeism by 1 percent. As minister of employment, I have a series of other priorities: to bring modestly my contribution to a meaningful social dialogue; to create 7,000 to 8,000 new jobs in programs aimed at absorbing unemployment, as governmental declaration foresees; to improve the chances of employment for the young; and then, in order to reduce long periods of unemployment, I will call upon the employers to face their responsibilities every day.

[Question] Would you be able to create these 8,000 promised jobs, despite the budgetary cuts of 2.5 percent, demanded by Hugo Schiltz?

[Answer] That priority concerns the government as a whole and not only one minister. That means that I should not have to undertake cuts in the budget of labor and employment to compensate for the cost of these 8,000 jobs. I am planning to present my proposals to my colleagues at the beginning of August, during the negotiations on the 1989 budget, and the 1988 adjustment.

[Question] What are your options concerning the future prepensions (allowances to permit early retirement), one of the main subjects of discussion between employers and unions?

[Answer] Prepensions are linked to the overall problem of career-ending. Employers and unions are discussing the subject within the CNT (the National Labor Confederation), and during sessions of social concertations. However there will be a time when I will have to make a proposal. I want a simplification of that system as well as a correction of its abnormalities. I see frightful differences in income—from 13,000 to 42,000 Belgian francs among workers who were employed in the same factory. Some were able to secure a pre pension before the closing. Others were not. The mechanism instituted 14 years ago has gone off the track. We should clarify it with a coherent view. Now prepensions concern 135,000 people and their total cost is 44 billion Belgian francs.

[Question] What is your answer to the General Federation of Labor (FGTB) which seeks an allotment as head of family for all the aged and unemployed people?

[Answer] In my heart I would agree to it. But I have to be rational. That measure represents a cost of 4 billion. We should place all the priorities of the government in a basket. These priorities are employment, increase of the minimex and the lowest pensions, family allowances, improvement of living conditions for single people with children. Everything should be studied as a whole in order to define a multi-year program. It is all the more so since I had to request supplementary credits for the 1988 budget in order to absorb the 4 billion franc deficit caused by unemployment.

[Question] You seek cut-backs in subsidies for "part-time work to reduce unemployment"?

[Answer] (After a long pause....) Given the budgetary situation, we have to suppress some benefits if we want to increase others.

[Question] Will the budget be affected when the waiting period for unemployment benefits is credited against time in military service?

[Answer] This measure represents a cost of 305 million for unemployment benefits. From that cost we should deduct 90 million for family allowances (they are suppressed when the unemployed worker receives a compensation).

[Question] As regard overtime and night-work for women, will you grant the exemptions that have been requested?

[Answer] I have not taken any decisions. I stay extremely cautious, I believe economic reasons do not justify everything.

[Question] How will the restructuring of the National Office of Employment—announced for January 1989—be organized when training will be transferred to the communities and placement shifted to the regions?

[Answer] Flanders already has a decree by which training and job placement are transferred to the region. Flanders has asked the government to finish the operation by 1 July which, I think, is completely impossible. The unemployed deserve to be treated seriously. However, as of now, I am asking the Francophones and Walloons to vote on their decrees before 1 January. They all have to decide whether they want one or two employment offices. The third aspect of that measure will consist in transferring the plan for unemployment resorption to the regions. In the next step, we would have then to tackle the following problem, the "protocols" between the regional and the national levels. The Ministry of Employment must be able to gather statistical data and know how the job placement methods were evaluated so that the unemployment compensations will be established at the national level.

[Question] As a leader of a hard-line policy of federalism, are you disappointed by regionalism and don't you feel that regionalism is depriving you from many of your powers?

[Answer] No, I don't feel disappointed. We had to transfer jurisdictions because cooperation between the regional and national levels was creating problems, and we were continually faced with costly demands for compensations.

I am not a nationalist and hope I will never become one. I was partisan of the regional financing of the steel and coal industries as the only possibility of reform and reconversion. I am a partisan of regionalisation in training and job placement as well. These social services should relate to the culture and education of the people. But this approach should not lead this time to a new centralism of the region (in Namur or elsewhere). From now on, the regions will have the key to employment policy. Their plan of resorption will have to be adapted to the structure of unemployment which is different

from one region to another. As minister of employment, I will have to watch the cohesion of these plans and maintain unity in contracts and work conditions.

13410/9274

## DENMARK

### Finance Minister Simonsen on Tax Reform, Program Cuts

36130084a Copenhagen BERLINGSKE TIDENDE  
in Danish 2 Aug 88 p 4

[Article by Per Lyngby: "Interest Tax Is Good Conservative Policy"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] Nonsocialist voters must realize that the government has to do unpleasant things to put the country on the right course, according to Finance Minister Palle Simonsen. The tax reform and interest taxes are "extremely conservative," he says.

The tax reform and the tax on interest are good conservative policies.

Finance Minister Palle Simonsen (Conservative) is a brave man. At a time when dissatisfied nonsocialist voters are fuming over complicated tax statements and interest tax calculations, the finance minister defended both.

"The basic principles of the tax reform are extremely conservative because the reform creates another basis for increasing private savings. It rewards people who save money.

"And the consumer interest tax that people are denouncing makes going into debt even less attractive. A person who lives on the basis of a good conservative philosophy that calls for saving money to buy the things he wants will not be affected by the interest tax.

"So there is quite a bit of conservative policy in some of the things that are being depicted as monstrous in the current public debate," Palle Simonsen told BERLINGSKE TIDENDE.

On the other hand he has no trouble understanding that some nonsocialist voters are dissatisfied just now. But that is because they do not understand the reasons behind the government's actions, he said.

"Everyone thinks the tax burden should be lighter, for example. And that is what the government is working for. But people forget that 7-8 percent of the tax burden goes just to pay interest on the debt that has accumulated since the mid-seventies.

"For many years we have spent considerably more than we could afford. Now we are paying for it and dissatisfied nonsocialist voters ought to think a little more about that.

"The amount people can afford to buy after they pay their taxes is also part of the picture. It is a relatively large amount compared to other countries. But due to the errors of many past years we cannot afford a higher level of private consumption than we have today.

"Considering Denmark's position in 1982, when the four-party nonsocialist coalition took office, many very unpleasant things had to be done.

"The tax on consumer interest is unpleasant, the tax on real interest is unpleasant. But we are seeing the effects, for we have checked domestic indebtedness and balanced state finances. If we hadn't done anything, we would have major problems."

Palle Simonsen is irritated by the debate on the public sector:

"The debate on public consumption is very over-simplified. At times one gets the impression that the public sector is a big box standing beside all those who work in the private sector, a box that can simply be reduced.

"The private sector cannot function unless young people are given educational opportunities so that private firms can be provided with well-trained workers. In addition we cannot get the labor force that is needed unless children can be provided with care. And a good health system is a prerequisite for making people well so they can do their jobs—in both private and public sectors.

"The public sector is necessary so that society can develop. But public spending is too high. There is no doubt about that. So it is important to keep on pursuing a very tight economic line."

The finance minister has no intention of making big cuts, however. His tools for keeping public spending in check are simplification and reorganization.

"This in itself requires blood, sweat and tears, for cuts are a sensitive subject. We can see this in the current debate on the hospital system in Arhus County. What is happening there is necessary in order to maintain the tight public spending course the government stands for.

"But we are also seeing that the reaction is deeply imbedded in the nonsocialist ranks. For the nonsocialist parties in Arhus County are also complaining about the cuts that are being made due to sheer necessity.

"So when nonsocialist voters are dissatisfied they should think of the benefits they are ready to do without in principle but are reluctant to give up when the principle has to be put into practice."

Palle Simonsen also responded to criticism in his own party. Kristian Mogensen, a member of the Conservative Party's executive committee, is one of those who think the public sector should be cut by 40 percent.

"With its decision on a wage saving of 2 percent this year and another 1 percent next year, the government has taken a bite that is regarded as too small by some people and too big by others. It is all right for people to have different opinions about this. But the size of the step is realistic," Palle Simonsen stated.

Another subject of debate that he regards as oversimplified is privatization:

"I definitely support turning things in public areas over to the private sector if this would be an advantage. Anything resembling production belongs in the private sector.

"But in reality Denmark is one of the most private capitalistic countries in the world and one of the countries with the least state involvement. We have succeeded in keeping production in private hands."

The finance minister does not feel under pressure from the Progressives who thunder away on the conservative right flank.

"When the Progressives babble on it sometimes sounds as if they are the only ones who are interested in tight controls on public spending. That is not the case.

"The Progressive Party is benefiting from the fact that as a party with no responsibility it can oppose a number of the unpleasant things that the four-party coalition and now the Conservative-Liberal-Radical [KVR] government have been forced to do to gain control over economic developments. They are pursuing what I would call a pure opposition policy.

"It is easy to say that one is opposed to the interest tax, the tax on real interest and so on. The rest of us would greatly prefer not to have to implement these things but the yoke of responsibility is a heavy one and we must do the things we consider necessary.

"Therefore the important thing for the KVR government is that we have the courage to do the things that are necessary to continue on the road to economic recovery and to achieve a national development that provides the most beneficial conditions possible for private production. We cannot drive in neutral when we are in the government," said Palle Simonsen, addressing dissatisfied nonsocialist voters.

06578

### Reduction in Workweek Seen Partly Responsible for Foreign Debt

36130084b Copenhagen BERLINGSKE TIDENDE  
in Danish 4 Aug 88 Sec 2 p 6

[Commentary by Frank Dahlgaard: "We Owe Other Countries 2 Billion Work Hours"]

[Text] Although almost half a million more Danes have joined the work force since 1960 the number of work hours performed has declined.

A great many people have looked for paid employment in the last 25-30 years. Most have also found work, but even so Danes are performing fewer work hours today than they were 25-30 years ago.

The reason is that the rising number of workers has been more than offset by the increase in the number of people working part-time and by longer vacations and shorter work weeks for full-time employees.

The number of Danes who want jobs (the labor force) has increased by around 650,000 since 1960. Approximately 450,000 more people have found work (employment level) during the same period. The difference shows the increase in the number of people who are unemployed: 200,000.

The 450,000 additional people who have found work since 1960 represent a growth of 21 percent in employment—cf. the top curve in the graph below.

