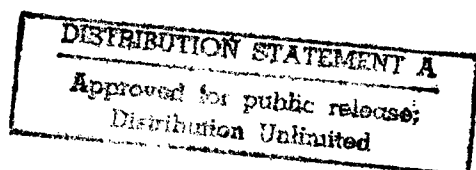


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15 May 1985



# Latin America Report

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15 May 1985

## LATIN AMERICA REPORT

## CONTENTS

## INTER-AMERICAN AFFAIRS

Southern Cone Artillery Capabilities Assessed (Alberto San Miguel; EL ECONOMISTA, 1 Mar 85) .....	1
--	---

## ARGENTINA

National Defense Bill To Be Submitted to Congress (LA NACION, 11 Mar 85) .....	3
Army General Sanchez Advocates Swift Reorganization (LA NACION, 15 Mar 85) .....	6
Navy High Command Releases New Assignments (LA NACION, 15 Mar 85) .....	8
Farmers Unite To Protest Government Policies, Programs (LA NUEVA PROVINCIA, 2 Mar 85; CLARIN, 2 Mar 85) .....	9
Farm Leaders View Crisis .....	9
CRA Leads Protest, by Romeo Medina .....	12
Possible Strikes Predicted .....	15
Agriculture Secretary Scored .....	17
Four-Year Project Aims at Expanding Gas Exports (LA NACION, 5 Mar 85) .....	18
New Oil Well Discovered South of Mendoza (LA NACION, 6 Mar 85) .....	20
Ingeniero White Port Expansion To Begin Late March (Ruben Baltian; LA NACION, 5 Mar 85) .....	22
Briefs .....	
IA-63 Termed Priority .....	24
Oil Self-Sufficiency in January .....	24

## BAHAMAS

Debate in Parliament Over Drugs Inquiry, PM's Finances (THE TRIBUNE, various dates) .....	25
Turnquest on Pindling's Finances, by Athena Damianos	25
'Lie' Charge Against Pindling, by Anthony Forbes	27
More on Pindling's Finances, by Colin Higgins	30
Turnquest on Cash Transactions, by Colin Higgins	31
Blast at FNM, by Athena Damianos	33
Slap at 'Uncooperative' U.S., by Colin Higgins	34
Police Force Controversy, by Anthony Forbes	36
Discussion of Smith's Activities, by Anthony Forbes	37
More on Ex-Minister Smith, by Athena Damianos	40
Call for Ban on Drug Figures, by Athena Damianos	42
Ongoing Drug Trafficking, by Colin Higgins	43
 Briefs	
Dominican Fishermen Fined	45

## BRAZIL

Government Announces First New Austerity Measures (GAZETA MERCANTIL, 19 Mar 85) .....	46
 Briefs	
Trade Prospects With Algeria	49
Biodigestor System in Sao Paulo	49

## CHILE

Military Officers Head State Economic Institutions (QUE PASA, 7 Mar 85) .....	51
 Briefs	
Fish Revenues Drop in 1984	57
Public Agencies' Budgets Reduced	57

## COLOMBIA

Only Three Viable Candidates Seen for 1986 Election (Carlos Murcia; EL ESPECTADOR, 17 Mar 85) .....	58
Bishops Denounce Political, Economic Persecution of Peasants (Carlos Alberto Junca; EL ESPECTADOR, 16 Mar 85) .....	60
Government Hopes To Maintain Financial Autonomy (Raul Rodriguez; EL SIGLO, 21 Feb 85) .....	61
National Bank Privatization Process Begun (Carlos Pineros; EL TIEMPO, 21 Feb 85) .....	63

Analysis of Peso Parity, Export Goals, Market Situation (Arturo Menendez; EL SIGLO, 1 Apr 85) .....	64
Raw Materials Imports Freed From Restrictions (Jose Suarez; EL TIEMPO, 19 Mar 85) .....	73
Government Denounces Commercial Air Agreement With Britain (EL ESPECTADOR, 31 Mar 85) .....	74
Comptroller General's El Cerrejon Loss Figures Disputed (Lucy Diaz; EL SIGLO, 3 Apr 85) .....	75
Briefs	
Galan Presidential Candidacy Announced	77
Three Ambassadors Confirmed	77
Ambassador to Ecuador Resigns	77

#### CUBA

Recruitment, Daily Life of Soldiers in Ethiopia (Ciro Bianchi Ross; CUBA INTERNATIONAL, Feb 85) .....	78
--	----

#### GUATEMALA

Coca-Cola Bottling Plant Resumes Operations (Carlos E. Estrada; PRENSA LIBRE, 2 Mar 85) .....	85
--	----

#### MEXICO

Drug Figures Named as Erstwhile Chihuahuan Banking Officials (PROCESO, No 439, 1 Apr 85) .....	87
Huge Industrial Losses Linked to Neglected Maintenance (EXCELSIOR, 25 Mar 85) .....	92
Salvadoran Rebel Group Spokesman Oqueli Discusses Conflict (Jose Valderrama; EXCELSIOR, 16 Mar 85) .....	94
Triangular Trade Deal Involving Peru, USSR Being Negotiated (Jaime Contreras Salcedo; EXCELSIOR, 29 Mar 85) .....	96
Illegal Removal of PAN Members From Town Government Charged (Manuel Lino R.; EXCELSIOR, 26 Mar 85) .....	99
Briefs	
DICONSA Distribution of Contraceptives	100
Capital Public Safety Measures	100

## NICARAGUA

Arrival of Mexican Oil Shipment Viewed (Manlio Tirado; EXCELSIOR, 23 Mar 85) .....	101
---	-----

## PERU

Economist Predicts Conditions for New Administration in July (Alejandro Toledo Interview; EL COMERCIO, 8 Apr 85) .....	103
National Savings Down as Depositors Change Sols for Dollars (EL COMERCIO, 7 Apr 85) .....	105
Navy May Lose Advance Paid to Dutch Shipyard (Victor Alvarado; EL DIARIO DE MARKA, 5 Mar 85) .....	107
Oil Exploration Investment Rate Dropping (EL COMERCIO, 4 Mar 85) .....	110
Petroleum Conference Recommends Strengthening State Industry (EL COMERCIO, 3 Mar 85) .....	112
Industrial Forum Favors Reactivation Over Recession (EL COMERCIO, 3 Mar 85) .....	114
Youth Committees Prepare for Moscow World Festival (Jesus Manyá Interview; EL DIARIO DE MARKA, 5 Mar 85) ...	117
Army Says Pechora Missiles in Place for National Defense (EL COMERCIO, 31 Mar 85) .....	120
Briefs	
Smaller Microfilm Process Invented	121
Contest Winner to Moscow	121
Canadian Credit for Electricity	121

## URUGUAY

Zerbino Discusses Program To Halt Inflation (Ricardo Zerbino Interview; CLARIN, 28 Feb 85) .....	122
---	-----

## VENEZUELA

Petkoff Reportedly Seeking To Form Alliance With Munoz (Luis Arturo Alvarez; BOHEMIA, 8-14 Apr 85) .....	125
Eduardo Fernandez Views on National Accord (EL NACIONAL, 8 Feb 85) .....	128
Leftist Leaders Voice Doubts About National Agreement (EL NACIONAL, 8 Feb 85) .....	130

INTER-AMERICAN AFFAIRS

SOUTHERN CONE ARTILLERY CAPABILITIES ASSESSED

Buenos Aires EL ECONOMISTA in Spanish 1 Mar 85 p 3

[Article by Alberto San Miguel]

[Text] A study made by the Center for Defense Research and Studies (CIED) evaluates the capabilities of Argentina, Chile, Brazil and Peru in the realm of artillery by means of a comparative analysis of the weapons of this kind owned by each country.

The study was made on the basis of information originating from the Institute for Studies on Peace of Stockholm (Sweden), Center for Strategic Studies of London (Great Britain), 1984-85 military assessment by the U.S. Magazine MILITARY TECHNOLOGY, JANE'S specialized publication dealing with the military land component, and various publications of Chile, Brazil, Argentina and Peru. The study divides the materiel into field artillery and antiaircraft artillery, which in turn are classified as "tube" (Cannons) and "missile."

In the case of Argentina, it has a total of 308 pieces of field artillery of various kinds and sources. The most modern materiel consists of 90 Argentina Model 1980 155-mm howitzers. In second place, it has 72 Italian Oto Melara Model 1966 105-mm howitzers. The armored artillery materiel is of the same vintage and consists of 24 French AMX PP Model 1968 155-mm cannons. Except for 6 ML A2 Model 1961 105-mm howitzers, the rest of the field artillery materiel predates World War II and consists of 46 Bofors Model 1936 75-mm guns, 56 Schneider Model 1928 105-mm howitzers, and 2 155-mm howitzers of the same kind and model as the foregoing. In the category of antiaircraft artillery, Argentina has 128 pieces. Under the materiel classified as tube, it has 21 Hispano Suiza 30-mm guns, 6 Oerlikon 35-mm guns, 16 Bofors L56 40-mm guns, 77 Bofors L60 40-mm guns, and 6 Bofors L70 40-mm guns. As to the missile materiel, it has 2 Roland Surface-to-Air PA launchers.

With regard to Chile, it reportedly has 360 pieces of field artillery. This materiel consists of 32 AMX 13 PP Model 1968 155-mm howitzers, 18 Soltan Model 1980 155-mm howitzers, 12 Schneider Model 1936 155-mm howitzers, 80 M2 A1 undetermined model 105-mm howitzers, 36 Oto Melara undetermined model 105-mm howitzers, 36 Krupp Model 1928 75-mm guns, and approximately 40 guns and howitzers of recent acquisition whose characteristics and models have not been determined. As to air defense artillery, Chile has 303 pieces of the tube category consisting of 12 Bofors 40-mm guns and 125 Oerlikon guns [sic].

The balance of power between Argentina and Brazil seems to be significantly tilted toward the latter, while it can be asserted in relation to Chile that it is relatively favorable to that country in the area of field artillery, and significantly favorable in the area of antiaircraft artillery. One must add to this the antiquity of the Argentine materiel, which in some units consists of Schneider 105-mm gun-howitzers of 1928 vintage. This situation is in large measure the result of the South Atlantic conflict, in which Argentina sustained significant artillery losses--both field and antiaircraft--which were not replaced.

