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14 May 1985

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INTER-AMERICAN AFFAIRS

ANDEAN GROUP TRIES TO ADJUST POLICY TO ECONOMIC REALITY

Bogota EL SIGLO in Spanish 8 Apr 85 pp 1, 2

[Text] This week Colombia, Bolivia, Ecuador, Peru and Venezuela will try to finalize the new bases for a regional economic integration policy during the coming years based on adjustments to the decisions of the Cartagena Pact after more than 15 years of attempts to consolidate the Andean Pact.

A meeting of the plenipotentiary delegates from the five countries in the Cartagena Pact Council along with other regional authorities and representatives of the governments of the five Andean nations will be held this week in Cartagena for this objective.

During recent months the Cartagena Pact Council has carried out a lengthy analysis and evaluation of the different integration programs and has made in-depth adjustments in order to adapt the decisions and programs to current circumstances and economic needs of the region.

In the new integration program, greater participation will be given to the private sector in the definition of strategies and mechanisms to carry out the decisions in each of the production and commercial fields.

There will also be greater promotion of the agricultural-livestock sector as the basis for the integration policy because of the benefits this sector provides for the economy of the five Andean countries. Industrial integration will also be strengthened.

After an evaluation of what had been achieved in the last 15 years, the Cartagena Pact Council and the governments of Colombia, Venezuela, Bolivia, Ecuador and Peru agreed that almost all of the decisions had lost effectiveness and were not relevant to the current economic situation of the region. Therefore, a policy of adjustment was defined which apparently will begin to yield its first concrete results.

Edgar Moncayo Jimenez, Colombian representative on the Cartagena Pact Council, indicated that this adjustment process will provide the legal mechanisms so that the member countries can now carry out the economic integration programs, the primary objective of the Andean Pact.

The agreement has become a critical point on the tight rope. Different business fronts in the five countries have even stated that the agreement which helps the economic development of each nation has become an obstacle for the revitalization programs--for example, foreign investment has gone down considerably in recent years.

A meeting will also be held this week in Cartagena between government officials of Colombia and Venezuela to finalize mechanisms to formalize trade between these two countries.

Colombian exports, other than coffee, had their main market in Venezuela until a few months ago. However, as a result of the economic problems in the neighboring country and the trade measures adopted by the government, national exports to that country fell considerably.

7717

CSO: 3348/594

ARGENTINA

LA NACION ASSESSES ALFONSIN'S VISIT TO U.S., MEXICO

Buenos Aires LA NACION in Spanish 31 Mar 85 p 8

[Text] The president's trip to Brazil, the United States and Mexico is undoubtedly the most important journey in the 15 months of his administration, and probably the only one that is completely justified, in view of the urgent political and economic problems and circumstances in the republic. Indeed, never have public actions, such as the president's conversations on each of his stops, been so closely tied to the real problems Argentina is facing at present.

It is not surprising, then, that for the first time it is possible, after one of these trips, to attempt something resembling an analysis of the outcome, going beyond considerations of the international reassessment of our country as a result of the return to democracy and the remaking of the national image abroad. As on other occasions, if this point was on the president's agenda when he left, it can be asserted on his return that he achieved his objective.

In the political sphere, at least two facts should be pointed out. One is the open disagreement between the presidents of Argentina and the United States concerning the problems in Central America. Both sides expressed their difference of opinion in no uncertain terms, without leaving room for any action that could reconcile them or close the gap: Argentina's opinion will not induce Washington to change its policy, and apparently the U.S. Government will be equally unsuccessful at changing the view of the Argentine officials. Our country's policy adheres to the principle of non-intervention, which is deeply rooted in the diplomatic tradition of respecting the self-determination of nations. This idea was explained to the Congress, but it would be illogical to think that a detailed enumeration of criteria for seeking a stable solution to Central America's problems could hold sway in a country that is carrying on its shoulders the burden of stopping the communist advance in the world. The president spoke out against interference by non-American countries in the affairs of the countries in our hemisphere, in keeping with a theory that has a long history in the Americas, ever since the Monroe Doctrine. In this way, he left the door open for a potential reconciliation of the two positions. Nevertheless, he did not seem to realize that the foreign intervention has already taken place.

If the Argentine president sought to take political sides with those in the Americas who support Nicaragua in the complex dilemma of Central America, he has probably achieved that, and it may even be acknowledged. It will be difficult, however, for this accomplishment to benefit the republic.

The other remarkable fact is the president's repeated repudiation, when he spoke before the Mexican Parliament, of the guerrilla warfare that led to the repressive actions, which in turn resulted in the well-known excesses. Mexico did and continues to provide shelter for many of those who sought refuge from anti-subversive measures, and the visiting president decided to take a middle-of-the-road position. This was in the best interests of the country, even though it risked the displeasure of those who may have been listening to his words, including not only the local legislators but also the Argentines in Mexico. Particularly significant was his categorical assertion that in Argentina no one is guilty until there has been an express ruling to that effect by the judiciary.

Also in Mexico, the Argentine president issued a sort of convocation to a Latin American summit meeting for the end of this year or early next year. The idea has merit, but it will be necessary to make a lot of preparations to ensure that the meeting bears fruit. We can expect a favorable outcome from such meetings only if they deal with clearly identified issues and specific common problems. To try to do anything else, defying past experience, would produce nothing but frustration and disappointment, and might add one more ineffectual forum to those that already litter the landscape of inter-American relations.

Moreover, our countries can reach the closest agreement on matters such as the trade protectionism by the industrialized nations, the problem of the foreign debt, or the need to devote more resources to the development of backward economies; but these understandings can bear fruit only if they are also shared by the industrialized countries, which is an exceedingly doubtful proposition if we take into consideration the repeated experiences of the United Nations Commission on Trade and Development (UNCTAD), the International Monetary Fund (IMF) and other institutional forums where such issues are debated.

It is in the economic sphere where, at first glance, the most appreciable results of the president's trip can be seen. His proposals with reference to petroleum, which he presented to the most important industrial centers of the world, open up new horizons not only for sectorial development within our country, but also for the broad-based revitalization of our economy on the basis of that perspective, as well as the medium-term mitigation of the country's vexing international payments situation.

The renewal of talks with the IMF to correct the deviations from the agreement that was signed at the end of 1984 points to the possibility of carrying out an economic program that would at the same time normalize our relations with our creditors and contain the surging inflation of the past few months. Certainly these two problems are two sides of the same coin.



These results--these successes, if you will--are nonetheless the natural consequence of the failure of the Radical government's rigid positions, which were sustained for political reasons and made sacrosanct for ideological reasons. Now the government knows that campaign slogans are not always suitable for exercising power, and that reality does not coincide with the utopian visions painted in the quest for votes.

From all points of view, it is reasonable for the government to show signs of a realistic attitude and a capacity for rectifying errors in order to find genuine solutions to the nation's urgent economic problems, even at the cost of tarnishing somewhat its image among certain political sectors. Public opinion, civil servants and the government itself should understand that hiring foreign companies to drill oil does not involve any erosion of sovereignty, but a country that does not solve its problems and loses ground for decades in comparison with the rest of the world does lose its decision-making power to a significant degree. They should also realize that accepting certain readjustment formulas--more or less rigorous, more or less flexible--does not lead to recession or regressive income policies, unless galloping inflation makes the currency a joke, wages a hoax and savings a fantasy; or unless production is insecure and speculation guaranteed.

The government tried to convince the financial community and the governments of industrialized nations that the problem of developing countries' indebtedness is not an economic issue but a political one. Although it was not entirely wrong, it was unsuccessful. It resolved, finally, to accept the internationally valid criteria that could contribute to the necessary internal economic discipline. Likewise, it reached the conclusion that the Argentine state does not have the resources necessary to develop the petroleum industry to the extent necessary through Government Oil Deposits (YPF), and that national firms do not have the capital to undertake such a monumental task. It found, then, the rational solution to the problem: seeking foreign capital, though it will be necessary to provide attractive terms. What is regrettable is that it has taken so long in some cases to admit the obvious.

When he was about to head home, the president was able to report favorably on the results of his journey. What he found, actually, was that his interlocutors were favorably impressed with the announcement of a change in attitude in the Argentine government with respect to some issues that are of the utmost importance under the present circumstances. The government has managed to foster positive expectations, both at home and abroad, concerning these announcements; but it will have to back its words with deeds if it wants to restore the credibility it has lost over the past 15 months.

8926

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## ARGENTINA

## ECONOMISTS ESTIMATE UNDERGROUND ECONOMY AT 30 PERCENT OF GDP

Buenos Aires MERCADO in Spanish 28 Feb 85 pp 18-26

[Article by Ruben Mattone; passages enclosed in slantlines printed in boldface]

[Excerpts] The black market economy is a phenomenon that is attracting the attention not only of economic experts but also government authorities, because it has a major impact on public finances, particularly with regard to taxes. But what is the black market economy, or underground economy? It can be defined, in general terms, as certain economic and financial transactions that for a variety of reasons are carried out secretly; that is, through unconventional or irregular channels or methods. This translates into hidden records, duplicate sets of books, accounting shortcuts, and the like.

/"It is a mistake to believe that this problem affects only the Republic of Argentina,"/ says economist Marcelo Ramon Lascano. He adds: /"It is also a mistake to believe that the measurements that have begun to be used are totally reliable; but at any rate, the phenomenon exists."/ This assertion is so true that it is drawing the attention these days of various universities, specialists and economic analysts. For example, Tanzi, an economist who works for the International Monetary Fund, conducted a study that concludes that the underground economy in Belgium accounts for 10 to 15 percent of the GDP; in India, 10 to 50 percent; in Germany, 4 to 8 percent; in Canada, 5 to 18 percent; and in the United States, 5 to 20 percent.

/"In the case of Argentina,"/ explains Lascano, /"hidden production or the secret flow of goods and services can range from 60 to 80 percent of total production in some sectors, and from 15 to 18 percent in others."/ The economist bases this statement on the effect of the so-called liberal professions, especially those which operate with a far-flung clientele and receive fees in cash. /"This does not mean that in major operations with corporations there is no means for evasion, but here it is much more difficult because controls are stricter,"/ explains the expert.

In this context, using overall estimates of tax evasion it is possible to calculate that /the black market economy in Argentina must account for about 30 percent of the GDP, or about \$20 billion./ "I am citing a conservative figure," stresses Lascano.

Raul Cuello does not see this as a new phenomenon, but rather part of a historic trend in Argentina. We can find the first sign back in 1810, when people began to engage in underhanded practices to flout the Crown's regulations, under the monopolistic conditions which prevailed in foreign trade at the time. In any event, the attempts to gain representation through the mediation of the landed gentry, and later the provisions adopted by the government junta on 25 May to liberalize trade, were responses to a long-standing problem.

Although the problem did exist, however, the situation did not get out of hand until 1930, when the country was coping with the depression. At that time, exchange controls were institutionalized, and differential exchange rates emerged. The latter somehow managed to put political prices on foreign currencies. /"This serves as an introduction, so that we can look at the issue objectively and not blame the current authorities for everything; they simply inherited this situation,"/ explains the economist.

#### Funds Come and Go

Analyzing the Argentine situation, Cuello states: /"So far no really serious study has been conducted. But it would appear that among economists, these issues were not dealt with properly perhaps because of a lack of academic data. There is no doubt, however, that the implications for the development of the economy are serious."/ If we look, for example, at the budget figures for 1984, we see that according to cash statements, tax revenues contributed the equivalent of 19 points of the GDP to financing. Given that these funds are heavily influenced by the fuel taxes and the export withholding, which put together can represent as much as 55 percent of tax revenues, the remaining 45 percent can be attributed to the other taxes.

/"A contribution of 19 points of the GDP multiplied by that 45 percent would yield approximately 9 points of the GDP; if the authorities estimate that tax evasion amounts to about 40 to 50 percent, it follows that tax evasion adds up to at least 4 to 5 points of the GDP, no less than \$3 billion, assuming that Argentina's GDP totals \$75 billion. To put it in perspective, that is 7 times the capital gains tax,"/ adds Cuello.

As for the external sector, it is estimated that between exports and imports the trade in foreign currencies totals \$13 billion, of which some \$2 billion is in inflated or deflated billing for transactions. /"I get the impression that this figure may be high,"/ adds the economist, /"but as a working hypothesis I think that \$2 billion is a good point of departure. That represents about 3 percent of the GDP."/ He explains, /"I don't think these funds are circulating in the domestic market. In one way or another, they filter out of the country, and are a veritable nest egg for Argentines abroad. It is even possible that the circuit created by domestic tax evasion generates funds which are converted into foreign currencies and sent abroad."/

Juan Carlos Delconte, national customs administrator, says: /"Foreign exchange evasion due to a lack of controls, or foreign trade schemes may be very significant, but I would not venture to guess a figure because there are no statistics to back up such an assertion. It is clear, however, that the

black market economy exists."/ The official gives a few examples. One of them is what he calls /"misuse of shopping tours,"/ which used to take place on the border with Brazil and affected primarily the chambers of commerce along the Argentine coast. /"There was a lot of small-scale smuggling going on,"/ he emphasizes, going on to note: /"Since the measures taken to step up customs inspections and the elimination of the exemption for luggage, we have seen, for example, that in Paso de los Libres, the number of buses departing each week has dropped from 300 to just 10."/

#### Garrincha's Move

Obviously, when luggage was exempt, lower revenues were collected from this source, but Delconte stresses that /"the objective was not to raise that tax, but to discourage Argentines from making purchases abroad."/ Nonetheless, this official notes (as background information) that another factor discouraged Argentines from traveling across the border and taking foreign exchange out of the country. /"Mr Garrincha, who was the other factor of attention, moved to Tandil, and thus business in that area ceased or declined."/ At any rate, it is estimated that last year customs collections equaled those of 1983 in real terms, reaching a total of \$200 million per month. In this regard, the customs chief reports that in the budget for this year that was submitted to Congress, both export and import duties are supposed to increase to 2.23 percent of the expected GDP.

Tax evasion, as stated earlier, can lead to transfers of capital acquired on the foreign exchange market and sent abroad. There are no figures on these funds, /but one report that was submitted to President Alfonsin at the end of last year mentioned that \$19 billion was in Argentines' accounts abroad./ This figure, if true, represents nearly 40 percent of the country's external obligations in terms of the interest on the debt.

In this regard, Cuello comments: /"Sourrouille's plan proposes a growth in exports of about 7 percent, to improve the external situation. Given the current level of exports, that means \$600 million. But we have mentioned that the country is already generating \$2 billion in inflated and deflated billing, funds which are not capitalized in any way."/

/"If we were to put this underground economy in its proper place,"/ he goes on, /"the importance of the economic plan would diminish in relative terms because, to use a phrase coined by Dr Ferrer, to improve the country's economic situation, what we need to do here is put the house in order. In other words, we must have a real understanding of the Argentina that we want to build, beyond the official statistical portrait of the country."/ The economist's assertion reveals the need to discipline the public sector financially, and particularly in the external sector.

Along these lines, Cuello proposes the following: /"There is only one way to do away with the practice of inflated and deflated billing, or at least to reduce it to a minimum; the groundwork has been laid with the implementation of a free exchange market, without withholding on exports. Even if the market is free, if some kind of withholding is imposed on exports, there is a potential for deflated billing, because a differential exchange rate in the

orthodox sense would not benefit such exports. Rather, the exporter would benefit from evading taxes by not paying the withholding on the exports. In fact,"/ he remarks, /"withholding on exports means creating a multiple exchange rate structure for the country, to the extent that the rates are different for the different products, depending on their value-added."/

This specialist feels that to do away with violations of the foreign exchange regulations, the net exchange rate that the exporter receives should be equal to the exchange rate that applies to financial transactions on the market. For this purpose, the exchange policy must be coordinated with tax policy, specifically with regard to a land tax, says Cuello. He goes on: /"In any case, if we assume that a high real exchange rate involves a transfer of income for the rural sector, the adjustment mechanism would have to come from a land tax, not from export withholding."/ Lascano, for his part, says: /"High import duties encourage smuggling in order to bring heavily taxed goods into the country, and by skirting customs regulations it is possible to make a handsome profit on the sale, without difficulties of any sort."/ He continues: /"When export duties are also high, there is a lot of border traffic. This was evident when our exchange rate fell with relation to the parity of equilibrium. Then we have circumstances like the one in 1975, when 5,000 trucks traveled through Clorinda, engaging in border trafficking. Thus, an exchange rate that is too far below the equilibrium leads to the creation of extra-legal channels of distribution."/

#### Invitation to Fraud

Lascano believes, moreover, that monetary restrictions and an irrational tax system, accompanied on occasion by a potential export exchange rate, are the four [as published] most important factors in the Argentine economy. /"The tax system is cumbersome and completely unfair; not only that, but its lack of adequate penalties for violators encourages fraud,"/ he says. In fact, a recent confidential (never released) report by a United Nations agency states: /"The enforcement of sanctions in Argentina are cumbersome and excessively legalistic, which diminishes their effectiveness as a means to improve compliance with tax laws."/ The report adds /"that to improve tax compliance, a well thought-out system of penalties is essential."/ It stresses that /"it is recommended that the current system of penalties in Argentina be revised with a view to making them stricter, facilitating procedures for enforcing them, and ensuring adequate publicity once the sanctions become effective."/

As a solution, Lascano proposes the following: /"Argentina has more than 30 taxes, of which five constitute more than 90 percent of the revenues collected by the General Directorate of Taxation (DGI). What is the point of making this agency administer so many taxes? Nor can we indulge in the utopian idea of a single tax, which is an old intellectual fantasy. The system must be complementary. There should be three, four, five or seven taxes that complement each other, reinforce each other, and do not interfere with the allocation of economic resources."/

According to this reasoning, the current economy is concentrated, while the tax structure is totally atomized, to the extent that it is unmanageable. /"I recommend, therefore,"/ says the expert, /"that we significantly lower the

percentages through the system of penalties recommended by this healthy criticism, and impose clear rules that observe human rights but still deter the traditional violator or evader who persists in such reprehensible attitudes. Thus, it is highly likely that the decline in revenues resulting from lower tax rates would be compensated partially by the economic growth announced in the 5-year plan and by the increased compliance by those who fear the penalties."/

There are sanctions all over the world. For example, a former Belgian prime minister was recently prosecuted for tax fraud, and neither the government nor the establishment in Belgium prevented the authorities from accusing him of tax evasion by using a network of companies to channel money into anonymous accounts and thus evade taxes. The other example is that of the Reverend Moon, a religious leader in the United States with a multimillion-dollar fortune. He was sent to prison because the Treasury ruled that the funds were his, not the congregation's. He was given an 18-month sentence. /"In Argentina no one goes to jail for not paying taxes; no one is penalized, not only to correct the damage done to society, but also to serve as a lesson to others,"/ comments Lascano.

Still on the subject of taxes, Cuello has other ideas. /"For a long time I have been insisting that given the circumstances of the Argentine economy, a country that needs to expand its capital formation should not be taxing capital gains. Therefore, I propose that the capital gains tax be eliminated, because as we know, in the context of an inflation rate as large as Argentina's, such a tax involves constant tax evasion efforts by taxpayers."/ It is estimated that capital gains tax revenues account for 0.6 points of the GDP. /"It appears to me,"/ says the economist, /"that a social cost-benefit analysis would reveal how beneficial it would be to eliminate this tax. I don't mean forever, but until the real problem of the redistribution of income is resolved, and all emphasis does not have to be placed on capital formation, as is the case now."/

#### Those Who Left

In this way, according to Cuello, there would even be a kind of stimulus for the repatriation of capital from abroad, which could come back to Argentina without the need for special compensatory measures that /"always involve some discrimination,"/ he says, /"against those who placed their bets on Argentina, stayed here and suffered the consequences of a highly discriminatory system, paid their taxes and now, in the end, look on grimly as those who went abroad are rewarded for coming back and reinvesting their capital. We must equalize the situation, but giving everyone the same freedom."/

In view of all this, Lascano believes that the exchange rate should be high not only for export purposes, but also so that it will serve as a protective tariff barrier, within the reasonable limits that the economy allows. /"Now if we have an exchange rate that is an aberration, as is the traditionally anti-export bias that has existed in Argentina, then we will have smuggling,"/ he stresses. This is quantifiable. The departing customs administrator calculated that inflated and deflated billing amounted to \$2 billion, and an official working in the field stated that the sum could be as high as \$4

billion. /"In a recent controversial estimate, I calculated that it could be between \$3 billion and \$4 billion. But the whole black market economy involves some \$19 billion,"/ says the expert.

Unlike Lascano, Cuello estimates that the black market economy accounts for no less than 20 percent of the GDP, some \$15 billion. Cuello says, /"If these dollars were included in the economy, the most important byproduct would be a much better ethical and moral attitude than we have now. Under these circumstances, efficiency and reliability are penalized, and those who do not have such scruples are rewarded. This will happen as long as tax evasion goes unpunished."/

Ultimately, the government is responsible for this situation, in the view of this economist, because the rules that were set up created the conditions that made it more profitable not to obey the law. /"When traders find a gap of nearly 30 percent in the exchange market, to which you must add 25 to 30 percent in withholding, the stimulus for smuggling is very strong,"/ he points out. He goes on to stress, /"The individual who scrupulously obeys the law in his export activities receives an exchange rate of about 160 pesos to the dollar, while the exporter who uses questionable practices earns 270 pesos to the dollar. That is too big an incentive to worry about the potential costs of crime."/

Lascano sees the solution from a different perspective. He explains: /"Ten years ago, when I was with the DGI, I pointed out that the monetary and credit restrictions contribute to the underground economy and to non-compliance. When the economic agents must pay taxes and the financial system is not flexible enough to provide the necessary resources for compliance, first they fail to make payments, which results in a lower buying power, and then they succumb to the temptation of false billing."/

### Close Loopholes

At this point, Customs Administrator Delconte contends that his agency has addressed the problem of foreign exchange and tax evasion, and has established commissions with the Central Bank to draft a series of regulations to solve the problem. In this regard, he notes that /as of this month, efforts will be made to correct certain distortions stemming from deflated billing of exports and inflated billing of imports./ With regard to the first aspect, the banks are supposed to take a firm stand with their customers in the payment of foreign exchange with authentication; as for the second aspect, procedures will be followed to allow customs authorities to investigate someone who has been engaged in import activities for a long time and suddenly the value of goods he has been importing for 2 to 4 years jumps noticeably. Then the authorities can demand an explanation for the change in circumstances.

/"None of these systems works at present, and they must be strengthened,"/ asserts Delconte. He goes on to say, /"But we are going to coordinate everything with the actions of the commission on curbing foreign trade violations, while joint inspections will be carried out with the DGI to ensure strict compliance with the temporary imports system and the other special systems that involve exemptions, such as those used in Patagonia."/

Thus, this official is confident that much of the black market economy can be brought back into the legal sphere. /"I don't know if we can clean it all up, but I can assure you that we are going to create a lot more problems for cheating companies than they have now,"/ he concludes.

### "Black Market Economy May Take Over Legitimate Economy"

Regarding the topic of this article, MERCADO also sought the opinion of Daniel Larriqueta, economic adviser to the president. His remarks follow:

[Question] There is no doubt that the black market economy exists in Argentina and has a considerable influence on all activities. What is the black market economy, and who is involved?

[Answer] The question calls for two answers. First of all, we speak of either the black market economy or the underground economy.

[Question] What is the difference?

[Answer] We have four kinds of economy. The "white" or legitimate economy involves the market, where regulations are observed and everything is recorded in statistics. A second economy is on the other end of the spectrum; it involves all non-market activities, and is known as the subsistence economy. Between these two points are the black market and underground economies. The latter covers all activities that are not recorded in the statistics, but its illicit activities are not intentional. The black market economy, strictly speaking, is carried out in a deliberate attempt to skirt the regulations.

[Question] Which one prevails in Argentina?

[Answer] We have a very significant underground economy, which has grown over the last few years for two reasons: the tremendous deficiency of the statistical system that has not properly recorded all the changes in the country's economic structures, and the emergence of new economic behaviors, such as self-employment, which has also escaped statistical notice. I think that the underground economy in Argentina is very important today, representing more than 20 percent of the GDP.

[Question] How is that figure determined?

[Answer] The Central Bank is working on calculating the GDP with the parameters of the 1970 census, without incorporating all subsequent activities. Even the experts at the Central Bank, who are now practically suspending reporting on the basis of the 1984 industrial census, admit that the errors of omission in calculating the GDP may represent 10 to 12 percent. This is an underground economy that is not taken into account in measurements, and in addition there has been an increase in self-employment. According to a study by Dr Juan Jose Llach of the International Labor Organization (ILO), self-employment in Argentina represented 18.8 percent of the labor force in 1974. That figure rose to 24.5 percent in 1982, and recent calculations indicate that it may reach 27 percent in 1985. This means that in 10 years, we have had a growth of 9 points, or 1 million more people than in 1974 who are



working for themselves. This figure could mean another 10 percent of the GDP which will not appear in the Central Bank's statistics.

[Question] Nonetheless, there is an additional extra-legal factor, tax evasion.

[Answer] That is getting into the black market economy. By definition, anything "black" is difficult to see, in the shadows. Therefore, it is very difficult to know what the black market economy consists of. Other countries have conducted studies of this matter. The Italians are the real experts on this subject. We should assume, then, that as proper descendants of the Italians we behave similarly. In Argentina the black market economy has always existed, but it has only become apparent in the last few years. Why? We can't say it is because the tax pressure increased disproportionately, or because circumstances were so painful that tax evasion was justified. I think that the reason for the growth of the black market economy is inflation. As relative prices change very rapidly, it is possible to make huge profits that do not arise out of productive processes, but speculative ones. These profits, which are simply what the operator takes out of the productive sector, are then put into the black market economy.

[Question] How much do you think tax evasion adds up to?

[Answer] It is very difficult to get a handle on it. The previous customs administrator, for example, submitted a report to the Chamber of Deputies in which he indicated that the revenues lost due to inflated and deflated billing could total as much as 15 percent of Argentina's foreign trade. This is a very significant figure, obviously. We cannot estimate the value of the black market economy in terms of taxes; we estimate the tax evasion with respect to the legitimate economy. We must recognize, however, that the percentage of the GDP on which the estimate of revenue collection is based is already low because of the influence of the black market economy. Therefore, the evasion that government institutions such as DGI, Customs, and Social Security are reporting is just the amount they fall short of their targets; it in no way reflects the size of the black market economy. I think, however, that the black market economy is reflected in the schizophrenic nature of Argentine society; when we are undergoing a recession or troubled times, certain social classes exhibit a buying power that is not compatible with the economic situation.

[Question] What are you referring to?

[Answer] To what happened with the price and consumption of gasoline. Between December 1982 and December 1984 the real price of super gasoline rose by 60 percent, and consumption dropped by less than 0.1 percent. Now that the price of gasoline is equivalent to that of the most developed countries, consumers of this fuel have enough buying power to keep consuming at the same rate as the French, the Germans or the Italians.

[Question] What does this mean? Is there a lack of awareness, or do people not want to lower their standard of living?

[Answer] People keep buying gasoline because the increase does not have a major impact on their budget. It is analogous to what Dr Sourrouille says about interest rates: The interest rate must be compatible with the level of earnings. Therefore, if someone is paying high interest rates, it is because he has a high earnings rate on the Argentine market.

[Question] Doesn't the issue of tax evasion and the black market economy entail a moral problem? Or is it simply a defense mechanism against the prevailing conditions in the economy?

[Answer] I think it is a manifestation of the state of disintegration and disunity, not in the moral sense but in the political sense, in Argentine society. Argentina is a poor country, but there are rich Argentines. We have been observing this phenomenon for several years now. Apparently, we are suffering from a lack of confidence and security with respect to the country, to the extent that some estimate that the number of dollar bills lying in safe deposit boxes and in private hands, not deposited in the banks, amounts to twice the amount of money in circulation, some \$5 billion. This means that Argentine citizens prefer to have two-thirds of their money in the form of the currency issued by the U.S. Government, and one-third in that issued by the Argentine Government. Thus, they are financing the development of the United States.

[Question] What does the government intend to do to keep the black market economy from devouring the legitimate economy?

[Answer] The government is in the process of defining its position on this matter. Some of its responses were implicit in the tax reform bill that has been so carefully studied by the country's top tax specialists; the government is putting the finishing touches on it in order to send it to Congress. I suppose that, in addition, both the Central Bank and the Economy Ministry are working in this area, which is of such great importance. To be sure, the black market economy can indeed devour the legitimate economy, just as we are causing the peso to disappear as the Argentine currency. The process of rebuilding the peso is a very slow one, but in my opinion it has begun. Many of the speculative transactions that were carried out in the country have been cut back, and the volume of speculative businesses has become very small. People who are involved in that business may not be aware of the risks they run now.

[Question] What measures do you propose?

[Answer] There are basically two policies: one, to shrink the universe of the black market economy, for which purpose I think the tax reform is essential; and the other, to follow the realistic path of the Italians, that is, to allow a certain amount of black marketing to continue, but only in the best interests of the country. For example, the Italians realized that they could not eliminate it completely, and they left exports as the only legitimate outlet. In other words, they pushed the huge sector of small and medium businesses and moonlighting, which they could not control, toward production for export, because in that area whatever was obtained on the black market could be legitimized.

[Question] Unlike other countries, however, Argentina does not send anyone to prison for not paying taxes. Should it be that way?

[Answer] We agree that tax evasion should be punished. But experience has shown that when the penalty is very severe, the corruption that accompanies tax evasion is worse. Anyone who risks going to prison is willing to pay a much greater bribe than one who risks a fine. I believe in penalties, but above all I believe in protecting the regulations. Sometimes there is no need to impose more controls, it is simply necessary to be more intelligent in writing legislation. We must levy taxes that are easy to pay and easy to collect.

[Question] Can Argentina grow with the black market economy?

[Answer] Of course, just as Italy has. I think that we should not be moralistic about this. We must prosecute certain sectors of the black market economy and do away with speculation. In any case, there should be a black market of production. It is not a question of black or white, but of speculation or production.

8926

CSO: 3348/596

ARGENTINA

SENATOR DE LA RUA ON ECONOMIC PROSPECTS, PARTY UNITY

Buenos Aires MERCADO in Spanish 7 Mar 85 p 26

[Interview with Senator Fernando de la Rúa on 28 February in his Senate office; author not given]

[Text] Fernando de la Rúa was, at the time, one more protagonist in the economic crisis plaguing the government. On Thursday, 28 February, the very day that Sourrouille announced the first economic measures, his report titled "Foundation for a New Economic Proposal," dated November 1984, was released. MERCADO interviewed him in his Senate office. Was the publication of his plan timely? Why did he do it? How much backing does the new economy minister have among the Radicals? How much influence does the Coordinating Committee have? These were just a few of the questions the congressman tried to answer in the following dialogue:

[Question] An economic proposal advanced by you has just been made public. What is its purpose?

[Answer] The study was done by Senate economic advisers. I belong to the Budget and Finance Committee, and I am concerned about this matter. We put this report together last November, and naturally I gave it to the president first. Someone asked me for it at the time, and I saw no problem in giving it to him because it is nothing secret.

[Question] Is the proposal in line with the medium-term plan that Sourrouille, who is now economy minister, presented back then?

[Answer] I think that Dr Sourrouille's plan is excellent. He puts forth reasonable objectives, which we should pursue. Moreover, it is a technically valid proposal that will blaze a trail, give us a sense of direction and tell us where we are headed, if it is politically feasible. Our report, on the other hand, is not a plan. It is an analysis carried out to find a perspective for addressing the economic problem.

[Question] One wonders, however, if it was a good idea to release this plan just when Sourrouille's first measures were announced.

[Answer] Given the timing of its release, no one could doubt that it contributes to the same effort. Perhaps if it had come out a few days later, some

might have interpreted it as evidence of disagreement. Our attitude, I reiterate, is one of contributing to the government's action, with which we are in complete agreement.

[Question] Why did Bernardo Grinspun resign? How did President Alfonsin decide to carry out the change?

[Answer] That is the president's business. I think it must be a conclusion that the president and the minister reached together. Replacements take place when it is felt that political leadership interests can no longer be served, or it is deemed the most appropriate action to ensure the best management of the economy. Bernardo Grinspun's aim was never to hold onto a given office, but rather to serve the nation.

[Question] Does the party look favorably on Sourrouille's appointment?

[Answer] It has been well received by the party. There is a positive attitude, a view that the change will be justified in time. Sourrouille's technical qualifications and loyalty to the government make him the best man for the job, deserving of our support and confidence.

[Question] Is the government straying from the Radical ideology?

[Answer] Sometimes people look for trends in news events that are not really there. The government is adhering to the Radical line, and as Dr Alfonsin and I myself said during the election campaign, we intend to call on the best.

[Question] How much influence does the so-called Radical Coordinating Committee have?

[Answer] It is just one more sector of the Radical Civic Union. They are Radicals. They are also working for the cause of the national government. There is no reason to raise specters. There are no internecine power struggles in the government, but rather a common desire by all to serve the country better. That is why it is appropriate for me to share with the press what I have discussed with the president: reaffirming the sense of party unity and strengthening the confidence of party members, stressing that the party's main challenge and responsibility is to govern.

[Question] Isn't there a crisis in the government?

[Answer] Absolutely not.

[Question] What will happen from now on in the economy?

[Answer] The crisis is much more serious than we predicted or thought. Grinspun had to deal with tremendous difficulties, especially in the external sector, which took up an overwhelming proportion of his time. Meanwhile, the domestic sector was also in serious condition and required urgent attention. That did have an impact. If we forget that we are dealing with an inherited problem that is rooted in the historic weakness of our economy, aggravated by the mismanagement of the military government, we will not understand what is

going on. Today we have inflation, the foreign debt, a lack of confidence and disinvestment in major sectors of the economy. But I am optimistic, because what we lacked was a medium- and long-term plan. Sourrouille proposed this as a guideline for discussing the plan. Now it remains to be seen whether as a minister he can put the plan into practice.

8926

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ARGENTINA

ALFONSIN'S POPULARITY DROPS SLIGHTLY

Bahia Blanca LA NUEVA PROVINCIA in Spanish 23 Mar 85 p 5

[Text] Buenos Aires (DYN)--Mounting disapproval of the administration's economic policies and a slight drop in President Raul Alfonsin's broad-based popularity were the main findings of a poll conducted by the Gallup Institute of Argentina among 800 persons over age 18 in the Federal Capital and Greater Buenos Aires.

The poll was conducted house-to-house by 38 persons between 15 February and 8 March 1985, and its findings have a 5 percent margin of error in accordance with the probability sample method.

The poll consisted of two questions, one asking whether respondents approved or disapproved of how the government is managing the country's economy, and other having to do with their general opinion of the chief of state.

In the first case, 67 percent of the respondents disapproved of the government's economic policies, while 23 percent approved and 10 percent did not reply or did not feel they could give an answer.