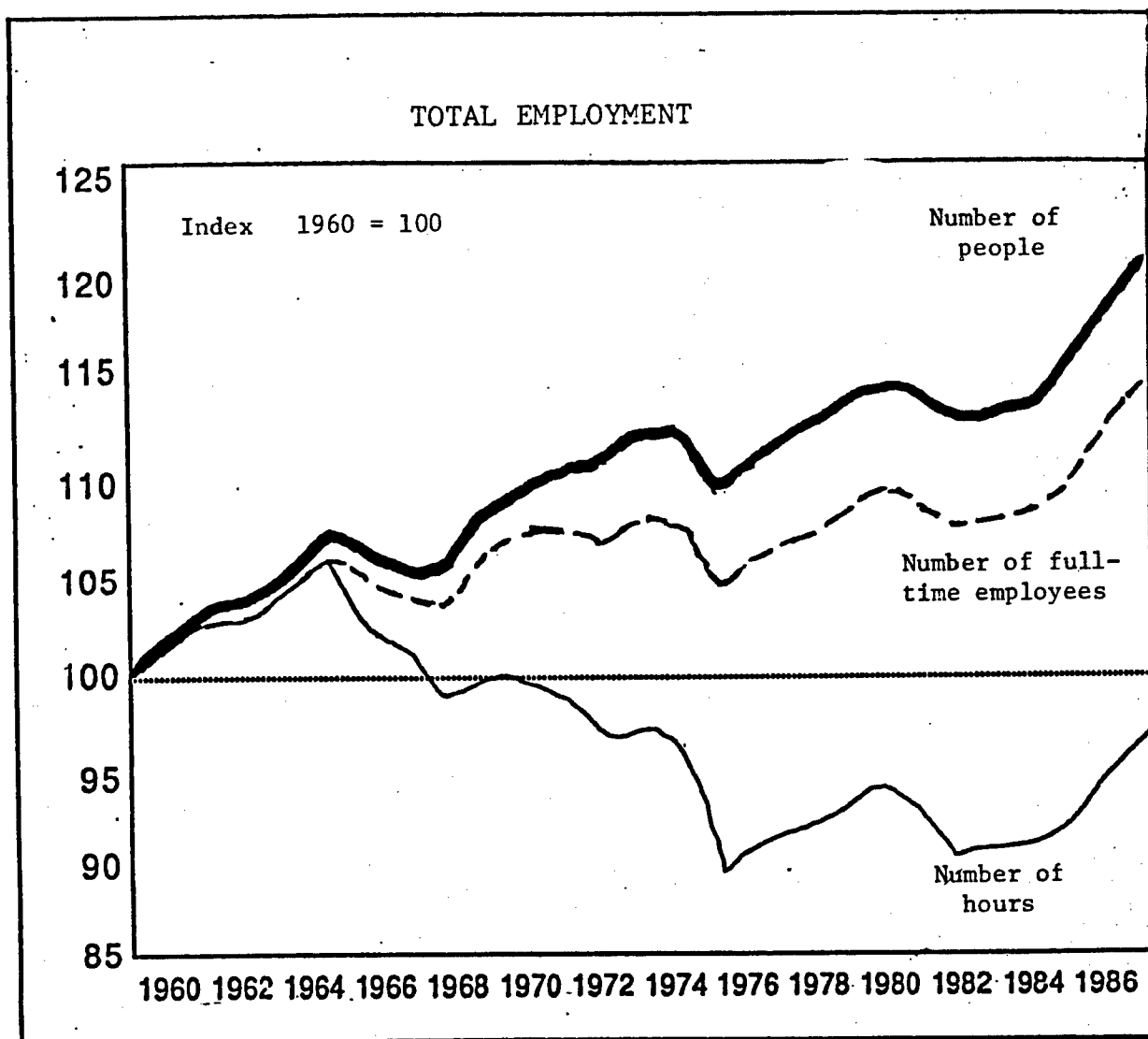
The rising percentage of part-time workers means that employment has risen by only 15 percent since 1960 when the figures are corrected in terms of full-time employment—cf. the middle curve in the graph.

Thus the difference between the two upper curves indicates the growth in the number of part-time workers. As the graph shows, the distance between the curves increased up to the mid-1970's when the economic crisis really took hold. The larger number of part-time workers was primarily a reflection of the enormous increase of women in the labor market.

### Working Less

The distance between the curves decreased again in the 1980's, indicating that more employed people have chosen full-time jobs. Women are the ones who are increasingly working full-time. This has happened to compensate for declining real family wages, but it probably also indicates increased equality between the sexes.

However, full-time employment today is not what it used to be.



SOURCE. Special commemorative report by the Council of Economic Advisors: RECOMMENDATIONS AND REALITIES 1962-1987, page 16. Illustration by Anders Boye.

In 1960 the work week was as long as 45 hours while workers had 3 weeks off annually. Today the work week for a typical full-time employee is down to 38-39 hours and vacation time has increased to 5 weeks a year.

Thus, while a full-time wage earned worker worked 2,140 hours per year in 1960, a full-time employee worked only 1,800 hours in 1986.

With the further reduction of work hours in the last few years, a full-time employee in 1988 is down to 1,750 hours a year.

Therefore if total employment is measured not by the number of workers or adjusted "full-time workers," but in terms of work hours, an entirely different picture of developments is obtained.

The bottom curve in the graph shows the employment trend since 1960 expressed in work hours. As the graph shows, the total number of work hours performed in Denmark in the boom year of 1986 was 4-5 percent below the 1960 level.

So although the number of people with jobs increased by over 20 percent since 1960, the number of work hours declined by 4-5 percent.

Thus we Danes spend less time working for wages today than we did in 1960. And this is so in spite of the fact that Denmark was a debt-free nation then, while today we have a net foreign debt of 280 billion kroner.

This foreign debt corresponds to the productive value of 2 billion work hours in this country!

Thus one can say that we have a foreign debt of 2 billion work hours. That is almost half the total number of work hours performed in Denmark in a single year.

If we Danes decided to work our way out of our foreign debt, all 4 million adult Danes would have to donate 10 hours of their labor to other countries every single Saturday for a whole year before the debt could be repaid.

### Theory and Reality

There is something suicidal in the fact that we Danes perform fewer and fewer work hours while at the same time we owe other countries an increasing number of work hours. One would think that the prevailing opinion in Denmark is that we can solve our problems by taking more vacations. (And in fact that is the view that is held in certain upper-class academic circles.)

In the real world, of course, Denmark cannot pay off its foreign debt by working without pay for its foreign creditors. Even if we decided voluntarily to work as slave laborers to pay off our debts.

The fact is that the kind of work one does is important.

For example it will make no difference if all the educators, school teachers, social workers and government workers start to work more in their respective fields. These groups do not supply anything our foreign lenders want. Most public services simply cannot be exported.

It is in export branches—industry, agriculture, fishing, shipping and tourism—that an increased work effort could help solve the debt problem. But an increased effort here is possible only if these businesses are able to produce quality goods and services at competitive prices. Our foreign creditors will not accept junk as payment for our outstanding debts.

If Denmark cannot produce competitive goods and services, foreign firms will obviously not want to buy them and thus there will be no reason to work more.

This means that the whole question of working our way out of the debt problem stands or falls on our international competitiveness. It is idiotic to work more if the goods that are produced just accumulate in large unsaleable piles.

This means that the right course is to decide to improve our competitiveness to such an extent that Danish goods and services are snapped up. This would create a need for a larger Danish production—and thus a need to perform more work hours as well.

### Time, Figures, and Tempo

Since 1960 the entire increase in employment (measured in terms of the number of people working) has occurred in the public sector.

While the number of people employed in the private sector today is unchanged compared to 1960, the number of public employees has grown by a good half million. In this way the Danish job structure has become unduly lopsided. Too many people in the protected domestic market sector are “riding on the backs” of too few in businesses trading on the competitive market.

As noted, the curves in the graph show total employment in both the public and private sectors. However, if we look solely at the number of hours worked in the private competitive sector, the decline since 1960 is even more striking than the graph indicates.

However, the labor force has an important dimension in addition to the number of people who are working and the amount of time they work.

That is work tempo—or productivity, as economists call it, i.e., production per work hour.

The fact that the private business sector has been able to increase production over the last 25 years with the same number of employees working fewer hours indicates that production per work hour has risen sharply: productivity has increased.

In some cases the higher productivity is partly due to an increased work tempo on the part of the workers, but in most cases the increased production per work hour is a result of new and better machinery, new technology and new and smarter equipment and tools. In other words it is not primarily labor productivity that has risen, but capital productivity.

Viewed from a narrow perspective, it is natural to think that low productivity is good, because in that case more employees are needed. But if production per work hour is low, there is certainly no reason to pay employees high wages. That would mean that goods could not be sold at competitive prices that cover production costs.

If we are to halt foreign borrowing and start repaying our debt, it will require more work hours in competitive branches, increasing the productivity of the additional workers—and very moderate wage increases.

## Increasing Concern Heard Regarding Structural Problems

### Economist Foresees Higher Unemployment

36130082 Copenhagen BERLINGSKE TIDENDE  
in Danish 1 Jul 88 p 9

[Guest commentary by Prof Christen Sorensen, chairman of the Economic Council: "Head Wise Man's Farewell"; first paragraph is BERLINGSKE TIDENDE introduction]

[Text] The writer, who is stepping down today as "head wise man," says that Denmark's economic problems are becoming chronic. Progress requires a steady exchange rate policy. Innovative methods make it clear to the individual that wage increases are too large. In the article tomorrow he goes into more detail about the new methods that can be used in making economic policy.

In DANSK OKONOMI June 1988 the Economic Council has evaluated the outlook for the Danish economy through the end of 1989. The evaluation concludes that the employment outlook is bleak. In March and April 1988, the latest months with official figures for unemployment, seasonally corrected unemployment rose by 6,400 and 7,700 persons respectively. Not since 1980 has there been such a strong rise in monthly unemployment figures.

According to the Council's evaluation, it must be predicted that unemployment in 1989, with about 275,000 unemployed, will reach the same level as 1983, when unemployment temporarily peaked at 283,000. The rise in unemployment is so marked that a fall in employment must also be predicted for 1989.