8414

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ARGENTINA

# NATIONAL DEFENSE BILL TO BE SUBMITTED TO CONGRESS

Buenos Aires LA NACION in Spanish 11 Mar 85 p 6

[Article: "Draft Law on National Defense Will Be Submitted to Extraordinary Session of Congress; Will Establish a National Defense Cabinet and a Military Committee"]

[Text] The draft law on national defense, which is now in the Office of the President for submission to Congress during the extraordinary session, sets out the legal, organic, and functional bases for the organization, execution, and control of national defense.

It was pointed out that none of the provisions of the draft law can be interpreted as being in conflict with other provisions of the preamble of the national constitution, the terms of the constitution, or its spirit and objectives, nor of the system of representative, republican, and federal government adopted by Argentina.

In one of its articles the draft law defines the national defense as the various plans and actions necessary to prevent or overcome conflicts of any kind due to external aggression, either in time of peace or war.

The National Defense Cabinet and the Military Committee will contribute to national defense under the direction of the president of the nation.

The National Defense Cabinet will assist and advise the president in making decisions regarding conflicts and in cases of conflict and war, as well as adopting strategy and coordinating plans and actions necessary to overcome conflicts.

The National Defense Cabinet will be made up of the vice president of the nation and the ministers of defense, interior, foreign relations and worship, and economy. The minister of defense will function as the operating arm of the National Defense Cabinet, and a government official appointed for the purpose will function as secretary of the National Defense Cabinet.

The information and intelligence necessary for national defense will be provided by the National Intelligence Center, which will come directly under the president and will operate in accordance with the mission, functions, and structures approved by him.

#### The Military Committee

The Military Committee will assist and advise the president in his capacity as commander of the Armed Forces in the military conduct of war.

The committee will be made up of the minister of defense, the chief of the Joint General Staff of the Armed Forces, and the chiefs of staff of the Armed Forces.

The Joint General Staff will be the operating arm of the Military Committee, and the chief of the Joint General Staff will supervise the secretariat supporting the Military Committee.

The secretariat of the Military Committee will come under the minister of defense, will be made up of personnel of the three Armed Forces, and its director will be designated by the Executive Branch of the government, giving priority to the highest ranking officer on active service.

The highest authorities of the Army, the Navy, and the Air Force, and the Joint General Staff will be the highest ranking officers within the force to which they belong, holding the grades of lieutenant general, admiral, or brigadier general, respectively.

The Joint General Staff will carry on strategic military planning, in which provision can be made for the establishment of strategic operational commands, specific or combined commands, and territorial commands.

The commanders of these military commands will be appointed by the president and will come under the minister of defense for planning and training purposes, through the chief of the Joint General Staff and the president, in case of armed conflict.

#### Composition of the Armed Forces

The draft law provides that the composition and size of the Armed Forces will be determined basically by joint military planning, in the sense that its organization and functioning will be based on the criteria of joint coordination and efficiency, with the functions, activities, and services which are not specific to a single service within the Armed Forces being carried out on a unified basis.

The land, naval, and air components of the Armed Forces will be retained in being, with their respective administrative groups functioning on an integrated basis, under the chiefs of staff of each service.

The general staffs of the Armed Forces will come under the ministry of defense and will maintain functional relationships with the Joint General Staff for the purpose of joint military action.

The chiefs of the general staffs of the respective services will be appointed by the president from among the generals, admirals, and brigadier generals on active service.

#### In Case of War

In case of war or armed conflict of an international character the president will have the power to establish theaters of operations, setting boundaries for the corresponding geographical areas.

The Executive Branch of the government, with the prior approval of Congress, will have the power to proclaim military zones covering areas which, because of their importance to national defense, should be subject to military control and protection. In case of war or imminence of war, such a declaration shall be subject to subsequent ratification by Congress.

The National Gendarmerie and the Argentine Naval Prefecture will be organizationally part of the Ministry of Defense.

The actions which result from the execution of necessary mobilization plans, aimed at ensuring that adequate resources are available for national defense, will require the approval of Congress, when they affect rights protected by the national constitution.

In case of war or imminence of war the Executive Branch of the government, subject to subsequent ratification by Congress, will be empowered to order the requisitioning of goods and services following prior notice and exceptions to such requisitioning.

5170

CSO: 3348/496

ARGENTINA

# ARMY GENERAL SANCHEZ ADVOCATES SWIFT REORGANIZATION

Buenos Aires LA NACION in Spanish 15 Mar 85 p 5

[Text] General Mario Sanchez, deputy chief of staff of the Army; Rear Admiral Maximo Rivero Kelly, deputy chief of staff of the Navy; and Brigadier General Roberto Fernando Cambor, deputy chief of staff of the Air Force, assumed their new duties on 14 March.

General Sanchez, after pointing out that the only way to contribute to the solution of national problems and those affecting the Army is through the application of "determination and work." He said he supported carrying out "as soon as possible the reorganization of the Army, aimed at increasing its operational capabilities with the resources provided to it."

He also remembered "those who long ago and very recently have given outstanding evidence of devotion to duty, decisiveness, and a willingness to die if necessary in carrying out their military duty."

Rear Admiral of the Navy

For his part Rear Admiral Raul A. Marino, the outgoing deputy chief of staff of the Navy, said in his farewell speech that in the past decade "organized, terrorist aggression aimed an insidious blow against the basic structure of the nation, requiring the Armed Forces to respond forcefully, in a real war, in order to safeguard the existence of the republic which today is still safe from the enemy who sought to bring it down."

He also said that "the high command of the Navy, as a whole, has adopted as its duty as an institution the defense and proper delimitation of its rights and powers, in opposition to other views which, as we understand it, are contrary to principles underlying the very essence of military leadership, based on the recognition of responsibility corresponding to each level of leadership."

The Navy rear admiral then said "The present period, after years of war and autocracy, are difficult for all of us. No matter what it may cost, we know how to begin again following almost forgotten paths of duty. The

Navy is as determined on fundamental questions which ensure the definitive support of democracy, as it is serenely determined to support firmly the institutional order which it represents, to defend its historic role, and to maintain the moral force of its members."

#### In the Air Force

Brigadier General Vion Carlo Yocca was designated commander of air operations. On 15 March he will be installed in office by Brigadier General Ernesto Crespo, the chief of staff of the Air Force, at a ceremony to be held in Mendoza.

Brigadier General Nelsis Rodoni, commander of training, assumed his new duties on 14 March at the School of Military Aviation in Cordoba. Brigadier General Ruben Corradetti assumed his duties 15 March as commander of materiel in the Rio IV Equipment Area in Cordoba.

5170

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ARGENTINA

NAVY HIGH COMMAND RELEASES NEW ASSIGNMENTS

Buenos Aires LA NACION in Spanish 15 Mar 85 p 8

[Text] With the appointments made on the basis of nominations by Vice Admiral Ramon Antonio Arosa, chief of staff of the Navy, the senior naval commands have now been restructured.

Previously, it was decided to increase to six the promotions of captains to rear admiral, and the Puerto Belgrano Naval Area was established, while the present commander of naval operations retains command of the Fleet at Sea.

Captains Jose Maria Arriola and Roberto Luis Pertuzzio had been proposed for promotion to the next highest rank. To their names were added Captains Juan Carlos Anchezar, Emilio Osses, Rodolfo Orlando Tettamanti, and Enrique J. Cosentino.

The new structure of senior Navy commands, in accordance with their order of precedence is as follows: Vice Admiral Antonio Ramon Arosa, chief of staff of the Navy; Rear Admiral Norman Azcoitia, director general of naval personnel; Rear Admiral Maximo Rivero Kelly, deputy chief of staff of the Navy; Rear Admiral Eduardo Coppola, auditor general of the Armed Forces; Rear Admiral (Judge) Jorge Gnecco, legal adviser of the General Staff of the Navy; Rear Admiral (Finance) Mario Satti, comptroller general of the Navy; and Rear Admiral Miguel A. Grondono, deputy chief of the Joint General Staff.

Rear Admiral (Administration) Sergio Araoz de Lamadrid has been appointed to the Interamerican Defense College; Rear Admiral Nestor Barrico will be commander of naval operations, retaining his command of the Fleet at Sea; Rear Admiral Nestor Carbonetti will be the commander of the Puerto Belgrano Naval Area; Rear Admiral Adolfo Arduino will be director general of naval training; Rear Admiral Julio Garza will be chief of operations of the Navy General Staff; Captain Jose Maria Arriola will be the commander of the Southern Naval Area; Captain Roberto Luis Pertuzzio will be director of the Naval War School; Captain Juan Carlos Anchezar will be director of the armament of naval personnel; Captain Emilio Osses will be naval secretary general; Captain (Administration) Rodolfo Orlando Tettamanti will be commander of the Marine Corps; and Captain Enrique J. Cosentino will be chief of staff of the Naval Operations Command.

5170

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ARGENTINA

FARMERS UNITE TO PROTEST GOVERNMENT POLICIES, PROGRAMS

Farm Leaders View Crisis

Buenos Aires LA NUEVA PROVINCIA in Spanish 2 Mar 85 pp 1, 4

[Text] Raul Romero Feris, president of CRA (Argentine Rural Confederation), said here yesterday that "It is going to be very difficult during the 1985-1986 agricultural season to plant the same area that we covered during the current 1984-1985 season" because of the crisis situation faced by the farms.

The farmer leader made these statements during a press conference convened by the organization whose president he is in order to provide information on the deliberations held before that by the CRA board of directors which consists of the heads of the Regional Federations of Rural Associations throughout the country.

That meeting, it was announced, approved CRA's joining the Regional Chamber of Production, a second-level agency that consists of 11 associations with 4,900 growers in Salta.

During the meeting with the newsmen, Romero Feris was accompanied by CRA Vice President Jorge Moronta and by the organization's secretary, Benito Lejeran, as well as the heads of the regional organizations constituting the confederation.

The CRA leader pointed out that, during the deliberations of the organization's management body, the members had analyzed the attitude to be pursued in response to the change taking place in economic leadership and management "because we understand," he said, "that if there is no change in policy, there is no sense changing men" and, besides, the members reviewed the actions taken by the local grower associations which drafted different demands throughout the country.

He announced that approval was given for participation in a meeting called by CARZOR (Confederation of Rural Associations of the Rosario-Sante Fe Association) and CARBAP (Confederation of Rural Associations of Buenos Aires and La Pampa), two of the second-level organizations constituting CRA; the meeting is to be held on 9 March in Junin where the growers will debate the farm crisis.