The Gallup organization conducted similar polls in April, July and November 1984, and a comparison of the findings on those occasions and this time shows that disapproval of economic policy has been on the rise.

In April 1984 there was 47 percent disapproval, in July 46 percent, and in November 53 percent, with the figure climbing to 67 percent this time.

Meanwhile, the percentage of people approving of the government's economic policies has been falling as follows: April, 38; July, 36; November, 33, and March 1985, 23.

The responses to the second question show that President Alfonsin is still very popular despite a slight drop over the past 4 months.

The findings of the recent poll were that 27 percent of the population regards the president's performance as "very good," 45 percent as "good," 17 percent as "average," 5 percent as "poor," and 2 percent as "very poor," with 4 percent not answering.

Comparing these findings with those of previous polls, we see that the percentage of people giving the president a "very good" rating declined from 34 to 27 from November 1984 and March of this year, while those giving him "good" marks rose from 42 to 45 percent; thus, 72 percent of the respondents approve of the job that Raul Alfonsin is doing.

8743

CSO: 3348/584



ARGENTINA

ALSOGARAY ON SOURROUILLE'S ASSIGNMENT

Bahia Blanca LA NUEVA PROVINCIA in Spanish 23 Mar 85 p 2

[Text] Buenos Aires--Alvaro Alsogaray, the national deputy who is also head of the Democratic Center Union (UCD), when asked about the appointment of Economy Minister Juan Vital Sourrouille, said: "I think that events will not give him much time to take action, and if he does not adopt specific and definite measures right away, reality will devour him."

In statements published yesterday by the morning daily TIEMPO ARGENTINO, Alsogaray indicated that "changing Sourrouille to Economy and Grinspun to Planning was just a matter of internal politics. What for, if the country is not interested in the Radicals' squabbles and feuds, but just wants the problems to be solved?"

In a harsh criticism of the government, the UCD deputy stated that there is "a curious historic contradiction: The government officials who were so critical of the Junta are now taking the same positions on the economy as the military did."

With reference to the current position of the Justicialist movement, he indicated that "loyal Peronists, those who loved Peron, are now disoriented. That is why they are going in different directions."

"They understand us quite well, because I try to speak in very clear terms so that we can understand each other." He also noted that "I was never anti-Peronist in personal terms, just in terms of the system."

Regarding Gen Peron's recognized virtues, the legislator mentioned that "he was an outstanding, exceptional politician who surpassed everyone in his time, and managed to gain the support of the great masses."

When asked his opinion of President Raul Alfonsin, he said, "I think he has two fundamental qualities: He did raise hopes and capitalize on the fear of Peronism. He did that at first, but now that he is in power, his view is very different."

With regard to the attraction of youths to the UCD, Alsogaray stated that it is due to the fact that "we give them clear definitions of human problems, and they can be sure that we never lied, we were never incoherent."

He added that if one must choose between the left and the right, his party is strictly "in the center."

When asked about the contradiction between Alsogaray the democrat and Alsogaray the collaborator in the coup by Gen Ongania, he asserted that "I never banged on the doors of the military barracks to stir up a revolution, and in the case of Ongania, a group of officers began to prepare for the eventuality of the Radical government reaching a state of disintegration."

8926

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ARGENTINA

COORDINATING BOARD LEADERS PROFILED

Buenos Aires CLARIN in Spanish 31 Mar 85 p 10

[Article by Julio Blanck: "Inside the Coordinating Board"]

[Text] Born in secrecy, developed at a time when the Radicals were a minority and with its destiny linked with that of Raul Alfonsin from the very dawn of the Movement of Renewal and Change, the National Coordinating Board is now -- above and beyond any exaggerated claims for or against -- an unavoidable point of reference when analyzing the internal power balance in the UCR [Radical Civic Union].

To be absolutely truthful, the Coordinating Board exists as an internal line -- according to the formal requirements -- only in the Radical Youth (JR), although even there its organic operation is frozen, inasmuch as its leaders are now the leadership of the JR.

Within the party structure, members from the Coordinating Board are assimilated into Renewal and Change. Logically enough, they continue to make up a "group of friends" of vast and noteworthy influence. But the lack of organic shape also leads to the co-existence of nuances in political action. This means that there are often disagreements between them and competition as well.

The large districts: Buenos Aires, the Federal Capital and Santa Fe, are those in which the Coordinating Board, or its party extension, have the greatest weight. Consequently, it is there that one can most clearly see the differentiation within a single political faction, as they point out.

Given the lack of organic structure, the different factions are personalized and follow Enrique Nosiglia (the Capital), Luis Caceres (Santa Fe) and Federico Storani (Buenos Aires), the leaders of the Coordinating Board who also play a major role in the UCR.

Local Situations

"We are a group of friends united by our long militant experience, past affinities and a strong ideological factor. We cannot claim that we follow an identical line of conduct in party action because each one responds to his local reality." The speaker is Enrique Nosiglia, the most prominent figure among Capital Radicals.

In order to understand what "local realities" mean -- a principle of autonomy responding to Radical tradition -- suffice it to say that the partisans of the Coordinating Board are strong in the Federal Capital, while they have the possibility of winning the leadership of Santa Fe (an internal quarrel is expected in June) and they are a minority in Buenos Aires, although with enough strength to be part of any internal bargaining.

On the basis of such realities, action in each district is guided. As a result, the adversaries of some may also be the friends of others, provided that the rivalry or affinity be within the framework of Renewal and Change.

Whatever the case, certain general lines of action are shaping up within the group of friends. One of them, beginning shortly before the 1983 internal elections, established that priority would be given to elective posts and to partisan positions by district, seeking a "warning presence" in the national leadership.

It was for that reason that when Luis Caceres (first secretary of the National Committee of the UCR) observed that there would in fact be an incompatibility between party and government posts, suggesting the appointment of a National Committee board that might exercise effective leadership of the party in which he himself would have a prime role, he established a difference with that resolution.

Such an attitude brought more than a few problems for the impulsive "Changuil" Caceres and even a number of disputes with his friends on the Coordinating Board. Differences with Marcelo Stubrin and Storani remain.

Early in November 1968, youth leaders from all over the country met in Santa Fe to form the National Coordinating Board.

Jesus Rodriguez, president of the National Committee of the JR, stated that "the Coordinating Board emerged in response to a need. In time, it became the only militant youth expression of Radicalism on a national level."

From that point of departure emerged a leadership responsible for taking up the difficult task of redrawing the youth lines of Radicalism. It included Luis Caceres, Miguel Molinero of Cordoba and now Deputy Leopoldo Moreau, now running against the Coordinating Board -- against Storani, to be precise -- in the Buenos Aires elections..

The Coordinating Board continued as a youth internal line and at its congress in Santa Fe in 1981, named the national leadership, which still formally exists. It includes Hector Gutierrez as secretary general, Marcelo Marco as organizational secretary and deputies Jesus Rodriguez and Juan Radonjic, among others.

Also in 1981, when party normalization began, hundreds of Coordinating Board leaders abandoned the Radical Youth for reasons of age (having reached 30) and joined the UCR, recording their years of membership in a document entitled "Manifesto of a Radical Generation," drafted by Marcelo Stubrin and taken as the Coordinating Board's credo, although many, such as Caceres, do not abide by it and even criticize it.

The same militant youths who in 1972 had massively joined the Movement of Renewal and Change, undertaking their work in the partisan framework, determined to maintain and develop their ideas. One expression of this was their growing participation in the different levels of the UCR.

Constant promoters of political discussion and the training of leaders, the Radicals on the Coordinating Board are pointed out as the sponsors of a party of cadres based on an elitist model.

They defend themselves with figures: "If, as members of Renewal and Change, we were the protagonists of the transformation of the party, which ceased being a minority and evolved into a mass organization with 2 million followers, they can scarcely accuse us of being sectarian or elitist," Jesus Rodriguez points out.

For other youth militants, the "mass party" is exclusively due to the work of Raul Alfonsin, and this is one of the most notorious disagreements within the Coordinating Board.

Just as the vertiginous growth of Alfonsinism awakened uneasiness in the traditional party framework, today the Coordinating Board is viewed with distrust, inside and outside Radical circles.

The type of party -- defined by objectives and methodology -- and its relationship with historic people's movements mark the Coordinating Board's differences with other Radical factions.

"The current situation in our party does not provide an atmosphere for the discussion of great national issues, nor does it mobilize its potential in defense of those objectives in keeping with the action of the government," says Federico Storani.

#### Insertion

The Alfonsinist avalanche, first in party voting and later in the national elections, catapulted members of the Coordinating Board into prominent posts in the Radical leadership, Parliament and the government.

They now have some 20 national deputies. Among them are Marcelo Stubrin and Jesus Rodriguez (Capital); Federico Storani, Horacio Huarte, Julio Ginzo, Juan Stavale, Ricardo Cornaglia and Juan Cavallari (Buenos Aires); Luis Caceres, Adolfo Stubrin, Raul Milano and Ricardo Terrile (Santa Fe); Carlos Becerra and Lorenzo Cortese (Cordoba); Santiago Lopez (Chubut); Hugo Piucill (Rio Negro); and Miguel Moragues (San Juan).

In addition, in the national Parliament, they have a figure on the rise, Senator Ricardo Lafferiere (Entre Rios).

They occupy positions in different ministries. For example, Enrique Nosiglia is undersecretary of social action, Ricardo Campero heads the Foreign Trade Secretariat, Raul Alconada Sempe and Horacio Ravenna hold offices in the secretariats

of Latin American Affairs and Human Rights in the Foreign Ministry and Roberto Bigatti is undersecretary of labor.

They proclaim to follow "Alfonsin's orthodoxy," defending their membership in the Movement of Renewal and Change. They propose an intense ideological debate to define the course to be taken by the UCR and they are confident that time will resolve their internal differences and promote homogeneous action enabling them to shape their political purposes.

In the meantime, they must abide by Alfonsin's own instructions not to use internal elections, the distrust of other Radical factions and the very internal struggles of the Coordinating Board.

#### Photo Captions

[Above] Federico Storani, national deputy, president of the Foreign Relations Committee, the man with the most chips. Enrique Nosiglia, undersecretary of social action, member of the Capital Committee board, the man who has Alfonsin's ear. Luis Caceres, national deputy, member of the National Committee, candidate to head Santa Fe, the most intransigent.

[Below] Ricardo Lafferriere, national senator, chairman of the Senate Accord Commission, the rising figure. Jesus Rodriguez, national deputy, chairman of the Budget Committee and president of the JR, the man who has grown the most. Marcelo Sutbrin, national deputy, vice president of the Radical bloc of deputies, one of the ideological pillars.

11,464

CSO: 3348/610

ARGENTINA

PROSECUTOR DISMISSES 'NUREMBERG-STYLE' MILITARY TRIAL CONCEPT

Buenos Aires CLARIN in Spanish 18 Mar 85 p 7

[Text] Prosecutor Julio Strassera has ruled out the possibility that the commanders of the previous military regime will be put on trial "Nuremberg style" on charges of human rights violations, adding that the principle of "obedience owed to superiors" is no excuse for carrying out "orders to commit atrocities."

The prosecutor recalled that organizations of Nazi repression such as the SS, Gestapo and the SA were prosecuted at the famous German trials, whereas in the case of the former commanders "we are trying only individuals in charge of institutions, not the institutions themselves," he emphasized.

"Regardless of whether or not its decisions were fair, the Nuremberg trial was conducted by the victors in a war, with the force of their arms behind them," the prosecutor noted, adding that the trial in Argentina "has been ordered by the victors in a democratic election."

In remarks on Belgrano Radio's "Manana, tarde y noche" program, Strassera also asserted that "current law and doctrine make it clear that obedience owed to superiors is no excuse for carrying out orders to commit atrocities."

The prosecutor reiterated that the former commanders are charged "with having given orders to personnel under them to commit the acts that prompted this trial or, at best, with having not taken steps to avoid such acts in the knowledge that they were taking place."

He then acknowledged that "in some cases" the individuals responsible for the human rights violations will be identified and "in other cases" not.

9,000 Cases

Regarding a Federal Court order to specify within 3 days the acts with which the defendants are charged and the corresponding

criminal liability, Strassera said that he "did not understand" the reasons for the demand, conjecturing, however, that it was "to guarantee as broad a defense as possible."

"CONADEP [National Commission for Missing Persons] convincingly established 9,000 cases of human rights violations, and I selected 711 paradigmatic ones that do not represent everything that happened."

Harking back to the demand, he indicated that in order to specify the charges against the former commanders and to establish the corresponding criminal liabilities, "I will refer to the 711 cases that I have filed and, moreover, I will indicate all of the findings that will enable me to establish liability in these cases."

When asked about whether the charges he has filed against the former military commanders involve the prosecution of a methodology, Strassera replied "of course," adding that "in our country, even though we have signed a convention on genocide, our criminal law does not contain a category for punishing the use of a perverse method."

He remarked that "we have individual crimes, specific actions called homicide, illegitimate incarceration, torture or robbery. The only thing that I have to demonstrate is that the use of this method resulted in the commission of homicide, etc."

Regarding the court's rejection of an appeal filed by the Fernandez Meijides in connection with the disappearance of their son, he explained that "it was denied because one of the requirements for approval is having appeared at the appropriate time before the Supreme Council of the Armed Forces, which they failed to do."

He added that "a special appeal has been filed against the court's decision, and it will have to be ruled on. I will hear the appeal and rule as I see fit, and the court will decide whether to grant it or not. Notwithstanding, in the event that their appeal is not granted, they can still file a complaint appeal with the Supreme Court."

#### Amnesty

When asked whether he thinks that the former commanders will be found guilty and then that a "top to bottom" amnesty will be ordered for those who violated human rights, he replied that "I can't answer that because I'm not a politician, and that's an issue that's up to the politicians."

"If there is going to be an amnesty law," he noted, "this is a matter that the government will have to decide on when the time comes, and of course Congress will have to issue it."



ARGENTINA

FIVE-YEAR SHIPBUILDING PLAN FORMULATED

Buenos Aires EL ECONOMISTA in Spanish 15, 29 Mar 85

[15 Mar 85 pp 16-17]

[Text] The entry of genuine revenue through duties on import and export cargo, earmarked for the National Merchant Marine Fund, has enabled the National Shipping Industry Directorate, an agency of the Undersecretariat of River and Maritime Transport, along with outfitters, to draft a shipbuilding plan for the Argentine shipyards. Both river and ocean shipping sectors will be involved.

The plan includes the following projects:

1985

These contracts are expected to be signed in September of this year: one grain vessel with a dead weight of 60,000 tons; one grain vessel with a dead weight of 45,000 tons; one container ship with a dead weight of 18,000 to 23,000 tons; two river-ocean barges with a dead weight of 20,000 to 25,000 tons; two tugs to tow the barges; one other tug; one river tanker with a dead weight of 6,000 to 8,000 tons; and 10 river barges with a dead weight of 1,500 tons.

1986

Eight barges with a dead weight of 1,500 tons; three "Panamax"-type vessels with a dead weight of 60,000 tons; and one chemical tanker with a dead weight of 12,000 to 15,000 tons.

1987

Three river-ocean barges with a dead weight of 20,000 to 25,000 tons; three tugs for the barges; one other tug; eight tug barges with a dead weight of 3,000 tons; and two port tugs.

Due to the fact that financing of the plan does not require treasury funds, inasmuch as estimates indicate that revenue from duties will amply fund such construction projects, we believe that for the first time, the Argentine shipbuilding industry has a good long-range program and that if no problems occur resulting from changes in government policy, the shipyards will in the future be able to plan their development.

[29 Mar 85 p 17]

[Text] In our edition of Friday, 15 March, we published the first installment of the Shipbuilding Plan for Argentine shipyards involving private national outfitters and both river and ocean transport.

In that article, we stressed the importance of having genuine revenue generated by the outfitters themselves through duties on import and export cargo, revenue earmarked for the National Merchant Marine Fund. Once the plan is implemented, the Argentine shipbuilding industry will be able to plan its development for a 5-year period, given the fact that the plan is for 5 years. At the same time, it is thought that contracts for the year underway will be signed, along with the drafting of a shipbuilding program for a similar period.

If there is no problem as a result of changes in government policy, the industry will, for the first time, have a long-range plan.

Unfortunately, that article did not contemplate imponderables. According to our information, taking advantage of the request made by Justicialist Deputy Jose Luis Manzano, dated 8 March, to handle the matter at the special sessions of the Chamber of Deputies and especially the veto imposed by President Raul Alfonsin of articles incorporated into the bill to create a National Merchant Marine Fund, which would make the latter useless and inapplicable, the attempt would be to block the law once again by imposing those articles.

The law as drafted, which led to the drafting of this Shipbuilding Plan, is viewed with concern by some sectors because of the enormous political benefit the Radicals would then enjoy in having an industrial sector that would generate other industries such as subsidiaries which, if the "Buy national" policy were applied, would create many jobs.

We believe that this is what is behind the strong campaign of discredit aimed at officials who worked so hard to draft the bill, an attempt to weaken them in their defense of the bill.

#### Projects Scheduled for 1988 and 1989

##### 1988

One grain ship with a dead weight of 45,000 tons; one container ship with a dead weight of 18,000 to 23,000 tons; three supply vessels; one river-ocean barge with a dead weight of 20,000 to 25,000 tons; and two tug barges with a dead weight of 3,000 tons.

##### 1989

One chemical tanker with a dead weight of 12,000 to 15,000 tons; two port tugs with a dead weight of 12,000 to 15,000 tons; one supply vessel; and one grain vessel with a dead weight of 60,000 tons.

Total tonnage to be built in the coming 5 years is 681,000 tons dead weight.

[Photo caption]

Luis Olaizola, national director of the shipping industry, who, along with the head of the Undersecretariat of River and Maritime Transport, Dr Pedro Casado Bianco, will bear the burden of defending the National Merchant Marine Fund bill.

11,464

CSO: 3348/595

14 May 1985

## ARGENTINA

## BRIEFS

ALENDE'S ENDORSEMENT--The leader of the Intransigent Party, Oscar Alende, said yesterday that "we support Alfonsin's initiative in promoting a meeting of Latin American presidents to hammer out an agreement on placing the foreign debt problem in a political framework." Alende was speaking at the inauguration of an Intransigent Party people's center in the Mataderos district that local party activists themselves built. Speaking at the corner of Trabajo Avenue and Tellier, Alende indicated that "the foreign debt, a new and brutal form of imperialist domination, cannot be paid back with the hunger and suffering of the peoples of Latin America." The Intransigent Party leader went on to say that "Latin American unity is indispensable" to tackle these problems, asserting that in Argentina there must be "unity among all grassroots forces around certain basic shared views so that we can regain our self-determination, consolidate and intensify our democracy and set out on the path of liberation." [Text]  
[Buenos Aires CLARIN in Spanish 17 Mar 85 p 8] 8743

CSO: 3348/584

BELIZE

## COURT HALTS EXTRADITION OF DRUG SUSPECT; DEA ROLE HIT

### Charge of DEA Interference

Belize City AMANDALA in English 8 Mar 85 p 1

[Text] BELIZE CITY, Thurs. March 7

The battle against narcotics and narcotics suspects appears to have reached the stage in Belize where local police officers, at the urging of Drug Enforcement Agency operatives, are prepared to defy court orders in order to extradite key suspects.

Wilfred Elrington, lawyer for Mohamad Mahmoud Assaad, a man of Lebanese origin (he owned the Mockingbird store) who became a naturalized Belizean on February 21, 1983, told AMANDALA that local police officers Inspector Rowland and Corporal Vernon, at the apparent insistence of Belize based DEA agent Ross Ranier, refused to honour a writ of habeas corpus granted by Chief Justice George Moe last Friday morning, February 28.

Assaad is believed to have been arrested in the United States last year in connection with the May 84 Gillett-Weatherburne-Flowers cocaine indictments, but jumped bail.

The DEA wanted him bad, "real bad."

On February 22, 1985,

Home Affairs Minister Curl Thompson signed a revocation of Belize citizenship order and on February 28 ordered Assaad deported.

But these so-called expulsion orders provide for detention in the custody of the Superintendent of Prisons until the actual deportation.

Instead, according to Elrington, Inspectors Rowland and Thimbrel picked his client up the same afternoon (February 28), refused him permission to pick up his two daughters at school or the use of a telephone, and spirited him away to the Burrell Boom police station where they held him incommunicado until time for the 10:30 a.m. TACA flight to Miami the following morning.

The lawyer, meanwhile, filed application for a writ of habeas corpus at 8:30 the Friday morning. It was heard and granted by Justice Moe at 9:30, signed at 10, and Elrington drove posthaste to the airport.

The jet's engines had already been started.

Elrington served the writ

on the police officer at Immigration who then went on board the plane and showed it to Rowland.

Such a writ ordered that Assaad be held by the Superintendent of Prisons until a court hearing.

DEA agent Ross Ranier, according to Elrington, blocked his path when he boarded the plane and tried to see Mohamad and serve the writ personally, and Ranier, according to Elrington, told Rowland and Corporal Vernon to ignore the writ.

The police officer at

Immigration was saying that the Compol was ordering the

plane to go when Assaad's Belizean born wife jumped on the plane and began raising a ruckus, refusing to come out of the aircraft.

Compol, according to Elrington, eventually ordered the police to take Assaad off the jet and remand him in the custody of the Superintendent of Prisons.

A hearing will be held on Monday, March 11.

This is a very, very big case.

#### Court Action

Belize City THE REPORTER in English 17 Mar 85 pp 1, 16

[Text]

Belize City,  
Friday, March 15:

A ruling this morning by the Supreme Court has overruled an order made by the Minister of Home Affairs, to strip a man of his Belizean citizenship.

The man, 32 year old Mohammed Mahoud Assad, became a naturalized Belizean two years ago. He was plucked off a northbound plane in the nick of time on the strength of a court order and walked away after two weeks of executive detention this morning, free for the time being.

Announcing his findings, Chief Justice Mr. George Moe criticized the way the man's Belizean citizenship

had been taken away from him. It was in violation of the laws of natural justice, he said, because Assad had not been given an opportunity to answer the charges made against him. He ruled that in the eyes of the court Mohammed Mahoud Assad still had his valid Belizean citizenship and could not be deported from the country while he continued to be a Belizean.

The Supreme Court recognized that the Minister of Home Affairs is free to pursue the action against Assad by instituting a new inquiry and giving Assad a chance to reply to the charges being pressed against him.

Mohammed Mahoud Assad is a

Palestinian Arab who came to Belize and set himself up in business as a merchant.

The Minister's decision to strip Assad of his Belizean citizenship is based on complaints that Assad has been active in the narcotics trade. It is believed that this information is based on investigations performed by the Belizean Special Branch of the Police Force and the Drug Enforcement Agency in the United States.

In the Supreme Court Tuesday Attorney Elrington argued that the Minister's order to deport Assad and his action in revoking the man's Belizean citizenship were unconstitutional and contrary to natural justice. The law required the Minister to carry out an investigation before revoking Assad's citizenship, he argued. Assad should have been informed of the charges laid against him and provided with an opportunity

to refute the allegations.

The Attorney for the deportee, Mr. Wilfred Elrington, raised this and several other issues this week while arguing on behalf of his client in the Supreme Court.

The arguments were heard by the Chief Justice Mr. George Moe, who announced at the completion of the hearings that he would make a ruling at a later date.

The issue before the court was whether the Minister of Home Affairs Mr. Curl Thompson had acted properly or improperly while making an order to deport Mohammed Mahmoud Assad, (an immigrant of Palestinian stock who had become a Belizean Citizen after stripping him of his new Belizean citizenship. Elrington argued that the Minister had acted illegally and unconstitutionally and he applied for a writ of certiori from the Supreme Court.

BELIZE

ESQUIVEL COMMENTS ON GUATEMALAN CLAIM, OTHER ISSUES

Rejection of Land Claim

Belize City THE REPORTER in English 24 Mar 85 p 7

[Text] At his regular news conference this morning the Prime Minister, Mr. Manuel Esquivel said that Belize did not recognize Guatemala's territorial claim and has refused to even discuss the question of land cession.

"Our policy has always been very clear", the Prime Minister said, "and that is that we feel that in negotiating with Guatemala what we are trying to do is establish friendly relations with our neighbour. We are not trying to resolve a land claim because we don't believe that there is one. And therefore our position is that we will not discuss any kind of territorial exchange or cession or anything like that."

Central American Report, discussing the mid-February resumption of Anglo-Belize Guatemalan talks observed that observed that Guatemala seems to be taking a more flexible position when compared to past positions. It cited intelligence reports which said that the Guatemalan representatives insisted on a clear decision on Hunting Caye.

According to one British newspaper, the Guardian, the Guatemalan Constituent Assembly is delaying discussion on Belize until after negotiations progress in order to incorporate more realistic clauses in the new constitution.

Guatemala continues to maintain its full territorial claim and now says that any negotiated solution is the responsibility of the future government

following democratic elections and not that of the present de facto administration.

While in Mexico Prime Minister Esquivel said the Belize government is willing to discuss Guatemala's concern over a maritime passageway, and has expressed optimism that an agreement can be reached once a new constitutional government is installed.

Meanwhile Belize continues its efforts to strengthen its relations with its neighbours, especially Mexico. The Prime Minister's visit to Mexico recently was very well received and he got particularly good press coverage because of his willingness to answer all questions fired at him during his marathon press conference in Mexico City without trying to dodge or equivocate.



## Initial Press Conference

Belmopan THE NEW BELIZE in English Jan 85 pp 14-15

[Text]

**I**t was only hours after the United Democratic Party had won a clear majority in the December 14 parliamentary election that Prime Minister designate Mr. Manuel Esquivel gave his first press conference at the Fort George Hotels in Belize City as he prepared to take over the reins of government.

### ON NATIONAL UNITY AND COOPERATION

**I**would like to categorically state that no one need fear this dramatic change of government. The new government extends the hand of friendship to all

Belizeans regardless of their political ties. Whatever divisions we may have experienced in the heat of the recent political campaign must now be put behind us. The United Democratic Party Government is a government for all Belizeans. We respect the rights of all Belizeans and we stand ready to serve all Belizeans. We do not forget that victory at the polls was only a goal that had to be achieved in order to reach a higher goal and that higher goal is good government and services to the people.

Good government means doing those things which will result in development, decent housing, good education for our children, more jobs, respect for civil rights and true democracy. Good government means doing those things that will make our independence work, bring security to our borders and give our people personal independence and dignity.

Today we in Belize have proved that this young nation is building democracy on a solid foundation. We have proved that we can achieve a peaceful and orderly change of government in response to the will of the people. All Belizeans winners and losers can be proud of that, for indeed there are no real losers today. What has taken place is a victory for democracy.

We must have a determination that we are going to work in this country as a team. We welcome the inputs, the energy, the talents of all Belizeans in helping us to move forward and in helping us to build a better Belize.

### ON RELATIONS WITH THE UK AND THE USA

**O**ur government would certainly be very much interested in building the strongest of links with the United Kingdom particularly in the view of the fact of our peculiar defence needs. We welcome the British troops who remain on our soil. Simultaneously, we want to establish the best of relations with the United States of America.

### DRUGS

**T**he drug situation is a very serious one and it is a very big one. This government would need to be advised immediately as to the magnitude of the problem and the size and expertise of the kind of force which must be used in order to achieve such a crack down.

### BRITISH DEFENCE

**T**he level of British troops in Belize at the moment is probably at the level which we would need for a credible defence.

### INVESTMENTS

**T**he thrust of our philosophy has been that this country needs investments to provide and to create the opportunity which our people need. Our relations with the United States will depend heavily on the possibility of getting the kind of investment input into Belize that will in fact create the opportunity, which we have been talking about throughout the campaign.

I would say it would be fundamentally an economic tie.

#### ON US MILITARY PRESENCE IN BELIZE

**O**ur policy with regards to the United States military and Belize's security needs, is a very simple one. We do not believe, assuming a British withdrawal, that Belize would require an American military presence in order to secure our borders from a Guatemalan threat. The United States of America is near enough to Belize. It is obviously powerful enough, that all we would seek, if we could have our wishes, would be for the United States to declare that it would not permit a Guatemalan invasion of Belize.

#### NO WITCH HUNTS

**W**e would not want to be spending our time with witch-hunts. If people in the past administration have been guilty of criminal offences then we feel that it would be the job of the law enforcement agencies.

#### ABOUT VOA MEDIUM WAVE RADIO TRANSMISSIONS FROM PUNTA GORDA

**I** have no particular problem with the transmission of the Voice of America. I would however, like to know what are the security implications and whether the agreement has in fact addressed itself to that problem.

#### JOBS

**W**ithin the next year our goal is to ensure that we will be creating a significant number of jobs in Belize City and in the rest of the country. This means that we will be creating a significant number of new investments particular in the field of tourism, fishing, agriculture and where possible light industry.

#### CORRUPTION

**A**ll new governments I think begin with an advantage of entering with a clean slate. When corruption becomes a problem it is because one government remains in power for too long. The people of Belize having experienced a change of government for the first time, will find it a lot easier to make the change a second time. They will not tolerate from us what they have tolerated from the other party for as long.

## Criticism of Media

Belize City THE BEACON in English 9 Mar 85 pp 1, 2

[Text] Prime Minister Manuel Esquivel has blasted the local press for allowing itself to be "used as a vehicle for Guatemalan propaganda, without verifying reports appearing in *El Graphico* and *Prensa Libre* two Mexican newspapers.

The reports appeared in certain sections of the press, following Mr. Esquivel's recent tour of Mexico.

A release issued by the Government Information Service, said that neither of these newspapers were represented at the press conference held by the Prime Minister in Mexico City during the official visit, and added that the reports appearing in the two publications were third hand information obtained from Guatemalan officials in Mexico.

In clearing up the false reports, obviously designed to smear the image of Mr. Esquivel and his administration, Mr. Esquivel was quoted on three specific statements -

1. That the Prime Minister emphatically stated that while his government may be prepared to allow Guatemala a corridor outlet to the Caribbean Sea, it is not prepared to discuss the cession of land in any negotiated settlement in the century old dispute with Guatemala.

2. That in response to a question on closer political allegiance in the region, the Prime Minister said that his government was prepared to form a political union with other conservative parties in the Caribbean, but that no mention was made of military associations; and

3. That with regards to the position of the United States in Central America, the Prime Minister said that it was up to the President of the U.S.A. to decide what U.S. policy in the region should be.

The position of the UDP Government on its foreign policy is already enshrined in its manifesto, and was repeated in the Official Speech from the Throne, delivered at the opening of the House held in December, following the party's landslide general elections victory.

Among other things, the manifesto states: "The foreign policy of a UDP government, would be aimed, in the first instance, at the preservation and enhancement of our sovereignty ... continuing negotiations (with Guatemala) would have to proceed on the basis of Guatemala's acceptance of Belize's sovereignty and its right to maintain non-derogation therefrom ..."

BELIZE

BRITISH OFFICIAL CONFIRMS TROOP SUPPORT ARRANGEMENT

Belize City THE BEACON in English 16 Mar 85 pp 3, 10

[Text] On Friday last week, visiting British Minister of State in the Foreign and Commonwealth Office, Baroness Janet Young, held discussions with the Prime Minister, Mr Manual Esquivel, on a number of bilateral and international issues of mutual interest.

Also present at these discussions were Belize's Foreign Minister, Mr Dean Barrow, and the British High Commissioner, Mr John Crosby.

Prime Minister Esquivel sought and received an assurance of the continued presence of British troops in Belize. Baroness Young reaffirmed Britain's commitment to Belize. She said that the troops will not be withdrawn without prior consultations with the Government of Belize.

Foreign Minister, Mr Dean Barrow, took the opportunity to brief the Baroness on the recent talks held in New York between Belize and Guatemala.

Also discussed was British economic assistance to Belize. Baroness Young confirmed that an economic mission from the United Kingdom will arrive here later this year to examine Belize's development priorities.

CSO: 3298/552

BELIZE

TIES WITH U.S. EXAMINED, INDEPENDENCE ASSERTED

'Strings' on Loan

Belize City THE REPORTER in English 10 Mar 85 pp 1, 15

[Text] THE Government of Belize has negotiated a record loan of \$13 million U.S. with the United States Government through USAID to provide balance of payment support for the ailing Belize economy and to shore up the Belize Electricity Board, the Belize Marketing Board and others.

The cash transfers will be made over six quarterly disbursements. Belize will get the benefit of the foreign exchange and the \$26 million Bze. will be deposited in a special account at the Belize Central Bank for capital expenditure.

Prime Minister Mr. Manuel Esquivel has expressed his appreciation and gratitude that the loan had been negotiated so quickly - less than three months after the UDP took over the running of the government. He

promised that the money would be used in the best interest of the Belizean economy.

Although the loan is for a 25 year period on easy terms (Belize will pay two per-cent interest on the remaining balance during the first 10 years and 3 per-cent during the remaining 15), it is not completely without strings. The principal undertakings are:

1. That Belize agree to a programmed level development expenditure and public sector savings. That means cutting costs and working within a strict budget.

2. That Belize agree to remove quantitative trade restrictions. This seems to suggest no import controls.

3. That Belize agree to restructure the debt of the Belize Electricity Board and improve its management. This

will involve bringing new managerial and financial advisory services to the Board.

4. That Belize agree to restructure the Belize Marketing Board. This means in practice taking away its importing privileges and turning the Board into an instrument to help farmers to find markets for their produce.

5. In addition Belize has also agreed to expand its trading with the United States with a commitment to get its raw materials, intermediate goods, spare parts, capital goods and other supplies from the United States to match the level of the loan aid being received.

## Nationalism vs. Support for U.S.

Belize City AMANDALA in English 8 Mar 85 p 2

[Editorial: "Temper Ideology With Nationalism"]

[Text]

Readers, we have to examine closely and try to understand what is happening just outside of our borders.

Honduras is showing displeasure with the United States because Salvador, Honduras' traditional rival, is receiving twice as much military and economic aid as Honduras is getting from the U.S.

Honduras fears an imbalance developing to the advantage of Salvador. Nations which benefit from a power imbalance are historically and inexorably aggressive and bellicose.

Where Guatemala is concerned, the United States spent some twenty odd years arming Guatemala in sundry ways until 1977 when Jimmy Carter cut off military aid because of "human rights violations" in that neighbouring republic.

Now the Reagan administration is on the verge of renewing massive military aid funding to Guatemala, which claims Belize and is periodically quite strident about that claim.

Were the British to leave Belize, Guatemala, with this great military advantage over Belize, could not resist the temptation to invade Belize, with U.S. made weapons and U.S. trained soldiers.

Yet Belize's leaders, because of ideological sympathy, continue to express unconditional support for the United States government.

We think it behooves our leaders to temper their ideological obsessions with some nationalistic concerns.