Together with these developments in employment and unemployment, the deficit in the balance of payments seems to have settled at a level of over 2 percent of the GNP. Judging solely by unemployment and by the deficit in the balance of payments, it looks as though the balancing problems in 1989 will be of the same magnitude as those of 1983. In other areas, naturally, one can point to both "positive" (fall in inflation, larger investment quota, elimination of the significant deficit in public finances) as well as "negative" (larger foreign debt, also in percentage of the GNP, poorer competitive ability) differences from the 1983 situation.

As the above shows, it does not seem that a solution to the Danish economy's balancing problems is in sight. The imbalances in the Danish economy have gradually taken on chronic character. Deficits in the balance of payments have existed for 25 years now with greatly increasing debt problems as a result and with high unemployment for almost 15 years. Here, after 25 years

of continual balance of payments deficits, the debt situation is characterized by:

- a foreign debt per Dane, young and old, of over 50,000 kroner,
- foreign debt exceeding a whole year of total Danish exports by 16-17 percent, and more than twice as large as yearly industrial exports,
- a foreign debt only equaled or exceeded among the OECD countries by Iceland, Ireland, Portugal, Greece and Turkey,
- interest payments alone claiming almost 25 percent of industrial exports.

Just to achieve a stabilization of foreign debt in relation to GNP with prospects for only modest growth in the Danish economy, it is necessary at the level of real international interest that has been in effect for several years to have a relatively large and steadily growing export surplus of goods and services. This can only be achieved by holding domestic demand steady in a very firm grip. To achieve the desired development in the balance of payments and also to maintain the credibility of the steady exchange rate policy means therefore that general financial and monetary policy must primarily be directed toward control of domestic demand; employment goals must therefore mainly be achieved by developments in wage competitiveness, that is, by wage policy.

The conclusion that employment goals must primarily be achieved by wage competitiveness is based partly on the fact that the Council feels that the deficit in the balance of payments and the foreign debt are real and important economic problems, and partly because we assume and recommend a retention of the steady exchange rate policy. In the public debate it has been said that the deficit in the balance of payments is not a problem when the public sector does not have a savings deficit. This opinion only seems understandable when—no matter what shocks the economy is exposed to—one thinks that it is too difficult to conduct an economic policy that goes against market conditions or that there is no public responsibility for the balance of payments when the public sector does not have a savings deficit. The latter logically also means that the public sector cannot be held responsible for employment developments, either.

This is not correct. Both by tax policy (profits tax and write off regulations, etc.) as well as by social policy (retirement pensions, housing subsidies, etc.) the public sector has a very great influence on the private sector's savings/investments balance. In other areas as well the public sector determines the framework for the private sector. The Council therefore says that economic policy has a share in the responsibility for developments in the balance of payments, even if there is a surplus in public savings, and it also places decisive significance on developments in the balance of payments, not the least because a deficit in the balance of payments today can



lead to greater unemployment tomorrow by the limitations it places on freedom of action in economic policy. The tightening of financial policy that has been carried out in recent years in Denmark because of the developments in the balance of payments and that now also directly reveals itself in unemployment figures shows that the balance of payments is not a peripheral problem, even if there is a public savings surplus.

The reason the Council recommends and assumes a retention of the steady exchange rate policy is both that there are strong purely economic considerations for retaining this policy and that politically it is clearly manifest that the steady exchange rate policy is the cornerstone of the whole economic policy.

No matter whether the steady exchange rate policy is selected or not, a better employment development than the one predicted in our evaluation of the economy is dependent upon real wage development going slower than before. This stumbling block cannot be avoided, not even by a devaluation policy. If the devaluation path is taken there will be a significant risk that inflationary tendencies will flare up with the accompanying rise (nominal) in interest rates. The confrontation between inflation, an inflationary adjusted interest rate, and an income tax system that in significant areas is based on the assumption of price stability means a risk of a collapse in investments because the demand for the real return that investment projects must give to be profitable can rise markedly in such a process. To this it must be added that inflation, particularly unforeseen inflation, causes significant and haphazard income and fortune displacements by making inflationary profits and losses basic elements in the individual household economy. Inflation works in this way like an "invisible" lawmaker. But it must be stressed that this "legislation" is random.

If the real economic costs of a steady exchange rate policy in the form of, among other things, unemployment, are to be minimized, it is imperative that both management and labor representatives work on the assumption that there will be no deviation from the steady exchange rate standard with its resulting demand for, among other things, a tight financial and money policy, even if the policy gets into difficulties. The "wage agreement" for the present period, compared with the price rises that were programmed in from the previous period's wage policy legislation, among other things, was a very marked example of the fact that the demands of the steady exchange rate standard were not respected. In 1987 alone, wage competitiveness was reduced by 10 percent!

Even after 25 years with a deficit in the balance of payments and 15 years of high unemployment there are still obvious barriers to measures to eliminate the imbalances in the Danish economy. In the light of this, the reformation of the economic policy has been the subject of a new evaluation; in this round the labor market's

operation has been more closely analyzed. By making the economic costs to society of large wage raises, among other things, more visible and perceptible to the individual wage earner and employer, one hopes to make the wage policy more effective.

The thorough, stimulus-oriented analysis of the labor market is the real innovation in DANSK OKONOMI June 1988. By analyzing, among other things, the individual worker's and company's stimuli—or more correctly lack of stimuli—for wage restraint it has been shown that the wage policy's effectiveness can be increased in many ways. It is the opinion of the Council that it is now necessary to have a thorough review of the basis for the formation of general economic policy. The human and economic losses from unemployment make it an extremely important task for the decision makers as well to consider these possibilities more closely, even if it is clear that it will raise problems in distribution policy. Danish economic policy is perhaps standing at a crossroad.

#### Industrial Sector Too Small

36130082 Copenhagen BERLINGSKE TIDENDE  
in Danish 30 Jun 88 Sec II p 5

[Commentary by Frank Dahlggaard: "A Lopsided Economy"]

[Text] Agriculture, fishing, and shipyards are in a global crisis. Danish industry is too small and has too few large companies. The public sector is much too large.

For the past 25 years the Danish economy has grown in a lopsided way. Denmark is, I believe, the industrial country in the West with the most and the worst structural problems:

1. Agriculture is in a state of crisis, and the reason is not just the particularly high Danish interest rates. The problem is a global overproduction of foodstuffs. In the EC this has recently led to production quotas that must not be exceeded.
2. Fishing is in a state of crisis. Here, too, the crisis is international—caused by overfishing. There is actually a risk that the fishermen will empty the sea of fish. Within the EC, therefore, catch quotas that cannot be exceeded have been introduced.
3. The shipyards are in a state of crisis. Again the crisis is international. Just as with agriculture and fishing, the problem for the shipyards is too large a productive capacity. The existing shipyards can simply build more ships than there is need for.

4. The Danish industrial sector is too small. The only way to stop the growth in foreign debt is to increase export income, and here industry is the only business that can do the job. But this requires, among other things, an industrial capacity that can employ many more people than now.

5. The too small Danish industrial sector has far too few large companies. Only large companies really have the strength to invest in a forward thrust into foreign markets. Also, only the large companies can afford to put aside money and personnel for research and product development.

6. The public sector is much too large, and it continues to grow. The result is extremely strong tax pressure. The large number of employees in state and local government contrasts with the modest employment in industry. Since the public sector is a domestic market business and industry is an export business, it is imperative to shift resources over to the latter.

#### A Hard Fate?

As an old nation of farmers, fishermen, and ship builders, Denmark has been hit especially hard by the worldwide crises in agriculture, fishing, and shipyards. In relation to the size of the country we still have a large agricultural sector, a large fishing fleet, and a very large ship building capacity.

The limited agricultural production makes problems for dairies and slaughter houses, and fishing quotas create corresponding problems in fish processing industries. The closing of shipyards spreads inevitably to the shipyards' subcontractors.

It is unfortunate for us that fate has arranged things in this way.

But we cannot explain the three structural problems in the same way—by bad luck or a hard fate.

To be sure, Denmark does not have natural raw materials (coal and metals, for example) that we could have built an industry around, as has been done, for example, in Germany, France, England, and Sweden.

But Switzerland, Austria, and Japan have not been favored by nature with raw materials, and nevertheless these countries—in contrast to Denmark—have been able to build up large, effective industries.

On the other hand, we have succeeded in forming a very large public service sector, but from a national economic point of view this is not an advantage. It is a part of our problem.

The main problem is that Denmark has a particularly large public sector and at the same time a particularly small industry: For every 100 employees in Danish

industry there are 165 in the public sector. No other country has so many public employees in relation to industrial employment. Sweden comes closest with 147 public employees for every 100 in industry, while Germany, for example, only has 51, Switzerland 38, and Japan only 26 public employees for every 100 in industry.

#### Agriculture Must Be Included

The above figures have often been mentioned in the debate in recent months. If one wants to measure the tax-financed public domestic market sector's size in relation to the size of the private exporting companies, one must definitely include agriculture in the calculation.

This is done in the table, which gives the figures for a series of free countries in the West of public employees for every 100 employed in agriculture and industry:

Public Employees for Every 100 in Agriculture and Industry

Sweden	121
Denmark	120
Australia	107
Norway	94
Canada	83
England	78
Belgium	72
U.S.	71
Holland	68
France	59
Finland	58
Austria	56
New Zealand	52
Italy	47
Iceland	46
Germany	40
Luxemburg	40
Spain	37
Switzerland	31
Japan	19
Turkey	17
Ireland	9

As can be seen, only three countries have more employees in the public sector than in industry. While Denmark has 20 percent more employees in the public sector than in export companies, England has 22 percent fewer, the U.S. 29 percent fewer, and Holland 32 percent fewer.

At the bottom of the list we find a series of economic heavyweight countries and some poor countries with big problems. Among the heavyweight countries with large surpluses in balance of payments are Germany, Switzerland, and Japan. For every 100 employed people in

industry and agriculture, Germany has only 44 employed in national and local governments, Switzerland only 31, and Japan only 19.

In Denmark we have 120.