On the other hand, it was decided to request an audience with the Economy Minister Juan Sourrouille so as to present to him various concerns of the farming sector.

He explained that, after the Junin meeting, there would be other similar meetings in other parts of the country in order "to have direct contact with the growers, something which, by the way, is the manner in which we have been operating always in order to have their direct mandate and thus to show that CRA really has the growers behind it, as we always said, and not as in some statements of a public nature made by some officials who credit CRA with practically no representative status at all."

"Somehow," he added, "they are forcing us to demonstrate the contrary and I believe that the latest events clearly show what the representative nature of our organization is in the agricultural and livestock sector."

He hinted that, after the zonal meetings, a national meeting would be held at a date yet to be set in order to arrive at overall conclusions.

In this sense he stressed that "We want to make it perfectly clear, contrary to the public statements of some officials, that there is no intent at destabilization whatsoever here because they create the feeling that whenever somebody criticizes something, it would seem that those who criticize have intentions along those lines."

"There is apparently great fear," he emphasized, "among some officials and we are absolutely convinced that this administration must end its mandate but one of the ways of specifically helping in that is to strengthen democracy through the recovery of the economy and the other separate social sectors of the country."

"Otherwise," he continued, "one would be damaging the administration's image and this exactly what we are trying to prevent; we believe that we have an obligation along these lines, as an important production sector."

He explained that, as far as the meetings that are being held, "We are not giving them the character of some kind of 'pressure'; in any case, it is the administration which looks at them in this light; we are taking the mandate of the growers to determine the steps to be taken; if the demands are met by the administration tomorrow, then it would make no sense to oppose that mandate since it would have no reason for existing."

"In this case the administration could adopt no more positive attitude," he argued, "than to listen to the demands of the growers because nobody has any doubt that the agriculture and livestock sector is going through a difficult situation--and this has been admitted by Lucil Rea, agriculture and animal husbandry secretary, himself during the press conference to which we were not invited."

"But, then," he asked himself, "what are the measures that are being taken to reverse that situation? Because so far we can see that withholdings are



being retained, that the problems of the regional economies, that there is more and more liquidation of cattle stocks, that the problems of coffee, tobacco, wool, sugar cane, and others are not being solved. Consequently, the solution is very simple: It consists in doing things in the opposite way in which they have been done so far."

#### CARBAP with Armendariz

Measured in constant values, the rural real estate tax "will not undergo" any increases this year and there is even "the possibility that it might be less than last year," said CARBAP First Vice President Manuel Aviani yesterday at the end of an interview with Governor Alejandro Armendariz.

The audience was also attended by Hector Orbea, the head of the organization consisting of growers in the provinces of Buenos Aires and La Pampa, and Buenos Aires Economy Minister Roberto Tomasini, and Undersecretary of Agricultural Affairs Fidel Bracerias.

The CARBAP officials told the governor that "At no time did we make any recommendation as to the nonpayment of taxes," although Orbea later on pointed out that "We are worried by the provincial tax burden"; but he made it clear "that this is not the worst burden we have to bear."

It was also argued that "The National contribution is a problem and so is the unusual and in some cases aberrant growth of the city tax burden."

He said that all of these factors worried the growers, on top of "the lack of knowledge as to the 1985 budget terms."

Armendariz at turn at the end of the meeting pointed out that the CARBAP representatives admitted that the real estate tax is not the basic issue and that the association has not yet spelled out its position with respect to the payment of that tax.

The governor added that the visitors proved to be satisfied by the explanations given as to the current year's tax burden, and the same is true when they learned that the state employee force was reduced by 6,000 persons over the past 14 months.

#### "State of Alert"

The FAA (Argentine Agrarian Federation) announced that the growers of Santa Fe are in a "state of alert" following two meetings held in Bigand and San Genaro in that province where specific claims were drafted for the purpose of preventing any further deterioration of agricultural and livestock activities. In an announcement distributed here, the association says that the farmers resolved not to sell any corn so long as "a minimum compensatory support price has not been fixed."

As for soybeans, they also asked that minimum, obligatory and at-the-source price supports be established.

During these gatherings, they demanded, on the other hand, that the Sante Fe government "extend by 30 days the payment of the first rural real estate tax installment which is due on 11 March" and that "the total amount to be paid during 1985 for that tax not exceed the amount paid in 1984."

#### CRA Leads Protest

Buenos Aires CLARIN in Spanish 2 Mar 85 p 10

[Article by Romeo Medina: "Farmers Take Complaints to the Streets"]

[Text] In recent days, several agricultural producer organizations spoke out loud and clear. From announcements, statements, and briefings, they moved on--without letting up in those efforts--to street demonstrations, rallies, and meetings that adopted resolutions as to a "state of alert" and announced major forceful measures.

The official response was not long in coming and reached its high point during the press conference held on Wednesday by the secretary of agriculture and animal husbandry. In response to the concern of the farmers--above all regarding the vehemence with which they drove their tractors into the streets--it was natural for the administration to come out and give its opinion and to restate a position declared already many times before.

However, the press conference held by Engineer Luico Reca is not entirely premature if you keep in mind that he could not and cannot announce specific measures for this sector which is under his control before the minister of economy has done so on a more general level, something which happened recently on Thursday. In summary, due to the change in the economic leadership, the SEAG [Secretariat of Agriculture and Animal Husbandry ?] was delayed in drafting the package of economic measures ordered by President Alfonsin.

The growers consequently found themselves forced to wait once again. And they did not want to do that. The fact is that changing ministers, no matter how necessary this may be and no matter how good the reasons may be for that, will not stop the growth and ripening of the crops, nor the fattening of the cattle. The new corn is already beginning to reach the local stores and--it was heard during the meeting of the Agricultural Federation in Bigand--"We do not want them to rob us of the corn the way they robbed us of the wheat." The day before yesterday, a rally of 2,600 farmers in San Genaro, Santa Fe, which had been called by that organization, resolved "not to sell the corn so long as a minimum compensatory support price has not been fixed."

Apart from the possibility of carrying out or not carrying out this decision and the undoubtedly excessively strong word "rob" applied to causes which basically spring from the international market, these demonstrations indicate

a real concern on the part of the farmers in response to a situation that can be called dramatic if one wishes to underscore the possibility that many of these farmers cannot plant or they have to plant less during the next farming cycle.

#### Limitations and Conditioning Factors

During the press conference on Wednesday, Engineer Reca clearly pointed out the limitations facing the government's action in dealing with a highly negative situation on the international market, brought about by external factors that are completely beyond the country's control.

The agriculture secretary said that those factors are the relentless rise in the value of the dollar and the protectionist policies of the European Economic Community and the United States.

The first factor is expressed by changes in relations between rates of exchange and prices, thus discouraging the development of stocks and increasing the attractiveness of financial assets.

The second factor---the well-known farm policies---caused agricultural and livestock production figures that exceed the domestic consumption needs of the EEC and the United States. This consequently leaves tremendous exportable surpluses which push prices down.

To these external factors, Reca added a domestic factor: The well-known problems of Argentina's financial system which made credit enormously more expensive. This is a factor that limits production and the growers certainly included and continued to include among their main demands cheaper financing which the farms need to continue to produce.

Thus, the message which the agriculture secretary wanted to pass on the growers can be summarized in just a few words: "We want to but we cannot." The administration wants to make sure that the farmers get the kind of profitability that enables them to produce more. But it can do very little: Limited actions, partial measures, and palliatives.

#### Specific Measures

It is difficult to doubt that the administration wants to do something. It has produced not only speeches, declarations, and guidelines. It has also taken specific measures. The reduction in withholdings (export duty) on raw harvest products, for example, a measure which had been long in coming and which was taken before the sale of corn, sorghum, and soybeans.

The inclusion of apples and pears in the export promotion system is another case which can be further emphasized also because it implies a qualitative change: So far, that benefit was reserved for products of an industrial origin. The fruits mentioned are now granted a 4-percent refund.

This week, moreover, the National Meat Board announced the formation of a promotion fund of about 900 million Argentine pesos intended mainly to finance the mutton exports from Patagonia, a sector that was hit very hard in 1984 because of adverse weather conditions.

Nor must we forget the National Fertilizer Subprogram which last year produced good results and whose operator is planning to extend it to other inputs during this season, primarily fuels. The SEAG did not intervene in the agreements signed in 1984 between YPF [Government Oil Deposits] and some provinces. This year it is thinking of doing so.

But that is all or almost all because we would for example have to add the agreement achieved on the topic of dairy product prices. Many serious problems remain yet to be solved. The problem of the refrigeration industry, for example, which is subjected to a tremendous crisis and heavy borrowing that had been brewing over the last 5 years and that began to explode last year.

The institution of the free improvement land pacts, rejected by the Rural Association and by CRA, providing impetus for CONINAGRO [Agricultural-Livestock Intercooperative Confederation] and the Agrarian Federation, is another one of the pending topics. SEAG has proposed that this be used to replace the withholdings even though only in part. This is something that will be difficult to set up; it is easy to collect the withholdings and it is very difficult to do that with a tax on land. The finance ministry does not want to risk losing a secure source of revenues for the government.

In summary, the economic authorities and the particularly those at Agriculture and Animal Husbandry, must tackle very serious problems with very scant resources available in the country. On top of that, we have the slow process of decision-making, a rehash of issues that spring from the unresolved "internal" questions of the ruling party (read: the administration) and the fact that the latter did not take over with an overall, well-developed and coherent program. We had to wait months to find out what PRONAGRO [expansion unknown] was going to be like and we had to wait more than a year for the "guidelines."

#### Claims Will Continue

The unresolved problems will thus continue to bring demands from the growers. The zone meetings organized by the Argentine Rural Confederations yesterday reached their high point during a meeting of leaders of the second-level associations affiliated with it. The Union of Independent Cane Farmers of Tucuman announced a protest march for next Wednesday, March 6. The board of the FAA, which met yesterday in Casilda, summoned the growers of Santa Fe to a possible tractorcade--which could come on 14 March if their demands are ignored.

But on top of the real and unresolved problems there is an additional moving force. Argentine Rural Confederations decided to use its full power to emphasize the protest. During his press conference yesterday, Paul Romero

Feris, CRA president, struck out at the government very hard. Romero Feris is a leader who had most run-ins with President Alfonsín during the coordination meetings. His association has practically abandoned the meetings which are being held for this purpose at the SEAG. Although this has been expressly confirmed, there is every indication that the leader was not invited to the meeting which Reca held at the secretariat and to which he invited Guillermo Alchouron, of SRA [Secretariat of the Agrarian Reform]; Humberto Volando, of FAA; and Valentin Levisman, of CONINAGRO.