After all, where the U.S. government is concerned, the best thing for them would be to have Guatemala take over Belize, then fight Nicaragua.

## Barrow on Military Base

Belize City THE BELIZE TIMES in English 17 Mar 85 pp 1, 12

[Text]

The following article is taken from an interview with Foreign Minister Barrow appearing in the Mexican daily newspaper "Uno Mas Uno" dated 14th February, 1985.

The Foreign Minister of Belize Dean Barrow said that in the discussions between Mexican President Miguel de la Madrid and Prime Minister Esquivel the two leaders would discuss the regional situation. "I don't want to be previous but I can say that the Prime Minister will officially express his total support for the Contadora peace initiative and he will acknowledge the part played by Mexico in that process and in the region. We have always admired Mexico's foreign policy and its commitment to the principle of non-intervention."

The young lawyer and minister in Esquivel's government spoke at length about the "great interest" of his country to widen and deepen its relations with Mexico, a country he considers "a friend always willing to offer us assistance and solidarity."

In this context he indicated the latent desire of Belize to open an embassy in Mexico this coming April.

Barrow emphasized the importance which the Government of the United Democratic Party places on developing close relations during its term of office with other Latin American nations. "We want to change that impression there is of us as an anglophone Caribbean country; we would like to begin to be considered as Central Americans."

When asked about his recent statement to the effect that the foreign policy of Belize is "definitely pro-West" - which obviously translates into pro-USA - Minister Barrow stressed that this country feels satisfied

with its close relations with Washington. "Our ties to the United States are very complex and we feel happy with the political, cultural, commercial and friendly presence of the United States. However, we are aware that it is easy for our neighbours to think that we are one more puppet of the United States and we do not feel comfortable about that. "That is why" he added, "we will make it very clear, especially with Mexico, that we reject the idea of becoming subjects of the U.S.A."

He categorically denied that the United States would ask to establish the (military) School of the Americas or a military base on Belizean soil, and he added that in this context Prime Minister Esquivel has already officially declared that he will not accept any type of US military presence here.

"We do not believe that such a thing is in the best interests of Belize and we have not told the U.S. that because they have not asked, but if they were to ask, we would reject such a petition".

Immediately he added that this small, young and poor nation cannot ignore the geographic and geopolitical reality, because "The U.S.A. is there, it is the regional and world power, but we are absolutely determined not to dance to the tune of the U.S. music", he pointed out.

The Minister gave the example that if his party had been in power when the U.S.A. mined the Nicaraguan ports, "we would have stated our position clearly, because we consider that that exercise was carried out in clear violation of international law and that it was totally unjustified. Although Belize is concerned about what appears

to be a radicalization of the Nicaraguan revolution, we also believe that no country has any right whatsoever to make war on another country with the objective of bringing down its government."

Asked about the position of the present government with respect to Cuba, the Minister said that for now, in the same way as in the case of Nicaragua, there was no intention to establish diplomatic relations with Havana, and added that this was because of the fear and the suspicions which local public opinion has towards these countries.

"This government is in favour of ideological pluralism, in live and let live; we do not want to make enemies, and really what we want to show is that we have a type of political maturity and respect towards other nations. Nevertheless I will go further and say that this government is grateful, and so it should be, for the international solidarity and support that Cuba has granted to Belize for its independence and territorial integrity".

14 May 1985

BELIZE

DISCONTENT IN BDF SAID TO CONTINUE, PRESS GIVEN TOUR

## Review of Incidents

Belize City AMANDALA in English 8 Mar 85 pp 2, 11

[Letter to the Editor]

[Text] Ladyville,  
Sat. March 2, 85  
Editor AMANDALA

Sir,

It is encouraging to see more and more people on the outside expressing views on the problems of our army, the BDF. We were very happy to hear our Prime Minister pledge to develop the force, and we are now convinced that Mr. Esquivel is prepared to make decisive steps to do so. Here is some food for thought.

In the last year, the following has taken place:

1. Our two most senior, highly, and expensively trained Belizeans have resigned.

2. Our very bright and capable signals officer walked out, telling us simply that he was totally disgusted at what was happening.

3. The motor transport officer, once our FSM, walked out.

4. An incident between a soldier and an expatriate officer in Toledo last year has never been settled.

5. Every day more and more soldiers are muttering and grumbling and are now totally fed up with some of the expatriates, one in particular.

6. We now know that the expatriate is investigating all of us for our financial

standing. Who investigates the expatriates?

7. The wives club, that very essential organization with the military families, does not exist. No Belizean wife attends meetings, even though they are called by the commandant's wife.

All of this has happened in 12 months.

Are reserve officers serving on the Defence Commission? No. Only civilians, who know nothing of military matters. Is there a Belizean advisor in the Ministry of Defence? No. Only an expatriate.

By now we have seen some of our real friends in British Forces. Belize begin to get embarrassed and nervous about what is happening to the force.



By now highly educated and capable Belizeans are fully cognizant of what ails the BDF, so we are going to be hard pressed getting good material to enlist, and we are going to have a hard time climbing out of the third rate standing we now find ourselves in since early 1984. We well remember how honour, courage, dedication, integrity and loyalty were imbued into the force by those first two infantry commanders in 1978 to 1982, and to some extent a little more by the third commander in 1982 to 1983. But 1984 seemed to be a bumper year for the loss of morale, standing, and hope for Belizeanization.

Our independence is partly compromised by the losses in the BDF. Raise up, Mr Prime Minister, and make some swift changes. You have our full support.

S.O.B.  
Soldiers Of Belize

#### BEACON on Force Activities

Belize City THE BEACON in English 23 Mar 85 pp 1, 6

[Text]

MON., MARCH 18: The time seemed perfect. A new government took power in December, and the Belize Defence Force brass were concerned that relations between the BDF and the local press had been deteriorating steadily ever since its formation under the PUP administration three years ago, and wished to halt the harsh criticisms of the force that have continued to surface in certain sections of the media from time to time.

So last week a high ranking officer went from one press office to the other, issuing verbal invitations to attend a full scale briefing and tour of BDF facilities.

That briefing was held at BDF Headquarters today, and included a press conference given by Commandant Lt. Col. Julian Starmmer-Smith, a tour of the facilities, a helicopter tour of marijuana farms and illegal airstrips used in the illegal drug and marijuana trades, and a press conference at the Warrant Officers' and Sergeants' Mess at which all ranks of the force were represented.

Among the information given to the press corps were -

\*the BDF is at present conducting a recruiting programme designed to expand the force by 130 men and women.

\*the BDF yearly budget included, a \$6.9 million to \$7.7 million allocation in the national budget; U.K. grant of £2 million (\$5 3/4 million Belize); U.S. Government grant of \$1/2 million (\$1 million Belize) plus ammunition and supplies of clothing; and

\*plans to improve the BDF facilities, including the building of new sleeping quarters;

The Commandant also told the reporters, who represented a wide section of the press, that Francis Lizama (son of Belize City Mayor Frank Lizama) has already past the necessary tests and will be joining the Air Wing of the BDF next week. That was one of the major scandals facing the BDF, who were accused of blocking Francis Lizama's entry into the BDF for political reasons during the PUP administration.

The BDF has been the main force battling the illegal drug traffic, and Lt. Col. Starmer-Smith called the operations very risky and dangerous. He explained that the search and find opera-

tions were difficult because patrols must travel as much as 20 miles on foot to locate marijuana fields planted in the midst of dense forest. He pointed out that although the fields can be spotted from the air, only the growers seem to know the easy access routes. The press also learnt that as much as 35 illegal airfields are presently in existence, and 5 of these have already been destroyed by bombing.

The press men and women were also treated to a weapons display. Reporter Juanita Boyd, who represented the BEACON called the day with the BDF informative and successful, and added that the BDF is in much better shape and that moral is much higher than is generally thought.

The BEACON was among the newspapers who offered a column to the BDF for a monthly report.

## REPORTER on Shortcomings

Belize City THE REPORTER in English 24 Mar 85 pp 4, 13, 14

[Text]

The Belize Defence Force, under the leadership of career soldier Lt. Col. Julian Starmer-Smith, Captain John Loscot, the highest ranking Belizean officer and a team of thirteen British training officers is being developed into the finest little army you ever saw, despite some constraints of money and equipment.

With regular enlistment a little past 625 and recruitment drives over-subscribed by a ratio of three-to-one and four to one, the Belize Defence Force need never be concerned about being accepted as a serious professional organization and one deserving of the \$7 million a year which its costs the Belize tax-payer to maintain.

Last Monday the BDF was the host, for the first time in its seven year history, to a visiting corps of newsmen representing the national newspapers of Belize, which spent an entire day at Price Barracks. What the reporters saw was a busy, well-run organization which has achieved a high level of competence and discipline.

At a meet-the-press session at the end of the tour officers and enlisted men joined a question-and-answer period that was stimulating yet relaxed. It emerged from this session that there were indeed some areas of resentment among the lower ranks, but nothing on the scale suggested in the local press by anonymous persons writing in. Moral was high in the army, drug use had been kept at an absolute minimum and there was ample evidence from field exercise at home and abroad that the average Belizean, given his proper training and incentive, produced a better-than-average soldier and officer.

During its seven year existence the Belize Defence Force has lost three senior officers. One officer, a lieutenant, had deserted, one had absconded with BDF funds, and a third, the highest ranking Belizean on the force at the time, had been given a choice of either resigning or face demotion. Most of the officer corps of the BDF

have had intensive training abroad and many of them had distinguished themselves by outstanding performance.

A realistic look at the BDF shows that although the force will perhaps never be able to fight off a full scale invasion by virtue of its size, its superbly well trained officers and men are equipped to fight a holding action and also to inflict heavy casualties of any force reckless enough to try an incursion.

It will take many more years and many more millions of dollars before the BDF is fully Belizeanized, but this is not an immediate goal.

Demands on the BDF as the cutting edge of the Government of Belize drug enforcement campaign have given the officers and men an abundance of bush experience, but the demands of time

and manpower has reduced, perhaps to a dangerous level, the opportunity for military training and exercise. Throughout the ranks, from the officers to the enlisted men, the Press found a strong current of support for aerial spraying to be resumed. This would give the soldiers the time and the opportunity to do what they are expected to do, build a crack army - the kind that Belize men and women would be proud to belong to; the kind that can provide Belize with safe borders.

During the last six months the Air Arm of the BDF has identified 35 illegal airstrips active in the trading of illegal drugs, and the assault Pioneer Platoon has successfully blown up five of these.

During an intensive six month operation in the remote jungle of Belize the BDF succeeded in destroying more than a million marijuana plants, but they estimate that this is only 20 per-cent of the illegal marijuana being grown in the country at the time.

Members of the Press Corps on this visit were able to see some of the illegal marijuana cultivations from the air. The fields observed were all carved from high bush, many of them in locations which are more than a day's tramp from the nearest known road or stream. BDF officers say they could commit all their men to spend full time in the bush and still be unable to reach more than half of the marijuana now being cultivated in inaccessible regions of the country.

BELIZE

## FIRST UDP BUDGET INCLUDES PRICE, TAX HIKES, WAGE FREEZE

### Details of Budget

Belize City THE BELIZE TIMES in English 24 Mar 85 pp 1, 12

[Text] Friday, March 23

The first budget presented this morning in Belmopan by the UDP administration will amount to a sharp rise in the price of goods, and there will be no wage increase to compensate for this.

This is the net effect of the Esquivel proposal to the House of Representatives to raise up the stamp duty at the Customs to a high of 10% amounting to a 25% increase from the previous 8%.

There will also be the following increase in taxes:

- increase of Hotel occupancy tax
- increase of departure tax for non residents by \$10.00
- increase of aircraft landing fees by 30%
- increase of the administrative charge for goods shipped to Mexico from 2 to 3%.

In addition Prime Minister Esquivel has sounded the alarm that there will be streamlining of the operations of the statutory boards.

This in common language means that electricity rates, water rates, and telephone rates may well go up again; and laying off of workers can be expected.

Tried as he did to paint a gloomy picture inherited from the past administration the Prime Minister had to admit that during 1984 (under the PUP) despite the world recession, the Belize economy grew by 1.3% in gross domestic product while in many other developing countries there was minus growth or no growth at all.

Inflation in 1984 was controlled at 6% in line with international rates.

The rest of the budget was uninspiring and unimaginative.

The shocking news for nurses, teachers, policemen and civil servants is that there will be no salary increase contrary to what they were promised during the elections campaign. Esquivel tried to lighten the blow by promising at some future date to introduce the 5-day work week which already exists in Belmopan (where public officers work Monday to Friday until 5 p.m. instead of 4 p.m.).

The income tax relief threshold will be increased to include workers who earn up to \$5,000 per annum--increased from \$3,000 per annum. The Prime Minister said this would benefit some 4,000 workers. He failed to mention that more than 3,000 of those workers were already exempted by the former PUP government. The previous government had also provided for separate returns of husband and wife. Also, this will in no way benefit the many jobless who do not pay tax anyway.

By including the budgets of statutory boards the national budget provides for a total expenditure of \$212.56 million. Of this amount \$100.61 million is the recurrent budget (an increase of \$9 million over the previous year. A sum equivalent to the revenue from tax measures passed by the previous government in June last year); \$21.28 for what used to be Capital II (financed from increased taxation by the present government as well as local loans and US-AID loans); and \$90.67 million for what used to be Capital III covering development projects of Belize's international economic cooperation programmes.

An appeal was made to Public Officers to restrain their demands for increases in salaries and wages and to await the promised five-day week. There was also an appeal to reduce excesses in expenditure. An example of such excesses would be the cost of decorating the offices of Cabinet Ministers and the traveling allowances for many trips abroad.

The 1985/86 budget is aided by the tax measures and the arrangements with the USOAID and other international agencies by the previous government.

There was improvement in the balance of payments and increased supply of money and credit in 1984/1985. There was an increase in debt servicing from \$13 million to \$17 million due in part, no doubt to the recent increased borrowing of the present government during the first three months of this year.

The budget in short as presented by the Prime Minister and Minister of Finance is an austere budget and one of unfulfilled promises.

## Tax Measures

Belize City THE REPORTER in English 24 Mar 85 p 14

[Text] New budget proposals for the next fiscal period 1985-86 will introduce one element of new taxes which will affect Belizeans and that is the amount of stamp duty paid across the board on all imports.

Starting immediately, all imports will pay a ten per-cent stamp duty instead of the eight per-cent they have been paying up to March 21. It is expected the new tax will bring in \$1.6 million extra in revenues.

Other tax measures which will not affect Belizeans, are expected to bring in an additional two million. These are:

a. an increase in the departure tax for non-residents from \$8.00 to \$10.00.

b. an increase in the airport charges for landing fees.

c. an increase in the service charge for in-transit goods passing through Belize from 2% to 3%

d. an increase in the hotel room tax, estimated to bring in \$200,000.

During the fiscal period under consideration the government said it

hopes to raise \$121 million for the domestic budget and is looking forward to investing a little more this year on education, health and social services.

A breakdown of government expenses for the next twelve months shows the following allocations:

18.0 M for administration

10.8 M for army & security

9.8 M for Health

18.6 M for education

9.6 M for Natural Resources

2.9 M for Local Government

9.5 M for Works

3.3 M for Diplomacy

17.7 M for debt arrears.

As a budget strategy reflecting new administration policy the government has consolidated all the debts owed by the Belize Electricity Board and the other statutory bodies and has offered to pay these off in orderly fashion, treating them as charges against the revenue.

Surplus revenue from these statutory bodies will now be deposited into the national revenue to help pay off these arrears. In this way government will be able to exercise more control over the way statutory bodies spend their money.

BELIZE

DEBT SERVICING BARS FURTHER DEVELOPMENT BORROWING

Belize City THE REPORTER in English 24 Mar 85 p 1

[Text] Prime Minister Manuel Esquivel has said that Belize is overburdened with debt and cannot borrow any more money for development purposes.

He made the statement during his monthly news conference which was televised at midday Wednesday.

Mr. Esquivel said that the charges against the national revenue for debt servicing this year (principal & interest) would amount to \$37 million in 1985.

The Prime Minister said that there were two ways to bring about development. One way was by borrowing money. The other way was by attracting

investments which would generate income. Government under the PUP had sought to create development by heavy borrowing. But, he said, the country could no longer borrow because it was overburdened with debt.

The new government, the Prime Minister would develop Belize by actively seeking out new investment. He said he was expecting to see some large investment in citrus and in cocoa, soybean and fresh garden vegetables. He said he hoped Belize could emulate the example of Jamaica in growing fresh garden vegetables for the U.S. market and in this way create new industry and new income.

CSO: 3298/554



BELIZE

ELECTRICITY BOARD NOW \$4 MILLION IN DEBT, NOTES ESQUIVEL

Belize City THE REPORTER in English 24 Mar 85 p 1

[Text]

The Belize Electricity Board has an unpaid debt with Petroleos Mexicanos, the state-owned oil refining and distribution company of Mexico of a whopping \$4 million Bze. or 400,000,000 pesos.

The figure was disclosed by the Prime Minister Mr. Manuel Esquivel at his monthly press conference this week.

Because of the debt, he said, the Belize Electricity Board is unable to draw additional supplies of diesel fuel from its Mexican supplier.

The Prime Minister said the Belize Government is now trying to arrange for the Belize Central Bank to talk with the Mexican Central Bank to convert this trading debt into some kind of long-term loan. Such an arrangement, he said, would allow the

Belize Electricity Board once more to obtain diesel fuel from Mexico on a cash basis.

Mr. Esquivel expressed confidence that a favourable arrangement would be worked out to enable Belize to draw its fuel supplies once more from Mexico.

Under the PUP regime it was impossible to find out just how much the Belize Electricity Board owed Pemex, and what price the Board was paying for its Mexican fuel.

Reports which have yet to be confirmed say that at one stage the Board was buying diesel fuel through local agents at a dollar a gallon more than the fuel cost at source. The commission from the sales to the Board was divided up between the local agents and the Mexican middleman who bought the fuel from Pemex.

BELIZE

NATION'S CREDIT RATINGS AT RECORD LOW AS ECONOMY SAGS

Belize City THE BELIZE TIMES in English 10 Mar 85 pp 1, 3

[Text] Despite false assurances from Prime Minister and Minister of Finance Manuel Esquivel, the economic situation in Belize is not improving, but worsening. Day by day it gets harder and harder to obtain foreign exchange even for essential goods or emergencies. The situation is now much worse than it ever was under the previous administration.

But an ominous new development has now surfaced, threatening to throw the entire business community into disarray and possible panic. A businessman has received a letter from a British firm dated 1 March which states that "The British Government E.C.G. Department have withdrawn cover on Belize and "we therefore would request payment in advance against firm order placement on a confirmed irrevocable Letter of Credit through a British Bank."

The E.C.G. stands for "export credit guarantee" and it allows British firms to export goods to Belize on sight draft or on credit. It is similar to the facility offered for U.S. firms by the Export-Import Bank of the United States. Now that the British have withdrawn their guarantee--something that never happened under the previous government--it is probably only a matter of short time before the United States does the same.

This means that our importers will have to send money in advance, when they place their orders, although the goods may not arrive for months. This will result in higher prices due to the interest charged on the money, if they can get the money, since it must be in foreign exchange and there is no foreign exchange to be had.

After seeing the letter, THE TIMES tried to get British High Commissioner John Crosby to comment, but we were told he was not available. We were advised to speak to a Mr Stan Calder, who confirmed that they "have altered the terms on which they will underwrite business for Belize and will keep the situation under review." He said the decision, made earlier this year, was the result of a "commercial judgment." That's one hell of a judgment!

Our attempts to get a comment from the Ministry of Finance in Belmopan met with total failure.

This is indeed a very serious situation which is bound to have further repercussions. Once word gets around that Belize's credit rating is so bad--and word moves swiftly in international finance--nobody will want to trust anyone in Belize, government or private business. When things like this start to happen, devaluation is not to far off. And when that comes, things will really raise up!

CSO: 3298/554

BELIZE

## MUNICIPAL ELECTIONS SPARK PARTY ACTIVITIES, SLATES

### UDP Electioneering

Belize City THE BEACON in English 16 Mar 85 pp 1, 8

[Text] The ruling United Democratic Party (UDP) has presented a full slate of 53 candidates (See pg. 2) to contest 4 vacant seats on the Belize City Council and 49 town board seats in the country's seven townships, in countrywide municipal elections called for Wednesday, 27 March.

The PUP (People's United Party) who were voted out of control of central government in last December's general elections, has offered candidates in six of the seven towns, but failed to offer a single candidate for San Pedro Town, capital of the resort island of Ambergris, which was declared a township only last year. San Pedro is holding elections for the first time. However, a record setting 9 independent candidates will battle the UDP for the 7 seats on the Town Board.

The Stann Creek District based Christian Democratic Party has also offered 7 candidates for the Dangriga Town Board.

The slate of candidates was released from the office of the Elections and Boundaries Commission, following nominations held in all constituencies on Wednesday.

The UDP will continue to control the Belize City Council after the by-elections, although the party is expected to regain all four seats vacated by the resignations of four Ministers (Barrow, Aikman, Elrington and Goldson) after the general elections.

The UDP also control majorities in San Ignacio, Dangirga, and is expected to win most of the other municipal governments in the upcoming elections.

### Scope of Contests

Punta Gorda TOLEDO STAR in English 17 Mar 85 p 1

[Text] One hundred and fifteen candidates are contesting the Municipal Elections to be held on Wednesday, 27 March 1985. There are seven seats to be filled in each district town, four seats in the Belize City Council Bye-Election and seven seats in the newly constituted Town Board of San Pedro Ambergris.

The UDP is contesting all municipalities. The PUP in all except in San Pedro where nine contestants are running as Independents against the UDP. The CDP has put forward seven for Dangriga's seats--and the TPP has cooled off for the time being. The UDP is expected to win overall.

# Independent Coalition

Belize City THE REPORTER in English 17 Mar 85 p 1

[Text]

San Pedro Town has produced an independent San Pedraño coalition to compete against the UDP in the first Town Board elections on the island.

San Pedraños have passed up the PUP banner for one of their own, becoming the only municipality in the whole country where the PUP is not fielding a team.

The UDP team in San Pedro is made up of candidates Claudio Azueta, Jose Gonzalez, Kevin Gonzalez, Efrain Guerrero, Manuel J. Heredia, Ramon Nunez and Jose Gilberto Paz. These candidates will be competing against

nine independents: Gustavo Arceo, Gilberto Gomez, Baldemar Grahel, Natividad Guerrero, Edilberto Marin, Angel Nunez, Luis Antonio Nunez, Pedro Salazar and Nicholas Valera.

In Dangriga the Christian Democratic Party led by Dr. Theodore Aranda has fielded a full team of seven, making the elections for that constituency a three-way race.

In Toledo however the Toledo Progress Party has failed to field a team, making the contest in the southernmost town a straight contest between the UDP and the PUP.

## UDP Defector

Belize City THE BELIZE TIMES in English 17 Mar 85 p 1

[Text]

"I will support Mr Montejo in the bye-elections. I don't like the way the Government is handling the dispute with Guatemala," Mr David Jenkins (photo) told the Belize Times Wednesday.

Mr Jenkins, a popular T.V., is a well-known member of the party in government, the U.D.P. He says he knows he will be criticized for his decision to support PUP candidate Remijio Montejo. "But I don't mind," he states.

## UDP Victory Forecast

Belize City THE BEACON in English 23 Mar 85 pp 1, 11

[Text] The ruling United Democratic Party (UDP) is predicted to retain control of the four municipal governments (Belize City, San Ignacio y Santa Elena, Benque Viejo and Dangriga), and gain control of at least four of the remaining five in countrywide municipal elections scheduled for Wednesday next week (March 27).

At present the People's United Party (PUP) controls three of the remaining four town boards (Punta Gorda, Corozal and Orange Walk), the last two by slender 4-3 margins. The eighth municipal constituency in San Pedro Town, Ambergris Caye will be holding elections for the first time, and the UDP is the only political party to field candidates. Opposition will be mounted by 9 independents, whom recent reports say have formed a loose coalition for campaign purposes.

At present the UDP's holding of seats in municipal governments exactly

doubles (34-17) that held by the PUP. (See table below) and political observers predict that this figure will increase dramatically after next week's polling.

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TABLE OF MUNICIPAL SEATS

	UDP	PUP
Belize City	9	0
San Ignacio y		
Santa Elena	7	0
Benque Viejo	7	0
Corozal	3	4
Orange Walk	3	4
Dangriga	5	2
Punta Gorda	0	7
San Pedro	0	0
	34	17

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## UDP Municipal Failures

Belize City THE BELIZE TIMES in English 24 Mar 85 p 13

[Text]

The Voters of San Ignacio and Santa Elena are fed up with the UDP Town Board which has been in office for the past two terms - over 6 years - and which has succeeded in destroying the good work that was done by the PUP Town Board of 1976-78.

People remember that during the PUP term of office the streets were kept in good repair, several large drains were built to cope with the flooding waters in this hilly city and the garbage collection system was vastly improved. All these areas had been severely neglected by the UDP Town Board of 1973-75, and the PUP Board which took office in 1976 had inherited the town in a disgraceful state.

But in addition to its work in streets and drains and in garbage collection, the PUP Board improved the town in other ways - by major repairs and improvements to the market and slaughter house, to the cemetery and to the parks and playgrounds. It opened up new streets and whole new areas for house lots in both San Ignacio and Santa Elena. It

built a new Town Hall, a building that significantly enhances central San Ignacio. And, where before there was a very unreliable water system which only covered part of the town, it negotiated with the Water Authority to invest large sums of money to improve the system

and provide a reliable safe water supply for all. At the time, the UDP played politics and condemned the PUP Board for this move, but time proved the PUP right, and now the UDP is happy to inherit the system.

But in six years of UDP rule most of that good work has been destroyed. The streets, the drains, the cemetery, the slaughter house are all in terrible shape. Now, a few weeks before elections, the UDP has begun to do some drainage work, and to throw some dusty marl on the streets, but this is just an election gimmick. The people know they had six years to do this work, and they failed to do it.

Now the UDP bring out a manifesto promising to do all the things they should have done during the past six years. The people should not be fooled again. The truth is that the lovely town of San Ignacio has never been in a worse state than it is today.

The PUP is offering to do what it proved it could do back in 1976 - clean up the mess made by the UDP Board and move the town forward with better streets, drains, garbage collection and a healthier environment.

People in San Ignacio and Santa Elena are saying: "it's time for a change." Six years of UDP is too much. They are going to vote for the 7 PUP candidates on 27th March.

## Disaffection With UDP

Belize City THE BELIZE TIMES in English 24 Mar 85 p 13

[Text]

Many traditional UDP supporters in San Ignacio and Santa Elena have decided to vote PUP in the Town Board elections.

Some of them are prepared to overlook the fact that in six years of UDP rule the town has deteriorated rapidly, but they feel the need to send a message to their new UDP Central Government.

They are still prepared to give the new UDP government a chance, but they want to tell their government that they don't approve of the way they are doing things, and the best way to do this is by voting PUP in the Town Board elections.

Frankly, the people are not only disappointed - they are afraid. They hear of the interference with the courts by the Attorney General. They hear of the Supreme Court ordering that the drug case against Ramon Vasquez, a UDP City Council candidate, be retried, and then it is suddenly withdrawn as if Vasquez is above the law.

They learn that the new Home Affairs Minister wrongfully tried to deprive a Belizean of his citizenship, and the Supreme Court barely saved the man from illegal deportation, just in the nick of time.

They hear, with grave concern of the wild excesses of Boy Aikman, of permits granted

to family and friends, of monies spent to lavishly furnish Ministers' offices with carpets and curtains and air conditioning. And they are worried.

They are uncomfortable, too, about the many cases of political victimization that have already taken place, in three short months. They watch their fellow citizens living in fear, wondering whose job or lot will be taken next.

And they see the unfulfilled promises. Prices up instead of down. More water meters, where UDP promised to remove them. Instead of 1,000 new jobs, people being fired. They are embarrassed too that, in the midst of all these failed promises, their new UDP Ministers strut around with 3-piece suits in the sweltering heat, as if they are a race apart.

And so the UDP voters want to tell their new government: hold on, you're going in the wrong direction. This isn't what we elected you for. Straighten up and fly right.

The people feel the need to defend democracy and our way of life, to defend themselves against the abuse of power by the UDP government.

And the only way to do this now, before it goes too far, is to vote PUP on 27th March.

CSO: 3298/555



BELIZE

## RADIO IN POLICY SHIFT, TO EXPAND PARTY CAMPAIGN TIME

### 30-Minute Offer

Belize City THE REPORTER in English 17 Mar 85 p 7

[Text]

UDP has broken this week the new dramatically with the open window policy past and taken a is in keeping with a giant step towards the new government's democratization of policy of freedom of Radio Belize by expression in the press and on the air waves. offering half an hour of radio time to all competing parties for political broadcasts.

An announcement from the Ministry of Home Affairs on Wednesday said each town will have thirty full minutes, or a total of four hours of broadcast time for both PUP and UDP.

This is in sharp contrast to the policy of the earlier government, which provided only three minutes at a time and which insisted on the programmes being recorded and approved in advance.

The Hon. Curl Thompson, Minister of Home Affairs, said

The offer of extended radio time for party political broadcasts was made in letters to the Secretaries of the United Democratic Party, the People's United Party, the Christian Democratic Party and the Toledo Progressive Party by the Chief Broadcasting Officer, Mr. Rene Villanueva.

Political broadcasts are scheduled to begin on March 18 at 8 p.m. and will be carried on Radio Belize's AM and FM services.

The Belize Radio Advisory Committee

is also working on plans to further liberalize the radio in the service of the people of Belize with two new radio programmes, reliable reports say. One of these programmes will be called "Information Hotline" and will feature live telephone calls from all over. In this programme citizens will be able to call in and speak their views on any matter of interest to the caller. This programme will be hosted by the young attorney Mr. Roderick Williams. Another programme planned, according to this same source, is an editorial review programme, which will involve a short discussion based on a relevant newspaper editorial.

## Criticism of UDP Action

Belize City THE BELIZE TIMES in English 24 Mar 85 p 7

[Text] When the PUP Government allowed verbatim coverage of the House of Representatives on radio the then opposition press did not call it a breakthrough. When the UDP was invited to participate in the on-going debates on the radio they refused. Now the UDP government increases the time allowed for political broadcasts by just over one minute per candidate and the pro-government press calls it "an impressive propaganda victory." Well, propaganda it is, for the UDP promised to free Radio Belize. This would mean a policy of equal time to say the least.

The People's United Party government believed that the radio should be a development tool and made this known to all and sundry. They allowed political broadcasts, prior to elections, and were prepared to allow members of the opposition time on the radio on a continuing basis in which they would be able to put forward their views and policies. But the then opposition consistently refused demanding that the radio be free. Rightly or wrongly, the PUP made their position known and made no false promises.

To free Radio Belize as the UDP promised could be done with the stroke of a pen. But the UDP seemed to find this difficult to do or they are not prepared to do it just before an election. Do we hear Radio Belize now giving coverage to former Prime Minister Price, or any of the former ministers and the work of the PUP? Decidedly not. They focus attention on the Prime Minister and on any of the ministers. But the UDP have already demonstrated their attitude in these matters and they do not practice what they preach. Consider the appointment of Mr Net Vasquez to head the Radio and Television Authority. UDP campaigner Net Vasquez heads Channel 7 and yet he is expected to be impartial in matters relating to the media. Nonsense!

CSO: 3298/556

BELIZE

MINISTER DEAN LINDO ADDRESSES CACAO FARMERS

Belize City THE BEACON in English 23 Mar 85 pp 3, 11

[Text] Hummingbird Hershey annual cacao day which was held on Sunday, is geared towards offering farmers improved technology in cacao growing.

Minister of Natural Resources, Mr. Dean Lindo, was guest speaker at the opening ceremonies.

In his address to the participants, Mr. Lindo spoke of his Government's support for the expansion of cacao growing in Belize (see full text of Mr. Lindo's address following this article).

The field day was attended by cacao farmers from all over the country, and among other things, featured cacao exhibits and lectures on methods of improving yields.

Introduction

There is now a very strong interest in cacao production in Belize, an interest which is held not only by the farmers present at this field day but to some extent also in the Belize District - and with the decline of the sugar industry an increasing interest by farm-

ers even further north. It is my ministry's policy, however, based on past experience, climatic conditions and the advice of the experts of Hummingbird Hershey and other consultants to concentrate the effort of expanding cacao production to the Cayo, Stann Creek and Toledo Districts.

History

The cacao tree has existed in Belize for hundreds of years and in fact is known to have featured quite prominently in the ancient culture of the Maya when the seed was used as a beverage as well as money. It is interesting to note that cacao has been cultivated since ancient times in Central America, from Mexico to the Southern Costa Rica border, possibly for over 2000 years.

The point to be made here is that as we stand here today and as we visit the fields, look at the demonstrations and listen to the technical staff, we should realize that cacao is not really

a new thing for Belize. In 1883, about 100 years ago, the first reference was made to this crop in an agricultural context; and we were actually exporting in 1907.

#### Present Status and Policy

I would wish at this time to make special mention of the efforts of Hummingbird Hershey in reviving this industry since it fell into decline in the late 1960's.

Their activities have had direct or indirect effect on the following:-

- 1) Renewed interest of farmers in the Toledo District who already were producing cacao and started to expand their plantings.

- 2) Inclusion of cacao within the farming systems research work of the Toledo Research and Development Project.

- 3) Initiation of an expansion project in the Cayo District along with USAID and the Pan American Development Foundation.

- 4) Support credit being made available by the Development Finance Corporation to cacao farmers, and

- 5) Organisation of training courses for farmers and extension officers, bringing to Belize the expertise of highly qualified, international scientists.

On the basis of the favourable economic analysis on profitability, the existence of a stable world market for cacao

beans, the assurance of a favourable domestic marketing situation through Hummingbird Hershey and recognising the experience of the Hummingbird Hershey farm here in the Cayo District my Ministry strongly supports the recommendation that growing of cacao be expanded. I am further convinced that the traditionally high quality rating for Belizean cacao assisted by present fermentation work being done here at Hershey will continue to assure Belize a favoured position in the market.

#### Conclusion

In closing, then, I would like to encourage you to participate fully in this field day and to obtain as much information as possible. I would also like to assure you that my ministry will continue to support the expansion of the cacao industry by providing seeds or seedlings through the respective District Agricultural Officers and technical advice through the extension officers in your district.

May I wish you all, then, a successful field day which will further strengthen our drive to develop cacao into a reliable, alternative cash crop.

BELIZE

# ESQUIVEL TOURS SUGAR, BELT, DISCUSSES INDUSTRY'S FUTURE

Belize City AMANDAIA in English 15 Mar 85 p A

[Text] BELMOPAN, Mon. March 11

The Prime Minister of Belize, Mr. Manuel Esquivel, last Wednesday toured the country's sugar belt in the Corozal and Orange Walk districts.