The fact that Turkey, Ireland, and Spain are so far down on the list is primarily because these countries have many people employed in agriculture (often underemployed = hidden unemployment).

It is almost self-explanatory that when Denmark operates with a chronic trade deficit abroad, there is need to increase and strengthen those sectors that compete abroad. This means the export companies: agriculture and industry.

#### No Large Companies

Since agriculture is plagued by global overproduction, while free competition is eliminated by national and regional (EC) protectionist and subsidy regulations, the solution in Denmark is not to move more resources over to agriculture. At any rate not labor resources. On the contrary, the development is going the other way—a continual departure from agriculture.

The Danish hope is industry. If we are to export ourselves out of our monetary problems, then industry must be coddled and built up so that it can employ at least 150,000 more than it can today.

The question is how a country like Sweden can get along relatively well in the area of balance of payments when the country lies at the very top in the relationship of public employees to those employed in agriculture and industry?

Sweden has of course 121 public employees for every 100 in agriculture and industry, while we are number two with 120.

There are at least two explanations for this. First, a smaller number of employees in Sweden are connected to the crisis-plagued agricultural sector, and a larger part to industry.

#### Need for Mergers

Second, Swedish industry consists to a much greater extent than Denmark of large companies—industrial corporations that are of such a magnitude that they really can succeed on the world market. As has been said, it is the large enterprises that have the strength to do research, take risks, and develop new products. It is also the large companies that have the resources to work themselves into the export markets. The lion's share of exports is actually handled by large companies.

Internationally, Sweden is not in a special class in its possession of large industrial firms. Denmark is the one that is abnormal in its almost complete lack of large companies: Only 3 percent of the Danish labor force is employed today in companies with over 500 workers. In Sweden it is 8 percent, and in Germany the figure is up to 17 percent.

It is often claimed that Denmark is the country of small industries, but it is wrong to look at it in this way. The section of the labor force that works in small industrial concerns is not larger in Denmark than in other countries. No, the special thing about Denmark is that we lack large industrial concerns. This is the primary explanation of why we have trouble in exporting enough to cover our purchases.

Therefore if we are to increase exports, we must allow our industrial companies to grow larger. Even under the best conditions this will take quite a long time.

Therefore the correct path is that of mergers, the joining of Danish companies.

#### Return of Budget Deficit

36130082 Copenhagen *BERLINGSKE TIDENDE*  
in Danish 8 Jul 88 p 5

[Article by Per Lyngby: "1.8 Billion Kroner Saved by New Year's"]

[Text] The finance minister knows that this year the government will have a deficit of 3.5 billion kroner—even though right now 1.8 billion kroner is being saved. The local governments are accomplishing the environmental protection plan more quickly than was anticipated, so the budget will be exceeded in 1988.

Before the end of the year several ministries will save 1.8 billion kroner, but Finance Minister Palle Simonsen (Cons.) still predicts a government deficit in 1988 of 3.5 billion kroner.

This comes from the latest budget review, which was presented yesterday. In 1986 and 1987 there was a surplus in national finances, but when the 1988 finance law was passed in December the government expected a deficit of 2.5 billion kroner. Now it is 3.5 billion kroner.

"It is not a matter of concern, and I would call it generally balanced," Simonsen said to *BERLINGSKE TIDENDE*. "I definitely expect that with the new growth now taking place in the country we will have a surplus in government finances next year." He added that the main cause of the increased deficit is the EC's new financial regulation that costs Denmark 1.2-1.4 billion kroner extra. And there are also other reasons.

On the minus side the ministries have exceeded the limits by 1.8 billion kroner, and they will save this by New Year's. Part of the savings, namely 400 million

kroner, will be gotten by the government's "modern employment stop" which is to limit the government's salary framework by 2 percent in relation to 1987.

When the 1.8 billion kroner have been found, the new expenditures estimate will be 400 million kroner lower than when the finance law was passed.

But this does not help much, because on the intake side there is 1.4 billion kroner less than originally assumed. To be sure there is a positive element in the fact that unemployment is now estimated at 245,000 persons, or 5,000 less than in the finance law. Therefore the government will get more withholding tax in its coffers.

#### Falling Car Sales

Corporate taxes are going in the other direction. They are expected to fall by 1.2 billion kroner because the banks and savings institutions have done worse than expected. In addition, car sales in 1988 are expected to fall from a budgeted 125,000 to 100,000 cars, meaning the government will lose 2 billion kroner in registration taxes.

The Social Democratic Party's political-economic coordinator, Mogens Lykketoft, thinks that the government "once more is presenting an overly rosy picture."

"The finance minister is hiding the fact that in spite of the export package and the renewal of employer taxes there is continued growth in unemployment and that there is still no basic cure in sight for the balance of payments problems," Lykketoft said.

The finance ministry has counted on the local budgets for 1988. The total local government expenditure level is now expected to be 2 billion kroner higher than when the budget was accepted. The most striking element is a greatly increased growth in plant expenses, namely 1.5 billion kroner.

"About half a billion kroner can be traced to the environmental area, where operations indicate that the Folketing's environmental protection plan will be completed more quickly than originally planned," the budget review says.

#### Paper Urges Continued Austerity

36130082 Copenhagen BERLINGSKE TIDENDE  
in Danish 9 Jul 88 p 8

[Editorial: "The Figures Talk"]

[Text] The latest information on economic developments cannot disturb the holiday mood. Moreover, the figures seem much too good in the assumptions made by those responsible for economic policy. But vacation time is also a time to think and a time for recharging. Perhaps

it might be a good idea for the government during the vacations to consider organizing the many figures and initiatives into a coordinated, long-range plan for Denmark.

After we have lived and survived about half a year in ignorance of export and import developments, Denmark's Statistical Office has now reached the point where the figures for the first half of this year can be presented. The prospects for a rapid end to the belt-tightening have caused many a clever guess on whether the figures would be better or worse than expected, and whether the National Bank could be expected to react with a new interest reduction. Of course everyone has been free to make estimates according to his desires, leaving himself open to great disappointment or rejoicing when the truth comes out. Judged by the starting point in the official goal for the short term economic policy, the figures for foreign trade in the first quarter give occasion neither for concern nor rejoicing. Moreover there is too much good and bad mixed up in the net result—an improvement of about 3 billion kroner in comparison with the same period last year. In the light of statements by the National Bank on the too high interest rate, the significance of the foreign trade figures, and the large capital import, the interest rate reduction of a quarter of a percent is in order.

The finance minister's revised estimate on the government's finances in 1988 gives no cause for alarm, either. After the situation with the deficit has been stopped, political attention will be centered primarily on the limited expenditures and on personal consumption. And here the task is clear. There must be savings so that the expenditure goals can be achieved. The national economy demands this. If developments in private consumption should result in falling income in value added taxes and item taxes, there will still be no cause for concern as long as the total result for government finances ends in some sort of balance. On the other hand, the overstepping by the local governments of the budget by about 2 billion kroner is unacceptable, but according to the agreement just made, they have promised to remove the overrun within the next 5 months.

Precisely in a period in which developments seem to have generally followed short-range goals, there might be reason to think a little about some long-range ones.

#### Record Foreign Debt

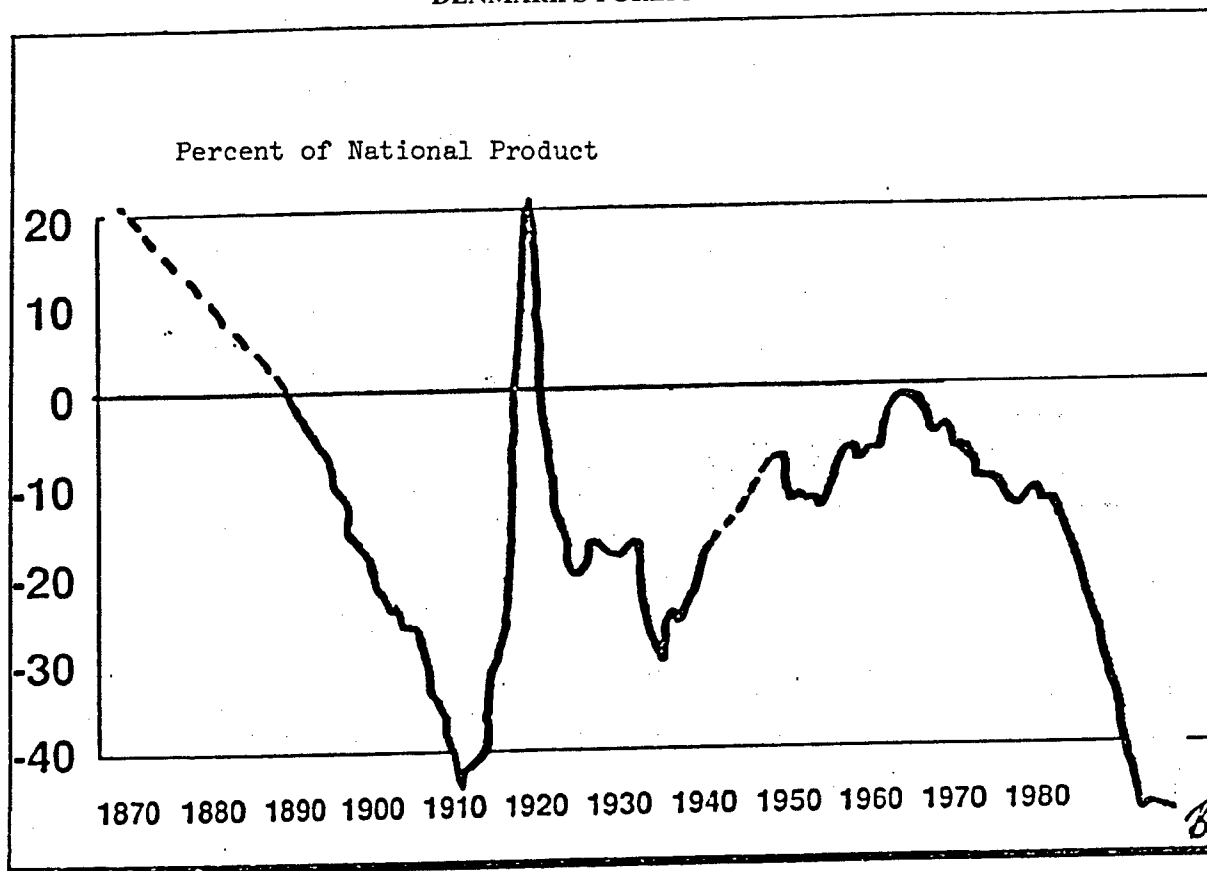
36130082 Copenhagen BERLINGSKE TIDENDE  
in Danish 10 Jul 88 p 8

[Article by Frank Dahlgaard]

[Text] We cannot simply roll away our foreign debt by abandoning the krone for a common European monetary unit. The Danes have an enormous debt burden.

