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DENMARK

Schluter Seen Under Increasing Political Stress

Schluter Comments on Difficulties

36130018b Copenhagen AKTUEL in Danish
1 Nov 87 p 9

[Interview with Danish Prime Minister Poul Schluter by Karen Thisted: "The Smile Stiffens"; interview conducted week of 26 Oct 87 in prime minister's office; first paragraph is AKTUEL introduction]

[Text] It is not all fun being prime minister in a four-party government without majority support. And all around Schluter the struggle for power over the future Conservative People's Party is gradually getting started.

"It is very difficult," said Poul Schluter one gray autumn day this week. Taking it easy, and with his thoughts everywhere else but here, he received us in his prime minister's office without knowing what we were really going to talk about. Actually, that was how he could get the meeting to go unbelievably well, and how he could maintain his optimism despite a real election defeat. Schluter's secretary had arranged the appointment, and had not said what it would deal with.

"Ah," said Schluter, "that's what it is about. I cannot cover that. I can only give you twenty minutes."

In fact the answer had already been given by that time. Schluter did not appear to be very optimistic, and all of his easygoing manner was gone.

[Question] Are things no longer going unbelievably well?

[Answer] "I never said 'unbelievably well' in isolation; I said that things went unbelievably well with respect to the economic situation. As the situation is now, things are dismally difficult."

Schluter was not in the mood for just anything. He said that he can no longer stand to do some of the things he used to do. The picture of Lisbeth on the table—she was standing in the middle of a field of tulips—is not new, it is old. This week he has been on lightning visits to several European cities. But that is hardly fun. He did not get to see anything, and would have liked to remain a couple of days in Athens. He never gets to the theatre, and he has so much "homework" that he has no time to read books. Nor does he have much time for family and old friends.

Sorrow Only in Private

Now has he become used to the idea that it is all over?

[Question] How were you able to appear so satisfied on TV on election night after the blow that you took?

[Answer] "One gets accustomed to receiving blows. That is an official duty. There is no time for feeling sorry, before coming home behind one's own doors."

[Question] Did you feel sorry when you came home?

[Answer] "No, I went straight to bed. I had to get up early and arrange a lot of things. Lisbeth and I lived at Marienborg that night, and it was on the way in to Christiansborg that I made plans to go to the queen."

[Question] And even in the car you were not in doubt about whether you would continue to be prime minister?

[Answer] "No, the four-party government will continue."

[Question] Is it correct that the Conservatives in fact did not discuss the possibility of a defeat?

[Answer] "I always knew that it was difficult to hang on. This time we did not, but remember that in my time as chairman we went from 10 to 42 seats. It will go better next time. As prime minister, one knows well that time is limited. Most remain for three or four years. Close to what Anker did, that is. But I am the nonsocialist prime minister who remained in office the longest since the first World War. Isn't that funny?"

[Question] But is it not irritating that you have to listen to so many others?

[Answer] "There is one thing that I dream about. Just to lead a majority government for one year. Just one single year." He became sentimental. "Yes, preferably during my happy 60's."

[Question] But now you will also have to take beatings for others?

[Answer] "That is part of it. It is dark days for the others when the prime minister has to support all those in the four-party family."

[Question] It sounds very pleasant when you speak of the four-party family, but there were a couple of female family members who were not satisfied with you after the election.

Schluter appeared to be entirely unsympathetic.

[Question] Britta Schall Holberg and Grethe Fenger Moller were sulking?

[Answer] "Yes, and let me say that we are approaching a time, if we are not already there, when women can no longer demand to be treated very much differently than men. All the political parties have had a tendency toward positive special treatment for women."

[Question] Therefore you merely put up with them?

[Answer] "No, but we perceived that they were able to participate in policy also. At that time there were not so many of them. Now they must learn that they will be treated the same—in any case almost. In our party we now have more women than ever before in history."

[Question] You must also say that you believe what some of your political associates say when they express themselves awkwardly. Must you also do that with Erhard Jakobsen?

[Answer] "Erhard can only be himself. Just as vital as he usually is. People would just be disappointed if Erhard suddenly became...ah..."

[Question] Silent?

[Answer] "Silent as a book, yes. That Erhard will never be."

[Question] Is he your invention as a minister?

[Answer] "The time was right for Erhard."

[Question] Did Mimi give you a sign?

[Answer] "I spoke with her about it. She said it was not inconceivable."

Disappointments

[Question] After the election of 1981 I witnessed how you waited for a phone call from the Left. It did not come, but Uffe Ellemann and Henning Christophersen made plans behind your back with Erhard Jakobsen. Was it not difficult to work together after that?

[Answer] "In politics it is necessary to learn how to keep apart."

[Question] As in a long marriage?

[Answer] "That I can't say. Politics is simply a freeway, paved with disappointments."

[Question] Why do we not see more of Lisbeth Schluter lately? At the beginning she made speeches in the United States and such places. Has she become tired of all that?

[Answer] "No, no, Lisbeth is still doing many things. It just doesn't attract so much attention. People have become used to it, but she is good at it. She is so natural and relaxed."

[Question] Is she not tired of your being so busy?

[Answer] "And she is also with her school. We both have homework when we come home. And I am always taking care to come home at night, so that I am there in the

mornings. And there is another thing. Lisbeth and I are not especially good at quarreling. Furthermore there are also many pleasures in being the prime minister couple. Osse and Lisbeth."

Unskilled Laborer

Schluter drew himself up a little, and it appeared as though he was thinking that here was a free interview with AKTUEL, because he suddenly said:

"Many others are of course also busy. Just think about the unskilled laborers, who need to have a second job to make ends meet. We understand that. It is not as pleasant as being prime minister."

[Question] Then couldn't you help the unskilled laborer a little?

[Answer] "If the people would agree that we could use less money in the public sector, then we could cut taxes. 80 percent believe that taxes are too high, and 80 percent do not believe that the public sector is good enough. That is just an example of the difficulty of our political tasks."

[Question] When do you have time for your own life?

[Answer] "Too little. Free time is a short commodity when one is prime minister. I just want to have more time with my family and to cultivate old friends and have some time for exercise and nature."

[Question] So much for your exercise. Is that because you are afraid of being destroyed early by the difficult political life?

[Answer] "It is solely for health reasons, although I am an old sportsman. I do not believe it is especially pleasant to ride on the old bicycle, especially not when the road is bad."

Most Important

[Question] Do you not sometimes wish for an entirely different life from that which you have now?

[Answer] "I know one thing, that when I quit politics I will keep busy with something else. I will not just sit down and read books. I can't see myself on a South Sea island."

[Question] What about a job with Henning Christophersen's in Brussels?

[Answer] "That is not for me."

[Question] A place with low taxes and sunshine?

[Answer] "Yes, I know that we have high taxes, but the places where taxes are low are not places where we Danes would like to live. No, I can imagine having Thomas Nielsen's job as chairman of the pensioners," said Schluter with a crafty grin.

[Question] What would you like to have the history books say about you?

Poul Schluter looked very serious:

[Answer] "He was happily married to Lisbeth for many, many years, it should say. The most important thing is one's life with his nearest and dearest."

Out in the waiting room stood four men in pinstripe suits waiting. Poul Schluter gave us 45 minutes instead of 20.

Talk of Possible Replacement

36130018b *Copenhagen AKTUELT in Danish*
1 Nov 87 p 9

[Article by Erik Meier Carlsen: "The Struggle Around Schluter"; first paragraph is AKTUELT introduction]

[Text] Poul Schluter is still at the head of the Conservative Party—but around him rumbles the showdown about who will follow him, and what course will be followed in the future.

During the first ten minutes into the fateful match with Wales, Schluter finished his closing reply. But that was not the only reason for concern in the seats at the Conservative gathering at Christiansborg on that bitter afternoon in October.

The Folketing group held an expanded meeting to "evaluate" the election result. And the meeting will be remembered for two things:

(1) For the first time ever since he has been prime minister Schluter spoke about, "I am now approaching my sixties," and thereby gave a serious signal about a conflict over a successor.

(2) Schluter "did not have time" to take part in the banquet.

Together these confirmed the impression that the formerly so enormously self-confident prime minister had not at all conquered the grenade shock of election night.

And that a change of leadership perhaps will follow immediately after the fall of the government.

Palle Simonsen is today clearly number one in line as crown prince, but events surrounding the election of the political chairman of the new Folketing group show that a disturbance has begun.

They also show that Schluter and Simonsen do not want Hans Engell, who stands to the right of them, to be in the first line.

Still Shaken

Schluter sat with his political authority Kent Kirk as political chairman, but his legendary energy seemed to have abandoned him.

"It still does not seem that he has any strategy. He is unapproachable, he does not speak with any of us, and he very seldom participates in group meetings," said a prominent Conservative member of the Folketing.

In his analysis of the defeat Schluter has obviously not gone farther than the not very reliable series of three excuses which he gave the day after the election: The Liberal Party's aggressive election campaign, Klaus Riskjaer Petersen's "anonymous" ads and Anker Jorgensen's contribution to the refugee debate.

"Not many in the party agree with Schluter. There are many of us who instead will point to two statements by Schluter himself: the first was the remark that 'things are going inconceivably well.' With that statement, our relative satisfaction stood in sharp contrast to the way many people were living their daily lives. And the other statement was the remark that the election campaign was something 'to get through.' After four years one cannot behave in that way about a Folketing election," said a prominent Conservative.

In the party it is feared that smouldering dissatisfaction on the part of the rightwing delegates—and KU [Conservative Youth Association]—at the congress could be expressed in such a way as to cause Schluter to explode.

"He is unbalanced and touchy. We are risking that he will go to the speaker's platform and curse them up and down. And then there will be chaos," said a worried Conservative.

Pronounced Profile

Other Conservatives are convinced that the prime minister will know how to control the congress so that a confrontation will be avoided.

An obvious reason for unity is that the tangled political situation makes it possible to show a more pure Conservative profile. Compromises will not be made in advance, as when the government had a majority with the Radical Liberal Party; now they be made in the Folketing Hall and in the committees, and thereby it will be easier to present the government's proposals as pure nonsocialist policy.

Line of the Future

Conflicts in the Folketing group apply to perspectives over a little longer range—how to ensure against a downturn in the next election?

In the Folketing group they are deeply concerned about an opinion poll which the party commissioned before the election. The poll can be interpreted as a clear report that the party has lost voters in the middle and not on the Right. To many people this confirms that the middle line is correct. Others evaluate the election result as a signal that the middle line has its limitations. That applies among others to Minister of Justice Erik Ninn-Hansen, who would prefer to cooperate with the Social Democrats, but considers it important that the two parties meet in clear recognition of their differences.

Previous Conflict

Behind the current conflict in the Conservative Party lies the old, deep conflict between Erik Haunstrup Clemmensen and Erik Ninn-Hansen, the conflict which made Schluter the party chairman as a form of compromise.

The big dispute between Ninn and Clemme took place after Glistrup's breakthrough in 1973, while the Liberals' Poul Hartling, by grabbing government power, destroyed the brother part of the nonsocialist votes. Clemme wanted to establish the Conservatives as a middle-seeking party which would open itself to the Social Democrats, while Erik Ninn-Hansen believed that the party should compete with Glistrup on a more decidedly nonsocialist profile.

Simonsen was a Clemme man. Schluter was also, perhaps, but he was not so outspoken that he could not be a compromise. In the following years Schluter pulled the party toward the middle, but in close cooperation with Ninn-Hansen, who until a few years ago was Schluter's closest political advisor, while Haunstrup-Clemmensen left politics.

During the four-party government Simonsen clearly replaced Ninn-Hansen as Schluter's closest advisor, and the middle-seeking profile became even more distinct, and Ninn-Hansen several times criticized initiatives which could be attributed to Simonsen.

The Colonel and Ninn

Since the Ninn-Clemme conflict, Ninn-Hansen has been allied with the Conservative group chairman Knud Ostergaard. At that time Ninn stood behind Ostergaard's candidacy for the post of party chairman, which Schluter however won, along with the post of political chairman.

Until the naming of the Conservative group following the election, nobody could notice any cracks in the political unity between Ostergaard and Ninn-Hansen.

In the spring of 1986 they both requested Schluter to move Hans Engell from the Ministry of Defense to a more central ministry. Instead Schluter picked up two of Simonsen's most eager supporters in the government: Minister of Labor Henning Dhyremose and Minister of Fisheries Lars Peter Gammelgard.

When Schluter, with the re-formation of the four-party government after the election, did not have Engell on the minister list, it caused expectations that Engell would be political chairman. Instead Schluter chose to "twist the colonel's arm" and force Knud Ostergaard to recommend the rebel Kent Kirk to the post.

The Opportunist

Kirk has no definite political profile. He is, as one Folketing member put it, "not politically reliable." Prominent colleagues in the group are not afraid to call him an opportunist.

Schluter has a certain sympathy for him, even if Kirk at the beginning was a little too quick-tempered for Schluter's taste. On the other hand Kirk has tread upon Ostergaard's toes so forcibly that the colonel will hardly forgive him, since Kirk beat the colonel out in a fight over a seat in the EC parliament. It was a bitter pill for Ostergaard to swallow to have to obey Schluter and make Kirk political chairman. But Ostergaard had no choice. Even people with strong sympathy for the colonel believe that the myth of his power is strongly exaggerated. "The colonel has always had only that authority which Schluter gave him. He was an image with feet of clay. He is a member of the presidium of the Folketing, which gets him an apartment at Christiansborg and other good benefits. He is deeply dependant on 'the sun shining on him.'"

This was the explanation of how Ostergaard had to betray his old colleague Ninn-Hansen and sacrifice Grethe Fenger Moller, whom Ninn-Hansen had protected with fatherly tenderness before Kent Kirk. Three days before the ritual slaughter Ninn and Fenger Moller were briefed. Ninn warned the colonel that this was the first step on a slippery chute which would send him back to his regiment. But the game was lost.

Engell took the episode calmly. He learned that having been brought into a minister job directly from being a chief in the Conservative press service, he must now serve as a parliamentary recruit from the ground up. Thereby perhaps he has better possibilities of winning the sympathy of his fellow members in the group, and support over the longer term.

The Delegates

At the provincial council meeting in Vejle on Saturday the Folketing group wanted to appear unified. And so it is, if its shortsighted strategy and respect for the delegates is limited.

"The body of delegates is clearly to the right of our voters," said a prominent Conservative. "If we follow the political attitude of the delegates we will not have 800,000 voters, but perhaps 100,000," said a conservative minister."

In Vejle they will discuss refugees, criminal policies and defense. KU stands for a number of rabid proposals, and the demand for a highly conservative profile will ring out from the speaker's platform. But that will only have an indirect influence on the game of positions related to Schluter's replacement.

09287

Common Course Party, Chairman Hansen Viewed

Policies Would Bankrupt Nation

36130018a Copenhagen BERLINGSKE TIDENDE
in Danish 3 Nov 87 p 10

[Guest Commentary by Hans Engell, former defense minister and member of parliament for the Conservative Party: "Common Course Leads to Common Bankruptcy"]

[Text] In the election on 8 September Preben Moller Hansen and his Common Course Party transformed themselves from an interesting experience into a political reality. With the influence now granted by four seats in the Folketing, the boss of the Seamen's Union has thrown himself with loud enthusiasm into the debate, with hard blows against the Right and the Left—approvingly covered by photographers' lenses and reporters' news stories. Preben Moller Hansen makes good copy—the same cannot be said of his political message.