The deterioration of relations between the administration and CRA therefore has reached a serious point and will continue to get worse. There seems to be much truth to the story to the effect that the leader from Carrientes aspires to assume leadership of the agricultural protest. In addition to the vast territory covered by his organization (practically the country's entire productive area), he has another advantage over the Agrarian Federation: The initial support which the latter gave to the administration and which has been modified only in recent months.

A new step in the campaign will be the rally organized by CARBAP for next Saturday, March 9, in Junín, in the Province of Buenos Aires. In the meantime, local and zonal meetings will be continued with a view to holding a national assembly of agricultural and livestock producers within a month and a half or 2 months.

#### Possible Strikes Predicted

Buenos Aires CLARIN in Spanish 2 Mar 85 p 10

[Text] The decision of CRA to support any direct action measure that might be adopted by the second-level organizations affiliated with it and, therefore, the base societies, is just another ingredient to be added to a cocktail that has now been brewing for quite some time and whose final dosage is as yet unpredictable.

The fact is that for the past several months we have been getting announcements and resolutions from the first-level associations which, because they have more direct contact with the farmers, are the first to echo their concerns. This attitude has been spreading progressively to all of the country's production areas and for various reasons. However, causes relating to the insufficiency of the prices obtained by the farmers predominated fundamentally; of course, there was also the lack of loans at moments when money was needed most and then there was the rise in taxes that had to be paid in installments, that is to say, both the city taxes and the provincial or federal taxes.

This concern then climbed up the leadership rungs of the organizations representing agricultural and livestock production until it had reached the highest levels.

## Chronology

The resolution adopted by CRA today specifically had to do with the gather of farmers to be held on 9 March in the Buenos Aires city of Junin which comes on top of the heavily-attended rally of growers held on Monday, February 25, in Carmen de Areco.

Simultaneously, it is expected that it is the intention of the confederated rural movement to call a national meeting of agricultural and livestock producers to be held within a period of no more than 45 days; that meeting would analyze the way to go regarding this "attitude of resistance" against what is considered to be "a permanent aggression, by action or omission," on the part of government strategies.

But the farm rebellion does not end with these rural activities; instead we can also detect a rather well-known upsurge of activities in sectors affiliated with the Argentine Agrarian Federation. To the meetings in Bigand and San Genaro, where it was resolved to declare that the farmers are in a state of alert and where it was decided not to sell the corn harvest until "a reasonable price" had been fixed for that product, we can add the possibility of a mass demonstration of farmers in Casilda for a date that might turn out to be 14 March.

## Background

Here are the questions that many people are asking themselves now: How far will be proposals of the agricultural and livestock sector go? Will they go all the way to national strikes?

We can find similar background situations during the final months of 1974 and the beginning of 1975, when, after a series of meetings and demonstrations--such as we have them now--a wave of strikes broke out for various reasons, with the following consequences:

3 March 1975: National 24-hour agriculture and livestock strike, ordered by the Agriculture and Livestock Action Committee made up of the Argentine Rural Society, the Argentine Rural Confederations, and CONINAGRO. It consisted in not shipping any agricultural and livestock products to the market.

Between 19 and 21 May 1975: General strike in commercial agriculture-livestock activities for a period of 3 days, ordered by the Argentine Rural Confederations and the Argentine Agrarian Federation. During those days, the farmers neither bought nor sold products or articles of any kind and did not engage in any activities of a commercial or banking nature.

Between 19 and 29 September 1975: Nationwide cattlemen's strike for 11 days, ordered by Argentine Rural Confederations and by Argentine Agrarian Federation with the support of the Argentine Rural Society. It consisted in the suspension of the shipment of cattle, hogs, sheep, and horses to the slaughter houses and marketing centers. Now, here are two choice tidbits:

First of all, the reasons stated at that time are practically identical to those that currently constitute the foundation of the demands: (a) adjustment of rates of exchange to facilitate meat exports; (b) payment of debts of the National Grain Board; (c) strengthening the regional economies; (d) improvement of farm prices which are still unsatisfactory; (e) establishment of price supports for various products; (f) taxation system not adapted to farming needs; and (g) disproportion between farm income, on the one hand, and taxes and terms of loans received by farmers. The other one is that planning was handled by a committee headed by Jorge R. Aguado, the CARBAP president at time, and Humberto Volando, the head of the Argentine Agrarian Federation, whose subsequent disagreements were very well known.

Between 24 October and 10 November 1975: Nationwide cattlemen's strike with features identical to those of the earlier strike, ordered by the same associations. During that strike, the administration ordered quotas to be fixed for this industry along with national prices for meat in the butcher shops.

Finally, these same organizations decided to stage another commercial cattlemen's strike of 10 days that was to begin on 27 March.

The final unknown is whether the current authorities will decide to take the final step demanded by the growers or whether they will continue to move on the route that has led to the current situation.

#### Agriculture Secretary Scored

Buenos Aires CLARIN in Spanish 2 Mar 85 p 10

#### [Excerpts] Broken Dialogue

In announcing that CRA has asked for an interview with Finance Minister Juan Sourrouille and when questioned as to whether this would somehow signify the break of the association's dialogue with the Secretariat of Agriculture and Animal Husbandry, Romero Feris said that "It was the government agency that broke the dialogue with us," adding that "Agriculture and Livestock Secretary Lucio Reca does not realize that democracy is accepting dialogue but also dissent and criticism," noting along these lines that "One cannot push any sector to the sidelines, no matter how small it may be."

This is why--he added--we look to the future of the dialogue on that official level with deep concern because "If the organization's policy is not to talk to those who criticize, then we believe that Reca will wind up talking only to his own political advisor who is Jorge Elustondo." We must remember that it was precisely this latter official who several days ago "questioned the legitimacy and representative status of Argentine Rural Confederations and its associations in the strong action movements carried out in the Province of Buenos Aires."

Finally he said that "Cutting the dialogue off with a sector consisting of more than 90,000 farmers really boils down to simply not understanding democracy."

ARGENTINA

#### FOUR-YEAR PROJECT AIMS AT EXPANDING GAS EXPORTS

Buenos Aires LA NACION in Spanish 5 Mar 85 p 11

[Excerpt] The country has proven [natural gas] reserves of 680 billion cubic meters, which is practically twice those of petroleum. Nevertheless, petroleum and gas have been used in inverse proportion to their availability.

If the probable and possible reserves are taken into account in addition to the proven reserves, it can be asserted that our potential exceeds 2 trillion cubic meters. Petroleum reserves are consequently quintupled.

Up to 1983, State Gas had a deficient conveying infrastructure to take care of the existing demand. Surmounting that shortcoming will require time and effort. It will take at least 4 years for the implementation of a corrective plan to be materially and financially feasible. The company has formulated those expansion plans, but it has also considered that it should not neglect the rendering of the public service.

Satisfactory results were obtained despite the deficient infrastructure. Some 180,000 new customers, a figure that constitutes an increase of 5.9 percent, were added last year.

Some 1.5 million meters of networks were set up, and 13.299 billion cubic meters of gas, which constituted an increase of 7.8 percent, were fed into the pipeline from the main deposits.

With a theoretical transmission capacity of 43.5 million cubic meters per day, 47.1 million cubic meters were transported on 29 June of last year to exceed the 1983 top figure by 9 percent. A record was set on 5 July with a distribution of 50.9 million cubic meters of gas, 12.6 percent higher than the 1983 record.

Natural gas' share of the national energy market surpassed 30 percent in 1984. Moreover, 526,000 tons of liquefied natural gas were produced (an increase of 9.6 percent), and 292,000 tons were purchased from YPF [Government Oil Deposits]. After taking care of the domestic market, 49,600 tons were exported.

It should also be noted that the plan for the automotive use of compressed natural gas went into effect.



In the area of petrochemistry, the Sociedad PERTINOA [PERTINOA Company] was set up jointly with the YPF and the Salta Provincial Government for the purpose of producing 100,000 tons of urea annually as a regional fertilizer.

There are more than 40 agreements signed with provinces and municipalities, and with the planning, supervision and certain contributions from State Gas, distribution networks were set up in 83 locations in the country last year. In addition, the Cordilleran Gas Pipeline, which is more than 500 kilometers long, was set up and natural gas was thus supplied to San Carlos de Bariloche, San Martin de los Andes and Junin de los Andes.

#### Planning

Significant volumes of natural gas, which run as high as 18.9 percent of the total produced in 1984, are released into the atmosphere in the current production of petroleum. The studies carried out jointly with the YPF and the Energy Secretariat indicate that about 50 percent of the total being vented could be recovered in an initial phase, but the financial resources for such an undertaking have to be arranged.

In addition to the Infrastructural Works Plan set up by State Gas, which will be carried out during a 4-year period, the Energy Planning Undersecretariat formulated another long-term plan which will provide a management program to coordinate the participation of the various energy subsectors.

Among the projects of the 4-year plan are the expansion of the capacities of the North and West-Central Gas Pipelines, the construction of a treatment plant, and the obtainment [sic] of liquefied gas in Loma de La Lata. All in all, the works will require \$1.3 billion, and will produce income of \$3.5 billion until 1990 as a result of replacement and subsequent export of liquid fuels.

It should be pointed out also that State Gas has inherited a highly deficient situation. The low tariffs must be reversed in a necessarily slow process so they will be socially feasible.

8414

CSO: 3348/471

15 May 1985

## ARGENTINA

## NEW OIL WELL DISCOVERED SOUTH OF MENDOZA

Buenos Aires LA NACION in Spanish 6 Mar 85 p 16

[Text] A well whose production is 260 cubic meters of petroleum per day was drilled by Government Oil Deposits (YPF) in southern Mendoza, 100 kilometers north of Malargue and 120 kilometers east of San Rafael.

The deposit is located in an area remote from roads and trails some 3,000 meters in altitude, which is covered with snow a good portion of the year. It is near the site where, in 1972 the wreckage of the plane that crashed with a group of Uruguayan rugby players on board, some of whom managed to survive, was found.

The discovery of petroleum constitutes the climax of the surface geological surveys of that section of the Mesozoic basin of southern Mendoza, which form part of an extensive plan of exploration and exploitation of new deposits implemented by the state enterprise.