Only the oldest 10th of all Danes have experienced a debt-free Denmark.

### DENMARK'S FOREIGN DEBT



We must go back 69 years to find a year in which the total Danish credit abroad was of the same magnitude as the debt, so that the net Danish debt was zero. If we go back just one more year—to 1918—Denmark actually had a credit that far exceeded the debt.

At that time Denmark was therefore a creditor nation just as West Germany, Japan, and Switzerland are today. As the graph shows, it was a brief pleasure: Apart from the 3 years 1916-1918, Denmark has had a net foreign debt the whole century. But we were just about debt-free in 1959, when the net foreign debt was down to just 323 million kroner, or only 1 percent of the national product at that time.

The graph shows the development of Denmark's total net foreign debt or credit measured in relation to the national product. In this way the development is cleared of the shrinking of monetary value, and one gets a look at the debt's development in relation to the country's economic capacity.

#### The Path of History

(Instead of measuring the debt in relation to the GNP) the debt is measured here in relation to the so-called gross factor income, which is the GNP in prices cleared

of taxes and government subsidies. This is a more honest expression of the national product than the GNP, which of course does not only grow in step with production and income, but also as a result of increases in the value added tax as well as other tax increases).

We have been able to find statistical data on the size of both the net debt and the national product all the way back to 1872. At that time Denmark had a net credit abroad corresponding to about 20 percent of the national production.

This credit then disappeared, because we proceeded year after year with a deficit in the balance of payments—and about 1890 our credit abroad was eaten away, so that we began to build up a net foreign debt. The large trade deficits continued, and in 1910 our foreign debt had reached 843 million kroner—a staggering amount at that time.

As the graph shows, this net debt made up almost 44 percent of the national product. In other words, we owed almost a half a year's production to foreigners at that time.

In the Rigsdag in Copenhagen the huge debt caused a hot political debate—just as we are experiencing today. Then, too, Denmark had to maintain a particularly high interest rate to attract the necessary capital to cover the continued deficit—and then, too, there were calls to hold down imports with restrictions.

As the graph shows, Denmark was saved from “the economic abyss” at the time by WWI (1914-1918), during which we achieved a formidable export surplus in relation to the warring countries. In a very few years this huge surplus disappeared and was replaced by net credits abroad of about a billion kroner (corresponding to about 20 percent of the national product). WWI was hardly over before our large credit “got up and walked away.” Imports rose powerfully, and the surplus was again transformed into a large deficit. In just 1 year—1918-19—all of our net credit abroad disappeared, and in the Rigsdag there was a hot debate on “the vanished billion.”

#### Wars and Crises Save Us

A study of the graph leads to the depressing conclusion that Denmark has mainly had a surplus in its balance of payments—and has thereby brought down the foreign debt—during wars and crises: Both during the two World Wars and in the crisis years of the 1930's and 1950's the foreign debt took the right direction.

In periods of economic growth, on the other hand, we have proceeded with a monetary deficit and an increasing foreign debt.

Most economists agree today that the main part of the large debt built up at the end of the last century and the beginning of this one was reasonable. The borrowed money was to a great extent used to build up capital goods in both agriculture and industry. In other words, the money was invested in the future.

In the same way it must be said that the debt built up during the 1960's was quite reasonable, because industry was expanded with the borrowed money with a view to a larger and more competitive production.

In the 1970's the money was squandered on current consumption—primarily a strongly growing public consumption. Such a debt buildup is naturally dangerous, because the borrowed money is not invested so that it can produce a profit that can cover the interest and repayment of the debt.

From being almost debt-free in 1959-60, we have almost without stopping increased our foreign debt ever since.

#### Interest Nightmare

As the graph shows, the debt buildup began to speed up in earnest in the middle of the 1970's. This was caused to a great extent by sky high international interest rates—much higher than international inflation.

This made real interest on the Danish foreign debt rise rapidly, and we came into a situation that hardly any economist could have imagined would occur: The whole monetary deficit—and even more—consists of interest payments on the debt. In other words, the debt is growing by itself with interest and interest on the interest—and we now must always incur more debt to pay this interest.

In 1981 the previous debt record from 1910 was broken, and now at the end of 1988 the net foreign debt is expected to reach about 290 billion kroner.

This corresponds to 48 percent of the national product.

Therefore we owe a half year's total production abroad. The problem is that a large part of our production quite simply cannot be sold abroad. This applies, for example, generally to the whole production of the public sector.

In relation to exports, the monetary debt today amounts to about 125 percent. In other words, the foreign debt today has a value corresponding to 15 months exports.

Whether one measures the debt in relation to national production (as in the graph) or in relation to exports, Denmark is now one of the world's most indebted countries. It is an embarrassing affair, since our living standard by international standards is very high.

#### Will Something Turn Up?

Opinions about us around the world are not very good: In spite of a high living standard the Danes cannot get enough, and they borrow even more for themselves. And now, when the debt has reached astronomical heights, we just continue to borrow cheerfully to pay the interest on the debt, which continually grows with interest and interest on the interest.

Many Danes have the mistaken opinion that the day we succeed in achieving a balance of payments—that is, a balance between monetary income and expenses—on that day the debt will be gone.

It certainly will not be.

When we achieve a balance in payments, the debt will stop growing. If the debt is to be brought down, we must have a steady monetary surplus, and if the debt is to be completely eliminated, we need either some gigantic surpluses (such as we experienced during WWI), or surpluses for many years.

The question is, how many of the presently living Danes will experience a debt-free Denmark?

Many politicians are quietly hoping that "something will turn up." We hope that the naivete or cynicism is not so great that they are hoping for a third world war that we can keep out of and profit from by selling foodstuffs to the warring parties.

No, the quiet thoughts and hope go more in the direction of a monetary union with the other countries. A monetary union in which, among other things, the Danish krone is replaced by a common European currency (Euro-franc, Euro-mark, or ECU?)

If we replace the krone with a common European currency, then: Hocus-pocus, Denmark's balance of payments will no longer exist, just as no one counts up the streams of payments into and out of the Ringkobing office. But just because one no longer counts up the Danish land area's surplus or deficit in relation to the surrounding world, the debt problem will not have disappeared. Interest must still be paid on the debt, and the debt itself must be repaid, and this means that large amounts must still be sent out of our area. This makes us poorer, and it gives us little chance to combat unemployment.

There is a chance that the foreign debt may make Denmark into a local developing area within a future EC Europe.

Or perhaps more accurately: a local degenerating area.

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## FRANCE

**Trends in Salaries, Purchasing Power Examined**  
*35190084a Paris LE NOUVEL ECONOMISTE*  
*in French 17 Jun 88 pp 58-59*

[Article by Caroline Brun]

[Text] The election of an "unusual National Assembly" triggers demands for an increase in buying power.

Some weeks ago, the issue of wage increases became the topic of the day via an unexpected flare-up of large-scale strikes at Michelin, Chausson, SNECMA, COGEMA. Today this issue is likely to force the doors of the Palais Bourbon. It is beyond question that the election of the "unusual Assembly" on Saturday, June 12, can only give impetus to labor's claims. As soon as the Communist Party was reinvigorated by a sudden awakening (and by its gain of 26 seats over its sworn enemy, the National Front), the party began to hammer in its demands through the campaign of its Secretary General, Georges Marchais. These demands included the usual call for higher wages, dear to the General Confederation of Labor (CGT), as well as the most extravagant slogans: an

IGF swollen to the point of yielding 20 billion francs and a cutback of 40 billion francs in the "superarmament budget." Moreover, Marchais has been innovative in creating new demands. He asked for an Interoccupational Minimum Growth Wage (SMIC) of 6,000 francs—a favorite wage claim of Henri Krasucki and Andre Lajoine in his campaign as well. Marchais also asked that the "buying power of salaries be raised to 9,000 francs." This is an unprecedented and startling figure in Communist rhetoric—although the standard against which it should be measured is unclear: should it be compared to the average salary computed by the National Institute for Statistical and Economic Studies (INSEE) at 8,066 francs per month in 1987 or to the "median" salary which is only 6,125 francs?

Finally, in its third aspect, the program put forth by these Communist representatives boosts the future minimum wage by 50 percent over the Socialist figure, thus reaching 3,000 francs. Three thousand, 6,000, 9,000! the logic of these figures is too mathematical to be credible! Yet, that doesn't bother anybody. Given a National Assembly with no absolute majority, political pressures will back the labor unions—now in unusual unanimity—to urge a wage boost. In his TV appearance last Tuesday, didn't Francois Mitterrand express a wish for "sharing of the profits"?

At the CNPF (National Council of French Employers) the impact of that move is being damped down. On the eve of the elections, the UIMM—a powerful association of mining industrialists and metal manufacturers—raised an alert to the danger. This warning, unamended, is still in force. Obviously, the Social Commission which recently gathered under the chairmanship of its president, Pierre Guillen, does not want to change course either.

On Avenue Pierre I de Serbie they are stressing the fact that, after all, strikes are still very rare. Phony homemade statistical figures are cited: only 33 one-day strikes were alleged to have occurred in the second half of May, and only nine of them were said to have included worker sit-ins. According to the members of the UIMM, this type of industrial unrest was twice as frequent during the same period in 1985.

Nirvana—another reason to keep cool: National policy has already become more flexible without bending or displaying laxity. At the CNP they stress, "We are witnessing a detente in the wage policy," citing as proof the exceptional increase in social security payments: up 8 points at URSSAF-Paris, the Union for Collection of Social Security Contributions and Family Allotments, and +6.4 percent at ACOSS, the social security management agency. The problem is to find the cause of these increases: are they generated by the created of new jobs, not yet endorsed by Michel Delebarre, or by an increase in salaries?