The Prime Minister was accompanied on the tour by Natural Resources Minister Mr. Dean Lindo, Commerce and Industry Minister Mr. Eduardo Juan and the Financial Secretary Mr. Edney Cain. Their tour included visits to the Tower Hill and Libertad sugar factories.

The Prime Minister and his party also held private discussions with members of the Board of Directors of the Belize Sugar Industries over the future of the sugar industry.

Taking part in the discussions were the Chairman of the BSI Board of Directors Mr. John Mitchell, Managing Director Mr. Leslie Brownie, Director Mr. Frank Curtis, Director Mr. Richard Shortcliff, Mr. Roy Hern of Tate and Lyle Enterprises in Florida and General Manager of BSI, Mr. Hugh Fuller.

Prime Minister Esquivel, just after his government took office last December, said that he wanted to review the letter of intent signed by the previous government for the take-over of seventy five percent shares in BSI by Belizean interests.

Following the meeting in Libertad last Wednesday a communique was issued. This communique stated that the government had received the detailed documentation from Tate and Lyle following the letter of intent.

The government and Tate and Lyle expressed a willingness to work together on the basis of this document to find a solution in the best interest of the industry and farmers.

It is the intention to have this matter finalized by the end of April, 1985.

The Prime Minister stated that he will be seeking an early meeting with the Cane Farmer's Association and workers representatives to inform them of the discussion with BSI officials.

(GIS)

CSO: 3298/556

BELIZE

BRIEFS

DELEGATION FROM SEOUL--His Excellency Mr Choong Dhay Koo, Resident Ambassador to Mexico of the Republic of (South) Korea and non-resident ambassador to Belize arrived here at the head of a delegation on a three day visit last week. Mr. Koo and his delegation did the complete rounds, meeting with the Prime Minister, the Minister of Home Affairs, the Minister of Foreign Affairs, the Minister of Natural Resources, the Minister of Trade and Industry, and the Minister of Tourism and Transportation. As a result of this visit a group of some 25 South Korean businessmen are expected to arrive in Belize this week-end to examine the possibilities of doing business in Belize which could take advantage of the easy access which goods made in Belize have to the U.S. market under the CBI programme. Mr. Moon Kyu Park, Consul and adviser to the South Korean Ambassador, told THE REPORTER the visit by the ambassador last week was encouraging and that the Embassy hoped that the friendly relations which already exist between South Korea and Belize will be further strengthened and will lead to a strong partnership. [Text] [Belize City THE REPORTER in English 10 Mar 85 p 5]

NEW NETHERLANDS ENVOY--The second Ambassador of the Kingdom of The Netherlands to Belize last Monday morning presented his credentials to Governor General Dame Minita Gordon. The ambassador, Mr Jan Willem Bartens, also presented the letters of recall of the former Dutch Ambassador to Belize Baron Jan Kees Van Woerden. Ambassador Bartens, in presenting his credentials said that the Dutch people are interested in the economic development of Central American countries including Belize. The Ambassador said he hoped to carry out his task as his country's representative to Belize, in an atmosphere of mutual understanding. Governor General Dame Minita Gordon described the relation between Belize and The Netherlands as cordial and fraternal. The Governor General also conveyed greetings from the government and people of Belize to Queen Beatrix and the government and people of The Netherlands. Ambassador Bartens, who is resident in San Jose, Costa Rica, was accompanied by the Honorary Consul of The Netherlands in Belize Mr Raymond Nisbet. They have paid courtesy calls on Prime Minister Manuel Esquivel, Minister of Foreign Affairs and Economic Development Dean Barrow, Attorney General and Minister of Housing Hubert Elrington, and Education, Tourism and Transport Minister Derek Aikman. [Text] [Belize City THE BEACON in English 23 Mar 85 p 7]

SALE OF PUBLICATION--Belize City, Wed, 6 Mar--Our sources say that Media and Marketing, the printing company which publishes the BELIZE TRIBUNE, is up for sale, and a group of buyers headed by lawyer Wilfred Elrington is interested. The owners, which include former PUP Ministers Rogers and Marin, and a Panamanian fronting for a gringo who lurks at Punta Azul, want to sell the assets as a package and not auction the equipment piece by piece as has been the custom here when printing houses liquidate. Mr Elrington was previously involved with the newspaper EXPOSURE, which has sunk a couple times but may not yet be drowned. [Text] [Belize City AMANDAIA in English 8 Mar 85 p C]

BOLIVIA

SOVIET CENTRAL COMMITTEE STUDYING TEACHER EXCHANGE ACCORD

La Paz EL DIARIO in Spanish 2 Apr 85 p 8

[Text] When 50 students travel to Russia, there will be 650 Bolivian students taking advanced studies in that country.

Between 15 August and 1 September, more than 50 Bolivian high school graduates will go to the Soviet Union, making use of the grants that the aforementioned country makes available.

This information was provided by the counselor of the Soviet Union's embassy in Bolivia, Igor Prokopiyeu.

He announced that the lists of the students benefited are located in the Ministry of Education, where they will be approved.

He added that those benefiting come from different parts of the country, and will have to travel on the set dates so as to coincide with the beginning of academic activity in his country, during October.

He claimed: "With these grant holders, the total number of Bolivian students in Russia will amount to 650, while the number of Bolivians who have already completed their studies is similar."

He reported that, as in previous years, the students will acquire knowledge of the language in the first year, as well as the necessary technical foundation for their professional training.

According to custom, the students must first travel to Peru, where an aircraft from the Soviet airline "Aeroflot" will take them to their destination.

Universities in various cities in that country will be responsible for housing our fellow countrymen who are considered the best in the educational field.

Those selected may opt for technical courses lasting 6 years, or traditional ones which require more learning time.

Prokopiyeu stressed: "Several grant-holders in Russia now hold an important position in Bolivian society, wherein they are performing regardless of any political doctrine."

He subsequently stated that, for this activity, his country has not made post-graduate grants available, expressing hope that this tradition will be reestablished in the future.

#### Accords

With regard to the donation of educational equipment that the Russian ambassador promised to the minister of education, Cesar Chavez, the diplomat claimed that it would be possible to carry out within the next few days.

The donation consists of 30,000 notebooks, a similar number of pencils and nearly 16,000 lamps, to be sent to the rural sector.

Moreover, he indicated that the letter of intent signed by Soviet educational leaders and those from our country would be subjected to analysis by the Russian Central Committee.

He remarked that, once the terms of the agreement have been approved, the exchange of educational leaders will be undertaken.

2909

CSO: 3348/565



BOLIVIA

CASTRO'S OFFER TO CHILDREN'S HOSPITAL VIEWED WITH DISTRUST

La Paz EL DIARIO in Spanish 25 Mar 85 p 2

[Text] In his book, "Breaking With Moscow," the Soviet diplomat, Arkadiy Shevchenko comments that, as adviser to Foreign Minister Andrey Gromyko, and when seated at the same table with Leonid Brezhnev, he had closely monitored the planning of the effort for infiltrating Third World nations, using Cuba as a main base of operations.

Shevchenko claims: "For that effort, the most subtle tactics have been and are being devised, aimed at weakening the democratic structures; and if, for this purpose, it is necessary to make use of hospitals or the compromise one's own mother, these are acts which the Communists commit both inside and outside the Soviet Union."

This background prompts us to reflect upon the ostensible gesture of solidarity and magnanimity of Fidel Castro's government, when it makes half a million dollars available for the construction of an "intensive care" unit at the La Paz Children's Hospital; while at the same time professional and paramedical personnel from that hospital were taken to Havana on a professional training program.

As for the origin of the Cuban cooperation, which has loyal allies in the UDP [Democratic and Popular Unity] government and in the health minister himself, it is symptomatic that, although the Castro cooperation dates back to last November, neither the Cuban Embassy nor the Ministry of Foreign Relations nor the Health Ministry has publicly announced the good intentions of the Castro government toward Bolivia.

Castro's humanitarianism and his desire to help us are in contrast to Cuba's own necessities and, if we draw back the curtain, we see that, behind the scenes is Russia, which is attempting to increase its influence in Bolivia, seeking that long-wanted base of subversion which Che Guevara began and which is still active, because Castro must heed the instructions from Russia, a country to which he is indebted for the \$4 million per day given him in subsidies by the Kremlin.

As for the training of Bolivian medical personnel in Havana, it is known that this includes political indoctrination courses, seeking to form groups of activists who, upon their return, would aid Communist promotion in Bolivia.

On the other hand, it cannot be precluded that, very soon, a contingent of "Cuban doctors" and nurses will be coming, with intentions that are not exactly related to professional exchanges.

The donations, gifts or signs of solidarity on the part of those under the Soviet orbit unquestionably camouflage intentions of subjugation affecting our principles of freedom and sovereignty.

It is fitting here to comment on the "Cuban cooperation to Grenada, in the Caribbean area."

Castro ordered the construction of a modern airport, designed and built by Cuban personnel. At the moment of truth, and to the surprise of the Grenadan Government itself, it was discovered that what Russia had created and Castro was carrying out was none other than the most modern airport in the Caribbean, suitable for directing agitation from there to the entire Central American area.

Apart from other coincidences relating to the Cubans' effort for the Children's Hospital, there is its immediate proximity to the facilities of the Armed Forces main headquarters; something that must necessarily concern us all.

What more could there be behind the Cuban plan for the Children's Hospital?



Key to Cartoon:

1. Children's Hospital
2. "This goat is the mother of the lamb!"
3. Cuban aid
4. Infiltration

2909

CSO: 3348/565

BOLIVIA

CONGRESS DECREES POTOSI'S AIRPORT EXPANSION PRIORITY

La Paz PRESENCIA in Spanish 3 Mar 85 p 8

[Text] In order to complete work making up the second phase of expansion of the Potosi airport, the Auxiliary Air Navigation Services Administration (AASANA) will need \$2 million, the executive director of the agency said.

The official noted that in 1983, the first phase of construction of the Potosi airport was completed, using funds from the nation's General Treasury and CORDEPO [Potosi Development Corporation]. Work was done by the Engineering Command.

In 1984, AASANA completed improvements and remodeling of the passenger and freight terminal.

The Potosi runway is 2,000 meters long. In the second phase, it will be extended another 640 meters.

National Priority

Congress has passed a law that was subsequently signed by the president giving national priority to the Potosi airport construction project. That law states that AASANA is to complete work on the second phase and that it is authorized to negotiate financing. However, it is said that this provision was made without consulting AASANA experts.

It was later reported that the Ministry of Planning and Coordination was negotiating a loan from the Argentine Government. AASANA included in its request another for funds for the airports of Tarija, Yacuiba, Potosi and Sucre. A Bolivian delegation will go to Argentina to finalize the loan. AASANA has presented the documentation stating that the funds will be used to improve the airport infrastructure of the four districts mentioned.

Multisectorial Meeting

At the present time, AASANA is participating in a multisectorial meeting of air navigation technicians. The commission is identifying the needs of the airports in the way of audiovisual and radio navigation aids and equipment in order to normalize night operations before entering the financing phase. The commission is meeting at the request of the Ministry of Aeronautics.

## Airport Maintenance

The executive director of AASANA, Jose Fernando Montano, told PRESENCIA that Imperial Airlines had halted its services because of a lack of spare parts for the two planes of the Potosi Development Corporation. The aircraft are in maintenance in the El Alto de La Paz hangars.

In 1984, the Potosi airport was used by a number of small planes, but due to the shortage of air services of established airlines, the airport operates in the red. "Despite that fact," AASANA said, "daytime operations must be maintained without the airport being used and at a high cost of operation for our enterprise."

11,464

CSO: 3348/572

BOLIVIA

PILOT FRUIT PROCESSING PLANT AMONG PROJECTS FOR TARIJA

La Paz PRESENCIA in Spanish 7 Mar 85 p 4

[Text] Tarija, 6 Mar--The Tarija Development Corporation (CODETAR) has announced that it is studying new projects aimed at promoting the progress of that department, which is suffering the effects of an acute economic depression.

The department in charge of drawing up and evaluating projects has completed the profile for the installation of an iodized salt plant in O'Connor Province, a hog-raising project, the promotion of sheep raising and Andean crops, a food processing plant, a battery of silos and a fruit project (phase 2).

The Ministry of Health has offered CODETAR the donation of an iodized salt processing plant. It will be the task of the corporation to draft studies and plan the infrastructure needed for its operation. It will produce iodized salt or potassium iodide to make up for the deficiency of that element in the diet of the population.

Another study relating to the same area is the maintenance of a continuous supply of brood sows for the genetic improvement of hogs. This project has already found loan organizations interested in its completion.

The development of livestock raising and Andean crops will attempt to increase farm production through actions such as the introduction of different breeds of sheep, the improvement of Andean crops in general, the provision of technical assistance, services and promotion. Law PL 480, Section III, relating to the financing of the project, requires CODETAR to update its figures and information contained in the feasibility study.

The installation and operation of a pilot plant to process food, mainly for the dehydration of fruit, is the main element of another CODETAR project for whose completion there is already an offer from the United Nations. In the nature of a donation, that organization has promised to supply an experimental fruit processing plant for CODETAR.

Another project would provide for the transfer of the battery of silos built with PL 480 funds in Junacas, which, despite the amount of time that has gone by since installation, has not even come close to achieving the purpose of its construction.

BOLIVIA

HYDROELECTRIC PROJECTS IN 10 PROVINCES ANNOUNCED

La Paz PRESENCIA in Spanish 7 Mar 85 p 5

[Text] Santa Cruz, 6 Mar--Ten provincial towns in this department with stable sources of water at a distance of not over 10 kilometers will have hydroelectric projects built, the Development Corporation of Santa Cruz (CORDECRUZ) announced today.

The plan for the construction of the hydroelectric powerplants "is one of the most positive efforts the Corporation is making," it was officially announced.

The CORDECRUZ projects unit said that the first two projects of this nature are already under construction and are in Comarapa and Vallegrande. They are being built by the corporation itself, using machinery donated by the Italian Government as part of a technical assistance plan to Bolivia.

According to CORDECRUZ officials, the study completed was convincing because of the element of feasibility and the need to make an effort in the field, inasmuch as in the future, it will be more difficult and much more costly to generate power using liquid or gaseous fuels.

A technical commission is doing studies of human potential, transportation, the productive potential of the area and other factors involving 282 provincial towns.

According to the report, ten towns were chosen as having priority because they met the conditions: Vallegrande, Comarapa, San Javier, San Ignacio de Velasco, Chochis, Moro Moro, Pucara, San Isidro, Concepcion and Yotau.

The first plan will go into operation in Comarapa on the highway to Cochabamba, with a power of 175 kilowatts. Civil engineering works are now being completed.

The Italian Government, through the Italian-Latin American Institute, has donated electromechanical equipment to the country worth \$400,000. According to the agreement signed, there is a possibility of expanding the benefit for Vallegrande. The main objective is to promote agricultural activities in the provinces and provide cheaper power.

11,464  
CSO: 3348/572

BOLIVIA

BRIEFS

**MUNICIPAL ELECTIONS POSTPONED**--The postponement of municipal elections until next 15 December was a necessity, according to the president of the Departmental Electoral Court, Jaime Daniel Ortiz, yesterday. He noted that there are several contradictions between territorial delimitations and municipal jurisdiction in each department. These hinder defining the radius of a certain jurisdiction, causing problems at election time. Ortiz noted that once the new government is organized next August, these aspects can be studied in detail. According to the president of the electoral court, Congress does not have time now to rewrite the Municipal Jurisdiction Law and revise the territorial delimitations of each region. He stated that the proposal to delay only municipal elections is supported by several electoral courts. He said that, in this way, the plebiscites in July would be more expeditious. He recognized that it is the National Electoral Court's prerogative to decide that postponement. He added that this court will surely transmit its position on this to the executive and legislative branches. As he inaugurated the opening of the electoral registers, Ortiz indicated that potential voters must carry an identification card, a military service record, birth certificate or family record. [Text] [La Paz HOY in Spanish 2 Apr 85 p 12] 7717

**MNR APPROVES POLITICAL PLATFORM**--At its 14th Convention, the MNR [Nationalist Revolutionary Movement] approved the strategy of agri-power as a political platform for the Bolivian people. A document released yesterday indicated that agri-power is not aimed at the formation of a nation of peasants and shepherds but is a recently approved electoral political platform or government program. This program covers the anti-inflationary strategy, a strategy for stability, financing and the foreign debt, government planning and promotion, the end of country-city inequality, social justice and an equitable economic distribution. The document also refers to coordination of the mixed economy, establishing the role of the private sector without giving it an exclusive position, according to the report. Agri-power also means national integration, aiming efforts at achieving a new economic order, a new style of development and the transformation of Bolivia into a modern state with food independence and nondependence on the centers of power. It includes the administrative decentralization of the country, indicating that this should be achieved "from bottom to top." It mentioned the significance that the mining-metallurgical, energy, hydrocarbon and mass communications sectors must have and the unrenounceable position of maritime claims. [Text] [La Paz HOY in Spanish 2 Apr 85 p 12] 7717



LEFT-WING FRONT PROPOSAL--The Popular Patriotic Bloc advocates the formation of a leftist electoral front "to be the setting for the first stage of recovery of popular forces," according to that party's proposals. The leftist front must replace the UDP [Democratic and Popular Unity], keeping its successes but avoiding its errors and uncertainties during the government period since 1982. The document or basic statement of the Popular Patriotic Bloc warned about the profound economic crisis of the country, part of the global crisis of Latin America as a result of the foreign debt and the economic model begun in 1952. The seriousness of an economic depression could not even be controlled by the UDP so the political crisis quickly followed. "Although the construction of the UDP was correct at the time because it united the majority of the nation around a minimal program, its government capacity was curbed from the beginning by the exhaustion of revolutionary nationalism and the inconsistency of the classist parties that formed the front (MIR [Movement of the Revolutionary Left] and PCB [Bolivian Communist Party]). They did not encourage progress and the consistent fulfillment of its program." [Text] [La Paz HOY in Spanish 2 Apr 85 p 12] 7717

DUTCH DONATION FOR AGRICULTURAL PROJECTS--The Agricultural Bank of Bolivia has received 13 million Dutch florins (\$4,062,500) as a donation from the government of Holland for agricultural projects to be carried out in depressed areas. The manager of the Agricultural Bank, Victor Rivera, said that Holland had expanded its donation to Bolivia to 20 million florins, 13 million of which have been sent to the administration of the Agricultural Bank and 7 million (\$2,187,500) to agricultural projects to be carried out by the Potosi Development Corporation and the purchase of pharmaceutical products. The first donation from the Dutch Government consists of 12 million florins (\$3.75 million) and was turned over to the Peasant Agricultural Corporation for the construction of farm markets. The funds, to be administered by the Agricultural Bank, consist of fertilizers and pesticides and farm loans for small low-income farmers. The resources will be utilized by the bank to set up a rotating fund of farm credits. Products received by the bank include: 4,585 metric tons of nitro-phosphate 23-23-0; 2,911 metric tons of 46-percent urea; and 34,800 liters of Diazinon insecticide. These products will be redistributed to all the agencies of the Agricultural Bank set up throughout the national territory via the following related institutions: FENACRE [expansion unknown], FENCA [expansion unknown], CORDECRUZ [Santa Cruz Development Corporation], SCUTCB [expansion unknown], PRACA [expansion unknown], PDR [expansion unknown], North Chuquisaca Project, CIAT [expansion unknown], CORGEPAI [expansion unknown] and Radio San Gabriel. [Text] [La Paz PRESENCIA in Spanish 3 Mar 85 p 8] 11,464

SOVIET TRACTOR PLANT--Oruro, 30 March--The ambassador of the Soviet Union, Arkadiy Glukhov, declared that his country's government is equipped to install a tractor factory in Oruro without any conditions. The diplomat's announcement was made today at the meeting which he held with the department's prefect, Victor Gonzales Ayala, and he claimed that the Soviet government has the best intentions of implementing cooperative projects for the country's benefit. He noted that all that was needed was the issuance of a supreme decree by the Bolivian Government for the use of a \$220 million loan. He maintained

that the constant changes among state ministers in the government headed by Dr Hernan Siles Zuazo made the negotiations for the execution of the projects difficult. He also expressed regret that the political instability has hampered the mobilization of plans for cooperation. As for the tractor plant, he said that, based on the infrastructure that COMIBOL [Mining Corporation of Bolivia] has in Oruro, and with the skilled labor that exists in Bolivia available, the USSR reiterates its offer to built a tractor plant in this district with advanced technology, reduced costs and no conditions. During the visit that he paid yesterday to the mayor, Hiberon Bermudez, the Soviet ambassador acknowledged the miners' participation "in the defense of democracy," and announced that he would "promote cooperation for the Technical University of Oruro."

[Text] [La Paz HOY in Spanish 31 Mar 85 p 4] 2909

CSO: 3348/565

BRAZIL

TFP COMPOSITION, POLITICAL ORIENTATION, TRAINING DISCUSSED

Sao Paulo ISTOE in Portuguese 5 Sep 84 pp 18-23

[Text] It is noon on Thursday, 30 August. The courtyard of a lovely mansion, set apart in the Jardim Sao Bento, in the northern zone of Sao Paulo, suddenly takes on the colors of a parade. Young men with scarlet banners and high-topped boots are marching in a goose step, performing maneuvers in an area between a chapel and a small pool. The environment is that of a monastery. In fact, one rises here at 5 am for a ritual that includes a cold bath, prayer, meditation and readings from the works of attorney Plinio Correa de Oliveira, aged 75, founder and supreme commander of the Brazilian Society for the Defense of Tradition, Family and Property, the TFP. The vast property, covering 5,000 square meters, is known as "Presto Sum": it is one of the nine hermitages which the TFP maintains in Sao Paulo. These are secular monks, soldiers who train ceaselessly for the "Bagarre," the war between angels and demons which, as Plinio teaches, will mark the end of the world, and their life is primarily one of marches and humiliations. When the banners are furled, the courtyard of Presto Sum is left to a solitary monk who will march there for hours, carrying two heavy bundles of bricks.

Quite unlike the group which became famous in the 1960's and 1970's for its noisy public campaigns against communism and the breakdown of traditions, the TFP has recently moved to the frontier of religious fantasy. While the Left was living free, Plinio and his followers had a logical enemy which allowed them to operate in this world. After the repressive phase, reduced to less than a quarter of the army of 5,000 which occupied the urban centers in the last decade, soliciting signatures for a petition against divorce, the TFP has looked to the beyond. Its problems have continued to mount. Once monolithic, the TFP today cannot regain its lost dimensions. Orlando Fedeli is a modest secondary school teacher, aged 51, a bachelor, who for 3 decades was a faithful servant and follower of Plinio. According to Fedeli, the time has come to shed some light on the most bizarre secrets of the TFP.

While it awaits the "bagarre" (a French word meaning disorder, upheaval, confusion), when the great battle will be waged between Good and Evil, as it was foretold to the three shepherds of Fatima in 1917, the organization theorizes about the arrival of the reign of Mary--or, as the dissidents claim, something like the reign of Plinio and his mother, Dona Lucilia. This change in direction is disappointing to someone like Fedeli, who imagines that Evil lives in Moscow.

"Between the anticommunist crusade and the cult which he has organized around himself and his mother, Dr Plinio has preferred his cult. He has preferred to divide the anticommunists by renouncing what he calls 'honor.'" With his own group of about 30 dissidents, Fedeli has been meeting regularly since the end of last year in the livingroom of the house on Cambuci District where he lives with his mother. The house is properly decked out with high-backed chairs and medieval escutcheons, in the best TFP style.

A traditional Catholic, deeply conservative and, above all, anticommunist, always dressed in a grey suit with a sober tie, Fedeli makes a point of explaining that he has broken with Plinio but not with the doctrine. "The TFP has degenerated, but the principles are still correct," he assures. However, neither he nor his followers can give a very precise idea of the deviations that trouble them. What seems to scandalize the dissidents the most is the gradual transformation of Plinio and his mother, Dona Lucilia Ribeiro (who died in 1968), into the objects of an impassioned religious cult. Like all the other members, Fedeli does not know everything that goes on within the TFP. Its organization is one of concentric circles, veritable orders or groups overlaid one over the other, which do not communicate with each other. Luis Carlos Garrocho, aged 30, is the first young man to break with the organization and publicly expose some of its practices. Garrocho explains: "Privilege is saintliness, and this has led to the emergence of a path to be followed by the member, in other words, he must purify himself to enter increasingly selective and exclusive circles."

In the ranks of the organization, it is said that Fedeli failed to pass from one circle to the next and broke with Plinio in resentment. However, the defection of this disciple, who entered the TFP in 1953, seems to have more to do with a fierce theological battle, which has driven out some of the best-known followers; they include Dom Geraldo Proenca Sigaud, former bishop of Diamantina, who broke with the TFP in 1970 when it rejected the liturgical innovations adopted in Vatican II, and, more recently, Dom Antonio de Castro Mayer, who acknowledged last year, in writing, that a litany composed by Dona Lucilia and recited by the militants in the hermitages had an undisputably heretical structure. After a half-century of lay activity in the most conservative Church circles, Plinio was frozen out, since he was dressing up his anticommunist crusade with increasingly disconcerting theories, such as the restoration of the monarchy and the prohibition of planes, automobiles, electric lights and allopathic medicine.

This being the case, it is difficult to understand how such a disjointed mixture of political reaction, religious intransigence and obscurantism could have flowered to the point that it enabled the TFP to reach out to the world, or at least to part of the Christian world of Western Europe, the United States and most of the countries of Latin America. In the United States, behind the facade of the Foundation of Christian Civilization [FCC], the TFP recruited at least two heavy contributors--Texas ranchers John Taton and Daniel Brahman--who were primarily responsible for the great international achievement of the organization: the publication of a lengthy article by Plinio Correa de Oliveira, strongly criticizing the French Socialist government of Francois Mitterrand. The article was published on 8 December 1981 and took up six pages of the WASHINGTON POST, at a cost of about \$50,000; it was reprinted on subsequent days in the German daily FRANKFURTER ALLGEMEINE ZEITUNG and the Parisian LE FIGARO.

At his home on the Salt Creek Ranch, on the border with Mexico near the small town of Refugio, Taton maintains absolute silence regarding his business activities and those of his colleague Brahman. He admits he knows Plinio Correa de Oliveira, but he emphatically denies having contributed anything to enrich the coffers of the TFP. "The society to which we contribute," Taton said last Thursday, "is the Foundation of Christian Civilization. If the foundation gives some financial aid to the TFP, we are not aware of it. The best person to ask would be the president of the foundation himself, John Stann."

The FCC, which paid for the space for the article against Mitterrand (according to the WASHINGTON POST accounting records), is headquartered in Bedford, a suburb of New York. There, an executive assistant, who did not identify himself, said only that Stann had not been the president of the foundation for 3 years. He was replaced by Philip Moran, who is traveling at this time and whose whereabouts are unknown. Fedeli guarantees, however, that the American TFP, whatever it calls itself, is directed by Plinio through Luis Antonio Fragelli, in the same way that the French branch is directed through Caio Vidigal Xavier da Silveira, a representative of Construtora Adolfo Lindenberg, who has already been called before the French courts to answer for checks written on accounts with insufficient funds. The Spanish organization is directed through Pedro Paulo Figueiredo.

Apart from funds contributed by a few generous donors, the international branches apparently do not go beyond the duty to supply the world leader with goods that are generally unavailable to the common Brazilian, such as Perrier mineral water, Iranian caviar (Russian caviar, although it is more famous gastronomically, is politically tainted) and Argentine flour, which is evenly distributed between the O Braseiro Grill and Pizzaria, a modest restaurant in Bras District, in the Eastern Zone of Sao Paulo, and the sober, elegant and renowned restaurant of the Hotel Ca d'Oro, on Rua Augusta. Every 2 weeks, accompanied by a varying number of security guards and devotees, Plinio conducts his nocturnal gastronomic forays, always according to the same ritual: 2 hours before Plinio is to dine, a TFP member delivers 2 kilograms of Argentine flour to the chosen restaurant, for the preparation of the pizza at the Braseiro or the fetuccini or ravioli at the Ca d'Oro.

"It is the customer's taste and we cater to it," explains Joao Martins, aged 35, one of the proprietors of the Braseiro, who proudly exhibits a gold book which boasts two precious eulogies by the TFP chief in praise of the cuisine of his establishment, which does not appear on any gastronomic list in Sao Paulo, even the most bizarre ones. Jose Maria dos Santos, "Dezinho the pizza maker," does not see any difference between the Argentine flour and the Brazilian flour which he normally uses, but he does not complain. After all, each dinner served to the TFP leader earns him a tip of 5,000 cruzeiros, exactly the price of the pizza which he prepares. Nor does Martins complain, because the two inscriptions in the dog-eared gold book make his establishment a meeting place for TFP members, who currently account for 40 percent of the restaurant's business.

At the Ca d'Oro, maitre d'hotel Atico Alves de Souza, Bahian, aged 57, provides other comforts for the special customer, who has been dining there every Sunday for more than 30 years. Plinio has the privilege of dining alone, after all the other guests have left and the air conditioning can be turned off. Atico Alves, who recognizes that Plinio has an "extremely discriminating palate,"

has detected a change in the preferences of the TFP chief. At least 10 years ago, he dropped the fish with shrimp sauce for a plate of pasta prepared with Argentine flour and traded Italian wine for Caxambu mineral water. Making a point of keeping a majestic (or divine?) distance from common mortals, the chief dines alone, always at table 14 in the pizzeria or table 21 at the restaurant, while his retinue joins discreetly at other tables. Perhaps this is the most revealing picture that can be drawn today of the Brazilian Society for the Defense of Tradition, Family and Property--a group isolated from the world of reality, which is centered around the person, the memories and the style of its chief and whose only sign of life is its ability to move respectable sums of money, in the form of contributions received, gratuities distributed or accounts paid.

This world is not even imagined by the "novices," the young members who are less than 30 years old, who endure a long, harsh apprenticeship of obedience and asceticism. The present TFP training was conceived about 10 years ago, when Plinio launched the great challenge: "We are going to number 10,000," which at that time meant doubling the number of followers, through a more aggressive recruitment campaign. In JOUR LE JOUR, a pastoral letter in which the master recounts his experiences and expounds thoughts suitable for the daily life of the faithful, there is always a section devoted to propaganda techniques. A former follower recalled the message of 30 December 1982, explaining how to identify a youth with "Tau," i.e., the predisposition to learn the teachings of Plinio. "Recruitment has been successful with young men whose families are poorly organized or disorganized. Families with a very strong fabric keep their members close. The young man is not isolated in his own home and he does not join us."

The young man who is ready to renounce his family to learn the teachings of the Prophet of the Counterrevolution spends some time in Sao Paulo, in a residence resembling a boarding house, discreetly installed in Vila Mariana. The TFP is currently operating with some vigor only in Sao Paulo and in Parana. The "novices" who are considered promising will always be "broken in" in the Sao Paulo capital, where the organization is headquartered. In addition to sequestration in one of the nine hermitages in Sao Paulo, the initiation rite also takes them to the Morro Alto ranch in Amparo, 150 kilometers from Sao Paulo, where the novices learn to obey the "quidam," a Latin word meaning "someone," but which in the real life of the TFP means the supreme commander of all the novices. According to former eremites, at the end of the last decade Morro Alto had an unforgettable "quidam," Fernando Telles, who once forced two novices, Valmir de Oliveira and Mauricio Vistock, to remain for 12 hours in a hog pen, shouting "I am a pig, I am an imbecile." The dissidents recall that, even during their novitiate in Amparo, they were calling the place "Telles brinca" [Telles' plaything], a play on words referring to the Nazi concentration camp of Treblinka, in Poland. Another particularly harsh "quidam," Wellington da Silva Dias, was divested of his power and reduced to the condition of a simple eremite, recalled to Presto Sum, where he lives cloistered, according to a communique to the faithful in the JOUR LE JOUR of 12 February 1983.

Under the circumstances, it is not surprising that a number of eremites end up by "going to the Marquesa." In the argot of the TFP, to "go to the Marquesa"

means to be sequestered in a discreet residence which the TFP maintains at 172, Rua Marquesa de Alorna, in Belo Horizonte. Normally, the Marquesa shelters between 10 and 20 "eremites" who are undergoing psychiatric treatment. According to the Sao Paulo dissidents, however, at least four residents have no hope of recovery.

Tested in his "novitiate," the novice who has truly demonstrated "Tau" can become an eremite. The process takes years and requires a series of vows, as if the postulants were seeking to enter a regular religious order. The vow might be one of chastity, which to the TFP means not only abstinence from sexual relations but the total elimination of any thoughts on the subject. The vow may be one of silence, in which the novice vows to remain completely mute. A less rigorous option is the vow of sobriety, which forbids even the slightest smile, under any circumstances. Each of these vows is renewable once a year and none of them is obligatory, with the exception of the vow of obedience. "This is simply a vow which requires obedience to any order that Dr Plinio issues, personally or through third parties, in addition to obedience to the Order," according to mathematics teacher Norio Nakamura, who is 37 years old and who spent 17 of those years in the TFP. The "Order" is the book of rules governing an eremite. Until May 1983, Nakamura was the "eremite responsible" for the statistical data of the hermitage of Divine Providence, in Sao Paulo, which handles the administration of the TFP. The eremites are thus considered lesser brothers and their order is considered mild--a book of only 50 pages describing the duties and the punishments for infractions.

Even so, the life at Divine Providence was far from comfortable. Nakamura lived there until May 1983. He recalls that, to go to the corner bar for a cup of coffee, he had to ask for permission from the "quidam" and describe his exact route and the precise time of departure. If he delayed or deviated from the route for any reason, "eremite" Nakamura had the right to choose one of three punishments: "to read from the works of Dr Plinio for 4 hours between midnight and 5 am, which left only 1 hour for sleeping; to walk for 10 kilometers; or to live on bread and water for 24 hours."

Actually, these punishments seem quite mild in comparison to those prescribed in the Order of the Presto Sum hermitage, where a malefactor may be obliged to carry rocks around the courtyard of the mansion for weeks on end, like the young man who was photographed by ISTOE last Thursday. Another common punishment is to push a heavy rock chosen by the "quidam" up a hill and carry it down again, over and over again. The eremites who are permanently cloistered, known as "camaldulenses (rosary sayers), like the old "quidam" Silva Dias, have a special code of punishments. In a special communique issued in the name of the master in early 1983, Joao Scognamiglio Cla Dias, Plinio's first disciple, described the code as having been "inspired by the Order of the Templars," an organization of medieval knights created at the time of the Crusades.