A political party must naturally be judged on the basis of its policies—and not on its possible entertainment value. And in this respect Preben Moller Hansen has been let off entirely too easily. He is throwing golden promises and verbal billions around, but if one looks closely at the implications of his political proposals there is certainly no reason to smile. On the contrary, the picture appears of a populist, superficial, self-contradictory and irresponsible political party. Moller Hansen has charted a course which could under no circumstances be sailed.

During the opening debate in the Folketing Moller Hansen (PMH) listed the main proposals which the Common Course Party (FK) would work for. If these are carried out, public expenditures in Denmark will rise by about 150 billion kroner per year—corresponding to an increase of about 45 percent. The Danish economy will be a heap of ruins, and the welfare state will be smashed. Catastrophic security and market policy consequences will follow for a Denmark which, according to PMH, should remain outside of NATO and the EC.

Unemployment is a principal problem which FK wants to solve here and now. They will do this through reduced working hours, lower pension age, extension of school years, vacations and childbirth furloughs. It is estimated that these proposals will lead to sharply falling production in the private sector, rising employment in the public sector and enormous additional expenditures in the public sector. The wage earners would pay with falling real wages. If employment in the public sector increases by, for example, 100,000 workers, the increased wages would amount to about 15 billion kroner. FK also wants a citizen's wage for all those under instruction, for pensioners and for those engaged in creative work. FK does not say how large the citizen's wage should be, but if one imagines an amount equal to the average daily wage, it will cost about 15 billion kroner. If the public income increases, there will be a wage glide. One must assume that those who are working will not receive the citizen's wage, and will naturally demand a pay increase. And of course they can expect support from PMH.

A wage glide will reduce our competitive ability and promote inflation.

Common Course wants a unified school system and school loans to students over age 15. That would make at least 100,000 happy. They do not say how large the loans should be, but if we estimate the same level as the cost of educational support it will cost about 2.5 billion kroner. PMH has also brought forth one of Glistrup's old proposals. The tax-free bottom limit will be raised to 60,000 kroner. That will affect about three million taxpayers—but the price is a loss to the treasury of about 69 billion kroner—or to put it another way: about 20 percent of the total public income will disappear. In addition, FK wants to totally eliminate the expense deduction. That would cost an additional two billion kroner.

General housing construction, to an extent which has so far not been established, will be begun. State support for the construction will also be greatly increased. Five to ten billion kroner will hardly suffice if the construction is to be increased by, for example, 20,000 units per year. In ATP [The General Supplementary Pension Fund], LD and the Social Pension Fund there are respectively 43 billion, 22 billion and 32 billion kroner, which PMH has been gazing lovingly upon. The money will be paid out soon. But the funds are only in stocks, bonds and buildings. In this case these will be sold first—and the stock and bond market will collapse. Recent events on the world's stock markets will seem like Sunday school in comparison.

All spaces in day care institutions will be free. That will cost about one billion kroner. The health care system will be given 3.5 billion kroner now, plus an additional 6-700 million kroner each year. Housing expenses for pensioners will be free. Price: 25 billion kroner.

Other improvements for pensioners will cost 50 billion kroner per year.

In spite of everything, FK insists that the money must come from one place, and it will mainly come from confiscation of interest income to ATP, LD and the social pension funds. At the same time they also want to pay out the assets of the funds. These proposals undeniably do not agree. Furthermore, if the payment of interest on the assets of the pension funds is suspended, the paper becomes worthless. That would correspond to a kind of national bankruptcy. If the state runs away from its obligations that will have immense consequences both here at home and abroad, but that is another story. FK will furthermore tax the assets of the pension funds and insurance companies. A frontal attack on the wage earners' money.

If all the FK income proposals are implemented—no matter how unrealistic they are—they will put between 80 and 100 billion kroner in the treasury. But that is far from being enough to pay for the deluge of new expenses. Income and expenses do not in any way equate, but perhaps that is only a detail? They will save 17 billion kroner by abolishing defense. That is 4 billion kroner more than is set aside by the budget. In addition, the 35,000 who work in defense must either have public employment, or go on relief. That costs money—state money. The saving is therefore baloney. If Denmark withdraws from the EC we lose 3.5 billion kroner directly in currency exchange income. The indirect losses would be much greater. PMH does not say a word about that.

It is possible—yes, probable—that these facts do not distract Preben Moller Hansen. He is only trying to add more meatballs to the soup. But realities should interest Preben Moller Hansen's voters. The program that he is trying to sell the voters is purely a political danger signal. It is shining brightly, clearly and blatantly. But not for long, we hope.

Book Examines Hansen's Popularity

36130018a Copenhagen BERLINGSKE TIDENDE
in Danish 3 Nov 87 p 10

[Review by Carl Otto Brix of book "Somandens kurs"
[The Seaman's Course] by Ulla Nygaard Thomsen,
Ekstra Bladets forlag, 96 pages, 69 kroner]

[Text] If anyone is in doubt as to whether Preben Moller Hansen is one of the bad boys, he should just read this book, and all doubt would be dispelled. In the book the new Folketing member's life and activities are described, from his birth in a good Christian home in Bronshoj until today, when he is at the top of the wedding cake consisting of the Seaman's Union of Denmark, the Common Course Party, Tidens High School, Tidens Computer Service, and Atlas Travel Bureau (formerly Hansa People's Tourist Bureau).

When one sees what Preben Moller Hansen has done in the union and in politics, one must ask himself, "How could this happen?"

For example, what is it that has caused Danish seamen to elect and reelect this man, who has endlessly manipulated them and their money? The explanation is that in the first place the Social Democrats frittered away the post of chairman, and in the second place Hansen has obviously arranged for them to get more money in wages, and in the third place, since he first took office he has used real eastern methods to evict every opponent.

Even though the seamen elected him chairman, he sits like a spider in his web with the power of life and death over the funds, which are as plentiful as milk tubs in May.

But his manner and charm have now also persuaded 72,000 Danish voters, so he has been able to indulge the political dimension of his ambition.

I wonder if they are rapidly discovering that there is a wide difference between the seaman's words and his actions? The first are large, the second are small.

Otherwise they should send for this book, which certainly does not contain much new, but which assembles the truth about this "enfant terrible" of the Danish labor union movement and Danish Politics.

09287

FINLAND

Poll: Social Democrats Again Party With Most Support

36170001c Helsinki UUSI SUOMI in Finnish
22 Sep 87 p 3

[Article: "SDP Again Has Most Support"]

[Text] The Conservative Party's support was greater than that of the Social Democratic Party at the beginning of summer, but in August the SDP was once again the largest party with respect to support according to an opinion poll conducted by Finnish Gallup.

According to a poll commissioned by the four largest parties and made public on Monday, 24.5 percent of those responding to the poll supported the SDP and 24.1 percent supported the Conservative Party.

According to a study made by Gallup in May-June, support for the Conservative Party was 0.4 percentage units greater than support for the SDP. At that time, 25.2 percent supported the Conservative Party and 24.8 percent supported the SDP. The SDP received 24.1 percent and the Conservative Party received 23.1 percent of the votes in the parliamentary elections.

Support for the largest opposition party or the Center Party was 0.9 percentage points less in August than in the parliamentary elections, but greater than in May-June.

Support for the RKP [Swedish People's Party] increased 0.1 percentage points since the parliamentary elections and was 5.4 percent in August. Support for the SMP [Finnish Rural Party], for its part, decreased by a half of a percentage point since the parliamentary elections and was 5.8 percent in August. It, however, increased 0.4 percentage points since May-June.

Support for the Greens has increased evenly according to the poll. The Greens received 4.0 percent of the votes in the parliamentary elections, but their support was 5.0 percent in May-June and 5.4 percent in August.

Support for the SKDL [Finnish People's Democratic League] was at the same level in August as in the parliamentary elections or 9.4 percent. Support for Deva [Democratic Alternative] decreased from 4.2 percent in the parliamentary elections to 3.8 percent in August.

Christian League support was 0.2 percentage points higher in August than in the elections or 2.8 percent. The LKP [Liberal People's Party], on the other hand, lost 0.2 percentage points or its support was 0.8 percent. Support for the POP [Constitutionalist Right-Wing Party] was 0.1 percent, support for the Pensioners' Party was 0.8 percent, and others was 0.4 percent.

Support for all the parties in the parliamentary elections and according to the Gallup poll in May-June as well as in August was:

	Parliamentary Elections	May-June	August
	-87/	-87/	-87/
SDP	24.1	24.8	24.5
SKDL	9.4	9.2	9.4
Deva	4.2	4.0	3.8
Socialist Parties	37.7	38.0	37.7
Conservative Party	23.1	25.2	24.1
Center Party	17.6	16.3	16.7
RKP	5.3	5.4	5.4
SMP	6.3	5.4	5.8
SKL	2.6	2.4	2.8
LKP	1.0	1.0	0.8
POP	0.1	0.1	0.1
Non-Socialist Parties	56.0	55.8	55.7
Greens	4.0	5.0	5.4
Pensioners	1.2	0.6	0.4
Others	0.9	0.6	0.4

GREECE

PASOK Seen Using All Means To Keep Power

35210025b Athens I KATHIMERINI in Greek
8-9 Nov 87 p 8

[Article by "E": "Dangers..."]

[Excerpts] It has been at least a full year now that we, the supporters of New Democracy, have been talking about elections. In moments of optimism we believe that our demands will be heeded and that elections will be called soon by the Government in a sudden access of democratic spirit.

We do not believe this is a possibility and the cunning men who govern us know very well that those "better years" have passed. That the people are no longer with them, those people that tarried for a while with PASOK. And let us not forget that the party may call itself "green" but that it has no roots, that it is haphazardly planted in our political soil.

A gail, a storm, even the drought which seems to be approaching can sweep it from the face of the earth.

Our opponents know this and at this very moment as we speak, the leading officials of PASOK—who know that they have no hope of survival when the evil hour sounds and their ship goes down—are working feverishly to avoid going down.

Working not to lose the elections when the time comes for them.

They are working in a businesslike, serious way, preparing scare campaigns and giveaways, studying how to buy people and how to threaten them, conscripting groups of suspicious persons trained in propaganda and disinformation, studying the most effective way to trick the Greek people.

What will they do, the Menioses and Akises (I do not imagine it constitutes an "insult" for one to call them by their first names), to avoid being thrown out into the street, orphaned?

What will they do?

Anything! "One idea going around," an expert in electoral matters told us, "is to limit the number of seats. The Constitution requires 200-300 but they have every right to reduce the number to 205, shall we say, which would make a good impression at first glance because it would save the state some millions. And then they could do some gerrymandering. Of course there is the choice of electoral law and above all the very dangerous two-Sunday system, which leads toward a 'Popular Front.' Nobody knows whether and how it is possible to falsify computer results. Probably that is not feasible."

Many of us do not place much confidence in the polls and studies carried out in Greece because we doubt the frankness of the people who reply to the questions. Our compatriots are suspicious and do not know why they are being asked what they are being asked, are not sure where their interests lie and whether it is not safer to keep one's secrets and to mislead.

Quite apart, however, from the regular polls carried out by responsible, conscientious organizations which are perfectly justified in demanding our confidence and which all show PASOK in deep decline, recently we have also had the daily echo of a people clearly and loudly expressing its opposition to the Government, to its people, and to its leader.

People are talking, talking and admitting that they voted for PASOK once and twice but not again, enough is enough. They are talking now as they did not talk for so many years and if many of them, deserting PASOK, still do not know where to go, that is not so much their fault as ours.

We are not giving them a clear, shining picture of the party, the political force, the people who are waiting to take charge of the country.

Is it not time for us to get serious? To ask the people who want to live in Greece, who see their future bound up with this country, to ask them to consider the dangers lying in wait if they do not go to the polling place determined to exorcise the demons?

12593

SPAIN

PCE Official Gives Views on Monarchy, Colonialism

*35480016a Madrid CAMBIO 16 in Spanish
2 Nov 87 pp 39-40*

[Interview with Gerardo Iglesias, secretary general of the PCE, by Rafael Navas; date and place not given]

[Text] Things are fine now. The time has come for the PCE to reassert its traditional principles. It is necessary to reassert the plan of the federal republic, the right to self-determination, and the surrender of Ceuta and Melilla to Morocco. And reunification of the authentic left wing is needed. These are some of the thoughts which occupy the mind of the secretary general of the PCE, Gerardo Iglesias, today.

A 42-year-old Asturian, now long past those early years when at 12 he was a mason's kitchen boy, and when at 15 he began hard work in the mines, he is not in the least hesitant when explaining some aspect of the contents of the political report which will be debated at the 12th PCE Congress in February of next year.

"It would be more than I could do to abandon my status as a republican. We are not reconsidering the monarchy, but are simply reaffirming our ideas now. We accept the monarchy so long as it is not an impediment to the deepening and the development of democracy. For example, if it served as an obstacle to a government by the PCE, obviously we would oppose it, but today it is serving the function of encouraging democracy."

[Question] Do you believe that the monarchy will always play this role?

[Answer] Well, I do not know. It depends on what the royal family or the king does. Clearly, at the present time, the monarchy has won great national respect. Whether we like it or not, that is the case.

[Question] But what is the reason for setting forth these plans or reaffirmations now?

[Answer] Well, the reason is that, basically, the transition period has ended—we have had 10 years of democracy. We are approaching our congress and this is the time to say what we think. Now we are reasserting our traditional principles.

[Question] Principles like recognition of the right to self-determination?

[Answer] Yes. The right to self-determination as a general principle which we do not dismiss, because there are very localized current situations...

[Question] This right is what the ETA terrorists in the Basque country are demanding.

[Answer] Self-determination is applicable there and in the Sahara, the latter being a place where Spain has fallen into national indignity. No, this statement of principle is not designed for dealing with the Basque country. The conditions for holding a referendum do not exist there.

[Question] This principle, then, is a testimonial, as well.

[Answer] I emphasize to you that we have a strategic program, and then it is necessary to translate it into daily political actions. The terrorists are exploiting democratic freedoms in order to carry out their actions. It would be absurd to limit democratic freedoms for this reason. It would be equally absurd for us to fail to speak of the right to self-determination because it could favor the terrorists.

[Question] Untimely, perhaps.

[Answer] We may be called untimely, but this is very relative. Yet a party, I insist, should not renounce its strategic program because it cannot be applied here and now.

[Question] And what can you tell me about surrendering Ceuta and Melilla to Morocco, on the basis of what the PCE is proclaiming nowadays?

[Answer] On this subject we are saying what many do not dare to say. We are snatching the chestnuts from the fire and some day this will be recognized. The problem in Ceuta and Melilla is pure colonialism, and it is leading to relations with Morocco which it is difficult to understand.

[Question] Why?

[Answer] Because Spain is equipping the Moroccan Army, which paradoxically is the only one with which there is a potential risk of a clash. It is rather hard to understand this business of arming our presumed enemy.

[Question] In this connection, from the point of view of the PCE, would the right to self-determination not be applicable in Ceuta and Melilla either?

[Answer] Look—Ceuta and Melilla must fall within an overall approach to the problems in this zone, which basically includes Gibraltar and the Sahara. The schizophrenic relations with Morocco are also leading to a poor relationship with Algeria, and thus Spain continues to be victimized by the famous tripartite Madrid agreements in connection with the Sahara.

[Question] Wouldn't it be quixotic to yield Ceuta and Melilla to Morocco if we are to end up, very probably, without Gibraltar?