In fact, the statistical uncertainty now surrounding the changes in buying power and employment only seems to trigger new wage-claims. And these demands have continued for some time now. All these estimations, established for 1987 and based on quarterly data of INSEE (National Institute of Statistics and Economic Studies), have been considerably revised by the Institute when it published its final figures for the fourth quarter; gross salaries were initially said to have risen at a rate of 2.7 percent per year. In fact, they have increased 3.3 percent. Likewise, the increase in total wages paid was predicted to increase by 3.1 percent. In fact, the increase was +3.6 percent. Even the forecasts of experts were off: they had predicted a sharp decrease (-1.2 percent) in the buying power of net salaries. Although not really good news, the real decline was, in fact, limited to -0.2 percent. It is still in sharp contrast with the increase in the preceding year. Surprised by these large margins of error, the OFCE (French Observatory for Economic Forecasting) apparently attributed the underestimation to the failure of the INSEE to include the proliferation of bonuses in its statistical analysis.

Now it seems that the analyses of experts at the Ministry of Social Affairs, Social Security—and at the INSEE and OFCE as well—point to a strong increase in overtime hours as the cause of the confusing findings.

At any rate, this confusion has not been confined to economists' circles. It has reached firms, where change in salaries follows price-changes. Price and wage-changes have become the unknowns in an equation increasingly difficult to solve.

Thus the annual analysis of collective bargaining activity, prepared by the Minister of Social Affairs, shows a strong increase in wage agreements by sectors (+12 percent for one year) as well as by firms (+25 percent). However, the dynamic of salary negotiation does not prevent discontent. In the first place, although companies may agree to make a sacrifice by giving it to an increase in gross salary, the salary which appears on the paycheck does not reflect it. Thus the increase in social security contributions predicted for 1988 is, on average, 10.8 percent.

While deflation has been continuous through the last three years, the draw-down of salaries by social contributions has continually increased (despite the consideration of retirement contributions as "delayed salary"). These contributions rose 5.6 percent in 1985; 7.3 percent in 1986; and 8.2 percent in 1987. In 1978—at a time of galloping inflation—the increase in social contributions was proportionately less taxing (+4.7 percent).

Fair play: The second reason for the flare-up in the fight to maintain buying power is a reemergence of salary inequalities. As early as October 1987, the CERC (Center for Study of Costs and Income) pointed out that wage differentials had ceased to narrow—for the first time since 1983. The study indicated that, for the first

time in 15 years, buying power of executives had grown more rapidly (+2.1 percent) than that of workers (+0.9 percent). Many signs indicate that this trend has persisted through last year. According to the INSEE, the buying power of the SMIC (Interoccupational Minimum Growth Wage) has not increased in 1987—something that has not happened since 1979. This would partly account for the constant regression in the number of "smicards" during the last four years: last year their number was estimated to be 7.8 percent of the workforce as against 8.9 percent in 1986, and more than 10 percent in 1982. This diagnosis has been confirmed by the latest survey available on incomes of salaried professionals, published in May by the Ministry of Social Affairs. According to the survey, "contrary to most of the past observations, between 1986 and 1987 the three categories: white-collar, foreman-draftsman-technician, and executive have received more raises in salary than the workers." The gap is estimated at 0.5 percent. If Alain Obadia, the secretary of UGICT-CGI, (the General Union of Engineers, Administrative Personnel and Technicians, a member of the General Confederation of Labor), has insisted in warning against that trend, it is because he wanted to suppress the much-criticised individualization in salaries and bring up the issue of a total modification in salary scales based on qualifications again.

But in fact the big unions are less concerned by the issue of executive buying power. They are more moved by the issue of the buying power of the lower categories. Fair play, Michel Rousselot, the Deputy General Secretary of the UCC-CFDT (the executive union of the French Democratic Confederation of Labor), has himself recognized it. On June 7th, presenting the results of his traditional survey of salaries, he declared: "The decline in buying power is an average 10 percent for workers, employees, technicians-foremen, and 0.2 percent for executives." According to SOSI (Institute for Public Opinion Research)—working on behalf of executives' organizations to study non-executives—84 percent of net salaries under 5,000 francs per month have recorded a loss in their buying power.

That situation can only call on Michel Rocard's Government for a straightforward answer. Legally his margin of manoeuvre is being confined to two fields of supplementary action; the SMIC and the civil servants' salaries.

The two meetings in July will be a testing-ground for the social openness, supported by Mitterrand on Tuesday, 14 June. Indeed, on 1 July, the government can decide to give a supplementary boost to the minimum hourly wage. The practice of raising the minimum hourly wage has fallen into disuse since. Thus the gesture of the government on 1 July would appear to be the more symbolic.

As for salaries in the public sector, it is difficult to imagine a new rise. The 1 percent rise, agreed upon by de Charette before his departure from the rue de Varenne



has already triggered the same rhythm as in the price increase after taking into account the delayed effect of the rises which occurred in 1987 on the changes in 1988.

The Minister, Michel Durafour, in charge of this sensitive sector, would have to juggle with the thorny question of the amount of annual salary paid, an irritating question for the unions since the GVT (glissement, Vieillesse, Technicite) is included—it is a real Chinese puzzle for the rare survivor of political openness.

13410/9274

### Active Population Increase Seen Compressing Employment

35190106 Paris L'EVENEMENT DE JEUDI in French  
11-17 August 88 pp 18-19

[Article by Philippe Eliakim]

[Excerpts]

Is Michel Rocard less able than Laurent Fabius? During his term, the "prime minister of France" had succeeded—indeed astonishingly—to lower unemployment at a time when the number of jobs offered by the economy was dropping. It is true that the legislative elections were approaching and that social measures were being feverishly adopted. Now prime minister, Rocard is carrying out the same type of remarkable feat, even if, at the electoral level, this is much less rewarding: boosting unemployment while jobs are taking off.

Because jobs are indeed taking off, they are exploding. Anxiously awaited by Ministry of Labor officials, the "employment balance sheet" fell last week, a divine surprise. Almost incredibly, between March 1987 and March 1988, the number of jobs increased exactly by 103,000. This had been awaited for years. No doubt about it, the French economy is feeling better, profits have again reached their 1974 level, and enterprises are hiring; often, of course, for temporary employment (up 39 percent), but they are hiring. In fact, it was at the beginning of 1985—that is, under a socialist government—that the situation began to take a turn for the better, but in an infinitesimal fashion: That year France lost "only" 80,000 jobs, that is, half as many as the preceding year.

But how can the numbers of the the unemployed continue to increase when job offers are multiplying? Are enterprises hiring ghosts? Speaking of paradoxes, this can be commonly explained as a plain faucet problem. Let us take a bathtub filling up at a continuous rate, and let us slightly lift the stopper. Will the bathtub empty itself? Obviously not, if the runoff rate of the water is inferior to the pressure of the faucet. This is exactly what is happening with unemployment.

By again beginning to provide jobs at a rate of about 100,000 a year, our economy has indeed succeeded in popping the stopper of the reservoir of job seekers. The hitch: The huge vats that are henceforth being emptied from the bottom are continuing to fill from the top at high speed.

First of all, this is happening because thousands of young people, who were being supported for a time, are inexorably falling back into the hordes of job seekers at the end of their training. For them, the circuits are closed: The drain of the social measures hooks up directly into the faucet. Indeed, this is worrying Michel Rocard: Most of the training courses established by Philippe Seguin are winding down this summer, and few means have been developed to launch others.

Moreover, one must consider the "natural" evolution of the active population: It is useless to hope that unemployment can be licked with the creation of 100,000 jobs if, simultaneously, the job market is being swollen by the arrival of 200,000 new applicants, either young people just out of school or housewives—throwing themselves into the big adventure. Ah! If only Michel Rocard were chancellor of the FRG, he would not have all these problems. Undoubtedly, the curious habit of—almost—not reproducing themselves, adopted by the citizens of that country, threatens to condemn Germany to becoming an aging country. Without creating a single new job, the FRG is already sure of licking unemployment in five years. No children, no unemployment: a simple equation.

In our country, the ardor to procreate has indeed diminished since the 1960's, but it has always remained quite respectable. As a result, France would need an annual growth rate of 3 percent (we are barely at the 2-percent mark) in order to simply digest the thousands of young people who are knocking every year at the doors of the job market, and, much more, obviously, if it wishes to reduce the ranks of 2.5 million job seekers. A Herculean task for the enterprises: Even if they created 400,000 jobs per year, a whole decade would be needed to dry up the vats. We have not reached that point.

This summer, the active population has again begun its crazy run. With or without an educational policy, it should, according to the experts, swell because of the arrival of 200,000 individuals in 1989. It is therefore not surprising that the prime minister is suffering from a migraine headache. And, as if this were not enough, the very serious OFCE/French Observer of the Economic Situation thought it had to drive the nail deeper by predicting an unemployment rate of 15.9 percent (10.2 percent today) for the end of the century. Its experts point out perniciously that France will then be "the only country engulfed in an economic, social, and therefore political crisis in a Europe that has regained its equilibrium." Gosh!

Anxiety is heightened by the fact that the government does not seem to have the slightest idea of how to remedy the situation. The dominant impression, in both government and business circles, is one of extraordinary impotence. An observer notes: "When France was not creating jobs, one could always hope to get out of the rut through an improved business situation. But what can one wait for this time?"

The Messiah, perhaps?

**Study of Youth Unemployment Published**  
*35190084b Paris LE MONDE in French 12 Jul 88 p 30*

[Text] An employment policy aimed at assisting youth can disturb the functioning of the labor market and accentuate its selective character. In the last issue of the journal *ECONOMIE ET STATISTIQUES* of the National Institute of Statistics and Economic Studies, (INSEE), Mireille Elban, without taking sides, brings several elements that should be added to the employment file.