The life of TFP members is not all stones and vows of poverty, however, at least not for some privileged members, for example, the 60 residents of the hermitage of Sao Bento, on Rua Domingos de Sylos, in Jardim Sao Bento in the Northern Zone of Sao Paulo. The members call it "the Hermitage" and it is undoubtedly the principal establishment maintained by the TFP in the Sao Paulo capital.

There had once been a monastery on the land and, to lease it to the TFP, the landowner, Rui Guerra, agreed to the construction of a building to house the eremites. This was a large house, with three stories, very thick walls and very small windows to keep out most of the light, as was the rule in medieval castles and monasteries.

In addition to medieval escutcheons, shields and weapons, which adorn all the TFP houses, the Sao Paulo hermitage is opulently decorated with Persian carpets and crystal chandeliers, and meals are served on silver table ware. There is a reason for all this luxury; this is the dwelling of Joao Scognamiglio Cla Dias, principal advisor to Plinio, who also has his private room. Sao Bento also has the most important spot for the adoration of Dona Lucilia, a throne on which the image of Our Lady should be enshrined. However, according to a dissident who has joined Fedeli, the image was removed and replaced by a pair of shoes in which Dona Lucilia was buried in 1968.

The TFP dissidents all deny that there was any trace of military instruction in the training, which, according to Plinio's plan, is meant to train combatants for the war between angels and devils. It was the strangeness of the spiritual training that went along with the marching and exercises in obedience that provoked most of the desertions. In recent years, the portrait of Dona Lucilia, Plinio's mother, has been in the place of honor in the chapel of the eremites, replacing Our Lady, who is put back on the altar when visitors come. Last May, for example, in the Divine Providence mansion, an astonished Nakamura saw the image of Dona Lucilia taken away on the eve of the visit of Father Guilio Tam, a follower of the dissident French Bishop Lefebvre. "When Father Tam left, a group of eremites began to remove the image again, replacing the portrait of Dona Lucilia," Nakamura recounted.

"At that point I decided to leave. I simply left the keys with a note explaining that I could no longer stay in a place where Our Lady could be so treated; 28 people left with me." With the defection of Nakamura, who is now teaching at a secondary school, the TFP lost its computer operator. A former engineering student, Nakamura kept the books for the organization. According to the dissident Nakamura, last May the organization had 10,000 donors, who were contributing about 30 million cruzeiros a month to the TFP, in payments readjusted quarterly on the basis of the ORTN [National Treasury Readjustable Bonds]. In today's money, this would amount to about 100 million cruzeiros per month. "But I only processed the small donations; when I left, the largest contributor was giving 200,000 cruzeiros per month," Nakamura said. According to Nakamura, most of the contributors are, like him, "sabugos apostatas" ["timid rebels"], or SA, the initials by which the militants refer to their former comrades who abandoned ship.

This fidelity to Plinio Correa de Oliveira in some cases dates back 50 years, because there are contributors who have been with the leader since the days of the conservative newspaper O LEGIONARIO, published in the 1930's by Catholics who would soon be connected with the integrationist program of Plinio Salgado. The TFP founder never gave in to the siren song of his namesake, the prophet of integration. His intransigence became a rallying point for the reactionary spirits, but by the way he has been managing the troops and the funds which he has gathered to face the "bagarre" against the evil hosts, it is possible that Plinio himself will be "going to the Marquesa."



## The Group in Power in the TFP

The Brazilian Society for the Defense of Tradition, Family and Property is directed by a National Council chaired by Plinio Correa de Oliveira. Officially, it has 13 members, but actually there are only 12 councilors. The 13th, TFP vice president Fernando Furquim de Almeida, died 2 years ago and his name is retained as a kind of tribute. The real power in the TFP, however, is exercised by the Group, the circle of Plinio de Oliveira's closest friends, which excludes councilors Joao Sampaio Netto, attorneys Jose Fernando Camargo, who is close to 60 years old, and Jose Gonzaga de Arruda, who no longer attends meetings because he is very old, and builder Adolpho Lindenberg, although he is the president's cousin.

Of the others, Jose Carlos Castilho de Andrade, an attorney for ELETROPAULO [Sao Paulo Electric Power Company], aged 58, has been with Plinio since the 1940's. Eduardo de Barros Brotero, attorney and businessman, aged 50, Caio Vidigal Xavier da Silveira, director of Construtora Lindenberg and a rancher in Mato Grosso, aged 53, and Paulo Correa de Brito Filho, aged 53, a former professor at the Casper Libero School of Journalism and the TFP press advisor, are eremites at the Vinculo Profetico hermitage, a special hermitage which operates in the building where Plinio Correa de Oliveira lives.

Luiz Nazareno de Assumpcao Filho was probably Plinio's wealthiest disciple. Today, however, he is reduced to the category of simple "camaldulense"--a reclusive monk--in Jaznagora hermitage in Itaquera District on the far outskirts of east Sao Paulo. The last member of the TFP national council is Paulo de Barros de Ulhoa Cintra, who is certainly Plinio's oldest friend. Plinio's principal advisor does not belong to the council, however. He is Joao Scognamiglio Cla Dias, a kind of "quidam," that is, chief, of all the eremites.

## Difficult Dialogue

ISTOE spent an entire week attempting to interview Professor Plinio Correa de Oliveira. An exchange of letters between our desk and the TFP (the professor would not stoop to such earthly transactions, which were handled by the organization's press office) resulted in a list of conditions under which the interview would be granted. They included restrictions on the content of the questions, the length of the interview and even [a ban on] the appearance, in the same issue as the interview, of any statements by the now disaffected Orlando Fedeli, who was precisely one of the reasons for the article. At no time was there any indication that the professor really wanted to talk to reporters.

6362

CS0: 3342/139

BRAZIL

#### DIVISIONS BEGIN TO EMERGE WITHIN DEMOCRATIC ALLIANCE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 26 Mar 85 p 3

/Text/ The postponement of the inauguration of Tancredo Neves and the apprehensions, which have only recently been dissipated as to his state of health did not prevent sector differences within the Democratic Alliance from the very first days of the New Republic on; these disagreements did not fail to produce repercussions in the behavior of the PDS /Social Democratic Party/ and the small parties. The displeasure of PMDB /Brazilian Democratic Movement Party/ Senate leader Humberto Lucena over the brazenness of Senator Fernando Henrique Cardoso is becoming quite evident in the daily routine of parliament; the Senator has been picked as the administration leader in Congress, a job that does not exist in the regulations of the legislative branch.

Identical signals, although with lesser intensity, are also being picked up from Chamber president and PMDB chairman Ulysses Guimaraes over the rather laid-back action of Justice Minister Fernando Lyra in his review of the party and election reform. The Chamber president is not happy with the minister's active presence in the debate on topics submitted to an interparty commission created on his initiative.

The PDS leaders and those of the small parties are also thinking that Fernando Lyra is being a bit hasty. The other day, deputy Prisco Viana, PDS leader, complained to Ulysses Guimaraes over the behavior of the justice minister in the study of the election reforms. The PDS leader went so far as to say that, if the minister does not change his attitude, he would withdraw the PDS representatives from that special body.

The Chamber president was very worried and on that same day told the PMDB leaders about the complaints and demands of the PDS and the small parties -- the PDT /Democratic Labor Party/ and the PTB /Brazilian Democratic Party/. There were no answers -- only explanations. One of the speakers did not fail to observe that the PDS leader had involuntarily supplied ammunition to Ulysses Guimaraes for use against Fernando Lyra. He hinted that the Chamber president was waiting for an opportunity to express his displeasure.

Before the PMDB leaders in the Chamber and in the Senate -- Pimenta da Veiga and Humberto Lucena -- took any steps, Senator Fernando Henrique Cardoso tried to talk to the PDS leader. The withdrawal of the PDS members of Parliament from the interparty election reform commission would be a disaster. The New

Republic would emerge frayed from this episode. The administration leader in Congress tried to act quickly. He had a good talk with Prisco Viana, managing to convince him that no decision had been or would be made during the meetings promoted by the justice minister with administration leaders.

Senator Fernando Henrique stated that the drafting of election and party legislation reform proposals is within the purview of the interparty commission consisting of senators and deputies from the PMDB, the PFL /Liberal Front Party/, the PDT, the PTB, and the PT /Labor Party/. The PDS leader considered the explanation to be satisfactory, thus confirming the presence of the party's representatives on that body. Although the episode had been resolved it did leave its marks on relations between the leaders of the Democratic Alliance and the justice minister. One of them noted that "Lyra had been treating the commission with scorn."

Beyond this crossfire, there is also the trouble the PMDB Congress delegation is having with the rather unexpected position adopted by Sao Paulo Senator Fernando Henrique Cardoso -- the position of the administration leader in Congress. Fernando Henrique had good relations with political journalists and generally provides whatever information he can in a frank manner, without subterfuge; he has been one of the politicians who has been most sought-after and promoted by the press. And that is bound to be not at all pleasing to some of the "right-wing" leaders of the PMDB.

The first meeting of the so-called body of leaders of the Democratic Alliance reportedly was held the other day in the office of the Senator from Sao Paulo. The agenda included an assessment of the political-institutional situation and its consequences in the process of government administration against the background of the state of health of President Tancredo Neves. PMDB leader Senator Humberto Lucena agreed with the agenda but not with its site. He would participate in the meeting to be held in his office, one floor up. To avoid any further deterioration of the situation, Fernando Henrique Cardoso agreed with the change in site and took the other leaders to the office of Senator Lucena, via the stairway.

In return, the second meeting of the body of leaders, scheduled for last Friday, was not held. Aware of the improvement in the condition of Tancredo Neves, Senator Fernando Henrique Cardoso went to Sao Paulo and PDT leader Roberto Saturnino went to Rio. The meeting thus lost its meaning but that did not prevent Chamber administration leader Pimenta da Veiga from talking informally with PFL and PTB leaders.

These disagreements will be resolved in the end. The leaders of the New Republic guarantee that all of this is normal due to the fact that the team has not yet ironed out the kinks. They also say that a kind of shakedown period is indispensable in all sectors. Social-economic changes are just beginning and will take off only as the administration firms up its policies in the political-institutional and party areas.

Before any social-economic progress, the administration wants to consolidate the political sector, preserve popular support, and provide motivation for the parties. The reform of election and party legislation and the coming preparation of a draft for the Constituent Assembly are a part of that strategy.

#### Allies -- But Not Too Much

The PFL leaders are not very happy with the kind of leadership the administration is providing in the Chamber. Disagreements have already sprung up between the two main parties constituting the Democratic Alliance.

The Liberal Front recently complained about the PMDB regarding cabinet assignments. It continues to complain about the selections for the second and third-level jobs. These demands are now arising in connection with the division of the command of the permanent technical commissions of the Chamber of Deputies. The PFL has proposed, unsuccessfully, that it get the chairmanship of three commissions corresponding to its three ministries -- Mining and Energy, Education, and Foreign Relations -- plus another one of lesser importance. The PMDB did not accept that suggestion because it already has previously selected candidates for those three technical bodies.

The PFL in fact demands of the administration leadership that -- before it finalizes the division of jobs with the other parties, including the PDS -- it accept prior commitments with deputies from the PMDB to chair certain commissions.

In addition to that, as the second delegation, the PDS wants to chair between six and eight commissions, agreeing that the PMDB should run ten commissions. The Liberal Front wants to chair at least four. There are 18 commissions in all. To try to calm the PFL down, the PDS is threatening to resort to election justice, denouncing the existence of "phony parties."

If the TSE /Superior Electoral Court/ should rule that a party without registration cannot run candidates in the elections, then the PDS thinks that the Liberal Front will not have the right to demand commission chairmanships but will have to accept what is offered it.

#### Alliances

The administration leadership in the Chamber has instituted the sound practice of working sessions of deputies with ministers of state. But Pimenta da Veiga is dealing exclusively with PMDB deputies for these meetings. The situation was different regarding Mining and Energy Minister Aureliano Chaves (PFL).

The minister himself took the initiative in inviting Liberal Front deputies to the meeting. And he did more: he asked that PFL leader Jose Lourenco also call in the administration leader in Congress, Senator Fernando Henrique Cardoso.

5058

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BRAZIL

# RIO ATTORNEY SAYS SARNEY UNABLE TO RETAIN PRESIDENCY

Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 Mar 85 p 11

[Text] Yesterday, the attorney general of the state of Rio de Janeiro and former president of the Organization of Brazilian Attorneys (OAB), Eduardo Seabra Fagundes, said that, in the event of a definitive impediment of President-elect Tancredo Neves, the acting vice president, Jose Sarney, could not serve in the presidency. Based on his reasoning, if Tancredo cannot assume the presidency, his mandate and that of his vice president will be annulled, with the president of the Chamber, Deputy Ulysses Guimaraes, assuming office, and having as a fundamental mission the calling of new elections for the office.

Seabra Fagundes defended the proposition upon leaving Guanabara Palace yesterday morning, where he had gone to meet with Governor Leonel Brizola. The general prosecutor of justice, Antonio Biscaya, who was present at the same meeting, also questioned the legal propriety of a solution that would favor Sarny's taking office in the event of a definitive impediment; remarking: "The issue is disputable and very delicate, and it should be suitably analyzed." Later, in a collective interview, Brizola stated that he was familiar with Seabra Fagundes' view, but was cautious about commenting on the matter. He remarked: "The fact is that, over and above any technical constitutional question, there is a political reality that must necessarily prevail."

## The Proposition

Pointing out that he was only making technical conjectures, because he has the "inner conviction" that Tancredo Neves will assume office, Seabra Fabundes explained that, technically, Sarney is impeded from actually taking over the presidency, because, "in order for a succession to occur, there must be the category of the successor and of the one succeeded. In other words, if Tancredo does not take over, even for 1 day, Sarney would not succeed him, in the event of his definitive impediment. He would be succeeding President Joao Figueiredo, the last one to hold the position. And, according to the Constitution, Sarney could only succeed the president elected with him on 15 January of this year by the Electoral College. The succession would be impossible for the lack of both figures, the successor and the one succeeded," he maintained.

Later in an interview with FOLHA, the former OAB president cited Article 77 of the Constitution, which states: "The president will be substituted for in the

event of an impediment, and he will be succeeded by the vice president, in the event of a vacancy." He claims that, at present, the case is one of substitution: "Sarney substituted for Tancredo in the event of an impediment, his illness."

He explained: "If the impediment is definitive, the vacancy of the position is established, and it is in this instance that his continuation in the presidency becomes irregular. The Constitution says that the vice president must substitute for the president in the event of a vacancy, and Tancredo cannot be substituted for because he has not taken office."

2909

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BRAZIL

LYRA ON EARLY CONSTITUTIONAL ASSEMBLY

Rio de Janeiro O GLOBO in Portuguese 8 Apr 85 p 7

[Text] Brasilia--Justice Minister Fernando Lyra admitted yesterday that the government could move up the formal convocation of the National Constituent Assembly, which will be elected in November 1986, in order to facilitate the process of political debate regarding the new charter.

Lyra said the matter would be studied by the political leadership (several currents advocate formal convocation immediately) and it might be discussed, albeit informally, in today's meeting of the Political Council of the government.

Lyra noted that no decision had been made yet regarding the date for creation of the committee charged with writing the draft of the new constitution. He would prefer to wait until President Tancredo Neves can discuss the matter and contribute his guidance regarding the committee.

Lyra acknowledged that moving up the formal convocation of the constituent assembly could ease the minds of certain sectors of society regarding the project, since there is currently no official document pertaining to the assembly, although its convocation is one of the principal objectives of the Tancredo Neves government. The minister does not yet know how the convocation will be conducted, however.

According to Fernando Lyra's close aides, the possibility is being considered of formally convening the constituent assembly through a message to the congress, determining that the delegates will be elected in November 1986.

The justice minister, who returned to Sao Paulo yesterday, recounted his conversation with Cardinal Archbishop Dom Paulo Evaristo Arns, who gave his support to the creation of a committee to draft the new constitution.

6362

CSO: 3342/149

BRAZIL

#### ELECTORAL REFORM COMMITTEE OUTLINES PROPOSALS

Rio de Janeiro O GLOBO in Portuguese 9 Apr 85 p 7

[Text] Brasilia--The Interparty Committee on Electoral and Party Reform today defines its position on the revision that should precede the constituent assembly, in a proposal for a constitutional amendment which will be presented by the committee reporter, Deputy Joao Gilberto (PMDB-RS [Brazilian Democratic Movement Party-Rio Grande do Sul]).

Once approved by the committee, the constitutional amendment will be submitted for approval by the leaders of all the parties represented in the congress. This will be followed by a discussion of the best method of voting on the material--either through a rider attached to an amendment already in the process of passage or following all the channels required of a new amendment.

Joao Gilberto's proposed constitutional amendment includes only the items which have been supported by most of the committee, such as the elimination of the district vote, as provided in the constitution, and political representation for the Federal District, restricted to the Senate (three senators) and the Chamber (eight deputies).

Items considered controversial are not included in the draft amendment: for example, reapportionment for seating in the Chamber, which would imply increasing the number of deputies; reduction of the minimum voting age from 18 to 16 years; revision of the period required [of a candidate] for divesting himself [of other offices]; election of mayors and governors for two terms; local political representation for the Federal District; and voting eligibility for illiterates.

Joao Gilberto said there was nothing to prevent the items omitted in his proposal from being presented as independent amendments. He feels that, in this effort to "clean up the constitutional debris, looking forward to the constituent assembly," many issues are still outstanding and should be resolved before 1986.

The draft amendment which will be presented by Joao Gilberto contains the following proposals:

--Elections for mayor and vice mayor in all municipios which do not now have political autonomy (capitals, hydromineral stations and security areas) and



elections in municipios created by 15 May 1985. The residence requirement for these elections will be 6 months.

--Elimination of the party loyalty requirement and its repercussions.

--Political representation for the Federal District in the Chamber of Deputies (eight seats) and in the Senate (three seats), with elections on 15 November 1986.

--Voting rights for illiterates; correction of the minimum voting age (anyone who will have reached 18 years of age by the date of the election will be eligible to vote); and eligibility of illiterates to sit on municipal chambers.

--As a general rule, a 1-year residence requirement for voting.

--Suspension of the application of the district vote in the 1986 elections.

--Suspension of the minimum percentage of votes required for parties to function.

--Automatic viabilization of parties with the affiliation of 10 percent of the members of Congress (55 legislators).

--Relaxation of the criteria for the creation of political parties, with the elimination of the restrictions in the current legislation.

--The right of organization of the parties whose registration has been denied, cancelled or cassated prior to this constitutional amendment.

6362

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BRAZIL

## STUDY SHOWS SAO PAULO UNEMPLOYMENT ON RISE, DATA ELSEWHERE

### Survey Results Cited

Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 Mar 85 p 11

[Text] There are more people seeking work, and those seeking it are feeling more depressed. For this very reason, and the fact that the market has already distributed those hired to meet the greater demand at the year's end, the total unemployment rate in Greater Sao Paulo rose again during the quarter ending in February 1985, standing at 13.1 percent (it was 12 percent in the quarter ending in January, and 12.4 percent in the one ending in December 1984), according to data from "Survey of Employment and Unemployment in Greater Sao Paulo," prepared under a contract by the State Data Analysis System Foundation (SEADE) of the State Planning Secretariat, and the Interunion Department of Statistics and Socioeconomic Studies (DIEESE), released yesterday. Walter Barelli, aged 42, DIEESE's technical director, remarked: "After 3 months of surveying, what is happening in the Sao Paulo metropolitan region has become clearer." He joked, commenting on the unemployment indexes announced the day before yesterday by IBGE [Brazilian Institute of Geography and Statistics]: "The data from the SEADE/DIEESE survey confirm those from the IBGE survey."

Breaking down the increase in unemployment in the Sao Paulo metropolitan region, one finds that of the 13.1 percent recorded, 7.9 percent relates to overt unemployment and 5.3 percent to concealed (disguised) unemployment. In other words, by the quarter ending in February, there were 890,000 unemployed in the region, 535,000 of who were in the category of overt unemployment and the rest in that of concealed unemployment. The first group includes those who, without any job, were actually seeking employment during the 30 days before the survey was conducted.

During the quarter ending in January (a period wherein the unemployment rate was 12 percent, less than the 12.4 percent for the quarter ending in December 1984), SEADE and DIEESE called attention to the fact that "the slight reduction noted then in the unemployment rate was associated with a cyclical situation, owing to the seasonal features of the year's end, a period when the commercial and services sectors would tend to incorporate more temporary labor"; and that, "usually, during the first months of each year, unemployment rates increase inversely with respect to those noted at the end of each year." Finally, in

the data released yesterday, the survey stresses that the latest results, "when they incorporate the first 2 months of the year, corroborate those observations and point to a possible upward trend of even greater proportions in the unemployment rate for the next quarter."

In the municipality of Sao Paulo, the unemployment was 12.2 percent (11.3 and 11.7 percent for the quarters ending in January and December, respectively); and in the other municipalities of the metropolitan region covered by the survey it was 15.2 percent (in comparison with 13.4 and 13.7 percent for the previous quarters, respectively). According to DIEESE's technical director, "The information on the recovery of the economy per se, even through an increase in the number of ads placed or signs affixed to work sites, prompts more people to go to the market, because one can only seek employment when it exists."

#### Who Is Unemployed

Still according to the SEADE/DIEESE survey, the reduction in the unemployment rates until January indicated a more than proportional decrease in the rates for categories with a greater incidence of unemployment: women, people of color and non-heads of families. On the other hand, with the general rise in unemployment the opposite occurred, with higher unemployment rates for the same categories. Based on personal features, the unemployment most severely affects youths under 18 years of age (over 33 percent), members who are not heads of households (18.6 percent), migrants with up to 3 years in the region (17.4 percent), women (15.1 percent), and blacks and browns (15.1 percent).

The unemployment affected wage-earners (78.1 percent by February and 77.4 percent up until January) more than it did autonomous workers (10.9 percent and 11.7 percent, in the same periods), and commerce (17.2 percent by February and 16.4 percent up until January) more than the manufacturing industry, whose unemployment rate declined from 35.3 percent up until January to 34.5 percent at the end of the next quarter.

#### Many Earning Little

With regard to income, the situation remains with the same poor distribution: 25 percent of those employed still earn up to 116,000 cruzeiros; 50 percent, up to 314,000 cruzeiros; and 75 percent up to 629,000 cruzeiros. Similarly, when the dependence rate is considered (2.5 persons in Greater Sao Paulo, that is, for every employed person there are 1.5 dependents), the survey indicates: "It is noted that half of those employed and their dependents benefit from work income of less than 126,000 cruzeiros per capita." When the data relating to the mean (nominal) monthly income are considered, there is a decline in the region as a whole (591,000 cruzeiros up until January to 585,000 cruzeiros by February); but not for the wage-earning worker, whose mean income rose from 621,000 cruzeiros by January to 625,000 cruzeiros by the quarter ending in February.

## IBGE Figures

Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 Mar 85 p 19

[Text] The Brazilian Institute of Geography and Statistics (IBGE) announced that the mean unemployment rate in February was 6.12 percent in the six metropolitan regions surveyed (Rio, Sao Paulo, Belo Horizonte, Salvador, Recife and Porto Alegre); representing a reduction of 0.19 percentage points in comparison with January, and of 1.70 percentage points in relation to the same period in 1984.

However, if the mean rate of individuals who worked independently and did not earn anything during the month of February is added to the IBGE official rate the unemployment indicator becomes 7.45 percent, in contrast to 7.41 percent in January. Therefore, the number of unemployed included in the category Of "autonomous workers without earnings" increases.

The overt unemployment indicator also shows that the level of employment is not rising, despite the reduction in unemployment indexes. The category "individuals seeking work for the first time" reveals that the jobless rates have been rising during the past 7 months (from 0.87 percent in August 1984 to 0.90 percent in February 1985); although they are falling among those who worked previously (from 5.43 percent in January to 5.22 percent in February). Since the mean growth rate in the labor supply is 2.5 percent for the year, it is concluded that the lack of jobs is far greater than IBGE announced.

If underemployment (individuals working independently, and earning less than the minimum wage during February) is considered, also as a form of concealed unemployment, then the mean rate reaches 13.94 percent, as compared with 14.49 percent recorded in January.

In terms of metropolitan regions, the unemployment indexes declined in Rio (from 6.35 percent in January to 5.73 percent in February), Sao Paulo (from 6.02 to 5.97 percent), Porto Alegre (from 5.5 to 5.36 percent) and Recife (from 7.70 to 6.92 percent); but they increased in Belo Horizonte (from 7.33 to 7.43 percent) and Salvador (from 6.31 to 7.42 percent). The number of autonomous workers without earnings rose in five of the six metropolitan regions (except Salvador), with an average increment of 0.23 percentage points. In Sao Paulo, this indicator remained at 1.21 percent. The unemployment indexes already had an average decline of 0.59 percentage points, and in Sao Paulo the rate remained at 3.90 percent.

Based on sectors of activity, there was an almost general decline in the mean unemployment rates (the exception was "other activities"), the most typical being that of the services area, wherein the rates dropped from 2.21 percent in January to 2.03 percent in February. The other rates were as follows: industry, 1.42 percent; commerce, 0.83 percent; civil construction, 0.72 percent; and other activities, 0.22 percent.

2909

CSO: 3342/146

BRAZIL

SARNEY FAVORS ESTABLISHMENT OF RELATIONS WITH CUBA

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Mar 85 p 10

[Text] Vice President Jose Sarney, now acting president, favors the resumption of diplomatic relations with Cuba. Sarney even believes that June, when the Latin American Parliament will meet in Brazil, will be a "propitious moment" for the official resumption of relations.

This information came yesterday from Deputy Jose Carlos Teixeira (PMDB-SE [Brazilian Democratic Movement Party-Sergipe]), vice president of the Chamber Foreign Relations Committee, who reported a conversation with Sarney in this regard. Incidentally, in a very well-attended session, the committee yesterday unanimously approved the motion by Deputy Marcio Santilli (PMDB-Sao Paulo) that Brazil resume diplomatic relations with that country.

"The position of the government of the New Republic does not allow for preconceptions that limit our options with regard to diplomatic relations with Cuba," declared Deputy Francisco Benjamin (PFL-BA [Liberal Front Party-Bahia]) in his deposition, noting that President-elect Tancredo Neves described this question as "easily solved" with regard to its political aspects, although he admitted the possibility of obstacles "solely at the level of national security." Benjamin thinks it is time for the country to "move beyond the phase of ideological preconceptions in its diplomatic and trade relations."

He noted that "these preconceptions were overcome long ago in our relationship with Eastern European nations and newly emerging nations in Africa and the Far East."

For his part, Santilli noted the financial losses which Brazil suffers by not having relations with Cuba. He reported that, last week, Argentina sold four hotel complexes to Cuba for the tourist area, a sale valued at \$10 million. "Brazil could have had that business." He added that Brazil is even "lagging far behind" the United States in dialogue with Cuba. Washington, the legislator noted, has a highly important "office representing its interests" in Havana and the two countries signed an immigration treaty a few months ago.

BRAZIL

FLORES ON TRADE RELATIONS, PROTECTIONISM

Rio de Janeiro O GLOBO in Portuguese 2 Apr 85 p 24

[Text of interview with Francisco Thompson Flores, chief of the Trade Promotion Department of Itamaraty, by O GLOBO, date and place not specified]

[Text] Brasilia--Brazil will intensify trade relations with Third World countries, seeking agreements by which Brazilian products may be exchanged for products which we need to import. Such agreements will be more intensively pursued with oil-producing countries, such as Iran.

The information came from Ambassador Francisco Thompson Flores, who became chief of Itamaraty's Trade Promotion Department last December, replacing Ambassador Paulo Tarso Flecha de Lima, now secretary general of the foreign office.

In the government of former President Joao Figueiredo, Thompson Flores was secretary of technical and economic cooperation in SEPLAN [Secretariat of Planning] and, later, coordinator of international affairs in the Ministry of Agriculture.

In an interview with O GLOBO, Thompson Flores said there were no prospects for a relaxation of the protectionist barriers imposed by the United States and by European countries. He observed, however, that Brazil will not seek to limit its activity in those markets, "because they are vital."

O GLOBO: What will change in the Trade Promotion Department [DPC], with Foreign Minister Olavo Setubal's new policy of developing a "diplomacy for results"?

Thompson Flores: Traditionally, perhaps no department in the ministry has been more concerned with results than has the DPC. As the name of the department implies, the central concern is to promote Brazilian trade, ranging from major projects and services abroad, such as the railroad in Baghdad, to the sale of Tucano planes to England or picking up broadcasts providing trade information. So it is a department geared to results.

The change will be one of emphasis. If the foreign minister's central concern is to have a diplomacy for results, the department will have a large contribution to make.

GLOBO: What emphasis will the department have now?

Flores: It will seek to intensify its action with Third World countries which are in a position to expand their trade with Brazil. We are intensifying our contacts with mainland China, Iraq and Iran, and studying the possibility of expanded trade with Algeria. We are also giving emphasis to our relations with Nigeria. Just recently, we signed a \$1 billion-import-export agreement with Iran, and we are concluding an agreement with China amounting to more than \$1 billion. All this has moved very swiftly.

GLOBO: In his trip abroad, President Tancredo Neves said that Brazil must sell to countries that can pay us. This is not true of most African countries.

Flores: Right, but today there are countries in Africa, such as Algeria, and some countries in the Middle East that are petroleum producers. Brazil currently purchases between 500,000 and 600,000 barrels per day, half of what it consumes. Which is more to Brazil's interest: to pay for petroleum with hard currency, with foreign exchange reserves and trade income, or to sell these countries the surplus products that we are having difficulty placing in Europe and the United States?

We are selling steel and telecommunications products, soybeans and chickens to Iran. These are products which are in trouble in terms of the demand for them in the United States and Europe. So it is better to send these products to the countries that can send us petroleum--to barter them for oil.

GLOBO: And the countries which do not produce petroleum?

Flores: There, things are more complicated, with the problem of cash flow. Argentina does not have petroleum, but it has an economy which complements ours. We buy apples, wheat, possibly some manufactured goods. Argentina's economic structure is similar and complementary to ours. In fact, Brazil must have, as a trading card, as a medium of barter, a product which, although it is reduced in value, creates liquidity. Again I ask: Isn't it better for Brazil to buy petroleum and to pay for it with products that are not moving, than to pay in dollars?

GLOBO: This is the case with Iran?

Flores: Obviously, if I said to Iran: "I will pay for your oil with hard currency," Iran would prefer it. But Iran does not have this option. It needs steel products, hospital equipment, telecommunications equipment, chickens, soybeans and some other things. So the Iranians export petroleum and Brazil pays for it with its products. It is a question of agreeing on the values. This intensification of trade exchange is not solely Itamaraty's task. It also involves PETROBRAS [Brazilian Petroleum Corporation], CACEX [Foreign Trade Department of the Bank of Brazil], the Bank of Brazil. The new government will have greater participation from the businessmen and a better relationship among government organs, which are vital to achieve results in trade promotion.

GLOBO: Are you saying, then, that there will be a stronger link with African and Asian countries?

Flores: And Latin American countries, such as Mexico, Venezuela and Argentina, where the economic and trade picture is complementary.

GLOBO: Mexico argues that one of the problems with the foreign debt is the vulnerability of the debtor countries; it proposes trade exchange between the Latin American countries, reducing dependence on hard currency. Do you think this is feasible?

Flores: This is the basic philosophy of all trade. I must say: Brazil thinks the ideal would be multilateral trade, but since the trade picture is very confused at the moment, Brazil is also exploring the possibility of trade agreements with third countries which do not involve an expenditure of hard currency, thanks to an exchange of products.

GLOBO: Does this mean we are going to begin to reduce our dependency on European countries and the United States?

Flores: We are going to be realists. The European and American markets are vital and will continue to be so. We might lessen our dependency, but these are essential markets. Half of our trade surplus last year was with the United States. In other words: they place restrictions on steel, so we renegotiate. In the case of textiles, we are also renegotiating. This is a way of international life: to discuss, to negotiate, to try to gain more space.

GLOBO: Brazil is facing major problems with the protectionist barriers which the United States has erected against our products. How do you view this American behavior?

Flores: Brazil has faced and will continue to face difficulties, but we must ask ourselves why this protectionism is showing up. Brazil's sales on the international market amount to \$27 billion. If it were \$2 billion, there would be no problem whatever. Now, if this figure goes up, the problem will be even greater, because, to the extent that a country's trade grows, its problems grow. No one has greater problems with protectionist barriers than Japan. Why? Because Japan has a huge share of the international market.

Protectionism is an indication that the country against which it is aimed is having some success. There is only one solution: to negotiate, and Brazil is going to negotiate bilaterally and multilaterally -- bilaterally, with the interested countries, and multilaterally, with the GATT [General Agreement on Tariffs and Trade].

GLOBO: There has been some doubt about the possibility of achieving a trade surplus of \$13 billion this year. What do you think?

Flores: It is a difficult battle. At the beginning of 1984, when it was said that Brazil would achieve a \$13 billion surplus, no one believed it. It will not be easy and it will depend greatly on factors beyond the control of the Brazilian authorities. We are going to try.

GLOBO: The attempts to create a real common market in Latin America did not work out. What is lacking for this trade integration?



Flores: Europe is the most successful example of economic integration. To initiate the process of integration in the EEC, the continent had to go through two world wars, which took 50 million lives. Even so, the EEC is still not fully integrated from an economic standpoint.

Moving to Latin America, you can imagine the difficulty of integrating Latin American trade. Despite the inequalities among the countries' economies, there has been some significant progress. To Brazil, for example, Latin America is an extremely important market, to which our exports amount to \$2 billion annually.

GLOBO: And the common market....

Flores: It is difficult to predict when Latin America will be a single economic bloc. It involves a combination of political and economic factors. The economic situation must be favorable. In Europe, the basis for the European Common Market was the coal-steel agreement, which arose from the fact that France and Germany realized they could no longer afford the luxury of fomenting a catastrophic conflict, and the only way of avoiding a tragedy, such as the one created by the second world war, would be political integration; that is, an integration of interests within a single group.

GLOBO: Do you think there will be any modification in the behavior of the United States or even in the EEC after the technical meeting of the IMF and the World Bank, in Washington, in which the Cartagena Group will participate? Will there be some change in response to the demands of the debtor countries?

Flores: I think the United States, Europe and all the countries in the international community are perfectly well aware of the need to create the conditions to strengthen international trade, to resume economic growth, including that of the developing countries. This applies both in the trade area and the economic area.

6362

CS0: 3342/149

BRAZIL

\$12 BILLION IN FUNDING FOR PROJECT NORTHEAST

Rio de Janeiro O GLOBO in Portuguese 2 Apr 85 p 7

[Text] Brasilia--"We want this project to be the mark that the Northeast has gone from a dream to reality," acting President Jose Sarney said yesterday, in an address during the signing ceremony for two decrees creating Project Northeast and the Program for Support to the Small Northeastern Producer; the decrees provide for \$12 billion in funding for the region.