[Answer] What should not happen is to say that because they have stolen from me, I should steal. This does not make sense to me.

[Question] Isn't it excessive to regard Ceuta and Melilla as a question of robbery, with regard to Spain?

[Answer] Yes. Do not take me literally—this was only an example. What I mean is that fortunately, the colonial era is now past. I want my country to have a worthy image in the eyes of the whole world and for it to acquire moral authority by surrendering Ceuta and Melilla to Morocco, in order to lay claim to Gibraltar.

[Question] The reaffirmation of all of these things now recalls the era in which the PCE was underground...

[Answer] Now, now. I have heard it said here that the PCE is becoming communist again. There is even a PSOE report which refers to extraparliamentary attitudes. There is no such radicalization. What does indeed exist is an effort to place the party clearly on the left.

[Question] But these things have not been proclaimed in the recent past.

[Answer] During the transition, we put all of our effort into democratic reestablishment, but one of the errors we made was to situate ourselves in spaces which ideologically were not ours, and so we were playing a role. In the end, the people became confused.

[Question] And in what respect, concretely, was the PCE in the wrong space?

[Answer] During the transition, we seemed to be farther to the right than the PSOE on the subject of the monarchy or the flag. Failing to take advantage of the strikes should not have been presumed to mean total renunciation of them, and this caused us to lose contact with society.

[Question] The principles you listed earlier would entail changes in the constitution. Is the PCE today urging constitutional amendment?

[Answer] What we want basically is that it should be applied, but in some specific instances, it may perhaps need amendment, as in other Senate issues, so that it can be a true territorial chamber, or in connection with federalization of the state. And no one should be scandalized, for this has been suggested even by the PSOE in Catalonia itself.

[Question] Why don't you sit down at the table with Carrillo to discuss communist unity?

[Answer] I have never refused to talk with anyone who is seeking unity and convergence, as is the case with the Communist Party of the Peoples of Spain (PCPE), headed by Ignacio Gallego, with which we are doing very satisfactory work.

[Question] But will you talk with Carrillo?

[Answer] For such a talk to take place, there would have to be some minimal agreement on the convergence policy and the existence of the United Left, which has now been endorsed in two successive elections. If this reality is accepted, we can talk on that basis.

[Question] It has always been said that party posts should be rotated. You have now been secretary general for 5 years. Will some candidate other than yourself be proposed at the congress?

[Answer] I do not know. This would be perfectly possible. I did not resist election to this post, but I have never thrown in the towel. I am sincerely unconcerned with whether I will be secretary general for 7 months or 7 years.

[Question] Enrique Curiel, the spokesman for your parliamentary group, is developing as a new leader in the PCE. Moreover, he differs with you on many issues.

[Answer] I can tell you with absolute certainty and security that I do not see that there have been political discrepancies within the PCE. At least no one has expressed any.

Gerardo Iglesias, who believes that in the coming months, a strong social protest against the economic actions of the government will develop, ended his statements with his thoughts about political turncoats, including some communists who went over to the PSOE simply in order to win high posts. "It would be a very useful housecleaning measure if we all waged a battle against the turncoats who degrade politics and those to whom only position, social status and income, rather than ideas, are important."

5157

Basques Favor Referendum on Annexation of Navarre

35480016b Bilbao DEIA in Spanish 21 Oct 87 p 3

[Text] Madrid—The Ministry of Interior has published the results of a survey showing that 48 percent of the Basque citizens and 28 percent in the state sector are categorically in favor of the possible holding of a referendum in Navarre concerning its annexation by the autonomous Basque community. On this same issue, 30 percent of the state total and 16 percent of the citizens of Navarre were categorically opposed, and 12 percent of the Basques and 15 percent of the state total said yes, given certain conditions.

This same survey showed that 42 percent of those consulted in the Spanish state and 33 percent of the Basque citizens are opposed to negotiating Basque self-determination with the ETA, while 21 percent on the state level would accept this process.

Asked whether they would be prepared to agree to freedom for the ETA members, including those guilty of blood crimes, 72 percent of the state total and 39 percent of those in the Basque country responded with a categorical no. The survey covered 2,400 persons in all the autonomous communities in the Spanish state, and was carried out on 16, 17 and 18 September.

5157

SWEDEN

SDP Congress Seen Returning to 'Collectivism' Tendencies

Carlsson Addresses Congress

36500001a Stockholm DAGENS NYHETER in Swedish 25 Sep 87 p 10

[Article by Dick Ljungberg]

[Text] The Conservatives are wrong when they say that politics has lost its usefulness and become powerless. It is only together, through political efforts, that we can resolve such important issues as peace, the environment, and jobs for everyone, said Ingvar Carlsson on Thursday.

It was when the week-long Social Democratic Party [SDP] congress was entering its final stretch and the delegates at the People's Hall were beginning to be exhausted by never-ending nighttime debates that the party chairman delivered a speech paying tribute to political work.

That work can be glorious, yield results, and lead to changes. People with common ideals can accomplish something together.

"That is why we are sitting here throughout this week of the congress with its crammed agenda and devoting hour after hour to politics. It is not very glorious and not very profitable," said Carlsson. "Nor is it especially trendy to spend days debating and making decisions. We are doing it because it is necessary and, as a matter of fact, quite tempting and sometimes fun."

More Difficult

But the crisis has made politics much more difficult over the past 10 years, said Carlsson.

"The worry and uncertainty of the crisis have constituted the sounding board as the Conservatives have intensified their criticism of politics and joint decisions. They have fomented indifference to other people's circumstances. Conservative propaganda is aimed at everyone, but only a few will be able to reap the benefits of Conservative policy."

The genuinely antidemocratic and racist forces have also seen their opportunity in the crisis: Le Pen in France, the Progressive Party in Norway, and Glistrup in Denmark.

"But it is not just political extremism which is fostered by worry. When many people persist in repeating that politics is an obstacle, those who feel excluded may be tempted to listen. They feel that they have no power to influence society or their own lives even though they live in a democracy. The result is political apathy, and as a rule, those who are worst off are the first ones to be attracted.

"If the lower class voluntarily abstains from voting—if ordinary people resign from democracy—then an old Conservative dream will be fulfilled," said Ingvar Carlsson.

Wrong Analysis

He felt, however, that such a situation had been avoided in Sweden. And the reason, in his opinion, was that the Conservatives had been completely wrong in their analysis of society. If their analysis had been correct, Sweden would have been the least successful country in dealing with the crisis, but if anything, the situation is just the opposite. There are many reasons for this.

“One of them is fundamental. It is not actually the quantitative measures of the strength or influence of the public sector, taxes, and the unions that bring about change. It is people. And people become more secure, stronger, and wiser in a society like Sweden’s.”

The speech also included a tribute to former Minister of Finance Gunnar Strang—who was a diligent listener at the congress.

“Without his persistent travels (in the late 1950’s) to convince the SDP’s local bodies of the need for a turnover tax, it would scarcely have been possible for us to sit here and debate the collective sector as we are doing today,” said Ingvar Carlsson.

“Strang did more than convince me personally that it was possible to persuade people on the basis of sensible arguments when dealing with a difficult issue. It was also a lesson in politics and democracy.”

Appeal Across Bloc Boundary Forgotten

*36500001a Stockholm DAGENS NYHETER in Swedish
25 Sep 87 p 10*

[Commentary by Sven Svensson: “Congress Without a Thought for Bloc Cooperation”]

[Text] Ingvar Carlsson has won his first party congress but lost the possibility of confident cooperation across the bloc boundary. The collectivist tendencies and the “them-or-us” mentality mean that purely for reasons of survival, no nonsocialist party can step forward as a party supporting the SDP.

As it comes to a close today, the party congress has set the basic tone for policy far into the 1990’s. In general, it did so on the government’s conditions and with no regard for what the other half of the population thinks.

The adjustments which the drafting committee headed by Ingvar Carlsson was forced into are, generally speaking, of minor importance. When necessary, Ingvar Carlsson himself went to the rostrum and made refractory delegates see reason.

There were a couple of exceptions. One was the congress’ ban on TV advertising, and another was the remaining uncertainty over future connections across the Sound.

Here are the guiding principles in chronological order:

1. Real wage increases.
2. Expanded parents’ insurance.
3. A shorter workweek.

The guiding principles also call for improvements in medical care and schools. The improvements will come about with no change in the tax burden—that is, they will keep pace with rationalization measures and higher productivity.

Real wage increases are being demanded because the 6 years of nonsocialist government resulted in a drop in real wages, according to a statement by Ingvar Carlsson in his opening address.

While that is true, it is not a complete description of what happened. The wildcat strike in the ore fields in 1969 dealt a deathblow to the Swedish model, and the Social Democratic government under Olof Palme bought labor peace during the early 1970’s at a highly exorbitant price. Moreover, the oil crisis and a rising dollar had already undermined the competitiveness of Sweden’s basic industries during the period of Social Democratic government.

Parents’ insurance, which under national insurance rules is now payable for 9 months, with a guaranteed payment of 60 kronor for an additional 3 months, is to be extended to 18 months.

According to the resolution passed by the congress, the new benefit period is to be completely in place in the early 1990’s rather than being introduced as the economy permits, which is what the party board wanted.

The documents do not contain any cost estimates, much less any financing proposals. When fully expanded, parents’ insurance will probably cost an additional 5 billion or 6 billion kronor.

Expanded parents’ insurance will give parents little freedom of choice, and the three nonsocialist parties, which are advocating various forms of reimbursement for the care of preschool children, can scarcely accept the rigid Social Democratic solution.

It was also decided at the party congress that the normal workweek in the 1990’s should be reduced from 40 to 36 hours and that a workweek of less than 35 hours for everybody should be the goal during the first decade of the 21st century.

The congress document shows that a 1-hour reduction in the workweek will be the equivalent of a 2.6-percent wage increase.

Medical care and schools are to be improved with no change in the tax burden, according to the SDP congress, despite protests from municipal commissioners and other representatives of the public sector who dominated the delegations in the People’s Hall.

Ingvar Carlsson had announced in his opening address that there could be no talk of any “dramatic tax decreases.”

The interpretation must be that the most the government can be thinking of for the early 1990's are some modest adjustments to the marginal tax rates. It is considerably more important, in keeping with the wishes of Stig Malm, chairman of the LO [Swedish Federation of Trade Unions], to adjust the tax rates for low- and middle-income earners and to equalize local taxes among rich and poor municipalities. That equalization will obviously be in an upward direction and will be financed by higher local taxes in the big cities.

This means that taxes will be a major issue in the next election campaign and that the Center Party, which has advocated an equalization of local taxes, will have a rough time in the big metropolitan areas.

Kjell-Olof Feldt skillfully tamed the party congress with his so-called puppy tax and by airing a few new ideas about pension funds.

The fight over pensions in 1958 was concerned mainly with the issue of private or collective capital formation, and the fight over wage earner funds was a rerun of that battle.

According to Olof Palme, the wage earner funds were to be the "final stage" when fully implemented in 1990.

The party congress has now decided that the SDP and the LO together are to figure out how so-called economic democracy is to be pursued further after 1990.

Neither the SDP nor the LO dares add to the wage earner funds. That was why Kjell-Olof brought up the idea of adding to the Fourth APF [National Pension Insurance Fund] (which is allowed to buy stock in private firms) and/or establishing a Fifth APF.

That is the second phase. Five wage earner funds and two APF's combined can ensure the country of a majority of shares in large Swedish firms.

The nonsocialist parties attach great importance to private ownership and defense of the market economy, which was something of a red flag at the party congress—Ingvar Carlsson was the last to wave it in his speech on Thursday. The nonsocialist opposition will be forced to oppose a further collectivization of capital formation in Sweden.

In theory, the SDP should have every chance of success in the 1988 election. The economy has improved greatly, and the nonsocialist opposition lacks both enthusiasm and self-confidence.

With its various prohibitions and increased collectivization, the 30th SDP Congress will have to lead to a shakeup of the entire opposition. Otherwise, the election campaign may as well be called off.

Intensification of the fight between the blocs will bring up the question of how long the VPK [Left Party-Communists] and possibly the Environment Party can continue to act as slaves in the SDP's triumphal procession as headed by Ingvar Carlsson and populated by supporters of the public sector.

Competition from the Environment Party may force the VPK to adopt a more independent attitude toward the SDP in the future so as to clear the 4-percent election hurdle.

The Environment Party will probably also be forced to clearly indicate its attitude toward the SDP. Voters who are now thinking of voting for the Environment Party must consider it important to know whether their votes are going to be added to the nonsocialist or the socialist bloc.

Liberal Paper Assesses Congress

*36500001a Stockholm DAGENS NYHETER in Swedish
25 Sep 87 p 2*

[Editorial: "Results of SDP Congress"]

[Text] On this last day of the congress, a few things can be said about the effect this 30th party congress will have on the SDP and on the 1988 election contest.

In one respect—concern for the environment—there has been a real renewal. Individual points of view may be debated and questioned. But the new commitment to the environment is undeniably genuine and not just a matter of tactics.

Otherwise, it was with a big sigh of relief that the party forgot everything connected with economic worries. Thanks to a rosy policy on expenditure and a green environmental policy, more voters are going to feel at home in the SDP in 1988, if we can so interpret party secretary Bo Toresson's speech concerning the party on Thursday evening.

Ingvar Carlsson set the tone in his opening speech by declaring the crisis resolved and announcing important areas for reform: schools, medical care, and family policy. The congress took that as a signal to make additional expensive demands: more for the municipalities, more for regional policy, and a more rapid expansion of parents' insurance. The party board's recommendation that a reform aimed at extending leaves of absence for parents to 18 months should begin at the start of the 1990's was transformed by the congress on Thursday into a resolution to the effect that that reform must be completed by then.

The big public commitments were adopted without abandoning the demands for a rapid increase in real wages and a speedy reduction in working hours. The

upshot will be a tremendous overburdening of the economy. If the government lets itself be guided by those demands, the result will be a new wave of inflation.

Most of the resolutions are so worded, of course, that as the governing party, the SDP will be able to make the necessary adjustments to economic reality. But the minister of finance will find it somewhat harder to defend those economic views—and especially to use any future room in the budget for a substantial tax reduction.

A fundamentalist attitude toward redistribution also totally dominated the congress, to the detriment of important issues concerning which the government had previously shown interest in rethinking its approach: how to stimulate growth and how it would be possible to reform social security so as to avoid financing crises in the 1990's.

The picture of a return to the social democracy of the 1950's and 1960's is reinforced by the obstructions also placed in the way of other issues involving the system. The public monopolies in the area of medical care, for example, were raised to the level of sacred ideology. "We will protect the good medical care we have. And the best way to guard it is to work to perfect the system," said Gertrud Sigurdson, minister of health and social affairs and member of the executive committee, during Thursday's debate on medical care. The congress objected to the tiny, tiny opening that the party board wanted to provide for private schools as a supplement to the public system. And Minister of Industry Thage G. Peterson portrayed expansion of the state-owned business sector as a strong ideological aspiration, doing so in terms very close to those used by Krister Wickman in the late 1960's.

The finding by election researchers that the SDP's most active members have shifted to the left of the party's many voters was corroborated by the congress. The party's voters are much more open to individual alternatives, more attracted to private ownership, and more eager for lower income taxes than the delegates assembled at the congress.

This is where the nonsocialists have their chance. The SDP congress has served up an election program for the opposition: more competition and freedom of choice in the area of important services; reforms to the major transfer systems which make it economically possible for the central and local governments to invest more in medical care, for example; more dispersed ownership instead of increasingly collective ownership; and lower income taxes, which would also stimulate growth.