As will be recalled, significant amounts of hydrocarbons were discovered a little more than a year ago by the Palmar Largo well in Formosa, which is currently in production.

## Self-sufficiency

Last January, YPF produced a little more than 3 million cubic meters of liquid and gaseous hydrocarbons, thus maintaining self-sufficiency in the domestic market within the framework of a policy of conforming "to the requirements of the local demand and exportation."

Of the total extracted, 2,204,229 cubic meters consisted of petroleum, while 979,126,000 cubic meters consisted of gas which in caloric value is equivalent to 979,126 cubic meters of petroleum.

With respect to gas, YPF delivered at the gathering points of the State Gas Company pipeline almost 1 million cubic meters of the same, which constitutes a decrease of 1.7 percent that is considered logical and directly related to the lower seasonal demand.

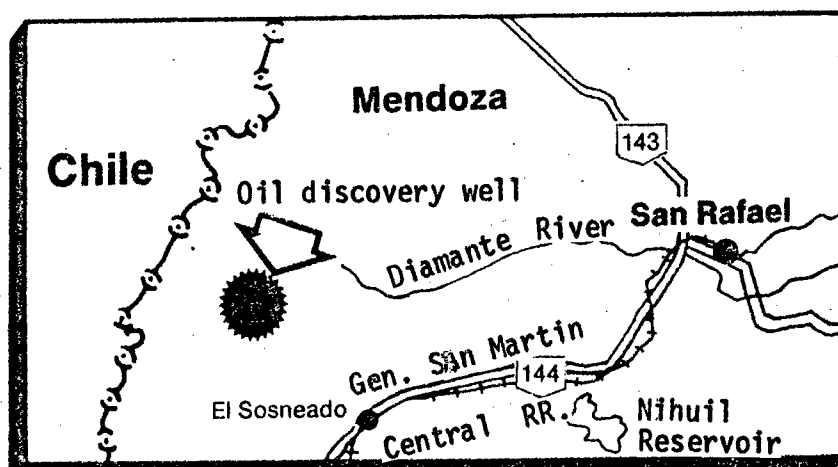
### Storani's Statements

For his part, Energy Secretary Conrado Storani pointed out in Cordoba that Argentina could pay its foreign debt in full with the exploitation of the gas and petroleum reserves.

Storani, who made the statements in the city of San Francisco, announced the implementation of the Pilar-Arroyito-San Francisco gas pipeline in the near future, and pointed out that it will require an investment of close to \$20 million.

He indicated that the work will begin as soon as funds are available, and he considered that it could be finished by the end of the current year if everything goes well.

He also pointed out that its overall financing will be aided by individual contributions from the area industrialists, a sector with which Storani and members of his office recently held meetings. The industrialists reportedly were in agreement and promised to cooperate in the construction of the gas pipeline.



Map shows site of the discovery

8414  
CSO: 3348/498

ARGENTINA

INGENIERO WHITE PORT EXPANSION TO BEGIN LATE MARCH

Buenos Aires LA NACION in Spanish 5 Mar 85 sec 3 p 2

[Article by Ruben Baltian]

[Text] Bahia Blanca--Increased dynamism in maritime operations will bring about the first phase of the reconstruction of the Ingeniero White Port which Public Works and Services Minister Roque Carranza has just announced.

Aside from the news, a general appraisal of the project leads to the conclusion that the main job consists of the dredging of the inner and outer bays off Site 9. This will facilitate the departure of loaded vessels of up to 40 feet draft during low tide, leaving the area clear for the entry of the next freighter.

In the meantime, a first vessel will be able to await the arrival of high tide outside the area of operations known as Roadstead A.

At present, the vessel loading grain must await the incoming tide at Site 9 in order to leave port, that is, it has only 6 hours each day to do so.

Once the job is done, that time will be extended 16 to 18 hours, and vessels will be able to come in around the clock instead of the present 12 hours.

Thus it is expected that costs will be reduced as the waiting time of vessels is decreased, and at the same time there will be benefits as the port becomes more active and the average load of vessels increases.

Increased Activity

Bahia Blanca is the deepest port of the country and the projected modifications will enhance that condition, which will attract a larger number of vessels, especially those that need to complete filling their holds after taking initial loads in Rosario or Buenos Aires. In order to provide a larger area of operations, the project calls for the elimination of the eastern section of an old iron pier that parallels Site 9, which obstructs the arrival and departure of vessels by forming a U with the latter.

This job, which will require the removal of 1.05 million cubic meters of various materials, will include a quay jutting farther into the inlet, and dredging at the foot of the pier to a depth of 45 feet in this initial phase, and to possibly 50 feet in the future.

At the same time, the grain-loading facility at Elevator 5 will be completely rebuilt at the same Site 9. Arrangements have been made to adapt the truck terminal to handle 2,700 tons per hour, making possible the transfer of 1,400 tons of grain during the same period, and the present capacity of the railroad yard will be increased 45 percent. The estimate made foresees an investment of something more than \$35 million.

#### The Second Phase

Roque Carranza asserted that thought is being given to the second phase of the works to be undertaken in the future "for the purpose of making a proper estimate that will make it possible to carry out the engineering project of the rebuilding and expansion details of the port, to which end a call has been issued for the advanced qualification of consortiums."

It is a study that was begun last December with the participation of all the agencies of the Ministry of Public Works and Services in the jurisdiction of the Ingeniero White Port.

For the time being, the announced works slated to begin toward the end of March were well-received by the sectors involved in the port activities, especially the agricultural exporting firms and cooperatives which on other opportunities have mentioned the need to start modifying the maritime terminal, though in most cases they suggested the expansion of the facilities for the storage of grain, "a project that the National Grain Board is studying," we were assured by that organization.

8414

CSO: 3348/471

ARGENTINA

BRIEFS

IA-63 TERMED PRIORITY--"The construction of the IA-63 military plane has absolute priority, and the budgetary appropriations to develop the project are fully provided for," Defense Production Secretary Raul Tomas disclosed yesterday in Cordoba. He pointed out that the project in question will be incorporated into a program of reactivation of the Cordoba Materiel Area. Tomas disclosed that work is underway with the Air Force to reorganize the plant gradually, furnishing it with greater commercial and industrial capacity. He made those assertions at the end of an act he presided over at the Military Aviation School in connection with the start of the school year, coincident to the 40th anniversary of the first enrollment of cadets. [Text] [Buenos Aires LA NACION in Spanish 2 Mar 85 p 3] 8414

OIL SELF-SUFFICIENCY IN JANUARY--Government Oil Deposits (YPF) produced in January liquid and gaseous hydrocarbons equivalent to 3,183,355 cubic meters of crude, and it maintained the self-sufficiency of the domestic market within the framework of the adopted strategy of adjusting production to the requirements of the local demand and exportation. The January extraction breaks down to 2,204,229 cubic meters of oil, and 979,126,000 cubic meters of gas which are equivalent in caloric value to 979,126 cubic meters of oil. Of the 2,204,229 cubic meters of petroleum, 1,552,575 cubic meters were extracted in-house and 651,654 cubic meters were extracted under exploitation contracts, which constitutes a slight drop of 2.2 percent in comparison with the production of the hydrocarbons sector in December. As to gas production, YPF delivered at the intakes of the State Gas Company pipeline 979,126,000 cubic meters of the fuel, which constitutes a decline of 1.7 percent that is considered logical and directly related to the lower seasonal demand. With respect to the production of liquid and gaseous fuels in the first month of the year, YPF adhered to the established plans of extracting the indispensable amount of hydrocarbons not only to conform to the demand for byproducts and to meet export quotas, but also to prevent a gas extraction that exceeds the transportation capacity of the State Gas Company. A total of 74 wells were completed in January, of which YPF accounted for 47 versus 36 in December, an actual increase of 11 wells, while the contribution of private concerns was 27 wells. YPF refineries processed 1,564,635 cubic meters of crude in January, all of national origin, which compared to the crude processed in January 1984 constituted a decline of 4.7 percent in relative terms. [Text] [Buenos Aires LA PRENSA in Spanish 6 Mar 85 p 8] 8414

BAHAMAS

## DEBATE IN PARLIAMENT OVER DRUGS INQUIRY, PM'S FINANCES

### Turnquest on Pindling's Finances

Nassau THE TRIBUNE in English 16 Mar 85 pp 1, 13

[Article by Athena Damianos]

[Text]

WHEN he forecast the Public Disclosure Act in 1975, Prime Minister Lynden Pindling said that Members of Parliament who failed to make public their income, assets, liabilities and private business interests should resign, and that those who make false declarations should be liable to prosecution.

In the House of Assembly this week Montagu MP Orville Turnquest showed how Sir Lynden had failed to declare his assets and interests in private companies on a number of occasions.

And, he gave notice that the Opposition intends to seek a *certiorari* order from the Supreme Court to quash a decision by the Public Disclosure Commission that complaints made against Sir Lynden were unsubstantiated.

According to a statement on the Prime Minister's finances by Insp Richter of the Commission of Inquiry, Sir Lynden:

- Had or still has shares in two companies - Independence 73 Ltd, and Bahamas Catering Ltd, which he never disclosed.

- Received six payments totalling \$565,000 between April, 1979 and February, 1981, for the sale of his residence Long Bay on Skyline Drive. Although declarations must be submitted by March 1 relating to the previous year, Sir Lynden did not disclose the transaction

until February 25, 1982 on a 1981 disclosure form. This disclosure was made just one month after a Select Committee was appointed to review, among other things, the transaction.

- Received six payments between September, 1978 and October, 1981 from his good friend Everette Bannister totalling \$670,979. The Prime Minister indicated that he did not have any firm expectation of receiving the money therefore it was not disclosed.

Mr Turnquest started to read from a letter addressed to the Public Disclosure Commission by Leonard Archer. As he began to mention the revelation made in *The Miami Herald* last October that Sir Lynden diverted more than a third of a \$300,000 private fund into his new mansion, the Speaker prevented him from continuing.

He ruled that as the letter was from a private citizen, it would have to be read through Mr. Archer's representative.

Mr Turnquest said that Sir Lynden's Summary of Declaration for the year 1978 as published in the Gazette records his income, excluding salary, as being \$27,000 in respect of "security income," and \$4,205 in "other income," making a total income of \$31,905.

But, Insp Richter's report reveals that on September 1,

1978, Mr Bannister paid cheques for a total of \$46,000 to the Prime Minister.

These transactions were revealed through a review of bank records. The source of the money to Mr Bannister is not known. The Prime Minister has indicated that neither he nor Mr Bannister could recall this transaction.