In the presence of 11 ministers, Chamber President Ulysses Guimaraes and Senate President Jose Fragelli, Sarney recalled the commitment assumed by Tancredo Neves during the PMDB [Brazilian Democratic Movement Party] convention: to make the Northeast "the first, the greatest and most important national priority."

Sarney added: "As a Brazilian and a northeasterner, I have the great pleasure and responsibility of signing these decrees, which will bring redemption to the region and will repay the country's debt to the people of the Northeast."

Sarney's enthusiasm for Project Northeast is so great that, in the morning, speaking with a group of newsmen accredited to Planalto Palace, he even compared it with the Marshall Plan, which enabled the rebuilding of Western Europe following World War II.

Speaking at the ceremony for the signing of the two decrees, Interior Minister Ronaldo Costa Couto explained that the primary objective of Project Northeast is to provide support to the small rural producer, "who carries the most weight in food production, who is the most vulnerable to the effects of the cyclical droughts and who is the least touched or helped by government programs."

Project Northeast, drafted by the previous government and signed into law yesterday by President Sarney, provides for \$12 billion in funding for the region, \$3.6 billion of which will be applied in the next 5 years, financed by the World Bank, the Inter-American Development Bank [IDB] and the Inter-American Fund for Agricultural Development [IFAD]. According to the interior minister, 1.7 billion cruzeiros will come from PROTERRA [Land Redistribution and Agricultural-Livestock Incentive Program for the Northeast and North], an equal sum from FINSOCIAL and 816 billion cruzeiros from the IDB, the IBRD and IFAD.

These resources will be used for actions pertaining to land ownership, hydric resources, credit, generation and dissemination of technology, support to community development and regional and state administration.

Regarding the Program for Support to the Small Rural Producer, Costa Couto said that one of its objectives is to reverse the migratory flow from the country to the city. According to the minister, the program is aimed at correcting the land ownership structure, to make Project Northeast workable.

Costa Couto noted that Project Northeast had been envisioned for a long time and that Mario Andreazza, his predecessor in the Interior Ministry, has made a great effort to bring it about. However, Couto made a point of stressing that the project does not include one of Andreazza's major ideas: the permanent preservation of the rivers. According to Costa Couto, this is an idea that could not be accomplished in this century, much less in the next few years. "This is a government of small projects," he concluded.

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14 May 1985

## BRAZIL

## PETROBRAS HEAD SAYS RISK CONTRACTS TO BE MAINTAINED

Rio de Janeiro O GLOBO in Portuguese 2 Apr 85 p 19

[Text] Risk contracts for petroleum exploration, instituted 10 years ago, will be maintained by PETROBRAS [Brazilian Petroleum Corporation]. The information came yesterday from Helio Beltrao, president of PETROBRAS, following an evaluation of the results achieved to date and the report of the Administrative Council of the directorate of the state company.

Beltrao said that when the risk contracts were first introduced, he opposed them because they would not solve the country's balance of payments problem, as it was believed. However, although the results have not been significant, he believes the contracts have been profitable from the standpoint of new technologies and a better knowledge of Brazil's sedimentary basins.

Foreign companies have invested \$1.5 billion to date, and up to now only two discoveries have been made, by PECTEN, a company in the Dutch/ Shell group. Petroleum was discovered on the continental shelf of Bahia, which recently devolved to PETROBRAS, and the other discovery was that of natural gas in the Santos Basin. Regarding the latter discovery, PETROBRAS and PECTEN are discussing the prices for the fuel.

Pozos Perfuracoes Ltda, which was named in the PETROBRAS technical report as responsible for the "blow-out" (escaping gas followed by an explosion) at the Enchova platform in August 1984, causing 37 fatalities, will not drill again from this platform. The decision was announced yesterday by PETROBRAS president Helio Beltrao during a visit to Enchova. He explained that the drilling will be conducted by PETROBRAS itself.

Beltrao said he did not know the details of the incident, but it will be examined in the next meeting of the directorate, which will deal with the negotiations in progress with Pozos.

Beltrao guaranteed that, whatever the findings of the studies, Pozos will not drill again in Enchova. The drilling rig, which was destroyed in the fire, is being replaced by another one which will be ready to go into operation within 3 months.

Pozos is the only firm under contract to PETROBRAS to drill wells, a service generally performed by the state company's own personnel. In September 1984, PETROBRAS decided to rescind the contract when it was concluded that the accident was caused by the firm's negligence during the drilling of the Enchova-33 well. The decision was reversed in October, by order of Planalto Palace, according to PETROBRAS.

PETROBRAS will no longer pay the distilleries in advance for its alcohol purchases. According to Helio Beltrao, for security reasons, all future contract will call for payment only on delivery of the alcohol. This measure was taken because of the problems which PETROBRAS was having with the purchase and payment in advance to distilleries which later had financial problems. One of these was Usina Mendonca Agropecuaria e Comercio Ltda, one of the largest alcohol distilleries in Minas Gerais, which requested composition in February. PETROBRAS had paid 16 billion cruzeiros in advance under the terms of a contract which called for the delivery of alcohol throughout the next [cane] harvest, from May to November. Since the alcohol was meant for export, PETROBRAS purchased it in advance to gain a price advantage.

By the end of the year, PETROBRAS hopes to increase production of natural gas in the Campos Basin to 6 million cubic meters per day, over 70 percent of which will be used by industries in Rio de Janeiro State. The information came yesterday from Alfeu Valenca, superintendent of the Southeastern Production Region, during Helio Beltrao's visit to the central Enchova platform.

According to Valenca, Campos currently produces 5 million cubic meters per day, only 43 percent of which is being used. PETROBRAS is installing gas conduits in the 12 potential production systems where the gas is burned off.

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BRAZIL

BRIEFS

OIL PLATFORM EQUIPMENT TO ANGOLA -- Brazil will for the first time export a fixed offshore oil production platform after BRASPETRO /PETROBRAS International, Inc./ was able to win an international competition and get the contract in association with the Brazilian enterprise Setal-Instalacoes Industriais S.A. The platform was ordered through the French enterprise ELF-AQUITAINE /Gasoline and Lubricants Company of France/ for the production of petroleum in Africa. The contract was signed last Monday in Paris through Brasoil, a service subsidiary of BRASPETRO, for the planning, construction, transportation, and installation of the fixed platform PAL-F1. The completion deadline is 10 February 1986 and the platform will be 6 meters high and will weigh 1,600 tons; it will be installed at a depth of 48 meters in the piling field of Block 3 in Angola. The amount of the contract, with financing through CACEX /Foreign Trade Department/, comes to \$8 million but BRASPETRO Vice President Wagner Freire said that the most important thing is that this export operation demonstrates the technological skill level reached by Brazil, as developed in the Campos bacia. "The country's industry," he emphasized, "is now able to compete abroad in terms of technology and prices." BRASPETRO, in association with other domestic industrial establishments, is participating in various other competitions involving the exporting of equipment abroad. These export transactions will signify the creation of 200,000 new full-time jobs at the Setal establishment in Niteroi, where the platform will be built. Management and technical support will be supplied by BRASPETRO and transportation and installations will be handled by Micoperi of Brazil with the BGL-1 raft of PETROBRAS. Setal is an enterprise that is controlled by stockholders within the Monteiro Aranha group, specializing in the petroleum area and involving the production, for PETROBRAS, of 15 platform modules and four production platforms in shallow waters in the Northeast. This will be the first time that the nation's industry is exporting equipment for petroleum production. So far, Brazil has only exported four drilling platforms made by the Nobara shipyard, on a contract from Loffland Brothers Company, an American enterprise, for petroleum prospecting in Saudi Arabia. Early this month, this enterprise announced that it was able to win the award for the construction of another four drilling platforms for the Soviet Union as part of a contract with a total of \$750 million. /Text/ /Rio de Janeiro O GLOBO in Portuguese 27 Mar 85 p 21/ 5058

WARSHIP TO PARAGUAY -- The first warship built for export on the basis of blueprints drawn up entirely in Brazil was delivered yesterday. It is the "Itaipu" patrol vessel ordered by the Navy of Paraguay. The price was not disclosed but merchant marine specialists believe that it was not less than \$20 million (90 billion cruzeiros). This export transaction was negotiated by EMGEPRON (Naval Projects Management Enterprise) of the Navy Ministry which was established to provide impetus for the sale of warships abroad. The "Itaipu" 46.3 meters long and is armed with a 40-mm Bofors cannon, two 81-mm mortars, and six double-purpose machine guns. The delivery ceremony was held at the Rio Navy Arsenal and was presided over by Minister Henrique Saboia. Paraguay was represented at this ceremony by CNO Eduardo Gonzales Petit. /Excerpt/  
/Rio de Janeiro O GLOBO in Portuguese 3 Mar 85 p 25/ 5058

OIL IMPORTS DOWN IN JANUARY--Brazil's oil imports in January, amounting to 536,000 barrels per day, were 22.6 percent less than in December, representing costs of \$459 million for the country. The purchases for consumption, not counting the portion exported as derivatives, totaled 386,000 barrels per day, 26 percent down from those the month before. This year, PETROBRAS [Brazilian Petroleum Corporation] estimates a gross outlay for oil imports of \$5.6 billion, 15.8 percent less than the amount spent in 1984 for the same purpose. The net imports (excluding the reexported total) will amount to \$3.7 billion, with the purchase of 375,000 barrels per day: 21.8 percent lower than last year, when they totaled \$4.8 billion. Brazil's exports of petroleum derivatives in January amounted to 157,000 barrels per day, a 15.1 percent reduction from the previous month. This year, PETROBRAS expects to export 173,000 barrels of derivatives per day on the average, primarily gasoline, which will represent 5.6 percent less than the total sold abroad during 1984. The revenue from exports will also undergo a reduction of 10.2 percent, totaling \$1.8 billion. The company estimates for 1985 a consumption of 1.071 million barrels per day, 1.3 percent more than last year. Of this total, 124,000 barrels will be of hydrated alcohol, 557,000 of national petroleum and 390,000 of imports. The consumption of imported oil will decline 17.7 percent in comparison with 1984, while that of oil extracted on national territory will increase 17.9 percent; and that of alcohol will rise 12 percent. [Text] [Rio de Janeiro O GLOBO in Portuguese 19 Mar 85 p 17] 2909

EMBRAER AMX SALES--Sao Jose dos Campos, SP--To date, there have been no negotiations nor expressions of interest by any country in the purchase of the AMX aircraft, a subsonic fighter plane of the latest generation that is being developed by the consortium comprised of EMBRAER [Brazilian Aeronautics Company] and the Italian firms Aeritalia and Aermacchi. Two prototypes are being tested in Italy and another is under construction at EMBRAER, where they are scheduled to fly for the first time at the end of August. However, to date there has not even been any decision on the type of negotiations for the apparatus on the international market. With these reports, EMBRAER's commercial director, Ozilio Carlos da Silva, stressed that there was no indication of any potential interest on the part of the Chilean Air Force in purchasing AMX planes. Chile uses some models of Brazilian aircraft, including the Bandeirante Patrulha and the troop transport version. It also purchased five 30-seat Brasílias which are due for delivery by the end of the year, to be used for military transport. With the exception of Italy and Brazil, which will have 270 units for their Air Forces,

the only country familiar with the AMX is Greece. There, the military recently witnessed a demonstration of the fighter plane prototype sponsored by the North Atlantic Treaty Organization (NATO). NATO, based on technical and tactical evaluations of the military forces that it has in Greece, recommended the AMX demonstration in that country, introducing the apparatus as a future option, without going ahead with any negotiations. The first international promotion of the AMX will take place at the beginning of June, when one of the prototypes will be put on static display during the Aerospace Exhibition in Le Bourget, France. [Text] [Rio de Janeiro O GLOBO in Portuguese 30 Mar 85 p 15] 2909

CSO: 3342/146



CHILE

CHRISTIAN DEMOCRAT PARTY FOUNDER ON LIBERATION THEOLOGY

Mexico City UNOMASUNO in Spanish 12, 13 Mar 85

[Article by Radomiric Tomic: "Liberation Theology: Promise or Threat?"]

[12 Mar 85 p 16]

[Text] A cofounder of the Chilean Christian Democrat Party in 1935, Radomiric Tomic was the party's presidential candidate in 1970, running against Salvador Allende and Popular Unity. Tomic is regarded as one of the major thinkers in the progressive wing of Chilean Christian Democracy.

Could the Protestant Reformation have been avoided? Only God knows. What we do know is that Luther was a devout and esteemed Augustine monk who was sent to Rome in 1511 to request stricter standards of monastic life in Saxony and to denounce the extorting of peasant farmers by their feudal lords in the name of religion. His mission was a complete failure, after which the thitherto pious, gruff and proud monk began wavering in his obedience to the Holy See, expressing his dissent ever more sharply in his writings and teachings. In 1520 he had to be excommunicated. The rest is history. The repercussions were enormous for Christianity, Europe and the Western World and are still felt today.

Could the history of Latin America have been different and better during the 19th century, which was decisive for the unity and consolidation of the recently independent nations? Perhaps. What we do know is that for the entire century each of these nations was torn by an internal struggle between Catholic conservatives who were the "defenders of the Church" and the habitual losers and the anticlerical liberals who were the "defenders of freedom of thought" and the usual winners. These two groups preferred to battle each other viciously instead of combining their visions of the future, their talents and their efforts to bring these new countries together and make them prosperous. The seed of this suicidal antagonism was sown during

the war of national independence (1810-1825), when Rome sided openly with those who defended the "established order," upheld the legitimacy of the Spanish crown and demanded that the "rebels," almost all of whom regarded themselves as good patriots and Christians, submit to "the will of God," in whose name the king of Spain governed.

What does the future hold in store for liberation theology, which was born in Latin America less than 20 years ago but which has spread like wildfire from Mexico to Chile among priests and nuns, among the rich and poor and among laymen from all walks of life, gaining momentum in a way that is starting to alarm Rome? (...but why should Rome become alarmed?) To what extent will acceptance or rejection of the marvelously Christian appeal of liberation theology affect not only the future of Latin America and of the Catholic Church but also the prospects of Catholicism worldwide given how rapidly mankind is becoming ever more interdependent in our day and age? Only God knows the answer, but what we do know is this:

--That almost half of the world's Catholics live today in Latin America and that for the great majority of them the struggle for a better life is a desperate, losing battle, according to the studies of the Economic Commission for Latin America (ECLA) of the United Nations;

--That this needless moral scandal of widespread hunger, exploitation, ignorance and unemployment and of "institutionalized violence" (injustice authorized by law) imposed by tiny social minorities on the masses, has been going on for more than a century and a half on the emptiest and potentially richest continent on earth, a continent three times larger than the United States and twice as large as China, where in less than 30 years hunger was eliminated for more than a billion persons;

--That in the early 19th century Latin America was ahead of the United States by whatever yardstick we use to gauge progress: universities, schools, printing houses, urban development, roads, population, production, international trade, etc. No other evidence is needed to demonstrate that the poverty-stricken conditions in which hundreds of millions of Latin Americans scrape by today cannot be attributed to the "will of God" or to "destiny" or to "race" or to the "poverty of nature." The causes are to be found elsewhere. Let us mention two of them: the fragmentation into 20 sovereign States, and the stratification into 20 "closed societies" with tiny social minorities who perpetuate themselves as the "ruling class" through a monopoly on land tenure, natural resources, credit, education, culture, social prestige and, above all, authority and political power, almost everywhere in alliance with the military. This was how "institutionalized violence" was established more than 150 years ago, the violence that the Latin American bishops, along with Pope Paul VI, denounced in Medellin in 1968. Twenty years later, according to ECLA, the gap between the richest 5 percent of the population and the poorest 40 percent

has widened further, not because of the "hard-heartedness" of the rich but because of capitalism's essentially immoral "rationale." When will this scandalous trend be reversed? By whom? How? Can the Catholic Church stop denouncing the corrupt and corrupting essence of the systematized selfishness that is the "soul" of capitalism and its national and international power structures? How long is the Church going to allow privileged minorities to strive frantically to identify it with their privileges, claiming that the "struggle against Marxism" is the number one priority in Latin America? Is Pius XI's anguished cry that "the apostasy of the masses is the greatest outrage of the 20th century" still valid? Does the same Pius XI's urgent appeal to Christian youth still have currency: "Politics is the highest form of charity (love of God in service to one's neighbor) next to a religious vocation"?

[13 Mar 85 p 14]

[Text] During his recent trip to Latin America, John Paul II spoke out time and again against the danger to Christians of turning to "ideologies that are hostile" to the essence of their faith. The atheism of Marxist ideology concerning man, society and history is, of course, incompatible with Christian values, but liberation theology did not emerge because Marx wrote what he did a century ago. Its goal is not to justify Marxism in Christian terms. It uses Marx merely the way that Catholic physicians use some of Freud's research even though Freud was militantly atheist and anti-Christian. Let us make the point clearly: If Marx had never been born, "the state of sin in which Latin America is living," the "institutionalized violence" that tramples on the dignity and rights of the overwhelming majority of its population, would be exactly the same or perhaps even worse.

Three centuries ago that wonderful saint, Ignatius of Loyola, summarized what to the majority of us Latin American Christians seems to be the essence of liberation theology. Resorting not to remote theological disquisitions but to historical terms whose vividness and urgency make them readily understandable to laymen and clergy alike, he said the following to his small following in the Holy City: "Until now we have tried to love God through prayer and through service to the poor people of Rome, seeking food, clothing and shelter for them. It is certainly in accordance with the will of God to lessen the suffering of the poor. But would it not be even more in accordance with God's will if we were to see to it that the poor of Rome could look after themselves and not need food, clothing and shelter from others?"

We see here the flashing intuition of a genius! To perceive the essence of problems without being blinded by lesser matters. To cure the disease, not the symptoms. To attack the causes, not just the effects. To fight for the abolition of slavery rather than just

better treatment for the slaves. In our day and age, to denounce without hesitation or ambiguity the causes of the age-old violation of the rights that are inherent to the spiritual dignity of millions of Latin Americans, instead of continuing the (also) age-old custom of asking the rich "to open their hearts" to the suffering of the poor. Many wealthy people in fact do this, but it does nothing to change the essence of the problem. The cruelty of the slavemasters is not the evil; the evil is slavery. Heralding the civilization of love is possible only if we begin by denouncing and condemning the civilization of selfishness that has "institutionalized violence" in Latin America and throughout the world.

Why don't we squarely accept the challenge that history imposes on Christians and on the Catholic Church, in Latin America in particular, in the knowledge that it is here where in just a few years more than half of the world's Catholics will be living, praying, suffering and dying?

The fact is that the Vatican has not condemned liberation theology. However, for each word that the Holy Father has spoken to qualify his warnings about avoiding Marxist deviations, the press, the radio and the television that are financed by the current beneficiaries of the established order and of institutionalized violence have reported 99 that manage to turn these "warnings" into "condemnations."

To help or to hinder? This is Rome's dilemma in the face of liberation theology, whose powerful appeal to form base communities as soon as possible as the seeds of a new communitarian, unified and brotherly society is jolting the consciousness and renewing the hopes of thousands of priests and nuns and millions of poor people, youths and believers from all walks of life from Mexico to Patagonia. For better, or for worse, Liberation theology is the other name of the civilization of love in Latin America. And like the civilization of love, it is incompatible with the essential immorality of the civilization of selfishness and capitalism. Why become alarmed? Perhaps we should recall the words of Berdiaeff: "Communism is just the part of the duty that Christians have not fulfilled."

8743

CSO: 3348/573

CHILE

AMBASSADOR TO FRANCE COMMENTS ON BILATERAL RELATIONS

Santiago ERCILLA in Spanish 27 Mar 85 p 17

[Interview with the Chilean ambassador to France, Eduardo Cisternas, by Andrea Orzegow at the Chilean Embassy in Paris; date not specified]

[Text] He admits that some diplomatic efforts go "more smoothly and others are more complex." He does not specify further, adding only: "Though that's what we diplomats are here for, in other words, to look for ways to obviate or sidestep such difficulties so that relations between nations are not damaged but instead move forward as well as they can towards the future."

[Question] What is it like being ambassador in one of the few countries with a socialist government with which Chile has relations?

[Answer] Chile has held unwaveringly to its position of maintaining friendly relations with all countries, under the principles of unqualified respect for self-determination and nonintervention. Now then, we have a longstanding relationship with France, and there are permanent factors that strengthen our ties.

It was precisely the issue of relations between the two countries that we discussed with 61-year old Ambassador Eduardo Cisternas at the Chilean Embassy in Paris, which faces Santiago du Chili Plaza and is just a few blocks from Les Invalides (where Napoleon is buried).

A four-story house purchased in 1929 serves as both embassy and ambassador's residence. Cisternas wants to give us the complete tour, because he is proud of it. "One of Chile's finest embassies," he remarks. In particular he admires the "boiseries" (wood paneling) in the reception rooms. "The paneling was bought," he explains, "from the Hotel de Crillon when it belonged to the D'Amont family."

He and his wife have lived on the third floor since he took charge of the diplomatic mission in 1983. The ambassador has a lengthy curriculum vitae. "I've held every foreign service post," he says. Some of the leading ones have been director of bilateral policy and political adviser to the Foreign Ministry, ambassador to Colombia and other diplomatic posts in Argentina, Peru, Bolivia, Brazil, Uruguay and Mexico.

"I am most proud," he emphasizes, "of being a product of the Foreign Relations Ministry. I began there at age 20, and it gave me training and a position that I am eternally grateful for, just as I appreciate the confidence that the government has placed in me."

At one point in the interview he mentioned "the very constructive effects of what I call the business sphere." He then clarified: "Trade has risen steadily in recent years. It must be around 3 billion francs, which is \$300 million at the moment."

According to a comparative chart he provided, trade between the two countries was up 21.5 percent from 1983 to 1984. Moreover, Chile was France's fourth biggest trading partner in Latin America, accounting for 7.4 percent of its market in the region.

[Question] Would you say that trade is the strong point of relations between Chile and France?

[Answer] Relations between the countries are determined by a series of elements. In other spheres, for example, there is a strong historical presence and quite close cultural ties.

[Question] How would you describe your relationship with President Mitterrand?

[Answer] President Mitterrand is a distinguished French politician. His public activities began practically as far back as the war. As far as my personal dealings with him are concerned, he has always been friendly and polite, which does not mean that the issues we have taken up have not often been touchy.

[Question] To what extent might have the Jarland affair influenced political relations between Chile and France?

[Answer] The French Government has, of course, been concerned about the case of Father Jarland, but our government has shared its concern. As you have seen, the trial has proceeded strictly according to Chilean law, with complete independence for the court. Also, France's previous ambassador to Chile, Mr Bouvier, had every possible access to the special magistrate, consistent with confidentiality, which is a fundamental requirement of the entire case.

[Question] What role does the French press play in the image that the French people have of Chile?

[Answer] The French press has acted in line with its leanings, as is to be expected. Some papers, the leftist ones, have taken a rather critical stand, but others have also presented a quite clear and favorable image and told the truth. I am talking mainly about LE FIGARO, which is middle-of-the-road and has recently published lengthy positive articles on Chile. I should also stress, however, that one of our harshest critics, LE MONDE, was quite objective in its assessments after the most recent protest demonstration...So then, to sum up, we have found an objective attitude even in the critical mass media.

[Question] Have you perceived this same objectivity in the French Government?

[Answer] As you know, the French Government has expressed its views on several occasions on events in Chile. Our government has responded appropriately, inspired at all times by complete respect for self-determination and nonintervention.

The feeling is that relations should be handled on the basis of practical realities. Our approach is to leave ideology aside...There are unquestionably quite deep ideological differences between the two countries, but this does not imply that the avenues of relations are not very active and constructive."

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CHILE

#### SEVERAL STATE ENTERPRISES TO BE SOLD TO PENSION FUND

Santiago EL MERCURIO in Spanish 26 Mar 85 pp A-1, A-12

[Excerpt] Minister of Labor and Social Welfare Alfonso Marquez de la Plata has announced that plans call for beginning to implement the program for selling 30 percent of the shares of the state enterprises to the Pension Fund Administrators (AFP) by 24 May.

He stressed that these operations will work to the benefit of 1,150,000 Chilean citizens who are putting their social security contributions into the AFP, who will in the future have ownership shares in the state enterprises.

The secretary of state met with the finance minister, Hernan Buchi, yesterday, for an analysis of how the sale of these shares will be implemented. Also present at this session were Brigadier General Fernando Hormazabal, a minister and vice president of the CORFO [Production Development Corporation]; Col Jorge Valenzuela, the undersecretary for economy; Undersecretary for Social Security Maria Teresa Infante; as well as ministerial advisers.

Minister Marquez de la Plata noted that the amendment to Decree Law 3500 provides for the execution of these operations, and also establishes a period which will end on 24 May for getting the system operational. "Therefore, we must already have everything planned and in operation by that date," he said.

When asked about which main stocks the AFP plans to purchase, he said that thus far there has been discussion about shares in the Chilean Chemical and Mining Association (SOQUIMICH), Pacific Steel Company (CAP), Chilean Telephone Company, National Electric Power, Inc. (ENDESA) and Chilean Electric Company, Ltd. (CHILECTRA).

The minister of labor said that the companies in which the pension funds will be invested are profitable, since they will have to be approved by a risk commission.

He added that the total value of these operations may come to between 54 and 60 billion pesos. In any case, he noted that it is estimated that the accumulated pension funds will total 200 billion pesos by next 24 May, to which will be added the 5 billion pesos paid in monthly.

With regard to the mechanism for the sale of the stocks, he said that this is being planned, but that a policy of deconcentrating these enterprises must be



pursued, in order then to establish the most expeditious means of making this transfer.

In any case, he noted that as the main purchasers will be the AFP as such, the system will be like that used in connection with mortgage bonds and other instruments in which depositors' funds are currently being invested.

5157

CSO: 3348/559

CHILE

# NEW SOCIAL SECURITY OFFICIAL COMMENTS ON SYSTEM REFORM

Santiago ERCILLA in Spanish 3 Apr 85 pp 17-18

[Interview with Maria Teresa Infante, undersecretary for Social Security, by Magdalena Cruzat; date and place not specified]

[Text] The task Maria Teresa Infante, new undersecretary for Social Security, has in her hands is nothing new. She was one of the pioneers in the study of the reform when she joined ODEPLAN [National Planning Office] at the beginning of 1974. She was so convinced of its urgency that when she went to Chicago to study in the middle of 1976, she vowed she would not return to Chile if the reform was not promulgated.

She returned hanging her head. In December 1978 when Jose Pinera became minister of labor, she was summoned to the ministry to once more study everything referring to Social Security. She abandoned ship before ending the studies because in September she became superintendent of education. Nevertheless, her dreams were fulfilled a short time later.

Therefore, it was not hard for her to agree to be undersecretary. It is a subject that she has mastered and likes. "It forces me to turn more toward economics and interests me as a long-term projection. It is also one of the modernizations that has not been cut back."

[Question] What will your main task be now that the reform is already in progress?

[Answer] To consolidate the new Social Security system. It is fundamental to achieve that everyone who was transferred to an administrator of pension funds receive his recognition bonus for the time he was under the old system. It is necessary to increase the search through the pension fund banks to check that the amounts deposited and the years paid in are correct.

[Question] What was done about bonuses in the past?

[Answer] The life of each member was reconstructed and the information micro-filmed. On more than one occasion it was on paper eaten by mice. Now we are already in the position to issue bonuses en masse.

[Question] How can you know if the bonus that the banks deliver is correct?

[Answer] Each person has a more or less precise idea of where he worked, for how long and what his approximate income was, especially now when the date that the law set for the calculation of the bonus is close. Therefore, the workers are being asked to cooperate with the information since there is still time to correct errors.

[Question] What has happened with the bonuses issued so far?

[Answer] There is an established formula for calculation. If the data base is good, the bonus should be correct. However, in some cases there are doubts about the information. A sampling has been taken and some are wrong. Therefore, it is very important to verify the calculation and correct the information before the mass production of pension bonuses for old age begins in 1986.

Farewell to Sprees

[Question] You were one of the main promoters of Social Security reform. Are you still convinced about the benefits of the system now that you have seen it in practice?

[Answer] There have been some mistakes that have already been corrected but all the calculations we made during simulation of this system gave us substantially larger pensions, especially in the long term. In a distributive system like the old one, money came in one hand and went out the other. With individual capitalization for old age, the money is put to work and invested in secure things, without running the risk of being used politically as happened with the old system.

[Question] And what do you think about the idea of investing in shares of state enterprises?

[Answer] The idea is to slowly transfer the ownership of public enterprises--which supposedly belong to all Chileans--to the respective account of each one of them, the Social Security accounts. It is a good way to spread the ownership of the public enterprises and give fresh resources to the treasury without having to go into debt. In any case, it is a controlled experiment because we are only talking about selling 30 percent of the shares of those enterprises.

[Question] How much can the treasury collect this way?

[Answer] The AFP [expansion unknown] collect between 5 billion and 8 billion pesos per month. The sale of 30 percent of the shares is equivalent to \$400 million. Therefore, if the AFP are transformed into institutional investors, it can be an enormous source of resources. Also they have absolute freedom to act once they are shareholders. They can sell them the same as mortgage letters where they began as institutional investors. A secondary market was created. This has made the public interested in them.

[Question] Do you think the public will be interested in buying shares in enterprises where they will never be able to intervene?

[Answer] In some public enterprises there are laws and the minority investors can participate. In the telephone company, for example, the shares of individuals have a special series and they can elect a director. This has unquestionably been reflected in the interest that the individuals have shown.

[Question] If the AFP are so tempting due to the amount of money they collect monthly, isn't there a possibility that they would pass to the state?

[Answer] There are two things involved. On one hand, it is necessary to find mechanisms of control so that the system operate well. On the other hand, there is the commitment and determination of the president of the republic to continue advancing in this modernization. I don't see any political risk and I think there are many just advantages.

[Question] Speaking of the old Social Security system, how is it being financed now?

[Answer] This government recognized a debt that Chile owed to the entire Social Security system for money which was poorly used. It is answering for this. That is an expenditure that it was aware of when making the studies. Today half of the social expenditures of the government is allocated to finance Social Security.

[Question] Then it is difficult to improve the current pensions that the banks pay....

[Answer] In recent years, they have improved more than wages due to their system of readjustment with each 15 percent. A spectacular improvement would only be demagoguery since there are no funds. Immense efforts have already been made with the welfare pensions for those who did not have the requirements to retire, for the poor over 65 years of age and for the low-income handicapped children. Only with time will you see pensions in accord with the effort that the depositor made during his work life.

#### Educational Work

[Question] Before becoming undersecretary, you spent 5 years as superintendent of education. What experience did you obtain during your stay in that area?

[Answer] It was extraordinary although at the beginning it was hard. I arrived from the department of studies of ODEPLAN. Overnight I was in charge of 100 people whom I had to organize and direct without any experience in this. Education became a fascinating topic. I hope not to cut my ties from it. I attribute a basic importance to it in the development of this country. I believe that there would not be problems of retirement or poverty if we had better trained and educated people in the broadest sense of the word.

[Question] You had to carry out the transfer of schools to the municipalities. Do you think this is beneficial for education?

[Answer] I think it is the key to education. In fact, there is an increase in education because these constitute small, more manageable units with greater

participation by the community and greater interest from the mayor. The ministry which has always been a poor administrator can put all its efforts into educational work which cannot be delegated and which it has done very well. I believe that the positive aspects of the transfers greatly surpass the negative ones. I hope that they continue once the economic problem that stopped them is solved.

[Question] What memories do you have of your work in ODEPLAN?

[Answer] I was a new graduate in economics when Miguel Kast called me to join ODEPLAN. A team was being formed to study the major topics: tax reform, Social Security, customs. They needed people and I needed work; thus we started at once. Roberto Kelly was at the head. Our group was formed by Miguel Kast, Ernesto Silva, Juan Carlos Mendez and me. I had the privilege of working with them on a team where no one was famous. We all dirtied our hands doing overdue work. Without question it was an unforgettable experience.

[Question] You have worked in the public sector your entire professional life. Aren't you tempted to work in the private sector?

[Answer] I have acquired fantastic experience in the public sector where I have been able to participate and see problems that greatly surpass the training I had at the time. They helped me mature and face things. It is a unique professional experience but, in the long term, I see myself working on something calm, private, with great dedication and responsibility but sharing and adapting more to my taste.

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CSO: 3348/592

CHILE

## CODELCO PLANS TO MAINTAIN COPPER PRODUCTION THROUGH 1985

Santiago EL MERCURIO in Spanish 20 Mar 85 p A-3

[Text] The results achieved by the CODELCO [Copper Corporation] during the 1984 fiscal year reflect the fact that, despite the adverse situation encountered on the international copper market, this state enterprise has maintained a stable productive and financial footing. According to the general balance struck as of 31 December 1984, the net profits obtained last year by this enterprise, which extracts the red metal, total \$143,721,000, showing profits over assets, before taxes, of 15.8 percent, or 6.8 percent after taxes. This enabled the CODELCO to contribute a total of \$180 million last year to the treasury department through taxes.

Despite the above figures, comparisons in this connection with the 1983 fiscal year are unfavorable, showing the serious impact which the 13 percent decline seen in the average price of copper sold by that corporation represented. In 1983, net profitability came to 12 percent, and the corresponding transfer of assets to the treasury reached a sum in excess of \$300 million.

Similarly, unfavorable copper price conditions were reflected in reduced operational results, which was explained almost exclusively by a decline in income from sales in an amount of nearly \$200 million. Production costs remained at practically the same level as was seen in 1983.

Within this very limited framework, the CODELCO made investments in land, buildings, machinery and equipment, furnishings and housing units which enabled it to increase its fixed capital by almost \$390 million. Parallel with this, the indebtedness of the enterprise, measured in terms of the debt-capital ratio, dropped from 0.72 to 0.69, due basically to the increase seen in the assets.

In general, the figures shown on the last balance sheet of the corporation show that the enterprise was able to end 1984, one of the worst years for the world copper industry, rather successfully. This was not the case for other red metal-producing enterprises in the rest of the world, where high extraction costs forced them to shut down work pending an improvement in the price level for the metal.

On the contrary, this corporation is contemplating an investment program for its various divisions for 1985 totaling about \$300 million. This will make it

possible to maintain the current production level, which totals 1.3 million tons annually. The decision to invest in this mining activity despite the present depressed status of the price of this metal seems to be justified in view of the excellent results achieved by the CODELCO and the substantial weight this enterprise has as a supplier of foreign exchange for the country.

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CSO: 3348/559

CHILE

## TEXTILE INDUSTRY SEEKS PERMANENT IMPORT TAXES

Santiago EL MERCURIO in Spanish 27 Mar 85 p B-2

[Text] The president of the Textile Institute, Marcelo Zalaquet, has stated that "it is imperative" that the customs surtaxes on subsidized imports be established on a "permanent" basis, as was planned when the 35 percent duty was imposed on 240 products of various industrial activities in July of 1984.