But it is only a chance. The picture of the Swedish SDP covers more than the party congress. It also comprises the stable force that has combined radical slogans from speakers' platforms with honorable and practical work of a not very adventurous type. It is characterized in particular by a government which is seen to have cleared up a crisis situation and eventually enabled people to buy more without too much of a bad conscience. And it is represented by a party leader and prime minister who attracts a lot of friendly feeling because of his personal humility and competence.

The picture of the opposition also covers more than the image of a political alternative seeking to strengthen the individual's scope for action and bring about a healthy renewal of the welfare state. It includes the memory of constant government crises and serious economic worries. It is characterized by distrust of the ability of the nonsocialists to manage the country better than Carlsson and Feldt. It is represented by party leaders who sometimes give the impression that they spend more time competing among themselves for leadership of the opposition than they do competing with Carlsson to gain the trust they need to lead the nation.

That being the case, it will not be enough at their coming party congresses for the Liberal and Conservative Parties to respond to the SDP congress in the area of ideas and programs. Together with the Center Party, those two parties will also have to convince more voters that the nonsocialists are ready to assume joint responsibility in the government and to vitalize Sweden with practical action. Otherwise, Carlsson can probably set his sights on a long period as head of both his party and the government.

FINLAND

Forces Chief: Annual Refresher Training for Key Commanders

*36170141b Helsinki HELSINGIN SANOMAT
in Finnish 1 Sep 87 p 7*

[Article: "Klenberg Proposes Obligation for Important Reservist Leaders, Refresher Training Once a Year"]

[Text] Vice Admiral Jan Klenberg, chief of the General Staff, is proposing refresher training once a year for reserve officers assigned to important leadership positions. The reserve would be voluntary, and he would sign a special obligation to participate in the exercises. The Defense Forces would pay a reasonable compensation to the reservists and would give consideration of his special competency and military rank.

Klenberg spoke at the 20th anniversary seminar of the Finnish Reserve Officers' League's Leadership Skill Program at the Cadet School. Klenberg's audience, which included many leaders of commerce and industry, did not support the vice admiral's idea without reservations. Reserve officers often work in leadership positions in commerce and industry, from which it is not possible to be away for a week's time in addition to the normal annual vacation.

Connected With Vacations

Training Director Matti Peltonen of the Finnish Employers' Association considered that participation in reserve exercises should be on one's own time. "Finland has the world's longest vacations," he said.

Managing Director Matti Kankaanpaa of the state-owned Valmet Company said that in principle he would adopt a positive attitude toward Klenberg's proposal. "A system will have to be developed specifically for the exercises. It should somehow be connected with vacations," he said.

Major Waldemar Buhler, chairman of the Finnish Reserve Officers' League, pointed out that repetitive exercises are the most difficult for managers and owners of small and medium size businesses. Buhler is the managing director of the Finnish Association of Entrepreneurs.

"Let us, for example, consider a forest machinery businessman. He cannot leave an expensive piece of machinery idle for a couple weeks regardless of how patriotic he may be," argued Buhler.

According to Klenberg's idea, a reserve leader would initially participate in special courses in line with his military tasks and then obtain experience in annual military exercises. When his own troops participate in refresher training, the reserve leader would, naturally, be included.

"In a system of this level there would be those positive traits which are found in Switzerland's militia system and in Sweden's reserve system," said Klenberg.

Klenberg said that he has proposed the idea in his own name. According to him, the General Staff is not planning a militia system similar to Switzerland's.

Nearly 45,000 men participate in refresher exercises annually. In Klenberg's opinion, the Defense Forces would have a need to arrange exercises for a group nearly twice as large.

Labor Costs Not Decisive

Nokia's Managing Director Kari Kairamo, who spoke about the future image of a Finnish business leader, emphasized the importance of data processing skills in leadership. "In the year 2007, we will be living in an information and communications society. This will not mean that leadership will become any easier," he said.

"On the other hand, data processing technology will bring new opportunities to management. Supervision as a routine task of management will become automated and will disappear. The planning task will become emphasized," said Kairamo.

Kairamo predicted that in the future labor costs will not necessarily determine competitive ability. "Instead, personnel will be a qualitative, strategic factor. Competitiveness will be decided by the know-how of personnel," he said.

Kairamo's speech was judged to be excessively Nokia oriented in discussions held in the hallway. Bread will have to be procured by farming and export incomes will have to be earned by the sale of paper and machinery even in the next century. Well-being will not be created merely by talking into mobile telephones or by staring at computer terminals.

10576

Present Parliament Must Decide on Air Force Fighter Choice

*36170141a Helsinki HELSINGIN SANOMAT
in Finnish 30 Aug 87 p 1*

[Article by Matti Klemola: "Air Force's Tough Ransom"]

[Text] The present parliament will have to decide whether Finland will purchase security with 5,000 million. The largest postwar weapons transaction, the procurement of destroyer aircraft, will inflate the defense budget. The military would like to purchase the new generation MiG and the Swedish multi-function Gripen fighter aircraft.

Defense Minister Ole Norrback (Swedish People's Party member) recently made history. He said that Finland must decide on the procurement of interceptor aircraft "within 3 years at the latest". The decision will have to be made by the present parliament. Almost just as historic was the fact that Major General Pertti Jokinen, commander of the Air Force, said that his branch of service is satisfied with the "procurement ratio" of interceptor aircraft. They have been purchased from the USSR and Sweden.

The glasnost, openness, of the defense policy debate, has been the impetus for this article. The Air Force may reach its apex in the year 2000—interceptors, assault aircraft, and effective helicopters.

The bill: approximately 5,000 million markkas...

Since the Air Force is satisfied with the "procurement ratio" of interceptor aircraft, it is not very likely that laymen in parliament will have any more profound thoughts on the matter. The new fighter aircraft, Soviet-made MiG-21 bis-fighter planes and the successors to the Swedish-made Drakens, will come from the same countries.

The successor of MiG fighter planes in Finland will most likely be the MiG-29, which raised a considerable fuss in the summer of 1986. The Western military alliance, NATO, which knows the aircraft by the code name Fulcrum, had to only guess what the MiG-29 looked like until the summer of 1986. For this reason, Kuopio's Rissala Airport was filled with foreign "journalists", when the Fulcrums were shown for the first time in the West.

The visit by the Fulcrums at Rissala was more than just a traditional friendship visit on the part of the Finnish and Soviet air forces. The USSR wanted to present its new interceptor aircraft, which it is planning to export to several countries.

India has already made a decision to manufacture the MiG-29 interceptors under license. The planes are being delivered to Iraq, Jordan, and Syria. The Soviet Union's Eastern European allies, however, do not have any Fulcrums according to international reference books. This points to the fact that the MiG-29, which was put into use by the Soviet Air Force in 1984, is a typical "export model" as was the whole family of MiG-21 fighter planes including the MiG-21 bis fighter planes used by the Finns.

The MiG-29 is a two-engine, especially up-to-date, all-weather interceptor aircraft. Its weaponry is comprised of air combat missiles. It is estimated that the maximum speed of the Fulcrums is approximately 2,300 kilometers per hour. The aircraft is capable of operating from even inadequate airfields and highway bases.

From the point of view of the Finns, it would be especially important to procure a version of the Fulcrum in which there is a so-called downward looking radar. Then the ability of the Air Force to observe and repel cruise missiles would be significantly improved.

Publications in the area of military aviation consider the Mig-29 to be the USSR's attempt to close the technical gap between Western and Soviet aircraft. The Fulcrum even has a Western "outward appearance". It reminds one very much of the U.S. F-15 Eagle fighter plane, among others.

If the aging Mig-21 bis fighter planes are completely replaced by Fulcrums, it would become necessary to procure approximately 30 aircraft.

Gripen's Three Roles

The JAS 39 Gripen fighter plane developed by the Swedes naturally interests the Finns just as much as the MiG-29.

In all those aspects with which the Finns have become familiar in the MiG fighter plane along with all its systems, the Swedish aircraft are also familiar and secure.

The Finns have flown Swedish Drakens for approximately 20 years so that the Gripen would not be a jump into the unknown.

Three roles have been planned for the Gripen. It will be an interceptor (jakt), it will be an assault aircraft (attack), and it will also be used for surveillance (spaning). The performance capacity of this aircraft is still a secret, but it will, without a doubt, fly at a speed twice that of sound and it will be equipped with modern weaponry.

The Swedes began developing the Gripen in 1980. In April 1987, Saab presented the first prototype, which had not yet been flown. The aircraft is small, it is capable of operating from highway bases, which is an absolute necessity from the point of view of modern warfare.

The Finns have considered the procurement of the Gripen a near certainty for a long time already, but many difficulties have begun to hinder the procurement of the Gripen. In Sweden it is argued that the aircraft is a toy, and it is feared that its price will get out of hand.

The Finns now want to make certain that there will be no problems in the counterpurchase negotiations in connection with any bargaining. Presumably, it is for this very reason that the Finns have not played their threat card. It is the French Dassault-Breguet Rafale.

As far as is known there was an unofficial discussion about the Rafale during French President Francois Mitterand's visit to Finland in July, but the Rafale is not so far considered to be a real alternative to the Gripen. The

Gripen will have to make a considerable economic and technical belly landing before the Finns will reject it. At this time, the Gripen project is only 6 months behind schedule.

The success of the Gripen project is extremely important from Sweden's point of view. It would guarantee the continuation of that country's military aircraft production, which, for its part, supports Sweden's neutrality. It is also especially important for Sweden to sell Gripens abroad so that the catastrophe that befell the Viggen fighter plane will not be repeated. The exceptionally expensive and heavy Viggen has not been suitable for others. Sweden has had to bear its development and production costs alone. Therefore, Sweden—if Finland were to purchase the Gripen—would find it especially difficult to be recalcitrant in counterpurchase negotiations. Indeed, Finland is not the only purchasing candidate since neutral Switzerland is also especially interested in the Gripen.

Even though Finland has traditionally purchased weapons from the East, the West, and neutral countries, the basic policy will not waver even if the Draken's successors or ordered from France. Preserving the East-West balance is important, arms purchases from Sweden have been a fine tuning of this position.

The Swedish Air Force has already ordered 140 Gripens. The intent is to deliver them in the early 1990s, and the Gripen should be ready for export before the middle of the 1990s.

This schedule fits well with this since flight hours for the Draken will begin to be exhausted at that time.

If the Drakens are replaced with Gripens, approximately 30 planes will have to be procured. A certain source, however, considers the prospect to be too rosy. He presumes that the procurement rhythm will be very slow; a couple aircraft now, a couple later.

In the 1980s, Finland procured 50 English-made Hawk training fighter planes. The majority of these aircraft was assembled in Finland at Valmet's Kuorevesi Plants.

Even though future fighter pilots are trained on the Hawks, one should not believe that such expensive aircraft will be used merely for practicing rolls in the future.

When the Hawk transaction was put together, the extreme left wing argued that the aircraft were assault fighter aircraft. It was said that their purchase violated the Paris Peace Treaty since the maximum number of fighter aircraft is stipulated at 60 in the treaty.

Helicopters Against Submarines

The Paris Peace Treaty, however, has been interpreted quite loosely for a long time already. Without a doubt, the states signatory to the peace treaty also approved the Hawks, which are equipped as military aircraft. Bombs, rockets, and missiles, which make these aircraft two-seater assault planes, are suspended under the wings of the Hawk.

If the interceptor transactions succeed in the manner desired by the military, Finland should have three destroyer squadrons equipped with interceptors and two equipped with Hawks at the end of this century at the latest—a total of 110 fighter planes.

Helicopters are the weapons of the superpowers. Moreover, it is difficult to imagine the accommodation of so-called combat helicopters into Finland's defense budget.

Something, however, is happening.

In the near future, the Border Patrol will receive its first French-made Super Puma helicopter and the second will be delivered next year.

Even though the Pumas are intended primarily for sea rescue duties, they are also capable of sea surveillance for repelling submarines as well as the rapid transport of special forces.

The Finns have been dissatisfied with Soviet helicopters. Their equipment and technical properties have turned out to be deficient especially in sea rescue duties.

For this reason, it is assumed that helicopters of the Super Puma type will gradually replace Soviet equipment with certain exceptions.

If naval defense and, above all, the capacity to repel submarines is considered too weak, it will certainly become necessary to consider the procurement of full-blown anti-submarine helicopters.

The Soviet-made Kamov Ka-27, which NATO knows by the code name Helix, for example, would be suitable for this purpose.

The Soviet Union has at least for the time being considered the Helix to be so important that it does not want to sell it to the West. Helix helicopters will be seen in air force colors only in the situation that Finland's territorial waters become of more interest than presently to foreign states.

Chief of Staff Jan Klenberg: "Air Defense Keeps Country Free of Conflicts and War

Vice Admiral Jan Klenberg, chief of staff, will not consent to reveal which fighter aircraft will possibly be procured for the Air Force. Nor will he say what the value of the transaction will be not to mention the number of aircraft, but "the renewal of interceptor aircraft in the 1990s will apparently be the largest postwar procurement of materiel ever in the defense forces".

It was not long ago that the military was talking about a secretive "technical inclination". Vice Admiral Klenberg, however, openly talks about the issue.

Aircraft of this type, especially complex defensive equipment, cost more and more. It is a question of an increase at an annual rate of approximately 5-10 percent.

From where does the military intend to obtain the money for the procurement of approximately 60 interceptor aircraft? Even the most conservative estimates are several billion markkas even though the aircraft and the accompanying weapons systems can be kept under 100 million markkas per aircraft.

"Naturally, it has not yet been possible to make complete and final plans for the procurement of fighter aircraft, but the deliberation has been going on for a considerable time already. The obtainment of funds for such procurements could, in my opinion, easily take 10 years."

The "estimating" of procurements over several years is a demanding task since it is a question of an arms deal whose value today is annoyingly close to Finland's present defense budget, approximately 5.6 billion markkas.

"It is a question of a project which will be difficult to fit into future budgets," admits Klenberg.

He refers to the speech delivered by General Jaakko Valtanen, commander of the Defense Forces, in the fall of 1986, in which Valtanen reminded the political decision-makers of the annual funding deficit of approximately a half billion markkas for materiel procurements.

"If this continues, over the long term it will be necessary to cut back on something," says Klenberg.

This is now the "decade of the armed forces" or the intent is to provide Finland with so-called protective forces numbering 250,000 men. Many who know the defense administration, however, suspect that the goal will be met only halfway. The vast weapons and materiel needs of brigades belonging to the protective forces will not be met when procurements for the Air Force become timely.

Sources say that money should be found for the Air Force by the middle of the 1990s at the latest. The peak will be reached sometime at the end of the decade, but the payment of the bill will continue beyond the year 2000.

Even a layman understands that in future years the defense forces will need a much larger piece of national product than to what we have become accustomed.

Nevertheless, Vice Admiral Klenberg outright rejects the idea according to which only a symbolic number of interceptor aircraft would be procured for the Air Force. According to this thinking, the Finnish Air Force would only be capable of conducting recognition flights and "showing the flag" on foreign radar tuned into Finnish airspace. There could be no talk of an actual defense capability.

"Finland Must Have a Real Defense Capability"

"The basis of this kind of deliberation is erroneous. From the point of view of the goals of Finland's security policy, it is absolutely essential that we demonstrate a real ability to defend the inviolability of the nation and its airspace.