A cash deposit of \$5,000 was made on July 27, 1978 to Oranyan House Ltd, a company beneficially owned by Sir Lynden and Lady Pindling. This together with the Bannister deposit makes a total of \$51,000.

Mr Turnquest drew the Speaker's attention to a statement Attorney General Paul Adderley made in the Senate on public disclosures in September, 1976.

Mr Adderley said that if an MP is found guilty by a court of violating the Act "it is right that he should be sent to jail for two years or be fined \$10,000."

And, although it is technically and academically possible for a wife to have property without her husband's knowledge, Mr Adderley said:

"But, a man would have to go a long way to convince me that he didn't know about property owned by his wife. Any man who tells you that he didn't know what his wife owns is a liar. It's possible that she didn't know she owned it. For instance, sometimes people die and leave you something and you don't know about it until a year or six months after they have died. That's possible.

"But, no man could convince me that he didn't know what his wife owned under normal circumstances; from the start you have to presume that he's a liar."

Sir Lynden's Summary of Declaration for 1979 records Security Income as \$20,200 and other income of \$9,366, making a total of \$29,566.

Mr Turnquest wondered if the \$29,566, included the \$10,000 cash deposit made on July 25, 1979 and the \$5,300 cash deposit made to the account of Oranyan House Ltd

on October 25, 1979.

The Summary of Declaration for the year 1980 disclosed income, excluding salary, of \$31,729.

Insp Richter's report reveals a payment or contribution by Nottage, Miller and Co of \$40,000 on December 18, 1980.

The Pindling's 1981 Summary of Declaration disclosed income, excluding salary, of \$42,954. Mr Turnquest wanted to know whether the \$10,000 in cash deposited to Sir Lynden's account on November 2, 1981, was disclosed.

The source of \$181,479.83 in cheques deposited to Sir Lynden's account between 1979 and 1982, together with \$60,902.89 paid to building contractor Arnold Cargill between 1977 and June, 1983 could not be verified by Insp Richter and may or may not have been disclosed.

While the Pindlings' Summary of Declaration discloses that for the period 1977-1982, their total declared "security and other income" was \$232,558, Insp Richter discovered that they made deposits in the sum of nearly \$1.5 million to their bank accounts, excluding salary, and the \$1,055,000 loan from the Bank of Nova Scotia.

This sum also excludes the \$197,479.51 paid on the Pindlings behalf by Mr Bannister.

Further, this sum excludes the \$750,000 loan from Edward St George, chairman of the Grand Bahama Development Co, \$70,000 from Garrett Finlayson and Maritani Holdings Ltd, and \$250,000 from George Barbar of Boca Raton in 1983.

For the year 1977, the Pindlings' assets were \$1,550,645, their liabilities were \$293,320 and their declared net worth was \$1,257,325.

For the year 1978, The Pindlings' assets decreased by \$215,643 to \$1,335,502; their liabilities increased by \$208,575 to \$976,807.

For the year 1979, their assets were \$1,363,739, their liabilities were \$383,117 and their net worth was \$980,622.



For the year 1980, the Pindlings' assets were \$1,346,152, their liabilities were \$429,106, and their net worth was \$917,046.

For 1981, the Pindlings' assets increased to \$2,166,818, liabilities to \$691,606 with a net worth of \$991,636.

For the year 1982 the Pindlings' assets increased to \$2,166,818, liabilities to \$1,178,593 with a net worth of \$988,255.

### 'Lie' Charge Against Pindling

Nassau THE TRIBUNE in English 19 Mar 85 pp 1, 4

[Article by Anthony Forbes]

[Text]

THE Prime Minister lied to Insp Frank Richter of the Commission of Inquiry in explaining the sources of his funds to build his Lake View mansion and has an "indirect" connection with Mafia figure Sorkis Webbe, FNM Treasurer Orville Turnquest said in his record-setting 26-hour address in parliament Monday.

Ending his contribution to the debate on the Commission Report, Mr Turnquest said that the Prime Minister had explained that he had obtained the funds to build his new home with the proceeds from the sale of his former Long Bay residence on Skyline Drive and using overdraft facilities at his bank.

As opposition members shouted "perjury!" Mr Turnquest, MP for Montagu and Shadow Attorney General, told the House of Assembly that the Prime Minister never said that he had also used \$100,000 from a \$300,000 fund for a South Andros housing project towards construction of his Lake View home in 1981.

Referring to the Prime Minister's explanation to Insp Richter of the Royal Canadian Mounted Police, Mr Turnquest declared: "We now know that (explanation) to be a lie. We now know of payments from other sources."

Mr Turnquest, the only opposition member to speak on

the debate so far, has broken the record set by former Cabinet Minister Kendal Nottage, MP for St Agnes, who opened the debate and spoke for over 13 hours, eclipsing the records set by former Opposition Leaders J Henry Bostwick and Norman Solomon.

Mr Turnquest, who finished his address at 6:05 pm, dealt with the Minority Report of Barbados Anglican Bishop, Bahamian-born Rt Rev Drexel Gomez, on the \$200,000 that the Prime Minister received in his bank account and which has been traced as a payment from Sorkis Webbe.

He told the House that there has been talk about the connection between Mr Nottage and another Mafia figure Salvatore Michael Caruana, for whom the Commission had concluded Mr Nottage had "fronted."

But, Mr Turnquest said, what escapes a large number of people is the indirect connection between the Prime Minister and Mr Sorkis Webbe, a member of the Webbe family in St Louis, whose Aladdin Casino in Nevada had been closed by the gaming control authorities.

He said that former Deputy Prime Minister Arthur Hanna mentioned the name Sorkis Webbe in connection with remarks made by Mr Nottage, but that the connection between Mr Webbe and the Prime Minister had not been sufficiently exam-

ined.

He said that Mr Webbe, who with Victor Sayyah, had applied for a licence to operate a casino in Freeport, Grand Bahama, but was turned down, had been described by Mr Hanna, MP for Ann's Town, as being "totally undesirable."

Mr Turnquest also referred to an article in the May 27, 1982 edition of The Tribune under the headline: "Gaming applicant ties with Las Vegas scandal-ridden hotel casino," and in which mention was also made of Mr Sayyah, who figured prominently in the influence peddling investigation of the House several years ago.

"It is obvious that this man has ties to underworld gaming elements and association with underworld and Mafia figures," the Shadow Attorney General declared.

According to Mr Turnquest, it was for that reason that Mr Webbe's application for a casino licence in Freeport was turned down.

He said that Mr Webbe had an association with Everette Bannister, a close friend of the Prime Minister, in connection with a business venture in which Mr Webbe allegedly put up \$275,000 in cheque and \$20,000 in cash, which was deposited to the bank account of BWA (1974) Limited.

Mr Turnquest said that when the cheque was cleared three weeks later, Mr Bannister subsequently obtained a bank draft payable to the Prime Minister's account at the Bank of Nova Scotia in the amount of \$200,000.

He said that a device was also formulated by Mr Bannister in which \$2.6 million was pumped into BWA (1974) Limited by Mr Webbe for 31 per cent of the shares in the airline.

Moving on to Bishop Gomez' conclusion, Mr Turnquest said that "there is a condemnation made by the Commissioner" that the Prime Minister, in his evidence before the Commission, was not truthful.

Mr Turnquest said that what rings through continuously is that the Prime Minister has lacked and today still lacks credibility.

He said that there is docu-

mented evidence by the Commission of Inquiry showing the Prime Minister is getting \$200,000 payable to his account from Sorkis Webbe.

Mr Turnquest told the House that in June, 1981, a cheque for \$300,000 from Mr Edward St George was drawn on a cheque of the Grand Bahama Development Company on June 14, 1981, to help create employment and ease the housing situation in the Prime Minister's constituency of Kemps Bay, South Andros.

He said that three months later, on October 16, 1981, the Prime Minister wrote a cheque for \$100,000 in favour of his contractor to pay for the construction of his house.

He said that the Prime Minister was being untruthful when he told the Commission that he had paid for the construction of his house from the proceeds from the sale of his former residence and by using overdraft facilities of his bank.

He said that homes were never built in South Andros for his poor constituents from whom the Prime Minister claimed he also received \$16,000 in \$100 bills "as a gift."

He said that members now know from another Commission in New Jersey that Resorts International, which owns several hotels on Paradise Island, had raised money for a Boys Town Development project.

"But the Prime Minister said no, pass it here, let the Government decide how it is to be spent," Mr Turnquest said.

"Now I don't think that happen," interjected Ann's Town MP Arthur Hanna, who was Finance and Deputy Prime Minister at the time. "That never happened. The Government denies that."

Mr Turnquest accused the Prime Minister of using a "pattern of getting people to bum money for him," and charged that he took money given to him in trust for the people of his constituency and spent it on his own house.

"This is what we are faced with here," he said. "We are not only faced with the question of drugs, we are also faced with

the question of corruption."

He then pointed out to evidence that surfaced at the Commission of old people stoning the police as they conducted a drug raid at Bimini and children with thousands of dollars stuffed in their pockets.

He said that the amount of US dollars deposited in the Royal Bank of Canada by the people of Bimini rose from under \$500,000 in 1977 to \$12 million in 1983.

He said that the drug problem is now such an "entrenched part of our economy" that in effect to try to dry it up will in effect be taking bread out of some people's mouths.

He said that fishermen on Family Islands have abandoned their traditional means of livelihood and have resorted to fishing for "the white stuff" and for the "grass."

He said that when one considers the involvement of top level officials in drug trafficking, it is no wonder other people are turning to the "soul destroying" way of making the easy dollar.

Mr Turnquest told the House that the cleansing must start at the top, go throughout the nation and also in the governing party.

He said that there is the emotional problem that to stand up for the truth, against corruption, to defy the top man, is a heart-rending action which most PLPs are afraid to do.

He said that the courage has got to be mounted and the time has got to come when men have got to be men who will stand up and speak according to their consciences.

He urged PLPs to consider where the country is heading, whether they are to replace dishonour with honour, immorality with morality, bribery with integrity, greed with honesty and victimization with

fairplay.

He said that the report of the Commission will read as a "chronicle of our misdeeds." He called for courageous men to stand up for their principles.

"We see in this place courageous men, men who will stand up for the truth, but to do so may look like a denial of black leadership," Mr Turnquest said. "But if that black leadership has failed us, we must replace it with the torch."