This official said that incentives ranging from 30 to 50 percent apply to imported textile goods. He added that "foreign subsidies, instead of declining, are constantly increasing in our industrial sector, up to the mentioned 50 percent, the reason being seasonal changes and overstocking, basically."

This industrialist said that in view of the reduction of the duty to a level near 30 percent, with later changes in the same direction having been announced, we find ourselves forced to ask the Central Bank, and we will continue doing so in the future, for compensation for the unfair foreign competition by means of customs surcharges which, if authorized in the amount of 5 percent, would compensate for no more than a sixth of the subsidies for which we already have credit with the issuing institute.

### Imports and Employment

With this replacement of customs surcharges, and after almost a month of application of the current 30 percent duty, Zalaquet said, "our sector is hoping to advance the cause of replacing imports, and in this way to save the country foreign exchange, as well as also increasing the employment the country so much needs at this time."

He stressed that the surcharges which began to be applied as of November 1982 "were the great motive force for improvement in the sector, which it was possible to begin to detect in the economic indices as of the second half of 1983 and also throughout 1984."

On the other hand, he noted that the institute is gathering and processing all of the background material for the replacement of the customs surtaxes applicable to items of clothing, fabric and yarn items in September of last year, when the duty went up from 20 percent to a standard rate of 35 percent, with the elimination of these surcharges.



Despite the above, he said that "our union very clearly reiterates its position, maintained for a long time now, in favor of duties structured on the basis of the greater domestic added value, on the level of 0 percent for machinery and supplies not produced in the country and up to 35 percent for finished manufactured goods and products, without prejudice to the 100 percent compensation for proven foreign subsidies."

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CHILE

CIEPLAN HEAD SAYS ECONOMIC PROBLEMS HAVE NO QUICK SOLUTION

Santiago TERCERA DE LA HORA in Spanish 28 Mar 85 p 11

[Text] "The implementation of the macroeconomic program agreed upon with the International Monetary Fund on the management level will mean economic stagnation in 1985 in the best of cases. In general, this is a regressive program."

This is the opinion of economist Jose Pablo Orellana, who is the director of the Corporation for Latin American Economic Research (CIEPLAN), who said that there has again been a lapse into the diagnostic error of claiming that the problem of the Chilean economy can have a speedy solution. He went on to say that "in 1983 it was claimed that by 1985 the country would need only \$400 million in fresh resources from abroad for the economy to function. But the fact is that \$1,050,000,000 is being requested.

"We were assured that this year the country would have guaranteed product growth of 4 percent, a goal which was accepted for inclusion even in the Fund Agreement. But there is now talk of 'modest growth,' which means stagnation, to say the least. There can be no growth if a reduction in imports of a nominal 13 percent, or perhaps a real 14 percent, has been planned. The increase in imports in 1984 was seen mainly thanks to the purchase abroad of supplies for domestic production."

Arellano said that it is an arresting fact that the financing of the current account deficit in the balance payments calls for obtaining \$125 million in terms of foreign investments. He called the figure "less than modest," but indeed a confirmation of the hesitation of foreign investors about putting their capital in a country with too many economic problems.

He said in addition that the redistribution of internal resources itself has a regressive effect on the economic development of the country, because a cut of 5 percent was ordered in the budgets of the various ministries, public expenditures would be reduced by another \$6 billion, and the tax authorities are giving up \$12 billion in addition with the implementation of the second part of the tax reform, "a reform which will mainly benefit investors in financial instruments," he said.

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CSO: 3348/559

CHILE

ECONOMIC, SOCIAL CONSEQUENCES OF EARTHQUAKE ANALYZED

Santiago MENSAJE in Spanish Mar-Apr 85 pp 72-74

[Commentary by Jaime Ruiz-Tagle P.]

[Text] The earth shook for 90 seconds on Sunday 3 March in metropolitan regions 5, 6 and part of 7. Some 250,000 square kilometers and 7 million inhabitants were jolted by the quake, which hit 7.4 on the Richter scale (1 to 10) and from 6 to 9 on the Mercali scale (1 to 12).

It is difficult to accurately estimate the damage caused by this natural disaster. According to the official figures, 145 people were killed and 1,990 were wounded. Estimates are that 20,000 homes were destroyed and 40,000 seriously damaged. The quake's victims number some 492,000, not counting those whose property suffered minor damage. There was major damage to schools, hospitals, churches, roads and bridges, public services, etc. The port of San Antonio was particularly hard hit, and buildings in Valparaiso were also heavily damaged.

The quake did only light damage to mining and industry. Damage was greatest in agriculture: dams and canals, fallen fruit, exports blocked.

Estimates are that \$538 million worth of goods were lost, and to this we should add the losses from downtime in production and distribution.

Disaster Relief

The earthquake prompted a wideranging display of national and international solidarity towards its victims. The Church, unions, grassroots organizations, professional associations and institutions of every kind started drives to collect money, foodstuffs, furniture, clothing and building materials. The mass media played a key role, not just in providing information but also in promoting and conducting the solidarity campaigns. The entire country seemed to awake from its drowsy individualism to lend victims a helping hand.

The government also discharged its responsibility in the face of the emergency. The following were its principal activities, carried out through municipalities and other entities:

1. Maintaining law and order: a 12 midnight to 5 am curfew was declared in the hardest hit zones to prevent robberies;
2. Restoring public services: water, electricity, telephones, etc;
3. Opening up shelters for low-income quake victims;
4. Distribution of food and other household items in the hardest hit areas;
5. The announced construction of 12,500 lean-tos to cope with the emergency;
6. The announced construction of 42,000 35-square meter housing units at an average cost of 170 UF's (400,000 pesos) each. The total investment comes to some \$115 million;
7. A special Banco del Estado credit line of 50,000 to 200,000 pesos per family to repair damaged homes;
8. Credit lines for small businessmen for repair and reconstruction work;
9. A drop in the assessed value of damaged property so as to decrease taxes.

These constructive measures unquestionably have helped and will help the people who have suffered the most.

#### Problems and Shortcomings

Chile has long been earthquake country. Major quakes have hit this century in 1906, 1939, 1960, 1965 and 1971. Nevertheless, the country has not prepared properly to cope with these disasters.

First of all we have to mention the housing problem. The housing shortage has gotten increasingly worse over the past 12 years and is currently put at more than 700,000 units. Most of the homes destroyed by the earthquake should not have been inhabited. Just to replace the dilapidated homes and to keep pace with population growth (in other words, to prevent the housing shortage from growing), 60,000 dwellings a year must be built. Now then, according to INE [National Institute of Statistics] figures, 24,139 units were built in 1982; 34,132 in 1983, and 41,630 in 1984. In other words, the housing shortfall increased by 80,000 units over the past 3 years alone.

It has been said that the earthquake on 3 March was "classist," because it hit the poor the hardest. Actually, natural disasters merely highlight social differences. To be more precise, the people hardest hit were those living in adobe homes, the lower middle class (in old Santiago, for example) and the peasants. A systematic effort has not been made to develop an "appropriate technology" that would be as inexpensive as adobe and that would be earthquake-resistant. The free market will obviously not foster such economic solutions.

Moreover, the fact that there are several thousand new, unoccupied, unsold homes in the hands of banks shows that the neoliberal model cannot solve the housing problem of the masses.

The earthquake gave rise to numerous claims in connection with the houses that SERVIU distributed. The authorities have pledged to repair the homes at no cost to purchasers and with payments suspended while repairs are being done. In any event, representatives from the Architects Association have indicated that the damage was due to inadequate supervision, which is also attributable to the excessive emphasis on profit. The companies and professionals that designed, built and supervised the building of these homes must answer to the disaster victims.

Another major failing of the military regime in dealing with the quake was how it addressed the problem of profiteering. In the zones hardest hit by the temblor the prices of basic foodstuffs and building materials and rents skyrocketed; even water was being sold. The authorities merely issued threats, without taking any effective action, lest they interfere with the "free market." The same officials who enacted as harsh a measure as a curfew did not see fit to overrule the Chicago University economists by setting and controlling prices to thus defend the already meager buying power of the poor.

In another vein, the authoritarian regime has problems mobilizing social forces. Professional associations, especially physicians and architects, made themselves available to the authorities to help out in the emergency, but no response to their offer was forthcoming. Furthermore, the assistance efforts of several groups were impeded by the authorities, who confiscated the items they had collected so they could centralize their distribution. No political forces, neither those supporting the government nor those in the opposition, were allowed to mobilize unrestrictedly or, thus, to engage in a healthy emulation to help the needy, as in the era of democratic Chile. The new interior minister, who has been entrusted with coordinating relief activities, does not represent any political party, nor has he shown a willingness to accept the patriotic contributions of opposition political forces.

The authoritarian regime has also been unable to meet the demands of organized groups. The vertical, top-to-bottom approach does not lend itself to the resolution of very specific and urgent problems that involve meeting explicit grassroots demands. For example, many of the residents of old Santiago want to continue living there; they want their homes rebuilt, not razed. So far the authorities have offered to house them in shelters, period.

#### Economic Alternatives

The policies of the University of Chicago economists have caused much greater damage than the earthquake on 3 March did. Several comparisons can be made. For example, the damage caused by the temblor (some \$500 million) is equivalent to just 1/4 of Chile's interest payments alone this year (more than \$2 billion) on its foreign debt,

with nothing going to pay back the principal. Furthermore, the increase in the net foreign debt over the past 11 years, some \$10 billion present-day dollars, is equivalent to the damage of 20 earthquakes. This comparison is all the more relevant when we bear in mind that per capita national output has not risen over the past 12 years, and thus the borrowing has not helped to boost economic activity.

The economic authorities' first reaction to the disaster was to state that the government would not incur additional expenditures and would merely reallocate funding. Business was assured that the budget deficit would not rise nor would new taxes be levied. The recessionary economic policies announced in February by the Buchi-Collado duo were thus reaffirmed. In spite of the disaster, the government was endeavoring to adhere to "orthodox" monetarist policies, the same policies that have caused the country damages equivalent to many earthquakes. In keeping with this approach, the government has begun talks with the Inter-American Development Bank and the World Bank to get them to authorize a rechanneling of loans that have already been granted. Concurrently, it has announced that certain public-sector projects, such as subway line three, will be postponed, with the funds going to meet earthquake-created needs.

The finance minister subsequently began negotiating with the International Monetary Fund to get it to "authorize" (sic) Chile to boost its budget deficit from 3 to 3.5 percent of its gross domestic product (that is, by some \$100 million) provided that it obtain the corresponding foreign exchange earnings.<sup>1</sup>

An economic policy that is more concerned with protecting private business than with resolving the acute and urgent problems caused by the earthquake, a policy that is a priori monetarist and subject to the restrictions of the IMF, is not the proper policy with which to confront this natural disaster.

Just as Chile's democratic governments did in coping with previous disasters, the State must now resolutely take charge of reconstruction work, whether directly or by promoting action by social organizations and the private sector. Although it is true that the quake caused major damages to the country, it is also true that it could represent an opportunity to get the economy moving again.

To reactivate the economy and to rebuild what has been destroyed, the State could raise funds in at least three ways: 1) By delaying the income tax reform that would cut revenues; 2) By stopping or at least cutting down on tax evasion. Current estimates are that 40 percent of value added tax revenues are not collected. If this were cut to just 30 percent, tens of thousands of dwellings could be built; 3) Levying new taxes on property, income and businesses that can afford it. Remember that only four percent of the Chilean population were hard hit by the quake; everyone else, and especially the well-off, could make an additional contribution for reconstruction.

As far as companies are concerned, remember that some of them have posted huge profits. For example, the paper company had 1984 profits of 4.958 billion pesos, some \$33 million (See EL MERCURIO, 14 March 1985). Couldn't it pay higher taxes? And if you hear the argument that government spending cannot continue to rise (to avoid the dangers of the Leviathan), just remember that the losses of the financial system totaled 60.15 billion pesos, or some \$400 million, in 1984 (See EL MERCURIO, ibid), private sector losses that the State had to cover.

If through various channels (reinsurance, donations, additional loans) the government secured an additional \$300 million,<sup>2</sup> imports could rise by 9 percent. This, plus the particularly stimulative effect of investment in construction and public works, would enable the economy to grow by five percent instead of remaining stagnant, as forecast, in 1985. The country could thus undertake to repair the damage, and the one million Chileans who are victims of the disaster of unemployment would have more job opportunities.<sup>3</sup>

### National Reconstruction

In addition to the short- and medium-term economic measures that are indispensable to resolve the most pressing problems, the government must draft a national reconstruction plan for the longer range. So far the regime has tackled the consequences of the earthquake within the framework of a market economy in which the State merely helps out. A team has not been put together to draft a coordinated reconstruction plan, in contrast to what previous governments with very different political leanings did.

A free market that is not subject to guidelines or restrictions tends to intensify social and regional differences. In contrast, a reconstruction plan could seize the opportunity afforded by this disaster to spur the development of particularly hard hit zones or towns, such as the port of San Antonio.

In order for a reconstruction plan to work, it must be drawn up and implemented with wideranging participation by social organizations. Thus, what the vicar of Santiago said about the earthquake is particularly relevant:

"The alternative to profit and confrontation is a united society that places goods in service to the brotherhood, that is built on respect for all human rights. A society whose permanent and obligatory reference point is the lot of the poor, the underprivileged, the suffering. A society in which the goods created by God and produced by man are available to all. A society that guarantees the genuine involvement of the community's intermediate organizations in guiding the country's destiny."

The reconstruction that Chile needs is more than material. The nation's soul must be rebuilt.

#### FOOTNOTES

1. In 1984, the authorized budget deficit was equivalent to 4.5 percent of the gross domestic product.
2. An economic recovery requires external funds. There are at least three ways to obtain the necessary foreign exchange: 1) Reinsurance, which could provide between \$50 and \$100 million; 2) Donations and contributions from friendly governments, churches and agencies; such aid has been forthcoming and could increase if good reconstruction projects are put together; 3) Additional foreign loans.
3. According to University of Chile statistics, which are the only really reliable ones, unemployment nationwide stood at 1,095,500 persons in September 1984 (including the Minimum Employment Program and the Jobs Program for Heads of Household).

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CSO: 3348/573



CHILE

BRIEFS

PINOCHET TO CREATE MINISTRY--Valparaiso--The president of the republic, Capt Gen Augusto Pinochet, will make an announcement on the future Ministry of the Sea on 21 May, according to Beltran Urenda Zegers, head of the CES [Economic and Social Council] and the National Association of Shipbuilders. Urenda and the board of directors of the CES met with the president on this topic. Urenda revealed that President Pinochet indicated his firm intention to make the Ministry of the Sea a reality very soon. He reported that the CES would have the opportunity to read the bill--which he called "very positive"--in advance. He added: "According to this discussion with the president, the future Ministry of the Sea or the organism with those characteristics that is created will have its headquarters in Valparaiso. It will cover all maritime interests: ports, merchant marine, resources, etc." [Excerpt] [Santiago EL MERCURIO in Spanish 7 Apr 85 p C-3] 7717

FOREST PRODUCTS TO JAPAN--Forestry exports during the first months of this year reached almost \$47 million. Japan was the principal buyer of Chilean products. According to CONAF [expansion unknown], in February alone these exports totaled \$21,446,000. Bleached cellulose remained in first place in exports with a total of \$12,115,000 in the period analyzed. This represents 26 percent of the total. It is followed by pine lumber at \$8,034,000 and 17.24 percent of the total and wood pulp at \$7,915,000 and 17 percent of overall sales. In January and February of this year, the main markets for products from this sector were, in order of importance: Japan with 9.6 percent of the total; Peru with 9.2 percent; Korea with 8.5 percent; and Venezuela with 8.4 percent. [Text] [Santiago TERCERA DE LA HORA in Spanish 7 Apr 85 p 7] 7717

CODELCO 1985 INVESTMENT INCREASED--CODELCO [Copper Corporation] will invest \$350 million this year in plans and projects "to maintain its productive capacity as has been the policy in recent years," according to its vice president for marketing, Pedro Corona. According to an article published in the last issue of the specialized magazine MINERIA CHILENA, this amount represents a 27-percent increase compared to 1984 and is 75 percent more than the amount invested in 1983. According to Corona, "this amount will only be used to renovate equipment. These are investments that aim at achieving greater efficiency." He said that there has also been a decision to expand the Tocopilla thermoelectric powerplant with the new unit 14 and replace oil with coal to generate energy. "A similar proposal is the change introduced partly due to the work at Chuquicamata. We will work with a new transporter that will permit

us to extract more mineral." Nevertheless, the publication notes, "these and other investments aimed at achieving greater efficiency can permit CODELCO to increase its production in real terms." CODELCO's vice president for marketing said that this could occur "if this situation of imbalance between supply and demand that caused a vertical drop in 'stocks' on the metal exchanges continues. If this favorably affects prices, it is obvious that we will be in the position to increase our production." [Text] [Santiago TERCERA DE LA HORA in Spanish 1 Apr 85 p 13] 7717

BANK GROUP OPERATING PROFIT--The enterprises making up the Cruzat-Larrain group showed an operational profit of \$18,449,000,000, a figure very close to the most optimistic predictions which had been made at the beginning of last year. Of the total operational profit earned by the complex of enterprises, that corresponding to this conglomerate, based on its stock holdings in these companies, came to \$7,299,000,000. The results in question represent 100 percent of all the operational totals for the various companies affiliated with the Cruzat-Larrain consortium. [Excerpts] [Santiago EL MERCURIO in Spanish 26 Mar 85 pp B-1, B-2] 5157

CSO: 3348/559

COLOMBIA

# WORLD BANK CREDITS DEPEND ON PORT LABOR, PENSION REFORMS

Bogota EL SIGLO in Spanish 8 Apr 85 p 9

[Text] Only with a major reform in the labor and financial system of the state enterprise COLPUERTOS [Colombian Ports Enterprise] will the World Bank grant credit for the restructuring and modernization of the maritime terminals in the country.

That is the conclusion reached in the report presented to the general management of this state enterprise by the World Bank, after a visit during October and November of last year.

The IBRD report considers the purchase of 4,000-lb. elevators and tractors to handle general cargo as well as equipment to handle containers unjustifiable economically. It notes that the ones the private sector has could be used.

Also the IBRD indicated that the purchase of new tugs for port work is not economically justifiable since the existing ones can be rehabilitated, extending their useful life.

Under the premise that new tugs will not be bought and the equipment of the private sector will be used, the international organism feels that the cost of the project will only be \$62.1 million and it would be willing to finance \$39.3 million, the foreign part of the project.

## Document

The World Bank report on the port recovery project indicates the following aspects, among others:

As engineer G. Unda reported to you during his visit last January, the original context of the project discussed by the mission and the preliminary analyses lead to the following conclusions: (a) The acquisition of new tugs is not technically justified since the existing fleet can be rehabilitated to extend its useful economic life. It is still necessary to confirm whether this alternative is the cheaper solution. If so, the bank will include the necessary funds for that rehabilitation in the loan. (b) The 4,000-lb. elevators and tractors for handling general cargo to replace existing ones that have reached the limit of their useful economic life cannot be justified economically under

current circumstances since the alternative of meeting the shortages by using equipment and operators from private enterprises is the cheaper solution.

(c) With respect to the equipment to handle containers for the ports of Buenaventura and Cartagena, only the acquisition of equipment that complements the equipment of the private enterprises that is now used efficiently is justified economically. (d) The construction projects to rehabilitate and improve port services appear to be justified economically but it is still urgent to have costs based on final designs.

#### Acquisition, Operation of Port Equipment

According to what engineer Unda discussed with you, the DNP [National Department of Planning] and the MOPT [Ministry of Public Works and Transportation] last January, our position as to the operation of port equipment in the terminals to assure the achievement of one of the basic objectives of the enterprise --the greatest efficiency at the lowest cost--would require COLPUERTOS to promise to: (I) not acquire light equipment to handle general cargo, specifically tractors and 4,000-lb. elevators, since the most economic alternative is that COLPUERTOS rent this equipment and operators directly from private enterprises so that the users receive complete services included in existing rates; (II) modify operational norms and billing and collection procedures in the terminals in order to eliminate payment to operators who do not participate in the operations when the equipment of third parties is used; and (III) orient current and future negotiations with the workers toward improvement of the systems of payment so that, in the near future, the costs of port services by COLPUERTOS be comparable to those of the private sector. COLPUERTOS must confirm the above through a letter of representation. We are preparing drafts of this and other letters of representation to send to you and other government agencies involved via a mission that plans to visit Colombia during the first half of March to discuss different aspects of the project. The final text of those letters would be agreed on during negotiations of the loan agreement.

#### Pension System

As to the problem of pensions, I am happy to learn that the enterprise has already hired actuaries to determine its pension requirements. The terms of reference given to engineer Unda are being revised by the bank. Our comments and recommendations will be discussed with you by this mission in March. The objective of that mission, among others, is to discuss with COLPUERTOS and the government legal instruments for the establishment of a pension system described below and to define a plan of action and a timetable for it.

As in the case of port equipment, it will be necessary to stipulate the above in a letter of representation. (a) It must stipulate the decision of COLPUERTOS and the government to establish a pension system financially separate from the operations of COLPUERTOS, capable of covering all the pensions of the workers of the enterprise in the medium term, financed through regular contributions from the workers and the enterprise and, during the period of capitalization of that fund, by complementary contributions from the government. That pension system must also establish pension terms consistent with other government agencies and have instruments to carry out the contribution law as to the

obligations of other government organisms. (b) It must establish the size of the contributions that COLPUERTOS and the other contributors will make during the period of capitalization of the fund based on their financial capacity and compatible with the long-term financial viability of COLPUERTOS.

### Labor Strategy

To insure the continuation of the strategy undertaken by the enterprise for the improvement of labor relations, it will be necessary to include as part of the legal documentation for the loan agreement another letter of representation that: confirms the current freeze on hiring personnel in order to reduce the staff of COLPUERTOS by attrition until a size compatible with the optimal staff determined by efficiency studies is reached; and establishes as one of the basic objectives of the negotiations of the enterprise with its workers to achieve, in the medium term, a connection between systems of payment and work productivity in the operations in which they participate.

### Engineering, Studies

Another component of the project corresponds to engineering and studies. These consist of: (I) supervision of construction;

(II) Preparation of projects for the establishment of terminals for containers and improvement in handling bulk cargo in selected ports;

(III) Feasibility studies for port expansion on the Pacific coast of Colombia;

(IV) Intermodal study for handling bulk cargo; and (V) study on the organization of dredging operations. The bank will prepare a preliminary guide for the scope and content of the studies mentioned in subparagraphs (II) to (V) for discussion and agreement during the negotiations. These guides will help prepare the corresponding terms of reference. However, we feel it is necessary and appropriate that, before beginning the study of the Pacific coast port expansion, an intergovernmental technical committee must be formed by representatives from the DNP, the MOPT, the Ministry of National Defense and COLPUERTOS to coordinate and supervise those studies.

### Productivity, Financial Goals

Another of the basic objectives of the project is to achieve operational efficiency and financial self-sufficiency at COLPUERTOS. Consequently, the loan agreement must include productivity and financial goals. We are analyzing the impact of the project in terms of increased productivity. We will soon send the results so that COLPUERTOS and the IBRD can together establish productivity goals that must be stipulated in the loan agreement.

### Other Government Measures

As has been discussed with COLPUERTOS and the government, in addition to the measures taken by the enterprise itself to insure its viability and financial self-sufficiency, there must be government support to liberate COLPUERTOS from

the financial burdens that have been overwhelming it through the years. The pension problem will be resolved through the establishment of a new pension system. However, the dredging problem must still be solved. According to the talks held by the bank with the minister of public works and transportation, this should no longer be the direct responsibility of the enterprise as of 1 January 1986.

As of that date, COLPUERTOS must collect only the cost of dredging and maintenance of the operational areas of the ports under its administration. The institutional solution for the dredging problem must be studied. Therefore, the bank feels it is appropriate for the MOPT to hire experts with experience in the administration and operation of dredging enterprises, supported by experts in public administration and legislation.

These same experts could later help the government implement the solution selected by the government. The necessary funds to partially finance that study have been included under the category of engineering and studies described above. This must be completely defined during the negotiations and be stipulated in the legal loan documents.

#### Coordination, Supervision of Project

I am happy to learn that the agreement with SENA [expansion unknown] has been defined and that the establishment of the Project Coordinating Unit has been approved by the Executive Board. Hiring an expert in training and another expert for the coordination and supervision of technical assistance remains pending.

#### Retroactive Financing

Then I only have to confirm to you that the IBRD would have no problems retroactively financing under this loan acquisitions of goods and services for the project made between November 1984 and the date the agreement is signed up to a limit of 10 percent of the amount of the loan as long as those goods and services demonstrate adequate economic justification at the end of our evaluation of the project. Also the bidding procedures used by COLPUERTOS must be adapted to the norms for purchases with loans from the IBRD.

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CSO: 3348/594

COLOMBIA

# GOVERNMENT BEGINS SECOND PHASE OF SOCIAL PLAN FOR PEACE

Bogota EL TIEMPO in Spanish 8 Apr 85 p 1-B

[Text] Under the coordination of the Secretariat for Popular Integration of the presidency of the republic, the national government has decided to undertake what could be called the second stage of the National Rehabilitation Plan for the violent zones. It is also known as the Social Plan for Peace.

This second stage will be characterized by the search for greater collaboration from the private sector in the economic development programs planned for the violent zones and greater participation by the communities in projects for the public good.

CONPES [expansion unknown] recently approved an evaluation of the second year of achievements of the Rehabilitation Plan. It includes a number of recommendations to intensify investments in the selected zones.

One of those recommendations was to allocate coordination of the execution of the plan that was in the hands of the National Department of Planning to the Secretariat for Popular Integration of the Presidency. This was accepted according to the last televised speech by President Betancur before he left for the United States.

The other recommendations ask that both the Ministry of Finance as well as the decentralized entities which make investments with their own resources give priority to investments in the rehabilitation zones. The Monetary Council is asked to examine the financial mechanisms that will make it possible to improve credit conditions for the residents of these zones, basically to stimulate food production.

The document approved by CONPES also announced the completion of a major study on the Social Plan for Peace by the UNDP and the National Department of Planning. It also recommended seeking international support for the programs of the plan and seeking institutional and financial mechanisms to extend its term of effect, contemplating the inclusion of new zones that meet the right conditions.

The plan now covers more than 3 million Colombians living in 153 municipalities in the country, about 25 percent of national territory.

In 1984, a total of 9,938,000,000 pesos from the national budget was invested in the projects of the plan, 1,543,000,000 pesos from the entities involved and about 2.5 billion from municipal resources.

In 1985, excluding the nonregionalized entries, 8,675,000,000 pesos from the national budget will be allocated, of which 6,244,000,000 was included in the Basic Budget Law and 2,431,000,000 in the Additional Budget.

The resources of the entities are estimated at 2,302,000,000 pesos. Municipal contributions and those from territorial entities are expected to again reach a total of about 2.5 billion. There are also 2,397,000,000 pesos for this year in reserves from the 1984 budget.

Through the new orientation of the plan, there should also be additional resources from private entities (whose commitment to the program will be sought through publicity campaigns and direct contacts at the business level).

There will also be foreign support. A total of \$4.3 million has already been obtained. The UNDP will allocate about \$1.3 million which, with a counterpart of 1 million from the National Department of Planning, will help carry out immediate work in agricultural-livestock development, health, roads and housing.

With resources of \$3 million from the WFP, there will be a food complementation program. It is expected that the final contribution of the WFP will reach \$7 million in the medium term.

An offer from the National Bank of Paris to finance different projects, mainly of infrastructure, in the rehabilitation zones is also being evaluated.

The document approved by CONPES suggests the "convenience of presenting it (the plan) to the country and the international entities as an effort toward peace and the deepening of democracy, headed by the national government under the immediate leadership of the president of the republic."

Therefore, it proposes to give the plan a level of specification that "permits it to generate mechanisms of promotion, publicity, coordination and community organization that convert it into a global plan capable of overcoming its nature as a mere aggregate of sectorial and institutional efforts."

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CSO: 3348/594



COLOMBIA

BRIEFS

PROFESSIONAL ENTICEMENT PLAN FAILS--Fiscal losses of 5.2 billion pesos and only a very small number of /brains/ [in italics] returning to the country is the unfavorable balance so far of the program for the return of professionals and specialized technicians launched by the government in May 1982. As of December 1984, 2,974 Colombian professionals, technicians and technologists had benefitted from the plan. They imported new vehicles with tariff exemptions which represented a million-peso deficit for government finances. The highly skilled professionals--primary objective of the program--who came back here to work only total 100, barely 8 percent of all those with doctorates or similar degrees, according to an analysis by the general comptroller of the republic. The main reasons for the return of the professionals were completion of studies abroad, contractual commitments in Colombia, labor problems in neighboring countries, the opportunity to bring a car into national territory or merely family ties. The study was prepared by the comptroller who lamented the government's ignorance of the results of a previous program. There were serious doubts about the effectiveness of that type of plan. [Excerpt] [Bogota EL ESPECTADOR in Spanish 7 Apr 85 p 8-A] 7717

AMBASSADOR TO LEBANON--Lebanese President Amin Al-Jumayyil has received the credentials of new Colombian Ambassador Alvaro Rocha Lalinde. [Excerpt] [Bogota EL TIEMPO in Spanish 10 Apr 85 p 9-a PA]

UNEMPLOYMENT LEVELS FOR MARCH--Unemployment levels in the country increased during March; the situation was particularly noticeable in Bogota, Medellin, Cali, and Barranquilla, the cities on which statistical reports are usually based. Unemployment rates rose 0.8 percent during the first quarter of 1985; the overall rate was calculated at 14.2 percent. According to the reports, there are currently 509,858 unemployed people in Colombia. [Excerpt] [Bogota Emisoras CARACOL Network in Spanish 1215 GMT 18 Apr 85 PA]

CSO: 3348/617

CUBA

## RESPONSIBILITIES OF NEW NATIONAL HOUSING INSTITUTE

Havana BOHEMIA in Spanish No 12, 22 Mar 85 p 50-53

[Interview with Enrique Anavitarte Losada, president of the National Housing Institute, by Susana Tesoro; date, time and place not given]

[Text] The first thing to do is to transfer ownership. What is the National Housing Institute? How can the owners be reached? Construction date, new system of residence-swapping. Who will pay by the square meter? The second thing is to maintain the building.

The lack of legal provisions for many of the situations that have arisen out of the very progress of our society, and the fact that all human beings hope to have decent housing, were strong enough reasons to oblige many Cuban citizens to study the General Housing Act.

The Ministry of Construction used to be in charge of housing problems from the technical and administrative point of view, while the Ministry of Justice handled legal affairs. The local administrative agencies in the Community Services offices were weak, and most of the state enterprises devoted to construction maintenance and the marketing of materials did not regard housing as a top priority. The act itself provides for the establishment of an entity to oversee this important activity, the National Housing Institute (INV). The INV, which has the rank of central body, is to participate in drawing up housing investment plans and maintenance and repair plans. It is then to oversee both functions.

In order to clear up some of the many questions our readers have asked us, BOHEMIA interviewed Comrade Enrique Anavitarte Losada, president of the National Housing Institute.

[Question] What is the Institute's structure, and how does it operate in the provinces and municipalities?

[Answer] The INV is provisionally structured as a working group. There are offices at each level in the provinces and municipalities, under the jurisdiction of the provincial and municipal organs of the People's Government.

The Group has been divided up into different spheres: the legal one, which drafts all legal regulations; the investment sector, which carries out that function with all state entities that build housing; the technical team, which sets policy for project design and urban planning; the construction and maintenance sector, which is in charge of providing the necessary mechanisms to promote sales of materials and self-building by individual citizens. For the latter task, a network of enterprises is being organized in all the provinces to facilitate materials sales and projects.

[Question] Will these Provincial Enterprises be subordinated to the Institute?

[Answer] No, they will answer to the provincial governments. The Institute will only provide them with methodological standards and inspect the results.

[Question] Will there be enterprises of this sort in the municipalities?

[Answer] No, in general the enterprises will be provincial, with municipal establishments (with the exception of the city of Havana and Santiago de Cuba). These establishments will sell materials and provide services such as renting metal forms, equipment and tools and doing carpentry, electrical and other projects. This way we will be able to speed up self-building and give the people the support they need to maintain current housing.

Other sectors include the economic one, which is now working with the Popular Savings Bank and the State Pricing Committee to set the cost per square meter of housing, the surcharge for certain geographic zones, and bank credit rates. We also have a Department of Information and Dissemination, which is very important because we need to publicize every aspect of the Act and every regulation in detail.

[Question] What is the state of the Urban Reform offices?

[Answer] Urban Reform has ceased operating altogether. In early July the transfer of ownership is supposed to begin, and no more rent will be paid. As of that time, the property owners will pay outstanding debts directly to the Popular Savings Bank. What I mean is, at that time checkbooks will be eliminated. Residence swapping, lifetime pensions and other items that Urban Reform used to take care of will no longer be handled in its offices.

The provincial and municipal housing offices will have new functions. Their immediate task will be to enforce the Act and make all our people the owners of the homes they occupy. They must also act as investors, and help the people maintain their houses. Since the passage of this law, these offices are now different. Moreover, we are struggling to change the methods and procedures so that services will be rendered properly and people will be treated correctly. We stress that procedures be carried out without red tape or wrangling. We believe that efficiency should be the rule. That is the style we want to develop in the Institute.

[Question] When should citizens begin processing their ownership, their documents or the legalization of their residences?

[Answer] It depends on the individual citizen's situation with respect to the law. For example, those who own their property under onerous usufruct (that is, those who occupy a dwelling, pay a monthly sum in their name and have a contract or legal documents) must simply wait until 1 July of this year. At that time, the Popular Savings Bank will begin calling them in to sign the sales contract.

The other onerous usufructuaries or legitimate occupants may file their applications at the municipal housing offices at that time, so that their ownership can be declared and they can sign the sales contract with the Popular Savings Bank.

[Question] So the occupant whose onerous usufruct is backed up by a contract can then go to the municipal offices?

[Answer] The onerous usufructuary with all his documents in order must simply wait until he is called in (which will begin on 1 July) to draw up a sales contract with the banking agency in his municipality. He merely has to bring in the receipt for the month of October 1984, and the contract in his name. All others should go to the municipal offices after that date.

[Question] That onerous usufructuary will not have to file an affidavit or measure the dwelling. Then how much will he continue to pay?

[Answer] The Act states that the cost of the dwelling is taken out of what the resident pays (meaning what he paid in October 1984), multiplied by 240 monthly payments, which is the 20 year amortization period. Everything paid before 1985 is deducted, and a notation is made as to the year the dwelling was built. Now, he has to pay a minimum of 5 years, even if he has been in a dwelling for 20 years and it was built in 1940.