"If we reduce the present number of interceptor aircraft, we would be talking about a change in security policy. We must pay a high price for air defense so that we will be able to keep the country free of conflicts and in the final count war. Naturally, the goal is not that we could possibly win a future war, but that we will not become involved in it."

Klenberg says that he does not want to talk about any precise number of aircraft—"whether it is 60 or some other number". He only refers to "three squadrons, which have all-weather fighter planes at their disposal".

International sources, the yearbook "Military Balance" (1986-1987), published in England, among others, states that Finland has 80 fighter planes, thus clearly more than the Paris Peace Treaty would allow. There is, however, reason to suspect that the yearbook includes all equipment for which only the label "fighter plane" can be found.

Klenberg is wondering on "what kind of data and expert knowledge" the idea of reducing the Air Force is based.

"It would be contrary to all current data and development trends," he says and points to military development in the Nordic area.

A demonstration of real operational ability in the air is important: "Especially when certain minimum altitudes are exceeded. The operations of Finland's fighter aircraft are known to everyone in the immediate vicinity. In this way, Finland can send a message of its ability to control

its territory. If we are not capable of this, we will become a factor of uncertainty, which will have to be taken into consideration and commensurate measures will have to be adopted," warns Klenberg.

"Soon Faced With Economic Constraints"

"Because of economic facts, Finland will sooner or later find itself in a situation in which the role and duties of defense forces will have to be reconsidered. It would be better if the deliberation of these issues were to begin now and not in the near future—and then under economic constraints," says Chief Editor Jorma Hentila (People's Democrat).

Hentila, who was a member of the Second Parliamentary Defense Committee and was also involved in the defense commission, which completed its work last spring, does not consider air defense to be a side issue—but the aircraft simply cost too much.

"On what kind of a threat analysis is it possible to base the concept that Finland would need interceptor aircraft for its combat duties," asks Hentila, who also considers the procurement of missile boats for the Finnish Navy to be strange.

"The military supremacy in the Baltic Sea will be decided in the Danish Straits and in the southern sectors of the Baltic Sea in general. If an enemy of the USSR or its Baltic Sea allies, Poland and the GDR, are attacked here, then Finland would be compelled to fight against the opponent which has already struck the Warsaw Pact. On the other hand, the idea of a military conflict with the USSR would mean the bankruptcy of Finland's entire postwar foreign and security policy," says Hentila.

He also is amazed by the creation of a 250,000-man protective force. The force is too large. "During the continuation war, there were 400,000 men at the most in the Finnish Army with the exception of the summer of 1944. Now the situation is even otherwise different. Who, for example, imagines that someday we will again be waging warfare on a large front," he asks.

Hentila considers the reduction of defense expenditures across the board to be inevitable since he predicts that the 1990s will present major national economic challenges. They will collide with the procurements planned for the Air Force, among other things.

In his opinion, it is demagogic to appeal to the YYA [Friendship, Cooperation, and Mutual Aid] Pact between Finland and the USSR, which it is frequently alleged to require that Finland maintain armed forces commensurate with the maximum limits of the Paris Peace Treaty—thus also 60 fighter planes.

"The treaty does not stipulate the size of Finland's armed forces. It only says that Finland will defend its territory *by all the forces at its disposal*.

"In this country there is reason to seriously consider what is a suitable military security system. Soldiers are then to be taught to think that weapons are in the final count the only alternative. The more weapons there are, the greater the security, it is thought. Nevertheless, the final result for the Air Force will be the same whether we have the current number of aircraft or less," says Hentila.

"Finland Needs a New Defense Committee"

MP Mauri Miettinen (Conservative Party member), chairman of the Parliamentary Defense Committee, says in the manner of Vice Admiral Klenberg that national defense is such an important part of Finland's security policy that the weakening of defense capability would have a direct effect on foreign and security policy.

"In my opinion, the interceptor deal is not a sensitive issue, but problematical, indeed. The transactions must be concluded in spite of the economic burden if we want to continue the present security policy line," says Miettinen.

He considers the satisfaction of the needs of the defense forces to be a "national life insurance", whose price will regrettably not decline.

"The future procurements of the defense forces will be of such a massive scale that defense committees will be needed to deliberate them," he says.

The effect of the report of the Parliamentary Defense Commission, a kind of 'rump defense committee', will extend only to the year 1991. The formation of a new committee has not been demanded in a loud voice. It simply does not interest the politicians. Defense force procurements always cost a lot, but their "product" is impossible to measure adequately unless the country ends up in a crisis or even a war.

Miettinen wants to see "persistence and consistency" in the treatment of defense policy matters so that the effect will be felt until the year 2000 and beyond.

MP Antti Kalliomaki, the Social Democratic member of the defense committee, says that the development of defense expenditures must be made proportionate to the state's other expenditures.

"The arguments must be strong before citizens will approve the idea that clearly more will be granted to defense expenditures than to other needs felt to be important.

"The so-called technical inclination is a large problem. It forces a small country like Finland to give very precise consideration to the kinds of weapons systems that are, indeed, necessary."

Kalliomaki does not want to give a direct answer to the question as to whether Finland should have 60 fighter aircraft in the future.

He talks, however, about dangerous "military policy crusades". Such would be the definite reduction—or increase—of the number of fighter planes: "There is reason to avoid unilateral actions since we must also think about our geographical environment. In this situation there is no choice but to be realistic."

10576

Air Force Commander Comments on Fighter-Plane Acquisitions

*36170010a Helsinki UUSI SUOMI in Finnish
21 Oct 87 p 9*

[Article by Heikki Haapavaara: "The Color of the Wings Does Not Matter As Long As It Flies", Air Force Expedites Hawk Purchases"]

[Text] First more Hawks and only then the new first-line MIG-21 and Draken fighter planes in their place.

This is the order of priority for the acquisition of future aircraft by the Finnish Air Force according to Major General Pertti Jokinen, commander of the Air Force.

According to Jokinen, an unconditional minimum amount of 50 Hawk aircraft were ordered when they were purchased.

"We have already lost two aircraft. Statistically, we will lose several more before the next century," thinks Jokinen and points out that flying seems sometimes to be somewhat difficult even with the present number.

He emphasizes that as we get into the 1990s there will no longer be any need to purchase any more Hawks.

"We still intend to fly the Hawks in the year 2000."

According to the commander, even new Hawks could be manufactured by the Air Force at Valmet's plants in Kuorevesi.

"The know-how and the equipment are still there."

Jokinen did not want to reveal the number of aircraft needed. The general, who presented his views in Tikka-koski on Tuesday, also pointed out that if it becomes necessary to compromise on something, then we will compromise on fighter planes, not Hawks and training.

Color Makes No Difference

Jokinen did not want to take a particular stand on the much-talked about gigantic purchase, the acquisition of new first-line fighter planes, the method of procurement, and the country of procurement.

"The color of the wings does not make any difference as long as they fly," Jokinen quoted an old story, in which the pilot was prepared to reach an agreement with heaven as well as with hell on flying in the hereafter.

Jokinen, however, considers the present procurement method — some of the aircraft from the West, some from the East — to be correct. Jokinen does not consent to identifying aircraft candidates. According to him, decisions on new types must be made in 3 years as promised by the Defense Ministry.

"Otherwise, the defense forces will not have any fighter planes in the next century."

MIG From USSR, JAS From Sweden

Finland is seeking interceptor reconnaissance planes. They are estimated to cost 100 million markkas each and several dozen will be purchased. Finland will probably buy new MIG-29 fighter planes from the USSR. On the other hand, a struggle is being waged over the location of Western fighter planes. According to Jokinen, there are four—five aircraft candidates. The JAS fighter plane, which is still in the planning stages in Sweden, is the strongest contender. The French Mirage-2000 has often been mentioned as a competitor, however, less worthy of consideration.

No Place for Redigo

According to the general, the Air Force will not be buying the Redigo training aircraft being marketed by Valmet.

"I know that Valmet would sell it to us. It simply does not have a place within our chain of aircraft," explains the general. Jokinen also has a slight complaint about the Redigo's high price.

10576

FRANCE

Expectations From MATRA Privatizations Examined

*35190014b Paris LIBERATION in French
10 Sep 87 p 10*

[Article by Francois Vey; first paragraph is LIBERATION introduction]

[Text] Before the privatization scheduled for the end of October, Balladur has set up a "specific share" allowing the state to control future changes in the capital of MATRA [Mechanics, Aviation, and Traction Company]. The objective: to prevent a foreign takeover. Following British Aerospace and Sweden's Ericsson, the West German Daimler-Benz is now a candidate for 5 percent of the firm's capital.

From now on, it will be necessary to show one's credentials before being allowed a share in the capital of MATRA, whose privatization is scheduled for the end of October. Not only in order to gain admission to the "hard core" (the group of stable stockholders so dear to Edouard Balladur), but also to buy a significant share of that group, which is one of the jewels of French industry in the field of defense and aerospace.

On Tuesday evening, the minister of state announced his decision, "in agreement with the minister of defense," Andre Giraud, to establish "a specific share" of MATRA'S capital (modeled on the British "golden share") to be held by the state. That share will enable the state to control future changes in MATRA'S capital, about 51 percent of which is currently owned by the state. Until 1992, the government will be able to oppose any purchase of more than 10 percent of MATRA'S stock.

The Ministry of Economy, Finance, and Privatization had already made a trial run with golden shares by establishing them for the Elf-Aquitaine (petroleum) and Bull (data processing) firms, but both those groups remained in the public sector. Then the Havas communications group was granted one last May in connection with its denationalization. This time, with MATRA, the golden share is being officially justified by reference to the group's "strategic importance in the military area in particular."

It comes as no surprise. Government experts who were questioned about the denationalization bill in the spring of 1986 wanted in particular to keep the arms industry from falling into foreign hands.

"This shows the government's desire to protect us from offensives from inside or outside the country and to prevent raiders from moving in" was the comment from MATRA when Balladur's decision was announced. The group headed by Jean-Luc Lagardere would have preferred, however, to avoid the "specific share" on the grounds of its own "specific nature." After all, when his group was nationalized in 1982, Lagardere had managed to avoid the procedure of appointment by the Council of Ministers that had applied to the other PDG's [chairmen and general managers] of nationalized firms. And of all the PDG's both before and after 1982 and then before and after 1986, he is the only one who has managed to keep his post. Maybe the latter explains the former.

At any rate, MATRA'S privatization is whetting appetites. The establishment of a golden share did not prevent Daimler-Benz, the leading West German industrial group, from announcing in Stuttgart yesterday that it intends to acquire 5 percent of MATRA'S capital. Daimler has thus joined the long list of candidates for MATRA'S hard core, among which British Aerospace and Sweden's Ericsson, which is already an important partner with MATRA in telecommunications, are being mentioned as examples.

Scheduled to follow the denationalization of Suez, MATRA'S privatization will constitute a "minor" financial operation. Based on the market price of its shares, MATRA is worth some 4 billion francs. A number of "small" stockholders representing from 500,000 and 1 million francs would constitute a good score in the selling of MATRA shares. But the transfer of this fourth-largest industrial group (after Saint-Gobain, the CGE [General Electric Company], and the CGCT) into private hands promises to be relatively complex. This coming 19 October, the number of MATRA shares is supposed to be increased 12 times so as to ensure an optimal distribution to individuals wanting to buy the fateful 10 shares (orders for more than 10 will not necessarily be filled). In the meantime, an invitation to bid and the conditions of sale are due to be issued by the Ministry of Economy to recruit candidates for the hard core (between 20 and 25 percent of the capital).

That will be followed by a public offering of MATRA shares exclusively within France and an increase in capital (theoretically on the order of 750 million francs). The procedure will be modeled more or less on that followed with the CGE.

The personnel, who already own a great many shares in MATRA, Inc. (the parent company of the group), are expected to subscribe generously to the 10 percent reserved for them. MMB, which is the financial holding company set up by Lagardere to separate his media activities (Hachette and Europe 1 Radio) from the rest of his group, should logically recover the better share of the privatized MATRA (see LIBERATION, 28 May 1987). Lagardere has never made any mystery about that. "When privatization takes place, we will be well situated," he emphasized as far back as October 1986. Meanwhile, some 750 million francs were set aside by MMB last May, most of which it will use to "pay itself" for MATRA.

Solidly entrenched in its two major fields of basic activity—armament and now aerospace as well within the group, plus communications—MATRA, which has 26,000 employees and a turnover of 14.45 billion francs, is not going to experience any disruption in its field or in its strategy as a result of privatization. Like other firms working for the defense sector, MATRA is going through a difficult time. Like Thomson, MATRA—which, among other things, manufactures air-to-air missiles for all fighter planes in the French Air Force and Navy—is suffering the repercussions of the slump in sales of Dassault aircraft in particular.

But the relative share of the group's activities that is represented by defense has declined over the past 3 or 4 years, and that decline is going to continue until the 1990's. Thanks to the military—that "crucible in which all advanced technologies are forged and developed,"

according to Lagardere—MATRA has two great potentialities for the future: its know-how in computer software (the “brains” of missiles as well as of satellites) and the interpenetration of space, defense, and telecommunications technologies. Which brings us to the famous Star Wars.

11798

SNECMA Reports Large Loss for First 6 Months of 1987

35190014c Paris LE FIGARO in French 29 Sep 87 p 17

[Article by P.K.]

[Text] The National Aircraft Engine Design and Manufacturing Company (SNECMA) has just announced an unconsolidated net loss of 162.4 million francs for the first 6 months of this year, compared to a profit of 4.9 million francs for the same period in 1986.

That loss needs to be seen in relation to the company's turnover for the first 6 months: 4.12 billion francs, or 12.56 percent less than in the same period in 1986. Operating results before interest were also down, having dropped from a profit of 500,000 francs to a deficit of 80.6 million francs.

Uncontrollable Phenomenon

It should be recalled that last year, SNECMA earned a net profit of 46.2 million francs on a turnover of 10.25 billion francs. The SNECMA group, on the other hand, suffered a net loss of 67 million francs on a turnover of 15.4 billion francs.

According to SNECMA, the poorer results for the first half of 1987 were due to the declining dollar, which affected sales of civil aircraft engines, and to “a sizable gap in the delivery of military engines.” As is known, the Dassault Company (see our editions for 18 September) also used that excuse as a partial explanation for the poor results it also recorded during the first 6 months of the year.

It happens that SNECMA's current military activity is highly dependent on the Dassault Company, which it supplies with engines for the Mirage-2000 and the Alpha Jet in particular. The French market for military aircraft is too small to support an industry, so exports are necessary. Dassault has sold only 11 aircraft outside of France over the past 18 months, and that is certainly having unfortunate repercussions on SNECMA's activity. And the Rafale aircraft, which will succeed the Mirage-2000 and use M-88 engines, is still too far in the future to have a beneficial influence on SNECMA's work load.

The situation at Dassault is so worrying, incidentally, that the chairman and managing director, Serge Dassault, has just announced that it will be necessary “to reexamine the problem of staffing, which is rapidly becoming overabundant.”

Fortunately, the civil engine sector at SNECMA is in better health thanks to the CFM-56 in particular, which was built in cooperation with General Electric. The 2,000th CFM-56 has just been delivered.

Since it exports 80 percent of its production, SNECMA is a victim chiefly of the currency in which its sales are billed, and that currency is the dollar. In 1985, the average value of the greenback was 8.75 francs, and last year it was 6.95 francs. It is currently quoted at 6 francs and a few centimes.