According to the March 1987 survey on employment, 1.3 million people under 25, unemployed in March 1986, have later been hired by companies. About one on two (46 percent) was a woman. Significantly, more than half of these 1.3 million young people claim to work under special conditions whether hired under a limited-time contract, ad interim, or on a part-time schedule. Three hundred forty thousand work as trainees or apprentices. During the preceding years they had been either working (40 percent) or unemployed (25 percent) or considered themselves as out of the labor force. One out of two still lives with his parents.

First observation: when the youth are first hired, their educational level is rather elementary. It is the level of the Elementary School Diploma (BEPC) or the Elementary Technical Certification (CAP). Only 16 percent hold a university diploma. A second observation: the core of recruiters consist of small firms with less than 50 employees and by the 45 percent of all service firms called the "mobile tertiary sector," as opposed to the tertiary sector including banks, insurance, companies, financial institutions and telecommunications.

The third observation is related to the level of wages. Sixty percent of trainees and apprentices receive less than 1500 FF per month for about 30 hours of work per week. For the same type of work, but full-time, 14 percent of the girls claim to earn less than 3,500 FF monthly. Between 3,500 FF and 4,000 FF, i.e. under the level of the Interoccupational Minimum Growth Wage (SMIC), 23 percent of these young people work in an instable position and 15 percent hold a stable job. The remainder are mainly paid between 4,000 and 6,000 Francs.

**The Impact of Training**

Last observation: while boys generally work full-time, girls work an average of 35 hours (training and apprenticeship not included). Hence it is possible to distinguish the elements favoring the employment of young people (other than training and apprenticeship).

It is clear that boys are at an advantage when they have undertaken technical studies. But study at the baccalaureate level or the baccalaureate diploma itself, does not guarantee better jobs than the Certificate of Professional Aptitudes (CAP) or the Elementary School Diploma (BEPC). For girls, the difference is even more marked. The insertion in the labor force is easier when they have reached the last year of the Lycee and passed the National Baccalaureate examination. For boys and girls university studies increase the probability of being hired.

Next, place of residence plays a significant role. Boys are at an advantage in departments where the unemployment rate is less than the national average. Girls have a better opportunity in the Parisian region or in towns with more than 200,000 inhabitants.

Whatever their profile, youth of foreign origin face more serious difficulties and remain among the unemployed in a larger proportion. Those who experienced unemployment have difficulty recovering. Their problems are compounded, especially for boys over 21 or 23. Young men obtain a job more easily if they live alone or with a roommate. Young women are more often unemployed if they are married or live with a lover. For both sexes, it is easy to be hired when both parents work. Finally, it seems that during the hiring process, trainees and apprentices who received better training are at an advantage as compared to other unemployed. It also seems that reinsertion arrangements are less effective in the Parisian region.

According to the type of employment, the labor market is segmented into well defined established publics. A natural system of selection exists, according to apparent criteria of discrimination. In all cases, temporary training positions seem to be a safety net for the unemployed. Work contracts, whether indefinite or of specified duration, go to older candidates and those with more degrees. Large companies favor a non-permanent status while small ones, using temporary training positions or apprentices, can be more readily convinced to hire permanently. The companies from the tertiary sector (banks, insurances, financial institutions, telecommunications) employ trainees and a great number of young permanent employees.

Disparities are also found in salaries. Age initially determines the salary level; the best salaries are paid by big companies and firms in the heavy industry sector. Small companies pay boys fairly well. In the tertiary sector, the companies with "status" (such as banks, insurances,

financial institutions, telecommunications), pay much less, especially to young women. On the other hand, women reach more easily staff position in these companies.

Of course the holder of a diploma gets a higher salary. It is estimated to be 15 percent or 20 percent higher for the holder of the baccalaureate or the university graduate. Although the baccalaureate level does not seem to guarantee a better salary than the BEPC or CAP, the salary of a baccalaureate graduate, when he is a boy, is higher at the end of the year. Also, in the Parisian region, bonuses are paid to complement salaries.

However it is difficult to find any relation between getting employment and the level of the salary offered. For a youth in difficulty, finding a job has priority over every other consideration. But he will not necessarily find it when he lowers his salary expectations. In asking for low pay, a young man is not likely to motivate an additional hiring. In contrast, when a young woman applied for a job, the desire of the employee to economize appears. Her level of salary becomes a "supplementary criterion for her hiring." The employer chooses the women who accept a salary sacrifice because they are aware of their economic disadvantage.

13410/9274

**Present Growth Seen Slowing Down in 1989**  
*35190089a Paris LES ECHOS in French 21 Jul 88 p 3*

[Text] The growth of the French economy could reach 3.1 percent in 1988, but seems condemned to slack to 2 percent in 1989, at the end of a slowdown that is expected to be gradual, in the opinion of IPECODE in its latest forecasts. This bending trend can be explained, according to the institute, by a combination of national and international factors. Thus, the current dynamism of growth results from keeping household consumption at quite a high level, and from large investment efforts by enterprises, but also from stepping up international trade.

However, it is the view of economic situation analysts that beginning in the second quarter of this year, "it would seem that internal factors and external factors must combine to gradually reduce the production growth rate." Despite this slowing down, which would enable a moderation of the inflationary tendencies in all the industrialized countries, growth is expected to reach an annual average of 3.3 percent in 1988 (though the INSEE [National Institute of Statistics and Economic Studies] predicts 2.8 percent).

For 1989, IPECODE does not expect a change in economic policy (continued budget and wage austerity) and considers that the firmness of the franc will make it possible to "limit the consequences to the cost of credit in France of the current world trend of increased interest rates."

The enterprises, still benefiting from a favorable share of the productivity gains, are thus expected to continue investing, but a little less than in 1988 (5.1 percent compared to 7.2 percent), reducing their stocks, and contributing to limiting price increase to 3 percent in 1988. However, inflation will not be slowed the following year (3.1 percent).

As for households, their consumption growth rate should ease in 1989 (+1.9 percent after +2 percent) because of the more moderate increase in their purchasing power, while wage earner employment will recover by 0.2 percent in 1988 as well as in 1989. On the other hand, the number of unemployed will reach 2.8 million at the end of next year.

Finally, one (small) consolation: thanks to gains for portions of the market benefiting from the relative moderation of prices, the trade deficit is not worsening; from 31.4 billion in 1987 to 29.1 billion in 1988 and 28.1 billion in 1989.

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## TURKEY

**Report on Industrial Competitiveness With EEC Completed**

**2-Year Study Pessimistic**  
*35540169b Istanbul DUNYA in Turkish  
15 Jul 88 pp 1, 10*

[Report by Oya Berberoglu]

[Text] Ankara—The study on the Turkish industry's prospects of competing with EEC industries has been completed. The Special Technical Commission of the State Planning Organization [SPO] completed the study in 2 and ½ years. The study offers guidelines for the organization of Turkish-EEC relations, examines various industrial sectors in detail, encompasses 8,000 customs tariff positions and reports on 105 industrial sub-sectors.

The study concludes that the Turkish industry's prospects of competing with EEC industries with its existing resources is poor.

According to the conclusions of the SPO's three-volume "special service" Report on the Turkish Industry's Prospects of Competing With the EEC Industry, "45.05 percent of food, beverage and tobacco companies have good prospects of competing, 37.82 percent may be competitive within a reasonable period of time if proper measures are taken, and 17.33 percent have no prospects of competing.

In the manufacturing sector, 39.92 percent have good prospects of competing, 57.46 percent need special measures, and 2.62 percent are uncompetitive.

The SPO's Special Technical Commission included in its study only those companies which are most qualified to represent a particular sector rather than all companies in each sector. When the companies examined by the Commission are taken as the basis of comparison, it is seen that of the 6,944 [as published] companies examined in the manufacturing sector, 27.72 percent have good prospects of competing, 39.90 percent may become competitive with proper measures, and 1.82 percent have no prospects of becoming competitive.

Using the same basis of comparison, of the food, beverage and tobacco companies included in the study, 36.85 percent have good prospects of competing, 30.93 percent need special measures, and 14 percent are uncompetitive.

The Special Technical Commission, which consisted of representatives from the public and private sectors and universities, used data for 1986 in its study. Although the study concludes that problems and needs vary from one sector to another, all sectors suffer from financing shortages, high costs of input materials, high manufacturing costs, poor quality production, shortages of skilled workers, and inadequate knowledge of the EEC.

The principal remedial measures proposed by the Commission are: protectionist steps in import policies, cutting of production costs, increases in production, incentives for investments related to exports and new technologies, low-cost and long-term loans, quality controls, market development and utilization of high technology. The study adds that almost all sectors want the establishment of EEC-related agencies in relevant ministries and put an emphasis on organization.

SPO Undersecretary Ali Tigrel says in his "foreword" in the report that the conclusions of the report may be termed as "encouraging." Describing the conclusions of the report as "consistent indicators of the status of the Turkish industry," Tigrel says: "This report is a serious response to the views that have been put forward so far. It is up to the readers to decide how encouraging the report's conclusions are. What is clear is that our growth rate and indications of rapid industrialization have boosted our competitiveness. I believe that the continuation of protective measures in some of our sensitive sectors for some time longer to prepare those sectors for liberal market conditions is beneficial and necessary."

The evaluation and conclusion part of the report's first volume, which also includes Tigrel's foreword, states repeatedly that the private sector also participated in the Commission's work and that the problems and the proposals stated in the report are based on the views of the companies. The report adds: "This report is not binding on either the SPO or the government." The report says that its conclusions can only guidelines for government policies in the measures to be taken. [The reports' conclusions on selected sectors are as follows:]

**Meat and Meat Products:** When Turkey becomes a full member in the EEC, this sector would encounter serious difficulties. A minimum of 7 years of subsidies and protective measures are needed to raise the sector to the desired level and to shield it from losses. The producers must enjoy the rights granted to the export finance firms and must be able to obtain cheap credit. The industrialists must be allowed to import equipment needed to upgrade the sector's technology. Turkey must ask the EEC for an arrangement to export mutton without delay. A food industry law must be enacted as soon as possible. The total daily production capacity of this sector is 3,520 metric tons.

**Milk and Dairy Products:** The prospects are poor. The sector must be strengthened until Turkey becomes a full member of the EEC. A transition period is essential. The sector must be subsidized from the Export Support and the Price Stability Fund. If no remedial measures are taken, the sector cannot improve its position, and Turkey cannot avoid being a net buyer.