"Why don't you compromise by saying: 'the light?'" asked former Tourism Minister Perry Christie, MP for Centreville, from the Government's back bench.

Mr Turnquest then noted that there are some in the governing party who have already decided that new leadership is the answer.

He then read to the House a January 31, 1985 letter by attorney Mrs Gladys Manuel, in which she urged PLPs not to let Mr Hanna, PLP Deputy Leader, stand alone. She also urged them to be courageous enough to steer in the eyes of the storm, pointing out that morality in the PLP is at its lowest ebb.

Mr Turnquest took it even further by declaring that the Prime Minister lacks the moral authority to govern the Bahamian people any longer.

He said that what is paramount today is that the Prime Minister is only concerned with saving himself "and the country be damned."

He said that the Prime Minister is out campaigning in the Family Islands where many of the people do not know of the ramifications of the Report of the Commission and the condemnation of the Prime Minister by the Report.

"He has been tried and found wanting," the Montagu MP declared.

### More on Pindling's Finances

Nassau THE TRIBUNE in English 20 Mar 85 pp 1, 4

[Article by Colin Higgins]

[Text]

PRIME Minister Sir Lynden Pindling was found to have lied to the Commission of Inquiry, Opposition Montagu MP Orville Turnquest told the House of Assembly Monday afternoon.

Government members immediately disputed the claim and asked to be shown where in the report the finding was recorded.

Mr Turnquest was also requested by House Speaker Sir Clifford Darling to point out the statement in the drug trafficking and corruption report.

The Free National Movement treasurer referred the House to page 408, paragraph 24, line 5 - which is in the minority report on the Prime Minister's finances by Bishop Drexel Gomez.

"Substantial payments" including those from the finder's fee in the sale of the Paradise Island Bridge Company were being sought to be "explained away" by evidence "which, in my opinion, was not truthful" and a transaction relating to the disposition of certain Bahamas Catering Shares "which never existed," the Bishop was quoted as saying.

"That's his opinion," said Cabinet Minister Darrell Rolle. He said this was not the report, but a part of the report. Mr Turnquest was told the Bishop's report was the minority one.

Referring frequently to the section of the Commission report entitled the Prime Minister's finances, which covers the years 1977 to 1983, Mr Turnquest related payments made to the Government head by Everette Bannister.

"The unusual feature of these payments was that altogether they totalled \$333,979.61," Mr Turnquest quoted from the report, "a strange sum for the part payment of an outstanding debt of \$550,000, leaving a

balance of \$216,021.39 apparently outstanding of which no record was kept."

The Opposition member said the Prime Minister sold his Long Bay home to the Whitfield Corporation for \$650,000 and received all but \$85,000.

For three years Sir Lynden failed to disclose money received from this transaction, the House was told.

Mr Turnquest said the Prime Minister received a \$250,000 loan from George Barbar on the strength of a mortgage on his second home. The Member referred colleagues to a *Tribune* article whose title spoke of concern expressed over links between Barbar and Sir Lynden.

A photograph appeared with the article showing Barbar in the company of Lady Pindling at the opening of Government's Cable Beach Hotel and Casino, the House was told.

Mr Turnquest said Barbar was born in Lebanon and spent his manhood in Jamaica where he "attached" himself to persons of influence - particularly former Trade and Industry Ministry Robert Lightbourn.

The Member said Barbar's function and known dealings in Jamaica may be best described by saying: "He was to Minister Lightbourne what it is alleged Bannister is to the Prime Minister."

Shortly after a change in Government, Barbar left for Florida and became involved in securities and real properties development.

"Those who know him express great surprise that he would make an interest free loan or anything involving money to anyone," commented Mr Turnquest. "Apparently it isn't in the nature of the man."

He said there are people in the world "who you can pay to do anything" and if he were a corrupt politician who had "salted" away money in Switzerland and needed a legitimate way to return the funds to himself, he could surely find someone willing - for a fee - to return money to him under the guise of a loan.

As Mr. Turnquest turned his attention to another matter, Minister Livingstone Coakley called out: "That does have some implications. I want to find out how these things are done - I don't know!"

In beginning his examination of the Prime Minister's finances - with constant references to the chapter of the same name in the Commission report - Mr Turnquest told the House that Sir Lynden's "emoluments" increased from \$77,000 per year in 1977 to \$102,900 in 1982.

His public disclosure indicates his only other sources of income were from securities which ranged yearly from \$27,000 to \$43,000, the Assembly was told.

In the seven year period examined by the Commission, the Prime Minister and his wife made deposits to their bank accounts of \$3.5 million over and above the chief minister's total salary, the Member quoted from the Commission report.

Commissioners make "a particular point" of mentioning

that in January 1977 - the beginning of the period examined - Sir Lynden was already in debt to the Bank of Nova Scotia for \$195,000, Mr Turnquest said.

At the end of the examined period - December 1983 - the debt had risen to \$900,000, the House of Assembly was informed.

Assuming Sir Lynden paid the prime rate of interest on this debt, continued Mr Turnquest, he would be paying more than \$108,000 per year on the Nova Scotia debt.

"Remember, his salary is \$102,000," said Mr Turnquest. "And in interest payments alone he was paying \$108,000."

Sir Lynden values his home at \$2 million, continued the speaker. Insurance alone on that would be \$8 to \$10,000, he said.

The Member estimated the Pindling household might spend \$250 per week for food - a minimum of \$12,000 per year, excluding wine, clothes and champagne, he stated.

He showed how Sir Lynden's expenses - not yet counting the cost of educating his children, medical expenses and private travel - would exceed his yearly income.

"I am showing, sir, that on his own figures, the Prime Minister of the Bahamas is a bankrupt!" he charged.

#### Turnquest on Cash Transactions

Nassau THE TRIBUNE in English 20 Mar 85 p 1

[Article by Colin Higgins]

[Text]

OPPOSITION treasurer Orville Turnquest drew attention on Tuesday to \$57,342 in unidentified cash deposits to the account(s) of Prime Minister Sir Lynden Pindling and asked House of Assembly Speaker Sir Clifford Darling: "Isn't it strange, sir, the Prime Minister of a country making all these large cash deposits? He doesn't run a shop...he doesn't sell numbers."

Mr Turnquest, Free National Movement Montagu MP, referred to the report of the Commission of Inquiry into drug trafficking and corruption and examined the chapter headed "The Prime Minister's Finances."

The Member noted the period examined spanned seven years - from January 1977 to December 1983.

He drew attention to

\$181,479.83 in unidentified deposits during the period.

An additional \$57,342 in cash deposits was also unidentified, he said.

From the Commission report - which says two amounts making up the total were later identified - Mr Turnquest showed that the \$57,342 was made up of:

- \$16,000 (1982) - made up of 160 \$100 bills and said by the Prime Minister to be a gift from his constituents.

- \$10,000 cash (1981) made up of \$50 and \$100 bills.

- \$10,000 cash (1979) made up of \$100 bills, repayment from S A Morris.

- \$5,300 cash (1979) paid into Oranyan House Ltd, a company beneficially owned by Sir Lynden and Lady Pindling.

- \$5,000 cash (1978) paid into Oranyan House Ltd.

Mr Turnquest said he was sure the \$100 bills comprising the "gift" from Sir Lynden's constituents "didn't come from no cookout."

He wondered how many people the Prime Minister could find today in his constituency who could give him \$100.

Asking the House who does Sir Lynden think believes his explanation, the Member said no one he has spoken to believes the money came from constituents.

"Isn't it strange, sir, the Prime Minister of a country making all these large cash deposits? He doesn't run a shop...he doesn't sell numbers" and is not involved in anything that would bring in large sums of cash, the Opposition party treasurer said.

"Oh what a tangled web we weave when first we practice to deceive," he told Members.

"That's Shakespeare hey?" asked Cabinet Minister Livingstone Coakley. "As You Like It."

Mr Turnquest was forced to stop his contribution while operators responsible for the Hansard tape recording prepared the machine.

"Oh that that too, too solid flesh would melt," said Mr Coakley. "Remember that one?"

"I must remind you that the House is still in session," House Speaker Sir Clifford Darling interjected. Mr Coakley said he thought Members were on a break.

Mr Turnquest during his Tuesday afternoon examination of Sir Lynden's finances, touched on a \$200,000 payment made to him by Everette Bannister, again referring frequently to the relevant section of the Commission report.

He said the payment was made October 20, 1981 and came from the account of BWA 1974 Ltd.

BWA 1974 and Jet Executive International, in which Sorkis Webbe apparently had an interest, entered a joint charter service venture by an agreement dated September 1981, the Member said.

JEI contributed \$295,000 to the venture - \$275,000 by cheque and \$20,000 in cash, the Commission report said. Both sums were deposited into the account of BWA 1974.

The report said the \$275,000 came from Sorkis Webbe on behalf of a Leisure Company of Lucaya Ltd which had apparently agreed to purchase 30% of BWA 1974's shares for \$2.6 million.

Mr Turnquest told the House Bannister said part of the "agreed amount" was in payment for BWA 1974 shares.

He told how the two sums received by Bannister provided a credit balance out of which \$200,000 was taken and paid to the Prime Minister.

"I wonder if the Member for St Agnes (Kendal Nottage) read that part of the report?" said Mr Turnquest.

He said he remembered Mr Nottage making "insidious insinuations" about former Chairman of the Gaming Board Perry Christie but here was "documented evidence" about the receipt by the Prime Minister of \$200,000 given to Bannister by Webbe.

Mr Turnquest referred to Commissioner Bishop Drexel Gomez' minority report and related his reference to the "misuse" by Bannister of joint

15 May 1985

venture funds to the "personal benefit" of Sir Lynden and the connection of Sorkis Webbe who was interested in obtaining a casino licence in the Bahamas.

Mr Turnquest said what is being inferred is that the joint venture was a "device" created by Bannister and Webbe for a purpose other than that told to the Commission of Inquiry.

### Blast at FNM

Nassau THE TRIBUNE in English 20 Mar 85 p 1

[Article by Athena Damianos]

[Text]

**ST JOHN'S MP Peter Bethel** said today that the Opposition cleverly made an election issue out of three areas that the Bahamas and United States Governments were in disagreement with in 1982.

Mr Bethel listed the three areas as the leasing of naval facilities by the US, the Caribbean Basin Initiative and bank secrecy in his often repetitious address before the House of Assembly this morning.

He said that after the PLP won the 1982 general elections, the Opposition wasted no time in telling the public that theirs would be a course of confrontation politics.