According to Bernard Capillon, the firm's chairman and managing director, a drop of 1 franc in the value of the dollar means “a shift of 500 million francs” for SNECMA.

The reaction to that phenomenon, over which industrialists have no control, varies varies scarcely at all from one country to another: it is to improve productivity. SNECMA, which has already recorded a 60-percent gain in 5 years, is working hard to do so.

11798

NORWAY

Army Command Considering Cutting Units Because of Officer Shortage

36390009c Oslo AFTENPOSTEN in Norwegian 23 Oct 87 p 3

[Article by Live Hegna: “Army To Reduce Activity?”]

[Text] The army command is considering to abolish units and discontinue activities due to a shortage of officers. As is stated in a letter to the army units in the country, the proposal for a reduction of activities will be in the hands of the army command by 6 Nov.

The defense chief, general Vagleik Eide, does not consider the situation to be dramatic. According to press spokesman colonel Gjeseth, the defense chief thinks that the reductions are a natural consequence of the retirement of officers and a change in the training procedure which has again led to “hole” in the officers' corps.

Order

Colonel Gjeseth tells AFTENPOSTEN that the order from the Defense Department to carry out a “general count” of all material in the armed forces is drawing

some people away from other activities. But he believes that the order from the department is not the determining factor for the reduction the army is facing now.

Gjeseth also says that the standing units in Northern Norway will be given priority, while it is first of all planned to reduce some of the course activity. Gjeseth says that if major cuts are involved, the Defense Department would be consulted.

12831

PORTUGAL

Involvement in French Arms Sales to Iran

Relationship With French Scandal

35420026a Lisbon EXPRESSO in Portuguese
21 Nov 87 pp 50R-52R

[Article by Joaquim Vieira: "Luchoire Case: the Portuguese Storehouse"]

[Text] When this edition reaches the street, a cargo vessel should be nearing the Setubal dock, ready to take on a shipment of howitzer ammunition bound for Iran. This fact per se is nothing new because, since the start of the war between Iran and Iraq, about 7 years ago, the Portuguese weapons industry has been regularly supplying the armies of both warring countries on a merely commercial basis. In this instance, however, there is an element to arouse additional curiosity: the fact that the mortar grenades now being shipped to the Iranian fundamentalists are associated with an issue that has been agitating the French political scene during recent weeks: the Luchoire scandal.

The features of the "dossier" have been widely publicized: From 1982 to 1985, Luchoire (a French armament company) provided Iran with between 450,000 and 500,000 units of ammunition for 155 mm howitzers, despite the ban on sales of military equipment to the Khamenei regime ordered by the French Government immediately after the war broke out. When the case was recently published in the Paris press, it was claimed that the French Socialist Party [PSF] might be an accomplice (and even a beneficiary) in this operation, occurring during the period when it occupied the executive branch.

The disclosures were made based on a report from the French Armed Forces' inspector general, Jean-Francois Barba, made during the early months of last year, when the Socialist Government itself decided to stop the activities being carried out by Luchoire on behalf of the Iranian authorities. The reasons for the revelation of the case at this time seem to be more closely associated with the proximity of the French presidential election campaign than with a concern over the discovery of the illegal activities in which the French business sector is

engaged with Khamenei. Last Monday, Francois Mitterrand denied his involvement or that of PSF in the "affaire," but, in any event, the scandal caused by the public disclosure of Luchoire's Iranian transactions has not subsided.

Continued Negotiations With Tehran

Following the release of the Barba report, the French news media speculated on the possibility that Luchoire might have continued doing business with Tehran even after the government suspension of those operations, decided on in March 1986. Nevertheless, no indication was found that this might be occurring until last week, when EXPRESSO cited a possible Portuguese ramification of the Luchoire case. And it is with this that the ship docked in Setubal is connected.

According to reports gathered this week, there is, in fact, every indication that Luchoire decided to transfer the supply of 155 mm grenades, which it could no longer sell from France, to Portugal. The business is tempting, because the Iranian Army consumes about 5,000 projectiles of this type per day, on the average. Hence, it is not surprising that anyone who has them on hand should be unwilling to lose it because of a mere government ruling.

The central figure in the "Portuguese connection" is Mario Appiano, an Italo-American who was a colonel in the U.S. Air Force, currently engaged in the lucrative international arms trade. Appiano was already a key element in the Luchoire scandal because, according to statements made by the president of this company, Daniel Dewavrin, quoted in the Barba report, the Italo-American is the one who was ensuring the direct contacts with the Iranian military making their purchases from Luchoire. Furthermore, Appiano was directing two branches of Luchoire in Italy: Societa di Armamento (SEA) and Consar, the one with whom the Iranians were placing direct orders for the equipment purchased from the French company. In fact, it was the former USAF colonel who, representing Luchoire, was responsible for the transactions with Iran.

It was Mario Appiano himself who, a few months ago, appeared in Portugal seeking a factory that would assemble 155 mm mortars for export to Iran. This was apparently an attempt to lend continuity to Luchoire's interrupted orders. The contract was eventually made with the Portuguese Explosives Company (SPEL), the majority of whose capital is controlled by the state through INDEP (National Defense Industry, Public Enterprise). However, the Portuguese side confined itself to handling the final assembly of the ammunition components arriving from foreign countries. The amount of the order is 150,000 parts, with an approximate value of \$90 million (12.3 million contos), only a quarter of which will remain in Portugal.

Appiano-Luchaire Link Maintained

The intermediary ensconced himself at the Hotel Ritz in Lisbon, where he also rented a suite (number 123) at 22 contos per day, to attend to his commercial contacts. Appiano is known for his mobility in business and, at the outset, there was nothing to indicate that he would continue to work for Luchaire, much less that this firm might be behind the contract with SPEL. In Portugal, however, he identified himself as a Consar official and, based on what EXPRESSO learned from a well-informed source in Paris, the Italian company is still a branch of Luchaire.

Last week, the Italo-American was away from Portugal, and impossible to locate, so as to ask him in whose name he was operating. Although he had a reservation at the Ritz starting on Monday of this week, he decided to cancel the booking on that same day; and hence the contact was left unmade. Nevertheless, a collaborator of his, who identified himself as Gino Walter, of Italian nationality, is still providing for the daily service in suite 123. When contacted by EXPRESSO, he confirmed the fact that he was working for Consar, but said that he and Appiano were in Lisbon to negotiate the purchase of ships. Withdrawn and annoyed at being approached, he refused to give any further information or to allow himself to be photographed.

However, EXPRESSO learned during the week from Portuguese sources in the sector that the contract signed between Mario Appiano and SPEL is real, and has been executed since last summer, with the last shipment to be made in May or June 1988. Nevertheless, we have yet to learn the origin of the explosive with metal casings that the Portuguese industry was using in the manufacture of the grenades; but the same sources note that Luchaire might be behind both supplies.

To fill the order, SPEL subcontracted the filling of the grenades with the explosive material to another firm in the sector: Trafaria Explosives (EXTRA), also under state control. This company has been assembling the components since the beginning of the contract, and it is anticipated that SPEL will not have its factory available for this purpose until next year.

It is not a new experience for EXTRA to be working with Luchaire. In 1983, to fill an Iranian order for over 50,000 units of 155 mm ammunition, the Portuguese firm acquired the respective explosive from Luchaire. But on that occasion Tehran made the contract directly with EXTRA, and the French confined themselves to providing one of the components.

Equipment 'Without Strategic Value'

Moreover, Luchaire itself has already made previous attempts to deal with Portuguese military equipment firms, for the purpose of engaging in joint projects intended for Khamenei's Islamic fundamentalists,

wherein the French company's mission would be to supply the components. Sources from the sector claim that Luchaire began these contacts just a few months after the start of the war in the Gulf; adding, however, that they do not know whether the talks reached a successful conclusion.

Grenades and Chickens

The companies' administrators consistently refuse to make any comments on an activity wherein, more than in any other, secrecy is the crux of the business. Nevertheless, confidentially, and developing a rationale already used when there was talk of the Portuguese involvement in the Iran contra affair, they do make certain general observations: They stress that there is no limitation in Portugal on the sale of military equipment to the combatants in the Gulf; that all the contracts made with countries of the region have the proper approval from the responsible government authorities; that this business will, in essence, be the same as any other; and that, for a sector that is in a state of crisis, the orders received from the Middle East or any other part of the globe are welcome, since they keep in operation industrial units which would otherwise run the risk of closing down.

Based on the same viewpoints, the quality of the equipment sold by Portugal would not even suffice to raise any doubts of a political nature. The fact is that the rudimentary ammunition (of light and heavy caliber) manufactured here could not withstand comparison with the range of highly sophisticated equipment that the technologically developed powers sell or use in a conflict of this type. Those sources conclude that a war will be decided with the latter equipment, not with the type that Portugal produces and sells.

According to one of the persons contacted, the grenades that the Portuguese industry is currently manufacturing for Iran "have far less strategic value than a certain type of vital product for maintaining a war, such as flour or oil." And, expressing annoyance at the fact that the press would disclose this type of business, he added: "Even the chickens that Brazil sells to Iraq are more important, and no one mentions that or the other things."

Perhaps. But when scandals with the political dimensions of the Luchaire or Iran contra cases spill over here from other borders, how can we remain indifferent?

The EXTRA Mystery

What would have prompted a company to agree to produce an order the manufacturing cost of which exceeds the sales price? This is the strange mystery surrounding Trafaria Explosives. In 1985, the firm (whose administrative head was then Comdr Guilherme Alpoim Calvao) concluded a contract with Iran for the supply of heavy caliber (203 and 103 mm) ammunition,

the fulfillment of which, according to the Fiscal Council's report issued this year, "has caused major damage, not only because the sales prices are lower than the costs, but also because the client has used contractual shortcomings to delay payments and to refuse to accept some of the equipment."

Also in 1985, EXTRA closed its accounts with a negative net situation amounting to over 800,000 contos. As a result of this balance, the stockholders (among whom the Portuguese Financial Association [SFP] holds a majority, of 51 percent, with stress to be placed on the major share held by the Spanish company, Rio Tinto, totaling nearly 30percent) decided to revamp the administration completely. But the former managers left a time-bomb in the company: having to continue assuming the commitments required by the contract with Iran, EXTRA would reach the end of 1986 with losses exceeding a million contos and a negative net balance of over 1.6 million contos. In its report, the new administration headed by Col Filipe Themudo Barata (formerly with INDEP) placed upon the notorious contract the blame for a situation that would lead the firm into technical bankruptcy.

The Fiscal Council, in turn, noted that an internal auditing made in the meantime had afforded the discovery, in the 1985 accounts, of a "gap" exceeding a million contos in the supply balance. This organ added: "However, there is no record in the minutes of the General Assembly which approved the respective accounts that any steps were taken to ascertain the liability for such a serious anomaly."

From Conakry to Works of Art

However, despite the firm's condition, some of its officials did not conceal signs of personal prosperity. At the time when he left EXTRA, Alpoim Calvao (whose military service record shows that he headed the Portuguese invasion of Conakry in 1970) purchased the Barcarena Powder and Ammunition Company; while a shipping firm of an attorney for the administration, Angelo Caldas (whose record indicated him as "procurement agent to the board of directors" of Trafaria Explosives), retained the valuable freightage for transporting the order to Iran. It is known that both have recently invested many thousands of contos at auctions selling works of art and antiques.

As for the disastrous situation of EXTRA, despite the dissatisfaction expressed by the SFP administrators upon discovering the negative balance, and the facts revealed by the Fiscal Council, there has been no investigation (from what EXPRESSO learned) to ascertain who was responsible. However, from the standpoint of taking some precautions for the future, SFP has stopped providing financial support for contracts made with Iran or Iraq; clients which, as one of its officials told EXPRESSO, do not offer satisfactory guarantees insofar

as the recovery of the payments agreed upon is concerned. The problem is that EXTRA has essentially been supporting itself from this type of transaction; and hence all this could represent a serious threat to its future.

Some of those familiar with this branch of industry think that the current state of affairs is also related to a certain amount of resentment over the fact that consecutive governments, although they hold control over all the Portuguese military equipment factories, have observed the situation, refusing to intervene in a sector which requires thorough restructuring. For example, it is difficult to explain why there are two companies with coinciding activities (EXTRA and SPEL); whereas the international competition would suggest a single firm, with a greater capacity for external movement.

'Record' Sales to Iran

35420026a Lisbon O JORNAL in Portuguese
20 Nov 87 p 2

[Excerpt] Sales of national weaponry to Iran will set a new record this year. After the first half, when Portugal supplied over 750 contos' worth of ammunition to the Tehran regime, a new order involving 12 million contos is being filled by the Portuguese Explosives Company. A source from that company disclosed to O JORNAL that, "The supply is from a foreign firm, because the Portuguese Explosives Company is not selling anything to Iran." In an industry wherein secrecy is the "crux of the business," the responses are necessarily evasive: "We never ask our clients where the ammunition is going," he explains.

The reports coming to light regarding a new supply of weaponry to Tehran, involving over 12 million contos' worth of casings for 150,000 units of howitzer ammunition, have not been officially confirmed; something which, in this industry, does not mean that they are groundless.

The same source remarks: "Lucaire (the firm implicated in what is now being called the "French Irangate") is not our client, and I don't know of any company called Consar (cited as one of the Italian branches of the French firm)."

Besides the negative reply, the same source is ironic when confronted with the name of Mario Appiano, mentioned as Lucaire's commercial agent, with an office recently set up in Lisbon: "I neither confirm nor deny knowing him"; referring to the former U.S. Air Force colonel and director of the contacts made in Portugal, who is currently out of our country, based on information given to O JORNAL by its collaborator.

The reason for the secrecy and circumspection is discussed overtly: "The comments in newspapers upset our business, which is not dirty, but rather transparent." Transparent and, as the subject of our interview stresses,

carried out with official approval.“ ”Our own industrial activity exists only insofar as it is authorized by the competent superior entities.“

Similarly, the award to Trafaria Explosives of the loading of explosive material in the casings of the 150,000 units of howitzer ammunition has not been confirmed, although the comment is made that, “It may have happened, and could happen again.”

The weapons factories’ reluctance to speak has prompted silence in government circles, and an Iranian diplomatic source confined himself to noting that the process of purchasing weaponry does not go through the embassy.

Nevertheless, the numbers have been made public, and the sale of ammunition to Iran is a business accepted by the companies in our country engaged in this industry, translated into the tables on the trade balance for 1986, when sales declined to 2.3 million contos, while the deficit in the trade balance with Tehran amounted to over 3 million.

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Continuing Corsair Aircraft Losses Questioned

*35420026b Lisbon EXPRESSO in Portuguese
28 Nov 87 p 11*

[Text] The Air Force has not yet determined the physical causes underlying the downing of another Corsair, which occurred last Tuesday near Mira de Aire.

According to the head of the branch’s public relations department, an investigation has already been opened of the circumstances under which the disaster happened, one from which the captain, aviator pilot Henrique Manuel Henriques da Silva, emerged unharmed, having ejected before the aircraft hit the ground.

It should be recalled that this was the seventh airplane of the A-7 type to crash since their arrival in Portugal during 1982. The controversy created at the outset regarding the process for purchasing the fighter planes seems to rekindle every time (because of accidents) the number of units purchased by the FAP [Portuguese Air Force] in 1979 from the American firm Vought, when it was on the brink of bankruptcy, is reduced.