[Question] How does a citizen prove the date when his dwelling was built?

[Answer] A variety of documents can prove the date. We decided not to specify a given document so that there is no rigidity. These documents include the declaration of habitability or usability, the first tax assessment, the first lease, and the first water or electricity connection. In addition, in the basic file on the house, other data on the date of construction may be available. If the aforementioned means of determining the date are not possible, the person will have to prove the date through witnesses; three witnesses can swear before a notary or at the municipal office. The Institute will soon publish instructions on this matter.

[Question] What if there are two documents with different dates?

[Answer] The earlier date is accepted.

[Question] If a person does not have legal documents but does have the right to own the dwelling upon signing the contract, under which system should he pay?

[Answer] First he should go the municipal housing office so that his status can be legalized. If the previous occupant was an onerous usufructuary, when the present occupant's status is legalized he will pay 10 percent of the family's income as of October 1984. If the party in question was cohabiting with an owner who left the country or died, he will pay through the square-meter system.

According to the Act, the former is the legitimate occupant. When the person comes to the municipal office, he should legalize his right and then fill out an affidavit at the Popular Savings Bank. The form is already being printed so that there will be enough copies in each office. This citizen, as I said, will begin paying by the square-meter system, depending on how old the dwelling is and in what geographical area it is located.

[Question] How much is a square meter worth?

[Answer] That figure has been proposed by the State Pricing Committee and the Housing Institute, and is pending approval. The rates will be made public soon.

[Question] If the owner has his documents in order, does he have to do anything to update his ownership?

[Answer] No, that citizen has nothing to worry about.

[Question] You said that the form is given to the legitimate occupants so that they can put down certain information, including the square meterage of the house. How is the measurement done? Who verifies the accuracy of the information?

[Answer] These legitimate occupants must fill out the form called "Affidavit of Self-Measurement" and submit it to the Popular Savings Bank at the town agency in their municipalities. Once the right of the legitimate occupant is recognized and the information is verified, the sales contract can be signed.

The affidavit should indicate the family income, the square-meter measurement, and the zone where the house is located. The Bank will use these data to calculate how much the dwelling costs and the monthly payment that must be made. Later on it will be determined if the information is correct, because each figure will be checked by the municipal offices.

[Question] How will residence swapping be carried out from now on?

[Answer] Any swapping that takes place before the date the ownership is transferred will be carried out under the regulations in effect until now, according to Resolution 938 of the Justice Ministry.

In the case of trading between onerous usufructuaries, meaning people who pay a certain monthly sum for occupying the home, the municipal office will

indicate the date of the property usufruct contract in the exchange resolution. That date will be taken into account for the purposes of Article 10 of the Act, with regard to setting a price for the transfer of ownership.

Once the transfer of ownership has been processed, the dwellings may be exchanged freely by their owners, both bilaterally and multilaterally, without affecting the continued payment by the owners of the outstanding debt on the homes they occupy. Swapping will be formalized in writing before a notary public, and no cost, rate or fee will be charged except for the document tax.

[Question] Will people whose cases are not covered specifically in the Act be able to go to an office to inquire about their situation? If so, which one?

[Answer] These citizens may deal with their situation at the corresponding municipal housing office. The Act provides, however, that when there are situations that do not fit the descriptions in the text of the law, the municipal offices must send the case to the Executive Committee of the Municipal People's Government to be studied. If no response is forthcoming at that level, the file will be transferred to the Institute.

[Question] What is the address of the Municipal Offices of the city of Havana?

[Answer] So far, five different municipalities in the capital have established municipal housing offices: in Boyeros, Calle 15 between 6 and 8, Santiago de las Vegas; in 10 de Octubre, Lacret at the corner of Cortina; in Cerro, Calzada del Cerro No. 2011, between Monasterio and Santa Teresa; in East Havana, Building 42 first floor, Ciudad Camilo Cienfuegos; in Arroyo Naranjo, Calzada de Bejucal, corner of Grau.

[Question] After the stage of turning over ownership and legalizing it, what will the Institute's functions be?

[Answer] Our policy will be aimed first of all at stimulating the development and maintenance of housing in the country, that is, making sure that buildings are maintained and repaired, and promoting self-building, either through temporary cooperatives, pursuant to the Act, or individually.

We must also strengthen the ties with state construction enterprises and producers of construction materials. Another task will be to organize and supervise the housing pool, prevent deterioration, channel funds toward the places that need them most, and study and approve model projects to help people choose the most attractive and cheapest structures, adapted to the urban planning needs of each town or city. We must encourage people to build their own residences.

[Question] Have guidelines for expanding or building one's own residence been established yet?

[Answer] Remodeling, expanding and building individual houses or multi-family buildings by the present or future owners themselves must be authorized by means of building permits. In the appropriate cases, land-use permits must be

obtained as well. Both are issued by the municipal architecture and urban planning offices.

Maintenance projects do not require any license or permit, unless structural rebuilding is involved.

At the end of this answer, when other issues were brought up, Comrade Anavirtate stated very sensibly, "Many matters still have to be defined and regulations still have to be drawn up. We want all the information provided by the Institute to be clear, and there must be solid studies to back up every situation. We have the Act already; the agency has been created. We exist, and we are walking right now. We must not run yet. On another occasion, when we have more news to report, we will respond to BOHEMIA's readers."

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CSO: 3248/329

GUATEMALA

CUS CALLS FOR DIALOGUE, OPPOSES DEVALUATION

PA170032 Guatemala City Cadena de Emisoras Unidas in Spanish 2350 GMT  
15 Apr 85

[Paid advertisement by the Coordinating Board for the Trade Union Unity,  
CUS dated April 1985]

[Text] In view of the events which led to last week's crisis, we, the organized workers did not want to adopt hasty measures. However, in the face of the economic, political, social, and violent problems prevailing in the country and in the face of the general deterioration of the situation which continues to affect the quality of living and life itself of the Guatemalans, particularly the workers, and after analyzing the national problems, we hereby state:

1. The problems resulting from the recent tax measures are the logical result of not having studied in due time the economic deterioration process, which the CUS has been warning about for some time now. We have been pointing out the need for a genuine national dialogue with the participation of the sectors directly involved in the economy, such as the organized workers, the private business sector, and the government sector.
2. It is necessary to establish taxes on luxury items, as well to tax wealth, and measures are needed to put a halt to the drain of our economy to industrialized nations in order to eliminate one-sided dependency. It is also necessary to draft these taxes so that he who has wealth will pay the taxes, while the needy sectors are alleviated. The main factor of dependency is that our raw materials are taken away by those who pay the prices they wish to pay and who harm us even more by forcing us to consume unnecessary articles, imposing upon us a sophisticated technology that can only be utilized by a very small sector of the population, precisely the minority that enjoys the wealth. Then, what is even worse is that for many years there have been mechanisms of credit that committed our nation's resources, leaving the Guatemalan workers poorer all the time. Likewise, it is necessary to control the abuse and the illegal business transactions carried out with U.S. dollars, which eventually result in increased prices and the workers becoming even poorer.



Inasmuch as it will be necessary to enforce some measures, we alert all sectors that we will reject any measure that will affect even more the lives of the Guatemalans with fewer resources, and since there are serious rumors already that the quetzal will be devaluated, we warn that this would be an economic catastrophe for the workers. This would force us to oppose this measure, no matter the cost of the sacrifice on our part.

3. We, the organized workers of the fields and the city know that all wealth is the result of our efforts, but that historically and mistakenly the owners of capital have seized our labor force and that is why we live in such poverty. To this effect, we have seen with high hopes that the military government is trying to implement measures that will begin to halt this situation, but it is necessary to point out that these incipient measures are not enough. It is necessary that other measures be enforced -- measures that will reduce to zero the administrative corruption and inefficiency, so that in the end, the people will live better, with work, education, health, and democracy.

4. We know that the problem cannot be solved through fiscal measures alone, that the economic deterioration is the result of many and very complicated problems and that therefore, complex and multiple measures are required. The basis for these measures lies with the productive capacity of the country. From this point of view, we consider that the situation cannot be solved by removing officials or promoting actual or technical coups d'etat. We think we Guatemalans are capable of pulling our country through, but we must all work for the benefit of all, eliminating injustice, exploitation, and corruption. We workers are aware of this problem and we understand it. We also know that there are businessmen and private citizens who understand this and who know that the future of the fatherland calls for everyone to make sacrifices -- not just the workers, as has been the case up to now. To this effect, CUS will support all correct measures that seek to eliminate injustices and propitiate a better standard of living for all Guatemalans.

5. It is of the utmost necessity to emphasize once again that the problems of the Guatemalans are not just economic problems, but are political and social, and that it is not possible to solve them in the midst of an atmosphere of violence and lack of freedom where the most sacred principles -- such as life -- are not respected. Therefore, we demand that violence and all forms of repression -- regardless of where it comes from -- immediately cease. We demand that the thousands of missing persons be found, or that their relatives be given a truthful explanation for humanitarian reasons. Groups such as the Mutual Aid Group should not be suppressed because they are demanding that their relatives be found alive. In concluding, we believe in a democratic and de jure regime, and if the missing citizens are imprisoned, they should be released immediately or be turned over to the courts, if there are reasons for this. At any rate, the freedom of all Guatemalans in every sense of the word should be guaranteed with respect for their right to dissent and a clear concept that freedom is total and not restricted, except for the limitations imposed by the law.

6. The electoral political process should take a clear path so that all the citizens will have confidence in it, and to this effect, it is up to the political parties and its leaders to give unequivocal evidence that they are capable of directing the fate of the fatherland. What we have seen up to now does not inspire any confidence, and besides, it must be clearly established that he who wants to direct the fate of a society, should set an example by his good actions and honesty. This business of requesting amnesty for those who have committed common crimes in a moment of despair or who have registered a political party is harmful to the dignity of the Guatemalans, because all common criminals who are serving their terms in jail would then have the same right to make the same requests. One cannot request amnesty for committed crimes, and amnesia for the people who will innocently forget the entire issue. The political leaders are even more morally committed to behave in a correct manner because unless they do this, they are establishing the bases for continuing the disgrace of the people and not for establishing democracy.

7. CUS insists on the need for a national dialogue and demands that we workers be represented, because, after all, the quality of life of the worker majority is at stake. All unions, federations, organized groups must have a right to be heard and a right to vote on the decisions. Only in this manner, will we be helping Guatemala. It is necessary to recall that it is not only the committees for the political parties that have deputies and are the expression of the people. We must all participate in a correct and intelligent manner with mutual respect.

8. In concluding, we wish to say that this national communique will be sent to all national and international workers so that it will be known that in Guatemala, it is still possible to find civilized and just solutions. We insist that adequate measures must be taken or the people will be forced to find a solution in a desperate manner. Let us think this over; we are on the verge of an abyss.

For the national union of workers.

CUS, Guatemala, April 1985

CSO: 3248/341

MEXICO

CITIZENS POLLED ON TIES WITH U.S., AMBASSADOR GAVIN

Mexico City EXCELSIOR in Spanish 12-19 Mar 85

["Minisurvey" by Adip Sabag, presenting results of polling carried out in Federal District by Mexican Public Opinion Institute, 4-6 March 1985. Five hundred persons over 18 years of age were interviewed, having been selected by quota method (sex, age, education, marital status, etc.), on basis of latest population census.]

[12 Mar 85 p 4-A]

[Text] The United States Government recently implemented "Operation Interception," which has been cancelled. However, several border passages have been closed during the past few days. In your opinion, what is the purpose of these measures?

Pressure to prompt Mexico to capture the kidnappers of the American agent, Camarena: 33 percent

Pressure to stop the growing of drugs in Mexico: 10 percent

Pressure to prevent the passage of drugs to the United States: 29 percent

Pressure to prevent the smuggling of banned items into the U.S.: 14 percent

Pressure on the Mexican Government for its policy toward Central America: 46 percent

Pressure on the Mexican Government to give more facilities to American business firms: 30 percent

Others: 3 percent

No answer: 9 percent

(The percentages do not total 100, because of the multiple responses.)

[13 Mar 85 p 4-A]

[Text] In your opinion, Mexico's relations with the United States are:

Excellent: 1 percent; good: 17 percent; fair: 45 percent; poor: 22 percent; very poor: 7 percent; no answer: 8 percent; total: 100 percent.

[14 Mar 84 p 4-A]

[Text] How important is Mexico to the United States?

Very: 59 percent; fairly: 21 percent; slightly: 11 percent; not at all: 4 percent; don't know: 5 percent; total: 100 percent.

[15 Mar 85 p 4-A]

[Text] What kind of treatment does the United States Government give Mexico?

Preferential: 9 percent; normal: 37 percent; unfavorable: 47 percent; no answer: 7 percent; total: 100 percent.

What kind of treatment does the Mexican Government give the United States?

Preferential: 71 percent; normal: 22 percent; unfavorable: 2 percent; no answer: 5 percent; total: 100 percent.

[16 Mar 85 p 4-A]

[Text] John Gavin Pablos, the present United States ambassador to Mexico, is of Mexican origin on his mother's side and American on his father's side. By reason of his ancestry, do you think that his actions tend to favor:

Mexico: 3 percent; the United States: 60 percent; both countries: 19 percent; neither of the two: 6 percent; no answer: 12 percent.

[17 Mar 85 p 4-A]

[Text] It is proper for Ambassador Gavin to meet with leaders of Mexican political parties?

Yes: 38 percent; no: 45 percent; no answer: 17 percent; total: 100 percent.

[18 Mar 85 p 4-A]

[Text] Ambassador Gavin often makes statements about Mexico's problems. Do you think that the ambassador:

Is meddling where he should not: 39 percent; is fulfilling his diplomatic duties: 48 percent; no answer: 13 percent; total: 100 percent.

[19 Mar 85 p 4-A]

[Text] Some leading politicians think Ambassador Gavin has overstepped the limits of his office. If that were the case, the Mexican Government should:

Protest to the American government: 39 percent; declare Ambassador Gavin "persona non grata" and expel him from the country: 21 percent; pay no attention to his statements and activities: 23 percent; not do anything: 5 percent; no answer: 12 percent; total: 100 percent.

14 May 1985

MEXICO

## BRIEFS

OAXACA RURAL CONASUPO FRAUD--Oaxaca, Oax., 28 March--The head of the Community Supplies Councils' coordinating body, Arcadio Morales Zarate, has charged that over 200 million pesos have disappeared from the community supply rural warehouses that CONASUPO [National Company for Basic Commodities] has set up in the state and, for lack of money, they are unable to provide food to the farmers. The executive said that the state governor, Pedro Vazquez Colmenares, has requested CONASUPO to furnish capital to the rural warehouses again so that they may have the capacity for distributing staple foods at a fair price and in sufficient amounts. Arcadio Morales noted that the absence of that 200 million pesos was brought up at the national meeting of CONASUPO Distributing Agency warehouse heads, but thus far there have been no results, and the stores are still without supplies; which has caused deprivation and shortages in the rural area. Arcadio Morales admitted: "We don't know who has kept that 200 million pesos which have been missing for 3 years; no one has reported on the investigations that have been conducted"; remarking: "Until those responsible for this large-scale fraud have been caught, we want the CONASUPO authorities to realize the serious problem caused to the farmers by the lack of capital for food distribution." He stressed that the phenomenon is also hurting the 854 CONASUPO stores in the rural area; because since there are no stocks, the warehouses are also empty and the farmer must resort to high-priced middlemen. [Text] [Mexico City EXCELSIOR in Spanish 29 Mar 85 'States' section p 2] 2909

CSO: 3248/315

NICARAGUA

WOMEN'S GROUP UNITES AGAINST 'IMPERIALIST AGGRESSION'

Havana BOHEMIA in Spanish No 47, 23 Nov 84 pp 58-59

[Interview with Mireya Baltra, by Nereyda Barcelo Fundora; date and place not given]

[Excerpts] Mireya Baltra, a member of the coordinating committee of the Women's Continental Front Against Intervention, discussed with BOHEMIA the characteristics of the Nicaraguan-based women's organization and explained its most immediate tasks.

[Question] What is the Women's Continental Front Against Intervention, and what are its principal objectives?

[Answer] It is a new women's organization which seeks to employ a new style of working. It is a flexible and dynamic example of coordination and contacts at a continental level. We want to impose a new style in building unity through persuasion. The main support for unity comes from the grass roots, from the unifying role women leaders should play, and from the confidence we are capable of generating in coexistence between different sectors.

The front is a necessity at the current time, a dignified response of Latin American and Caribbean women, a vehicle of legitimate self-defense against imperialist aggression.

The organization was formed in March of 1982 in Managua and is led by Nicaraguan commander Doris Tijerino, an outstanding leader of the Sandinist Front.

It grew out of a concrete and threatening situation: the growing aggressiveness of imperialist circles, the use of force, through all means, to maintain their domination and large-scale destabilization efforts aimed at intervening in and trying to reverse the victorious processes of social transformation. Financial and logistical support to counter-revolutionary gangs for internal and external attacks on Nicaragua, the propping of savage dictatorships in Latin America and extremely violent state terrorism against the democratic people's movement of the continent have created the conditions and the urgent need for a single homogeneous and coordinated response from political and

social forces to face the age-old enemy and the principal cause of our people's misfortunes.

The leadership of the Women's Continental Front Against Intervention has taken this reality into consideration in planning its essential objectives and places at the center of its duties the defense of peace, independence and national sovereignty, and the unrestricted and uncompromised support of the principle of non intervention and self determination of our peoples.

[Question] Who are the members of this organization?

[Answer] Women of various political orientations and religious creeds, leaders of the union and workers' movements of Latin America, representatives of religious communities and representatives of the intellectual, scientific and artistic communities of Latin America and the Caribbean.

The secretariat is composed of: Silvia Hernandez, present senator of the Institutional Revolutionary Party of Mexico, Vilma Espin de Castro, president of the Federation of Cuban Women, the reverend Marjorie Truite of the United States and the comrade interviewed as a representative of the people of Chile.

[Question] What is the most immediate task of the FCMCI?

[Answer] The most urgent task is to broaden solidarity with Nicaragua, El Salvador and Cuba. The imperialists have their eyes on these countries. Imperialist hatred is concentrated on those countries today. We must raise high the banners of peace, self determination, sovereignty and national independence and defend as our own the conquests of the first victorious revolution of the Americas, that of Socialist Cuba.

[Question] How does the Women's Continental Front evaluate the efforts of the Contadora Group against intervention?

[Answer] The Front decidedly supports the Contadora group's peace efforts and states its support for the success of its proposals. Their failure will not be the failure of the Contadora group; it will be a failure of the governments and countries of which it is composed. For this reason we give our support as an effective mass group to the efforts of Mexico, Colombia, Venezuela and Panama to achieve peace.

[Question] In how many countries has the FCMCI formed chapters and what progress has it achieved?

[Answer] In the United States, Mexico, Venezuela, Bolivia, Ecuador, the Dominican Republic, Peru, Costa Rica and Cuba, and we propose to create new chapters of the Front in the rest of the countries of Latin America and the Caribbean.

Yes, there has been progress. The United Nations Decade for Women has brought progress in some countries relative to laws favoring working women and giving protection to mothers and children, but though we have made

achievements, the judicial, political, economic and social situation of women is so oppressive that, together with the highly significant United Nations agreement, the women's organizations themselves must take more effective action, supported first of all by the union movement in each country and by all of the democratic forces.

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CSO: 3248/238



PERU

RIGHT SAID SUPPORTING IU IN SECOND ROUND TO JUSTIFY COUP

Lima EQUIS X in Spanish 1 Apr 85 p 12

[Text] A story circulates in the most diverse circles that the SIE [Army Intelligence Service] took an electoral poll among the population. Allegedly the question asked was: "If the only candidates were Alan Garcia and Alfonso Barrantes, for whom would you vote?" The question shows that it is a survey to determine the voters' preferences in the run-off election.

According to this story, the results of the survey were as follows: Alfonso Barrantes, 36 percent; Alan Garcia, 32 percent; and no answer, 18 percent. These are surprising results since they contradict the electoral trends in the surveys made public.

According to what we have been able to learn, this alleged survey was merely to establish the conditions for a military coup. It is part of a vast rightist plan to keep both Alan Garcia and Alfonso Barrantes from reaching power, especially the former since the victory of the APRA [American Revolutionary Popular Alliance] presidential candidate is assured in the first election as well as the run-off election.

Then, this alleged survey has significance and reality, especially considering the second part of the rightist plan. It is said that the right and its candidates are now completely convinced of their defeat--that is, Alan Garcia and Alfonso Barrantes will be in the run-off election and Alan would be the ultimate winner.

Consequently, the right would be willing to do anything to keep APRA out of power. Its plan, therefore, would be to have Alfonso Barrantes win in the run-off election, using legal and illegal means. It would feel that, in this way, it would be easier to advocate a coup by stirring up the specter of communism. A coup would be more difficult to orchestrate--at least in the immediate future--if Alan wins the run-off cleanly and clearly as would happen.

With ideas of a coup, the rightist parties and candidates would have decided to order their members to vote for Alfonso Barrantes in the run-off election so that the United Left candidate can double his votes. They would not only count on the votes of Democratic Convergence and Popular Action but those of the small parties like the Democratic Front of National Unity and even the

Nationalist Left of the Juliaca clan of Roger Caceres. They say that one of the most enthusiastic promoters of this plan is Francisco Morales Bermudez who would have "very good contacts" in the Army to carry out the coup.

According to our sources, there would be some high-ranking Army officers closely tied to the United States involved in the plan. They would be officers who owed their promotions and other favors to Morales Bermudez. They would be the ones who would have proposed the idea of the alleged SIE survey.

Certain stories go further and indicate that there have already been some meetings in a residence in Monterrico to prepare the coup conspiracy. These would have been attended by: a personal representative of Luis Bedoya; a very close friend of Manuel Ulloa; a top retired officer, one of Morales Bermudez' closest collaborators; a businessman who would represent the old oligarchical management; and two generals in civilian clothing.

The politicians involved in the plan would dream that the coup members would quickly convoke elections in which they would have a better chance than now. The problem lies in the fact that each one of them would pretend to be favored by the coup soldiers to "win" the eventual elections to "end the dictatorship."

There are analysts who feel it would not be at all surprising if the CIA is the real promoter of the coup plan. Its Machiavellian nature closely resembles other operations that the CIA has started in other countries in the past.

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CSO: 3348/586

PERU

# APRA FACTIONAL RIVALRY SEEN PROBLEM FOR NEW ADMINISTRATION

Lima OIGA in Spanish 1 Apr 85 pp 7-8

[Excerpts] Two weeks before the elections, there are few unknowns left. What is being discussed in informed circles is not the result of the elections but whether the party that will reach power--APRA [American Revolutionary Popular Alliance]--will be capable of governing coherently. It is no secret that there has been a rivalry between Alanists and Armandists for several years which has worsened in the second half of 1984. This can hinder the progress of the next administration after 28 July.

What will happen inside the party that is almost the sure winner? As OIGA already said on these pages, the most radical wing of APRA headed by Villanueva will try to govern from Parliament and the Secretariat General of the PAP [Aprista Party of Peru], both of which will be controlled by the Armandists. Alan Garcia and his entourage will need all their skill to neutralize these maneuvers. The members of SODE [expansion unknown] hold privileged positions in this group and there is even the possibility that Manuel Moreyra will be the next minister of economy.

Some bet on victory by Villanueva who, it is hinted, has Moscow's approval. It has never resigned itself to losing this important beachhead in Latin America that yielded it so many good strategic dividends in Velasco's time. Others bet on Alan Garcia. In recent days, he showed he has support for some things. He got Villanueva to obey his order not to argue with Ulloa (see OIGA No. 219). Garcia has also issued a diktat that all APRA publicity in these crucial days focus on him and the horizontal vote instead of the preferential vote to try to check Armandist influence in Parliament. In politics more than in any other activity, the old saying applies that the devil knows more because he is old than because he is the devil. Villanueva is surely already planning his next moves very carefully.

No matter who wins within the PAP, this confrontation between two philosophies and two ambitions will seriously compromise the effectiveness of the next regime. It also does not have very original economic ideas (see report by Humberto Li Verastegui).

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CSO: 3348/586

VENEZUELA

BCV PRESIDENT ON TRADE BALANCE SURPLUS, ECONOMIC RECOVERY

Caracas EL UNIVERSAL in Spanish 2 Apr 85 p 2-1

[Text] Dr Benito Raul Losada, president of the Central Bank of Venezuela (BCV), at a press conference in London yesterday claimed that Venezuela has already passed the most difficult period of its economic adjustment, and can now look to the future with optimism. He also asserted that it is in a position to achieve an economic recovery.

Dr Losada made this statement during the seminar sponsored by the FINANCIAL TIMES of London, on Venezuela's position within the international financial system.

On that occasion, he explained that since the early 1980s Venezuela has seen its real economic activity go into a slump, while its gross domestic product fell particularly sharply in 1983.

At the same time, its finances deteriorated, primarily because of the shrinkage of oil revenues; that, along with its failure to restrict public spending, brought about a deficit in the public sector equivalent to 2.3 percent of the GDP.

This led to a severe deterioration of the balance of payments in 1982, and during that year the current account yielded a deficit of \$4.2 billion. The previous year there had been a \$4 billion surplus in that account.

He explained, however, that the situation improved in 1983 as a result of the measures that were taken to cut imports, which yielded a surplus of \$4.4 billion.

According to Losada's explanation, a series of somewhat severe adjustment measures had to be adopted, since the economy did not grow at all in the last 6 months.

Therefore, an adjustment process was begun to correct the imbalances and lay the groundwork for economic recovery.

The adjustments were carried out without external financing. Moreover, despite the drastic changes that were made in the economy, the adverse impact was kept to a minimum, far less than expected.

Thus, the government took steps to adjust the cost-price structure and to restrict internal demand. Among these measures was a sharp devaluation of the currency, a drastic change in fiscal policy, the liquidation and reorganization of public agencies, and the freezing of wages and salaries for most public employees.

As a result of the measures, in 1984 the current account yielded a surplus of \$4.4 billion, which was considerably higher than what banks and official institutions had estimated. Expectations are that another surplus will be forthcoming in 1985. Along with this change in our balance of payments picture, the BCV's foreign reserves have grown rapidly to the current level of \$13 billion.

These favorable results were primarily attributable to a reduction in imports from \$13.6 billion in 1982 to \$7.2 billion in 1984. Non-petroleum exports have risen significantly over the past 2 years.

In addition, import substitution has expanded. The production of marketable goods has grown at a rate of 2.2 percent, and today we are self-sufficient in several agricultural products that we used to import.

The bank president also noted that we have been able to contain inflation; thus, in 1984, prices rose by an average of 12.2 percent.

The monetary policy has been restrictive in nature. In 1984 the money supply (M2) expanded at a rate of 8.8 percent, and this expansion will continue to be moderate in 1985.

For this reason, against the backdrop of the surpluses in the balance of payments and in the central government's budget, the low growth rate of the money supply, and the moderate rate of inflation, the primary objective for 1985 is to stimulate growth.

"Venezuela has come a long way since 1982, and today our principal task is to revitalize economic activities. The economy has not grown for 6 years, and unemployment is right around 13 percent of the workforce. Our objective is to achieve real growth in the economy in 1985. A positive growth rate would alleviate the employment situation and shore up the private sector without endangering our foreign accounts or our attempt to pay foreign debts."

With regard to the foreign debt, Losada confirmed that our balance of payments and international reserves situation ensure our ability to pay. Principal payments totaling \$1.76 billion were paid against the foreign debt in 1984, and this year that figure could be even higher.

As for the situation in Latin America, the BCV president indicated that there are some signs that several countries in the region will begin to see positive growth in their economies this year, albeit at moderate rates.

"Economic growth in the OECD countries is a critical factor in the economic well-being of Latin America. We need healthy markets for our exports so that we can pay our debts within the terms set forth. If this growth does not take place, or takes too long to appear, our current account position will deteriorate, and that could have serious consequences. Export prices are already being subjected to downward pressure, which is partly a consequence of the dollar's strength. Oil prices have fallen, and if this trend continues, obviously revenues will decline in Venezuela, Mexico and Ecuador."

He also mentioned that Latin America is extremely vulnerable to fluctuations in interest rates in the United States. With an overall debt of \$350 billion, the drop in U.S. interest rates during the fourth quarter of 1984 represented a savings of \$12 billion per year. Nevertheless, nearly half of that savings has already been lost so far in 1985.

In view of the low inflation rate in the United States and Western Europe, we hope that ways can be found to keep interest rates low, and preferably to bring down real interest rates as well.

This would enable Latin American countries not only to grow faster, but also to lower the proportion of export income that must be allocated to servicing the foreign debt. Any return to high interest rates would inevitably cause severe problems for Latin America.

Benito Raul Losada believes that in the medium term we may see a different Latin America than we saw in the 1970s.

"Our dependence on international commercial bank loans will decline, except with respect to the financing of trade and development projects. We will never be able to return to the days of the 1970s when the banks expanded the credit they extended to the region at a rate of over 20 percent. The banks will not be so willing to grant loans, but--and this is equally important--Latin American countries will not want to take out such huge loans, either, risking another foreign debt crisis.

"On the other hand, we do think it is desirable," he added, "to reactivate foreign financing in the form of direct investment or capital shareholding, and we hope these kinds of investment increase over the next decade. The change that has taken place in the economic environment of the area is contributing to the creation of new export-oriented industries, which in turn will open the doors to new opportunities for joint ventures with foreign partners. Once again, we must stress how important it is for the United States and Western Europe to keep the trade doors open to our countries' export, for the benefit of all concerned."

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CSO: 3348/603

VENEZUELA

ALUMINUM SALES CONTRACT SIGNED WITH JAPAN

Caracas EL UNIVERSAL in Spanish 3 Apr 85 p 2-12

[Article by Solito Decan]

[Text] Puerto Ordaz, 2 April--The Aluminum Company of Venezuela, Inc. (VENALUM) has signed the largest aluminum contract in the world with the Japanese.

The contract was signed by the president of the Venezuelan Corporation of Guayana (CVG), Leopoldo Sucre Figarella, who is also a minister of state. Under the contract, VENALUM agrees to supply Japan with 160,000 tons of aluminum each year for 4 years. This will bring in a hefty \$200 million a year in foreign exchange for Venezuela.

The CVG information and public relations office announced that this major trade agreement was signed during the minister's tour of Japan. He made the trip to seek new markets for Guayanan industrial products.

Minister Sucre Figarella was accompanied by Dr Heberto Urdaneta, principal director of the Venezuelan Investment Fund, and VENALUM President Enrique Castella, at the contract signing ceremony.

R. T. Hayashi, president of Showa Aluminum Industries, represented the Japanese group at the ceremony. He expressed his satisfaction with the tremendous financial and operational success achieved during the present administration.

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CSO: 3348/603

VENEZUELA

HEAVY CRUDE OIL RESERVES ESTIMATED AT 200 BILLION BARRELS

Caracas EL UNIVERSAL in Spanish 3 Apr 85 p 2-1

[Article by C. R. Chavez]

[Text] All the requirements set forth by the Ministry of Energy and Mines have not yet been met for this gigantic pool of liquid hydrocarbons to be officially labeled a "Proved Reserve." Nonetheless, the experts at the Ministry and at the different subsidiaries (Lagoven, Maraven, Meneven and Corpoven) who have spent the last 5 years working on research and testing in connection with the exploratory drilling claim that within the immense volume of petroleum (1.2 trillion barrels), there are slightly over 200 billion barrels of heavy and extra-heavy crudes. This constitutes the largest petroleum reserve in the world, of course, and the preliminary research, location and measurements have already been done.

PDVSA Report

"The overall strategy for the Orinoco Oil Belt," states the latest report of Venezuelan Petroleum, Inc. (PDVSA), "has continued to turn toward considering the area a research and selective development project. The efficient development of the existing heavy crude reserves in the belt, as well as their processing, transportation and reclamation within an integrated marketing policy, constitute an objective of primary importance. The industry has been and will continue to gear its efforts toward achieving that objective in this area.

"In 1984," the report adds, "all the information gathered during the prospecting period (1979-1983) was compiled and the final geological evaluation was conducted. It was determined that there are 1.2 trillion barrels of oil-in-place, with estimated reserves of some 200 billion barrels that could be obtained through primary exploitation aided by the extensive use of steam.

"Productive activities have been oriented toward yielding a medium-term potential, supported by the experimental production blocks in Cerro Negro and in the Guanipa Plan. In this regard, it should be noted that the facilities associated with the two experimental blocks have been completed, and that by the end of this year there was contact with the present Morichal-Jobo System, which has a potential of 30,000 barrels per day, for actual production of 16,000 barrels per day. Similarly, significant progress was made on the



Guanipa Plan, which is 70 percent completed. So far, 13 flow stations have been completed, as have 290 kilometers of pipelines and 610 wells, for an overall potential of 118,000 barrels per day.

"In addition, the alternate steam injection tests continued in the areas of Zuata-San Diego and Hamaca-El Pao, and the pilot project for alternate steam injection was approved for the wells concentrated in San Diego Norte. The latter project will begin this year. These projects are aimed primarily at determining what role various production mechanisms can play, particularly the compacting of several cycles of steam and the optimum spacing of wells. These and other parameters related to surface activities are of fundamental importance in planning and determining the scale of future development projects. The production activities carried out in 1984 required a disbursement of 769 million bolivars in the Orinoco Belt. In the long run, plans call for potential production of 300,000 to 400,000 barrels per day by the end of the century, although the final figure will depend on the systematic hierarchy that is established for different factors in the potential of the national oil industry, and on processing and marketing considerations, as well as strategic criteria.

"The different aspects of research associated with the recovery, processing, transportation and marketing of the crude oils in the Belt have continued to be important in the evaluation and development plan designed for the region. Thus, the Institute of Venezuelan Petroleum Technology (INTEVEP) will continue to devote a major part of its resources and research (50 percent of its total effort) to these matters; a total of 320,000 man-hours was spent on this area in 1984. In addition, it should be noted that the construction phase of INTEVEP's series of pilot plants in the Jobo field is 80 percent completed. The objective of this project is to build the infrastructure and facilities necessary to study and develop ways to reclaim heavy and extra-heavy crudes.

"Also worthy of mention," concludes the PDVSA evaluation report prepared on this case, "are continuing activities geared toward ensuring harmony between oil development and the integral planning of the socio-economic and environmental development of the Belt. In the medium term, specifically in 1984 and 1985, most noteworthy is the implementation of the plan for territorial regulation, under the agreement between the Ministry of the Environment and Natural Renewable and Petroleum Resources of Venezuela. This agreement calls for 23 projects in the areas of water resources, environmental protection and territorial regulation."

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CSO: 3348/603

END