**Ready-to-Wear Clothing:** The sector can maintain its competitiveness even if all customs duties and excise taxes are removed on cotton and woolen apparel imports. Customs duties on imports of apparel and clothing made of silk and synthetic fibers must be reduced to zero in a gradual manner.

The woolen apparel industry is not well developed. Its existing manufacturing base uses outdated technologies. The reorganization of export incentives to make them comparable to the ones used in developed countries would strengthen the industry. Incentives must also be offered at the production level. Marketing incentives must be considered after international quality and cost standards are achieved.

The textile industry is in need of restructuring and an organizational base. Incentives for investments in the weaving industry must be halted for some time. At this time Turkey can work for a customs union with the EEC on all types of cotton, cotton-blend and spun synthetic yarns. Of course, the EEC must remove the restrictions currently in place. Without that price, competitiveness would be difficult.

**Leather and Leather Products:** The shortage of operating capital in this sector is causing difficulties. The sector's ability to attract credit is limited and its capacity utilization is low. Incentive measures are needed, and government-subsidized projects must be completed in time. The export incentives offered must be based on value rather than on number of units, which is the present practice. Excise taxes and customs duties collected on shoes must be eliminated. Incentives to the sector must be offered at the production level. The sector's cost and quality standards must be made comparable to EEC standards in order to make the industry competitive.

Iron and Steel Industry: The prospects are poor. Customs duties on imports must not be cut until Turkey's entry into the EEC. A 10-year transition period following full membership must be demanded for this sector. Cuts in customs duties must not exceed 1 or 2 percent in the first few years of membership. Incentive measures must parallel those implemented across the world. The industry may be brought to a desirable position with long-term, low-interest credits. The industry's manufacturing costs are high.

Cost will be the only factor which will determine the industry's competitive position with respect to the EEC. In addition, the sector is in need of modernization. As is known, Turkey's rolled steel exports have been rising at the rate of 12.5 percent a year. The share of iron and steel products in Turkey's total exports is approximately 8 percent.

### Commentary Stresses Value of Report as Guideline

35540169b Istanbul DUNYA in Turkish  
15 Jul 88 pp 1, 10

[Commentary by Taylan Erten: "Reports"]

[Excerpt] It must be pointed out that the SPO report is the most comprehensive work to date on Turkish-EEC relations. The report covers 105 industrial subsectors and 8,000 customs and tariff positions affecting Turkey's trade. It is the result of the work of 11 subcommissions, and it provides a panoramic survey of the Turkish industry's strengths and weaknesses. That is at least how valuable this document is.

But it would be a pity if the value of this three-volume document is judged only on these criteria and is relegated to the dusty world of government archives after a quick glance.

We recall vividly from the near past that, when similar reports were brought to life, they had a deep influence on the course of the post-1983 economy.

The supporting documents (also prepared by special technical commissions) of the 5th Five-Year Plan prepared by the SPO—which was staffed by Turgut Ozal during the period 1980-1982 when he was deputy prime minister responsible for economic affairs—set forth in great detail the economic policies Ozal would pursue after he took office at the end of 1983.

These documents formed the basis of the Motherland Party's program after Ozal formed that party and ran for elections and later, when Ozal took office, shaped the course of Turkey's economy. The consequences of those documents are still deeply felt.

Policies which are set with "faith" in knowledge and research provide "self-consistency" regardless of whether their results are good or bad. That is why they

are important. Though one must admit that over the years in office Ozal gradually lost this capability he demonstrated at the beginning and sometimes even ignored the strict requirements of the economic and political course he himself had set. Even so, let us maintain hope that this first work on Turkey's full membership in and integration with the EEC—an issue that is of great interest to the country and the nation—will be taken seriously.

There is one point that the report reiterates with great emphasis.

It can be considered as a "message from the private sector to the private sector" or a case of "self-criticism."

Written with the extensive participation of the private sector, the report points out that the representatives of the sectors it examines "are not adequately knowledgeable about EEC-related issues."

The business world that has had nearly 30 years of experience with the EEC may consider this assessment and criticism as exaggerated. From the perspective of bureaucratic organizations such as the Turkish Union of Chambers and Stock Exchanges and the Economic Development Foundation, this charge of "inadequacy" may be seen as odd.

But this deficiency, which the report broaches with careful and diplomatic terms, is in fact one of the most critical elements in Turkish-EEC relations. In view of the background of the authors of this assessment, one may conclude that in the last 30 years Turkey has lived with a superficial and shortsighted EEC policy.

The inadequacy that has been pointed out takes its most concrete form in the existing projections of the sectors studied. At first glance, the report conveys the impression that competitive prospects "exist" for the overall industrial sector. But that, unfortunately, is not enough. The examination of various subsectors reveals inadequacies and weaknesses in chiefly technology and productivity as well as in fundamental areas such as production, quality, supply of skilled personnel, financing, market development, capacity utilization, standardization.

It is evident that with or without the EEC a comprehensive integration of policies, harmony between political and economic forces and, most importantly, enough determination to generate a "leap in consciousness" are essential to enable the Turkish industry to have balanced relations with the industry of Western nations in the "classical" sense. That is why this report is not one which can be "shelved."

**Revenue Management Fund Established**  
*35540169a Istanbul DUNYA in Turkish*  
*10 Jul 88 pp 1, 10*

[Text] Ankara—The Ministry of Finance and Customs published its governing statute for the Revenue Administration Development Fund. The Fund, which was established with the purpose of modernizing the structure of internal revenue administration, became operational effective 1 April 1988.

The Fund will be financed by transfers totaling 0.5 percent of the tax collected in a given year up to the amount of taxes collected the previous year plus 1 percent of the taxes collected in excess of the taxes collected the previous year.

The Fund will also derive its income from security deposits, interest and fines which are collected in cases of noncompliance with the terms of government contracts and which may be counted as revenue; income generated by the sale of goods bought with Fund resources for the purpose of tax auditing and enforcement; and revenues and interest income generated by the sale of contract specifications for projects paid for by the Fund.

**Areas of Use**

The Fund will be used to help the Revenues Directorate General to enforce the tax laws; to modernize the structure of the revenue administration; to develop and to

modernize the Directorate General's central and field organizations; to reorganize tax administration; and to expand automation in tax administration.

According to the governing statute, the Fund will be headed by an official with the rank of undersecretary who will be answerable to the Minister of Finance and Customs. A central executive council will determine the Fund's policies.

The said council will prepare plans and programs for the Fund on the basis of government development plans and programs and will ensure the compliance of the Fund's budget with these plans. It will also set spending criteria and ensure that the Fund is used in accordance with its goals.

The Fund's money will be deposited in the Agricultural Bank. Expenditures within the authority granted to field authorities by the Minister of Finance will be approved by the Fund's field administration and treasurer, while expenditures above that will require the approval of the Ministry of Finance.

Expenditures exceeding 50 million Turkish lira and those involving the construction, purchase or leasing of buildings and the purchase of building lots for the Fund's central administration and the purchase or leasing of computers for data processing centers or for tax or accounting offices in provinces and districts will require the approval of the Central Executive Council and the Minister of Finance.

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## TURKEY

### Missionaries on Trial in Izmir

35540174a Istanbul HURRIYET in Turkish  
13 Jul 88 p 18

[Text] Izmir (HHA)—Six persons, two Americans and four Turks, are being tried with the request for up to 1 year in prison on the claim that they conducted Christian propaganda under the name "Society of Believers in Christ" or "Organization to Disseminate Christianity" and that they mailed letters, booklets, magazines, brochures, and pictures to various addresses around the country. The defendants said that they were Christian and have camps in Enez District, Edirne. They denied the charges against them.

Political Branch squads of the Izmir Security Directorate, acting on a "Top Secret" letter received from the Eskisehir Security Directorate in March, arrested American Glen Charles Garner, English teacher at a private high school and reportedly the Turkish representative of the Society of Believers in Christ. On the basis of information obtained in a wide-ranging interrogation of Garner, Rahime Dogan, Recep Avser, Melahat Karaardic, Hamdi Zekai Tanyar, and George Francis Keenan, supposedly members of the same organization, were also arrested.

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### Sect Novices From FRG Visit Members' Families in Southeast

35540174b Istanbul HURRIYET in Turkish  
11 Jul 88 pp 1, 15

[Article by Ali Akgul: "Black Voice's German Mullahs"]

[Text] Cemalettin Kaplan, who is always screaming from Germany for sharia [Islamic law] sent 30 novices, including 22 Germans, 7 Dutchmen, and 1 Italian to Turkey on the pretext of "going on the hajj."

The "imported" novices, who say they belong to the Naksibendi order, are traveling all over Anatolia and going door to door, visiting the families of expatriots.

Konya (HHA)—Novices from the organization headed by Cemalettin Kaplan, nicknamed "Black Voice" for his anti-Turkish activities in West Germany, are touring Anatolia from one end to the other.

The novices set out for the hajj from the FRG city of Dusseldorf in a bus with plate number ME SN 58 and a Dutch driver. They first toured Austria, Yugoslavia and Bulgaria, then entered Turkey at Kapikule. Following the route from Edirne through Istanbul, Kocaeli, Bolu, Eskisehir, Kutahya and Afyon to Konya, the 30 novices, wearing turbans and long imam's robes of various colors, attended the noon prayer at Selimiye Mosque and then talked with relatives of certain expatriates.

Imam Abdulhalis Wendel, a German citizen who is known as Cemalettin Kaplan's right hand man, called a press conference in front of the Mevlana Museum. He said that among the 30 hajj candidates in their entourage there were 1 Italian and 7 Dutchmen and the rest German Muslims. He said they belonged to the Naksibendi order and added:

"We set out for the hajj in a bus rented in Germany. However, we have been going to the homes of expatriate Turks who are members of our community, that we call a "tekke," and visiting their relatives."

Black Voice's men are being followed every step of the way by Konya Security Political Branch agents and the National Intelligence Organization, and their every action is being video taped.

The novices have a white flag as the hajj symbol on their green bus. After leaving Konya, they will go to Icel, Urfa and Adana and then leave Turkey for the pilgrimage to Mecca.

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