In May of last year, following the downing of another Corsair in the locality of Pocarica, an aviator pilot told EXPRESSO that there were already “but few A-7’s flying,” and those still flying “were doing so under rather precarious conditions.”

Nevertheless, unreassuring comments such as this have been refuted by FAP officials, although General Lemos Ferreira told the press on 8 January 1982 that the decision to order the 50 Corsairs from the Vought Corporation was agreed to “for lack of financial resources, a situation technically understood by the U.S. authorities.”

This aircraft, which had been used by the U.S. in the Vietnam War, was being withdrawn from service (during the very year that they began arriving in Portugal), and replaced by the ultra-sophisticated F-18’s.

The unusually high rate of breakdowns discovered in airplanes of this type, and their claimed inadequacy for missions of national interest have been cited several times, not only by Air Force experts and officials, but also by specialists in matters relating to aeronautics.

The controversy which arose about the process for purchasing the aircraft (which had already fallen into disuse when they arrived in Portugal) extended to the price of the purchase itself. As the press reported at the time, the Air Force has spent the budget appropriation for the entire order on repairs alone, made on the first 20 fighter planes to land on Portuguese runways.

No doubts regarding the matter have been dispelled to date. General Lemos Ferreira himself (the one mainly responsible for the selection of the A-7’s, when he was serving as Air Force chief of staff) has always confined himself to accusing those who criticized him, or taking to court reporters who divulged certain less clearcut situations associated with the case.

In February 1985, the problem was submitted to the Assembly of the Republic by deputies demanding explanations for the expenditures on the Corsairs, and information on the accident which, at that time, caused the death of the aviator pilot, Lt Colonel Graca Melo, whose plane crashed along Vieira de Leiria. Although this occurred nearly 3 years ago, the fact is that (as we have learned) the responses to these requests have not yet reached Parliament.

2909

EUROPEAN AFFAIRS

Federal Fiscal Court President Klein on EC Fiscal Reform

36200031 Frankfurt/Main FRANKFURTER
ALLGEMEINE in German 7 Nov 87 p 15

[Article by Franz Klein: "On Future Financing of the EC: Community Needs More Capital Resources of Its Own"]

[Text] All hope is now for the FRG presidency during the first half of 1988: Will it be possible to put the European Communities (EC) on a solid fiscal basis? The many failed attempts to undertake a drastic restructuring of Europe's finances are cause for pessimism. There is no lack of proposals. Prof Dr Franz Klein, president of the Federal Fiscal Court, has prepared a critical analysis of the many financing possibilities. His central thesis is that the EC needs more resources of its own in order to free itself from its dependence on member states.

The EC's main problems are not of a temporary nature. Even if it should be possible to cut the agricultural expenditures to an acceptable level, the future fiscal needs of the EC will be significantly larger than the present ones. The long-term solution cannot be to find year after year that the fiscal revenues of the EC are considerably less than its expenditures and to look for a compromise that requires tremendous political efforts and causes serious conflicts among the European Parliament, the Council, and the Commission. This is why there is increasing recognition today that the EC fiscal system must be reformed and more attention must be paid to the needs of the future.

Work on such a fiscal reform must advance fast so that the new directive on stable and guaranteed resources can go into effect on 1 January 1989 or, if ratified by the member-state parliaments before yearend 1988, retroactively on 1 January 1988. It is hoped that a decisive breakthrough can be worked out under the FRG presidency during the first half of 1988. In line with a Commission proposal, the negotiations will largely focus on including gross national products in the basis for assessing the EC's own resources.

At any rate, we can only speak of an EC fiscal reform if it goes beyond a mere increase in EC resources. The fiscal reform must primarily meet the following three requirements:

- A lasting solution must be found.
- The burden must be distributed as widely as possible among the member states. That means, the wealthier countries must contribute relatively more than the poorer nations.
- The new fiscal system must mean genuine progress on the way to European unification. In the Single European Act, which went into effect on 1 July of this year, the EC member states agreed on the objective of

establishing a European Union. According to that document, solutions must be examined that bring the EC closer to that goal, instead of leading it away from it.

European Unification Remains the Objective

For the fiscal reform to be a step forward toward European unification, the EC must be made less dependent on its member states. The only way to accomplish this is to augment the EC's own resources. Ways must be examined to provide the EC with larger tax revenues of its own.

At the moment, the EC is still far from being a European Union or, indeed, a federal state. However, the German experience since 1871 has amply demonstrated the difficulties, even a federal state faces, in achieving an equitable tax distribution among the various areas. The FRG, with its federalist structure, is therefore the only EC member that can contribute its experience to the discussion of a new EC fiscal system.

The Reich Constitution of 16 April 1871 left the federal states (Laender) in a strong fiscal position vis-a-vis the Reich. The Laender were entitled to the major revenue-producing and expandable taxes. The Reich, on the other hand, was only entitled to customs revenues and indirect taxes. Since this was not enough to cover the Reich's fiscal needs, the Laender made financial contributions to the Reich. In due time, the Reich was also allocated the revenues from some direct taxes, e.g., the royalty and stamp tax, the inheritance and renewal tax as well as a contribution to military expenditures, and the current property tax. In World War I, the war tax (a one-time property increase tax and excess profit tax), the extraordinary war tax (a tax on increased incomes and excess profits), and new consumption and transportation taxes (including the sales tax) were added. However, to the very end, the Reich remained dependent on financial contributions from the states.

While under the Reich Constitution of 1871, the position of the Reich vis-a-vis the states was relatively weak in fiscal terms, the situation reversed itself under the Weimar Constitution. The Reich was given the responsibility for tax and other revenue legislation to the extent that these revenues were used, entirely or partially, for budgetary purposes. This enabled the Reich to design a comprehensive tax system. Thus the income tax, the corporate tax, the sales tax, the inheritance tax, and the real estate transfer tax became taxes levied by the Reich. In addition, the Reich expanded the consumption and transportation tax. This made it impossible for the states to cover their fiscal needs through revenues levied by them. For that reason, the Reich allocated to the states a fixed percentage of its receipts from, primarily, the income and corporate tax, the sales tax, the inheritance tax, the real estate transfer tax, and the motor vehicle tax. At the same time, elements of vertical compensation (an additional share of the income and corporate tax for

states with low tax revenues, and partial distribution of the sales tax among the states based on the number of their population) were added to what the states collected from the income, corporate, and sales tax.

The Basic Law was the first German constitution that sought to undertake a comprehensive review of fiscal laws. It permits the Federal Government and the Laender to share all national revenues in the most equitable and appropriate way. In accordance with present laws, federal taxes include primarily customs fees and consumption taxes, except for the beer tax. The Laender are entitled to the property tax, the inheritance tax, the motor vehicle tax, the beer tax, and most transportation taxes. The income tax, corporate tax, and the sales taxes are shared by the Federal Government and the Laender. They are distributed between the Federal Government and the Laender, in accordance with fixed percentages.

The German experience has shown that the process of a proper allocation of tax revenues is difficult and time consuming. Thus, providing the EC with its own tax revenues probably will have to be done in small and cautious, rather than large steps. Yet this is no excuse for not thinking about such steps as a way of moving closer to European unification. Toward this end, the existing EC fiscal system must be thoroughly examined in terms of possible ways for the EC to augment its tax revenues.

Relevant for the EC's current own funds is the Council Decision of 7 May 1985 on the Communities' System of Own Resources. According to Articles 2 and 3 of the Decision, the following revenues constitute own resources to be entered in the EC budget:

- EC levies and other fees in respect of trade with nonmember countries within the framework of the common agricultural policy or within the framework of the common organization of the markets in sugar.
- Duties on imports into the EC.
- Up to 1.4 percent of a uniform valuation basis for the value-added tax.

The objective to provide the EC with its own revenue has only partially been achieved. This is because the EC share of the value-added tax is not really the EC's own revenue (own tax creditorship). In the FRG, where both the Federal Government and the Laender share in the value-added tax, this is shown by the fact that the EC does not have the same revenue sovereignty as the Federal Government and Laender. Hence the EC share of the value-added tax is not deducted before it is allocated to the Federal Government and Laender, but that it comes out of the Federal Government's tax share.

Neither do the other member states view this share of the value-added tax as something the EC is entitled to by operation of its own law. Rather, they continue to see it as a financial contribution of the respective country. This explains the mechanism under which Great Britain

obtains relief. Also, the common assessment basis for the value-added tax has so far not been used by all member states. Spain and Portugal do not follow the system, but pay national contributions.

For citizens in EC member states, the EC share of the value-added tax is nothing but an internal clearing problem between the member states and the EC. How much value-added tax they have to pay depends solely on decisions made by their national legislature. Hence, from the citizen's point of view, EC expenditures have a very remote impact on the level of his tax liability.

Nevertheless, it is already clear that the maximum 1.4 percent share in the value-added tax will probably be insufficient in light of the EC's growing responsibilities in connection with the establishment of an internal market.

Europe Has No Need for Fiscal Authority of Its Own

This is why the heads of government, in the 7 May 1985 Decision on the Communities' System of Own Resources, have considered raising the share to 1.6 percent, starting 1 January 1988. However, this, according to the 7 May 1985 Decision, requires a unanimous Council decision. Moreover, the increase must be ratified by the member states. If they fail to reach unanimous agreement, or if only one member country does not ratify it, a dangerous deficit between the EC's expenditures and revenues may develop.

Above all, the Commission has proposed that the EC value-added tax share no longer be based on a harmonized assessment basis, but on the member states' gross national products. That means common value-added tax revenues will be reduced to 1 percent of the real (no longer harmonized) assessment basis in the member states. The members will then have to contribute an additional share of the value-added tax, based on their respective gross national products. Until 1992, the maximum rate of the EC's total annual revenue mobilized through the value-added tax share will be 1.4 percent of the gross national product.

Linking the value-added tax to the gross national product of member states has the big advantage of resulting in a more equitable distribution of the burden among the member countries. The disadvantage, however, is that the EC value-added tax share would lose even more the character of a genuine EC revenues. A share, which differs from country to country and changes with the development of the gross national product, seems to suggest from the start a greater similarity with financial contributions by member countries, rather than a true revenue sovereignty of the EC. Therefore, in terms of the objective of providing the EC with revenues that are truly its own, the proposal is a setback, rather than a step forward.

If we want to provide the EC with more resources that are truly its own, we must find ways to allocate the EC the right to revenues from one or several other taxes or tax shares, in addition to customs duties and compensatory levies. To do so, we must first of all clarify that EC revenue sovereignty does not require the EC to collect the respective taxes or tax shares through institutions of its own. The German interpretation is that the administrative tax law is silent on who, as tax creditor, is entitled to the tax. For instance, in the FRG, the beer tax is administered by the FRG fiscal authorities, but goes to the Laender. Conversely, the Laender administer, among other taxes, also the stamp duty, but the revenues go to the Federal Government. The FRG Government's main tax revenues come from its share of the income, corporate, and sales tax. All of these taxes are administered by the fiscal authorities of the Laender, although they do so at the request of the Federal Government.

Neither is it absolutely necessary to link revenue sovereignty and legislative jurisdiction in order to formulate the respective tax. In the FRG, the Federal Government has the legislative jurisdiction over most Laender taxes. By the same token, the Laender have true revenue sovereignty over their shares of the income, corporate, and sales tax, although the Federal Government has the legislative sovereignty for these taxes.

However, the FRG model cannot be readily transferred to the EC because the EC is not a federal state. Hence the EC cannot participate, to any comparable degree, in the tax legislation of its member states, as the Laender are able to do via the Bundesrat [Upper House of the FRG Parliament] with regard to the formulation of federal laws. If we want to avoid that the EC's own tax revenues continue to look as if they were merely an internal clearing problem between the member states and the EC and, therefore, still fiscal contributions by the member states, steps must be taken to make the EC appear to its citizens as the tax legislator. This can be accomplished by giving the EC the authority to handle all legislation for the respective tax, including its material elaboration. It may, however, be sufficient if the EC has a direct influence on the tax rate the individual citizen must pay, e.g., the right to establish a tax rate in line with a nationally established assessment basis.

A Value-Added Tax Rate for the EC

However, EC legislation that would have a direct impact on the tax rate the individual citizen must pay cannot be supported if—as is currently the case—the legislation originates with the EC Council, which is made up of government representatives of the member states. In view of the serious impact taxes have on the citizenry, only elected representatives with direct parliamentary credentials should be permitted to pass tax legislation. For the EC to have its own legislative sovereignty for taxes or tax shares requires, therefore, more involvement of the European Parliament in this legislation. It is also out of the question for the EC to be given virtually

unlimited authority to access all possible assessment bases for national taxes or the unrestricted right to levy taxes, as provided for in Article 71, Paragraph 2, of the draft Treaty submitted by the European Parliament concerning the establishment of the European Union. An authority, worded in such general terms, is unthinkable, even in a future European Union. Therefore, what we have to look for are very specific taxes that can be transferred, in their entirety or in part, to the EC.

Direct taxes that may be transferred to the EC in their entirety or in part will probably have to be excluded from such a search. The entire complex of direct taxes varies so much among the individual member countries and also differs so greatly in its importance within the framework of national tax systems that a large-scale harmonization, which would be necessary to transfer a specific tax, either wholly or partially, to the EC, is not within sight at the present time.

Since the EC already is getting a share of the value-added tax, the best way seems to be to examine how that tax can possibly be improved upon. Also, the value-added tax is a source of revenue that is largely linked to the economic capabilities of the member states.

Categorically excluded from these considerations must be an EC right to levy a parallel value-added tax that would be charged in addition to the national value-added tax. Such a solution would further seriously complicate the tax law. Also disregarded can be a model that would transfer all value-added tax legislation to the EC and make the member states dependent on a tax share fixed by EC law. At the present time, adoption of such a model is unimaginable.

Therefore, serious consideration should only be given to a solution that would keep the legislative responsibility for the material details of the value-added tax with the member states. Then, the EC could merely have the right to establish the rate (possibly within a certain range) with respect to the assessment basis. Here, it is hard to envision that the EC will establish the assessment basis, but it is not really necessary that it do so. Rather, what counts is the national assessment basis, on which the EC levies a value-added tax and the member states a national tax. Thus, it is relatively easy to put this model into effect because it does not depend on a complete harmonization of the assessment bases. The total tax burden of the individual citizen is the result of both tax rates on the assessment basis. Still, a considerable drawback of this model is that it no longer permits relief to Great Britain. Its significant advantage, on the other hand, is that in case of tax changes, it will be easier to detect who is responsible for them.

The first thing that comes to mind is to transfer the mineral-oil or gasoline tax to the EC. Here, it might be conceivable for the EC to also legislate the material details of the tax. Since the mineral-oil tax earns large amounts of revenue, it could generate significant funds

for the EC. In addition, with the mineral-oil tax, the EC would obtain a major element of control over the economy and environmental politics. Finally, the transfer would be a major contribution to making competitive conditions more equitable. However, the fact that there are tremendous differences among the member countries in terms of tax exemptions and reductions speaks against transferring the mineral-oil tax. A uniform mineral-oil tax in the EC would cause considerable distortions in the burdens of member states. It would be hard to assess the consequences.

More Rights for the European Parliament

Finally, consideration could be given to transferring other specific consumption taxes such as the tobacco tax, the coffee and tea tax, and the consumption tax on alcoholic beverages. Examination of the implications of such tax transfers would go beyond the framework of this article. Unlike the mineral-oil tax, these taxes are in no sense large enough to replace an EC share of the value-added tax. Therefore, transferring some of these taxes would not change anything with regard to the need to give the EC a share of the value-added tax.

Hence, the easiest way to achieve significant improvements in providing the EC with its own tax revenues is to give the EC the right to levy taxes for a share in the value-added tax. However, the chances that such a model will in fact be accepted are not very great.

As explained earlier, this would make it necessary to strengthen the rights of the European Parliament considerably. But this cannot be accomplished in all EC member countries at the present time, as experience during the Single European Act negotiations has shown. In the FRG, this would cause considerable revenue-sharing problems. With a genuine right of the EC to share in the value-added tax, this share could not be at the expense of the FRG share, but would have to be deducted before being distributed between the Federal Government and the Laender. This would have significant ramifications for the fiscal situation of the Laender. On the other hand, a transfer of the mineral-oil tax to the EC would raise major fiscal compensation problems for the Federal Government since that tax is a federal tax. Hence, it would probably lead to considerable resistance not only in other member states, but also in the FRG.

In addition, the model suffers from the above-mentioned weakness, namely, that it distributes the burden between the richer and the poorer member states less equitably than the Commission proposals have suggested. However, a combination could possibly be worked out. For instance, it is entirely conceivable to require the member states to make payments in addition to the (uniform) value-added tax share established by the EC. These additional payments would be linked to their gross national product.

DENMARK/GREENLAND

Find of Rare Lanthanides Seen Possible Boost to Economy

36130014 Copenhagen BORSENS NYHEDSMAGASIN in Danish 2 Oct 87 pp 24-25

[Article by Niels Torben Volqvartz; first paragraph is BORSENS NYHEDSMAGASIN introduction]

[Text] The research on superconductors can bring economic benefits to Greenland which has big deposits of lanthanides, the rare earths used in superconductivity.

The discovery of rare earths could bring prosperity to Greenland. These are lanthanides which are used in superconductors and in the computer industry. They have been discovered in large quantities by the Greenland Geological Survey (GGO), among others.

After this year's research sensation—superconductors—mining companies have started searching high and low for the formerly uninteresting minerals. Here BORSENS NYHEDSMAGASIN can disclose an as yet unpublished OECD analysis of where the coveted minerals are found.

Director Martin Ghisler of the Greenland Geological Survey: "The big lanthanide deposits in Greenland will be analyzed soon so we can determine whether the concentrations are large enough for commercial mining."

Price development for the rare earths will depend on when the next breakthrough comes from the laboratories, where intensive research is being carried out around the world.

The Canadian mining company, Highwood Resources, a private firm, has gone the farthest in exploring for rare-earth deposits in Greenland.

The Canadian results are being evaluated at this time, according to department chief Uffe Strandkjaer of the Greenland Raw Materials Administration. The Canadian concession to look for yttrium, one of the most important rare-earth metals, will be renewed around the end of the year. The Danish firm, Carl Nielsen, Inc., is searching for zirconium, another important mineral in the context of superconductivity.

Uffe Strandkjaer: "At this time we are experiencing an increased interest in exploring for deposits of less traditional metals in Greenland."

This year's breakthrough in the superconductor research has also led to increased exploration activity in Greenland.

If the superconductive materials are developed so they can maintain superconductivity for longer periods of time at temperatures approaching room temperature, it will create technological possibilities beyond one's wildest imagination:

Trains that speed along safely on magnetic cushions and use little energy.

Computers with extremely high performance levels because the superconductive materials do not offer any resistance at all to electrical current.

More Important to Society Than Transistors

Many researchers feel that the superconductor will be more important to social development than the transistor. Civil engineer Jorgen Kjems, Riso, expects important new breakthroughs within the next 5 years.

Mining companies have not hesitated to throw themselves into a search for the minerals that contain the previously uninteresting lanthanides, and the OECD has just commissioned a report on how large the deposits are. But Greenland does not yet appear in the report because the first GGO studies will not be completed before next April at the earliest. The biggest deposits, according to the as yet unpublished OECD report, are found in the United States, especially in California. The report estimates that 3 million tons of the minerals that contain the usable oxides are located there. But there are also large deposits in Malaysia, Nigeria—and Scandinavia. We can be especially envious of the Swedes.

K. Alex Muller of IBM is the one who found superconductivity at high temperatures.

Jorgen Kjems, Riso: "It is an economic gain that various rare earths can be used for superconductors. This has the fortunate consequence that the materials can be used in the naturally occurring blends that are found in Greenland, for example. This will make the final product reasonably cheap."

Highwood Resources has found yttrium in Narsarsuaq in southern Greenland. The Greenland Geological Survey has also found it in the ocean off Motzfeldt. Lanthanum has also been found in Scoresbysund in East Greenland.

Martin Ghisler, GGO: "We cannot say exactly how big the deposits are and what percentage of the rare earths they contain. From an international point of view southern Greenland has very large areas that may contain sizable quantities that could be extracted profitably."

06578

FEDERAL REPUBLIC OF GERMANY

Reform of Tax, Wage Structure Urged To Boost New Economy

36200027b Duesseldorf *HANDELSBLATT* in German
6 Nov 87 p 4

[Article by midd: "NRW Employers Association Conference: 'Miserably Low Capitalization of Initiative for the Future of Coal and Steel Regions'"]

[Text] Dr Jochen F. Kirchhoff, president of the Employers' Association of North Rhine-Westphalia (NRW), made an urgent appeal to the employers not to give in to pessimism and resignation, but work optimistically for the Land of NRW.

At the annual meeting of the NRW association, Kirchhoff did not shy away from criticizing NRW Minister President Johannes Rau's SPD government. The future of the Land, he said, depends on the courageous restructuring of its economy. Although the Land government's "initiative for the future of the coal and steel regions" is a welcome development, it does not make any sense, nor is it fair, to expect the steel industry to create a new job for each job that is lost.

Kirchhoff commented as follows, "If this is done with the help of state subsidies, bad investments, as a rule, are preprogrammed in markets that are already amply covered; in addition, there is the danger that this may lead to competitive distortions vis-a-vis medium-sized enterprises already established in the manufacturing sector. The problem of excess capacity will then merely be shifted from one area to another. Jobs will not be preserved, but more jobs will inevitably be lost."

Nevertheless, Kirchhoff believes, the "initiative for the future of the coal and steel regions" is a good start. But the "miserably low capitalization of the initiative" is hard to understand. The planned DM180 million constitutes only .3 percent of the NRW budget. Despite its empty coffers, the Land, with a total budget of more than DM60 billion, should be able to find some reserves and do some restructuring for the future development of North Rhine-Westphalia, "especially if a multiple will be spent on purposes that impede, rather than enhance structural changes."

Kirchhoff then warned that we must not reach the point where the FRG is becoming less and less attractive to investors because—as the head of the French Saint Gobin concern put it the other day—costs and taxes have risen prohibitively high, while the productivity advantage is declining. This is the very point, he stated, where we have to start in order to stop the creeping erosion of the FRG as a production location.

This, according to Kirchhoff, can be accomplished as follows: lower costs, lower taxes, a wage policy that takes account of our competitive position in world markets, an offensive for higher productivity throughout the FRG industry, and, in general, policies promoting economic growth.

The president of the NRW Employers Association complained that, at the present time, FRG businessmen pay 70 percent of their profits in taxes, while all major industrial countries have lowered their taxes significantly, e.g., France to 42 percent (starting in 1988), Britain to 35 percent, and the United States to 34 percent. At the same time, we continue to argue about whether a cut in the corporate tax to 50 percent, in early 1990, will not be too much of a good thing. Kirchhoff said that the planned reduction of the top income-tax rate from 56 percent to 53 percent would "put the industrial middle class at a disadvantage." And generally, with due respect to the limitations of what can be accomplished politically and fiscally, the tax reform scheduled for 1990 must be considered a mere first step toward the design of location-oriented tax policies. It would have to be followed by a second step and include a reform of the internationally unacceptable local business tax.

Kirchhoff expressed the hope that the labor unions would learn to be more flexible on the worktime issue and abandon their frequently rigid attitude. At any rate, regardless of their ideological positions, both the employers and the employee work councils must make maximum use of the opportunities a wage agreement offers in terms of flexibility in order to remain competitive.

The productivity offensive, Kirchhoff went on, must primarily include more intensive industry investments in research and development. In any case, it would be disturbing if the Federal Government would cut public support of—among all things—research and development. To increase productivity, continued worker education and higher qualifications would also be of decisive importance. In the meantime, some DM10 billion a year are being spent on such programs, "but this should not be the last word," Kirchhoff emphasized.

In concluding his speech, Kirchhoff urged all economic and political leaders to work together and belie the prophets who claim that, economically, the FRG can no longer serve as an example and that it will have fallen behind the countries of South-East Asia by the end of this century.

07821/09599

Cleaner, Less Costly Energy From Coal With New Technology

*36200027a Munich SUEDEDEUTSCHE ZEITUNG
in German 5 Nov 87 p 37*

[Article by dpa/vwd: "KWU To Develop New Type of Power Plant"]

[Text] By the mid-1990s, the Kraftwerk Union AG, Muelheim, (KWU), a subsidiary of Siemens, will have completed the technical-commercial development of a newly designed, coal-fired power plant that will supply less costly energy. In addition, the plant will operate without flue-gas treatment in an ecologically acceptable way, and make much more use of coal as a source of energy than the current state of our technology permits.

With the help of such GUD power stations—whose turbines are driven by coal-produced gas and steam (GUD)—the KWU plans to establish itself, starting in 1995, in such markets as Australia, the United States, China, or South East Asia, and Europe and compete with builders of conventional power plants. The combination of gas and steam turbine technologies in itself is nothing new: only last week did the KWU sign a supply contract for a 1.3 megawatt installation to be built in the Turkish town of Ambarli. That power plant will still be operated by natural gas from the USSR.

However, according to Rainer Mueller, head of the KWU department for power plant technology in Erlangen, the objective is "to gasify coal in the power plants. If we succeed in manufacturing suitable hot pressure gas from coal, we will have developed new, ecologically and economically more acceptable possibilities for transforming the coal into energy."

According to KWU calculations, the efficiency of such coal-operated power plants will be about 45 percent. That is considerably higher than that of a modern coal-operated power plant with flue-gas treatment. Hence although their efficiency is the same, the GUD power plants require less coal and energy production costs will be 10 percent, or 2 pfennigs, per kilowatt lower than in conventional steam turbine plants.

Before the GUD coal-gasification power plants can be built, some more development work needs to be done on a number of components, e.g., gas production, gas purification, waste heat utilization, and on the high-temperature gas turbine. However, the new design will cost no more than a conventional power plant with dust arresters and flue-gas treatment. By 1990, the KWU will have completed the draft of a demonstration plant and, by 1995, it will have a record on three years of operations. Then Siemens will enter the market. Beginning in the year 2000 at the latest, when all current coal-operated power plants have become obsolete and must be scrapped, the Erlangen power-plant builders expect Germany alone to need 1 gigawatt (1,000 megawatts) of additional power plant production. "The best market opportunities for us will be in countries that have the most stringent environmental requirements," Mueller believes.

07821/09599

FRANCE

Unemployment Relief Funds To Be Spent Before Election

35190004 Paris LIBERATION in French 5 Oct 87 p 12

[Article by Martine Gilson: "Unemployment: Seguin Goes on a Spree Before the Presidential Election"; first paragraph is LIBERATION introduction]

[Text] Unemployment could weigh heavily when the mandate of the present administration runs out in March 1988. Hence the decision of the minister of social affairs and employment to use up his credits at the beginning of the year. Even if nothing is left for his successors.

They don't even try to hide it at the Ministry of Social Affairs and Employment. The budget granted by Balladur to Seguin to treat unemployment through "social measures" is meant, in fact, to control and lower unemployment statistics until the presidential election. Nothing more. Between the two options offered by the minister of state to Seguin, either a small appropriation for all of 1988 or more generous ones covering only the first months of the year, Seguin has chosen the second option. Not so stupid! So we understand exactly why the minister of social affairs has been repeating for several months: "In March 1988 the level of unemployment will be kept down to what it was in 1987." Impossible—with good reason—to project them beyond that time.

Yet on the 16th of September, at the time of the presentation of the unified budget for all ministries, the Ministry of Social Affairs and Employment received generous allocations. Employment, research, and foreign aid were the three priorities of the Chirac government. Seguin was endowed with 74.6 billion francs: an increase of 11.5 percent over 1987, which including the 3.5 billion francs earmarked for related general administrative expenses in the budget of the Ministry of Finance. However, when one looks in detail at the funds allocated to treat unemployment through social measures, the reality appears less alluring, being quite limited, in particular, by time restrictions.

The first example is temporary training positions for the young, aged 16 to 25, trained and unqualified. A great part of the budget allocation, about 2 billion francs, was eaten up during the last 4 months of 1987 to launch 90,000 temporary training positions for the same category of unemployed. For 1988 only 50,000 temporary training positions are planned—20,000 of these are said to be "qualifying." A memorandum from the Ministry of Social Affairs specifies that "the availability of positions should be spread out from November 1987 to February 1988, at an average rate of 5,000 new positions per month." What will happen after February? "We cannot schedule everything at once," one of Seguin's advisors replies, "...in any case there is an unallocated reserve of

900 million francs, and we could very well be using it." Indeed, the reserve does exist, under the "Employment" section of the budget. But—and herein lies the problem—that reserve cannot be stretched indefinitely at will.

Second example is the temporary training positions for the long-term unemployed. These training positions are the old ones, designed according to Delebarre's formula. They are not the new CRA style contracts (providing for alternated insertion in the work force) or SRA style training positions (with alternating reinsertion in the work force). There are 2.2 billion francs allocated to the Delebarre training positions in 1988. If you ask how many courses are planned you hear: "We cannot give a precise figure. There will be a number of courses at least equal to the number of 1987. In this case, too, we can play with the 900 million-franc reserve." Again this 900 million-franc reserve? Really, this reserve is amazingly elastic! In 1957, 150,000 temporary training positions were instituted for the long-term unemployed of which 90,000 were stretched over the last 4 months of the year. In 1988, in fact, 129,000 operations of this kind will be launched. And even if he is not acting in bad faith, Seguin will be compelled to squeeze them within the first 5 months of 1988, at a rate of 25,000 per month. By virtue of the principle of communicating vessels: when the young population or the long-term unemployed enter into temporary training positions, it's only for a limited period of time. After a certain number of months (4 months for the long-term unemployed), they leave. It's logical. Then, in order to show reassuring statistics on the eve of the presidential election, it's necessary to continually keep priming the pump.

The final example is the temporary training positions for initiation into professional life: (SIVP). For this purpose 2.9 billion francs were allocated to finance a little more than 250,000 temporary training positions. At a rate of 40,000 per month, the funds appropriated limits will be exhausted after 6 months. Another problem is the TUC (Travaux d'Utilite Collective)—works of collective benefit. Indeed, 4.4 billion francs have been allocated (to subsidize 260,000 of these positions). But the government cannot control them at all. By pushing the municipal governments to practice and promote the "TUC," there is the risk that these positions will mushroom, causing a deficit.

Here lies the big problem of this short-sighted and short-term policy. As soon as the social treatment of unemployment stops for lack of money, applicants for employment will naturally rejoin the waiting lines at the National Employment Agency (ANPE), causing the unemployment statistics to shoot up. At a time when the OECD ranks France as the country most seriously affected by unemployment, a sharp increase in the number of job-seekers risks creating immediate problems for Chirac's successors, whomever they may be.

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