Arthur Foulkes (Blue Hills) objected to this, saying that Prime Minister Lynden Pindling was the first person to embark on confrontation politics. He pointed out that immediately after the 1982 general elections, Sir Lynden vowed to destroy the Opposition by 1987.

"Carry on, Honourable Member," Speaker Sir Clifford Darling told Mr Bethel.

Mr Bethel found it more than coincidental that the September 5, 1983 NBC newscast alleging Government corruption was preceded by two other events that the Opposition sought to politicize - the 1983 Parliamentary salary increases and the firing of Leonard Archer "in the public interest" as a high school principal. Mr Archer was an outspoken Government critic and president of the Teachers

Union at the time.

Mr Bethel said that "everything was in place" when NBC "happened to put on" the September 5, 1983 broadcast.

"But, it seemed to me well planned because that was supposed to put the icing on the cake," he said.

He said that NBC wasn't satisfied to stop there.

"It is obvious that they had planned a series of stories to...keep the pressure on what was supposed to happen when it was aired," he told the House. "It was not a one-shot deal. It was supposed to be a sustained effort."

Mr Bethel said that ever since the broadcast, he has been trying to find answers to certain questions. He wanted to know the reason behind the story, what it was supposed to achieve, who was responsible for the idea, who sold NBC the story, and who on NBC authorized a story "that they knew they couldn't prove."

He said that whoever conceived such a story "had to be the lowest of mankind." Mr Bethel wondered why a large, American television station would cast aspersions on a striving, black country.

He wanted to know who undertook to turn brother against brother, and sister against sister.

Mr Bethel said that the tone of the NBC reports was that there were Bahamians with guns in their hands fighting one another. He felt the reports

were designed to create an impression of things that were supposed to be happening "that would make people afraid to come here."

"I want to point out again that there were differences between the Bahamas Government and the US Government at the time," he said.

Colombian drug smuggler Joë Lehder and government officials, including the Prime Minister, were named in a DEA document that made no reference to Robert Vesco. Mr Bethel said that Vesco was "thrown into" the NBC report "to make the story sound good." He said that Vesco was in the same way "thrown" into another story that arose before the Commission of Inquiry.

"It is obvious that if you use the name Robert Vesco, which has become a name perhaps known all over the world, that it will be eye catching," he said.

Mr Bethel felt that the NBC report could have been disproved without appointing a Commission of Inquiry. But, he said that malicious rumours that had been circulating prior to the broadcast made it mandatory to have an independent body deal with the matter.

Mr Bethel said that during the 1982 election campaign, the FNM came up with the slogan "Throw the Rascals Out." He said that Members were called sissies during the election

campaign.

He said that it is very difficult to dispel a rumour once it has spread.

"The transmission of rumours had a snowballing effect," he said.

Mr Bethel said that the slogan "Throw the Rascals Out" became so entrenched in the minds of the people that after the PLP won the election, people were saying "we 'tiefed it."

Mr Bethel spent most of the morning outlining events leading up to the Commission. He read the full transcript of the September 5 NBC broadcast, an NBC broadcast of September 8, 1983, in addition to reading two lengthy Resolutions that were made in the House in 1982 by Opposition leader Kendal Isaacs and former Deputy Prime Minister Arthur Hanna, and correspondence between Sir Lynden, President Reagan, and government agencies.

"We have had roughly three quarters of an hour of totalling irrelevant material," Pine Ridge MP Cecil Wallace-Whitfield protested at one point.

"I will determine what is irrelevant," the Speaker replied.

But, later on in the morning, the Speaker directed Mr Bethel: "Now that you have read both Communications, you will get down to the matter before the House."

### Slap at 'Uncooperative' U.S.

Nassau THE TRIBUNE in English 21 Mar 85 p 1

[Article by Colin Higgins]

[Text]

**GOVERNMENT MP Peter Bethel yesterday decried the lack of US cooperation with the Commission of Inquiry saying that neither those responsible for the September 1983 NBC allegations nor their sources came forward to testify.**

Mr Bethel also told the House of Assembly the allegations that drug smugglers in the Bahamas were paying Government officials, including the

Prime Minister for protection - could have been disproved without a Commission of Inquiry.

Mr Bethel read frequently from the report of the Commission, quoting Commissioners' references to the lack of cooperation from US agencies during their proceedings, US attempts to pierce Bahamian bank secrecy laws, undercover US activity in the Bahamas, the reported desire by certain US



officials to "get" Prime Minister Sir Lynden Pindling and strained US/Bahamas relations.

He said he was still asking himself what was the reason for "that story - a story that was made up - a story that collapsed in the face of the evidence."

As a result of the NBC telecast, said the Member, "we are down here fighting among ourselves, calling each other names, creating political tribes," facing a number of problems and not able to carry on "what we ought to be carrying on."

"Brian Ross ain't show up yet!" said Mr Bethel. "Silverman ain't show up yet."

He said NBC "brazenly and boldly" transmitted allegations worldwide of bribery and protection of drug smugglers. The story was "obviously" not intended to bring out the "truth" or the "facts" because "the people who made up the story" and the sources they quoted did not show up, Mr Bethel said.

Referring to page 358 of the Commission report, the Member read: "We are also convinced that the failure by the US authorities to provide full co-operation has not improved the United States/Bahamas relations."

He said it would be foolish not to accept that the standard of living in the Bahamas is due to its proximity to the US.

He added that it would be "naive" to think that 200,000 people mean more to the US than 20 million "of their own people" who are involved in drugs.

Mr Bethel said it is good to talk about sovereignty, but the "rug" could be "pulled out" from under the Bahamas at any time.

The Government member also referred to the Opposition Free National Movement talking of morality, honesty and principle as though it has a "monopoly" on those words.

He advised the Opposition party to examine itself and said a person cannot be a saint by day and a sinner by night.

Mr Bethel referred to the Commission's mention that

counsel drew its attention to the report of Lord Justice Salmon's Royal Commission on Tribunals of Inquiry. He quoted: "We did not adopt in *toto* the procedure recommended in Lord Justice Salmon's report but continued the procedure adopted on the opening day."

The Member said because the Commission was not made aware of the report before they began and because they did not adopt its recommendations in *toto*, this may have "prejudiced" some of the witnesses appearing before it.

Mr Bethel related the convening of a US task force around the time of the NBC allegations that was supposed to examine the references to drug smuggler "Joe" Leher, Robert Vesco and alleged Bahamian Government protection of drug trafficking.

He reminded Members that at the end of those proceedings, none of the relevant issues had been dealt with.

The Member suggested that in light of the drug "appetite" of the American people, US cooperation with the Commission of Inquiry should have been forthcoming. But, he said, it seemed that every time the Commission needed something in order to do its job properly it did not receive it.

Only one person from a Federal agency testified - Miami DEA chief Peter Gruden - and he was only allowed to answer certain questions, said Mr Bethel.

Referring to the recent arrest of the Chief Minister of the Turks and Caicos Islands, Mr Bethel said: "We know that they are capable of taking a very hard line."

He said it has been demonstrated that if one does not follow "policy," then "whatever happens goes."

Mr Bethel said maybe American authorities did not come to the Commission because the NBC report "achieved what it was supposed to achieve."

He said after the report "everything was supposed to have been taken care of...and they would have been in charge and they would have been able to run the show."

## Police Force Controversy

Nassau THE TRIBUNE in English 22 Mar 85 p 4

[Article by Anthony Forbes]

[Text]

**G O V E R N M E N T**  
backbencher Sinclair Outten declared Thursday that he was "saddened" to learn that the Royal Bahamas Police Force is "corrupt" from its top level down to the bottom level and that senior and junior officers were found to be involved in drug deals.

Mr Outten, MP for St Barnabas, also called for visible steps to be taken to rid the Police Force of all of the corrupt elements. He said bold efforts must be made to bring the organization back to a position of trust.

Beginning his contribution to the debate on the Commission of Inquiry Report, Mr Outten said at first that he was saddened to learn from the Report that the Police Force is corrupt from top to bottom.

But House Leader Clement Maynard objected on a point of order saying that there is nothing in the Commission Report to say the force is corrupt from top to bottom.

Mr Maynard called on the St Barnabas MP to be "clear" about what he meant.

After reading the Commission findings against Assistant Commissioner Howard Smith, which concluded that he accepted money from drug smugglers, Mr Outten declared: "Yes, I am saddened to learn that the Commission found that there was corruption from the top level to the bottom level."

Deputy Speaker George Mackey, MP for St Michael's, then pointed out to Mr Outten that he had told the House that the police force was corrupt from top to bottom, which could be interpreted to mean from the Commissioner of Police down to the constables.

"I trust that visible steps will be taken to rid the force of all the corrupt elements that might be in it and that bold efforts be made to return the organization to a position of trust," Mr

Outten declared.

Noting that people have lost confidence in the force, the St Barnabas MP said that law and order in many levels of the society have gone out of the window and will only return after a "massive clean-up exercise" in the force.

Asking whether the force finds itself in such a position because of greed, Mr Outten also asked whether it is an indication of the decay and rot that is taking place in our countries.

"And they expect us to take that, they have got to be out of their minds," Mr Outten retorted.

Asking how "base can we get," Mr Outten said that some of the people who appeared before the Commission and acknowledged making money from drugs, are looked upon as heroes, which he said, is "the sad part about it."

He said that something has to have gone wrong with a society when people look up to drug dealers as heroes.

He said Bahamians must not allow themselves to become the "superfly" of the drug trade and charged that the "money game" has driven "some of us" to some questionable acts.

He said that lawyers, politicians, police officers and private citizens aided and abetted the drug trade and are also responsible for the savage destruction of many of our people.

Mr Outten said that history will treat "these petty hustlers and pimps" unkindly.

He said that the people are society because of these elements.

He said that some of the current officers on the force do not have leadership qualities and the moral authority to do what is right.

He said that some officers had aided and abetted the drug trade and others have

participated in corrupt activities.

He said that it is now time for qualified, honest, capable and dedicated men and women to be brought forward to take command and lead the force back to its prestigious position in the society.

He said that he hopes the "powers that be" have the courage to clean up the force.

He noted that crime is also rampant in the country and the powers that be must be seen to be doing something about it or chaos will reign.

According to Mr Outten, a number of persons appeared before the Commission, bragged how they had made a million dollars out of the drug trade and some even saw nothing wrong once the drugs were pedalled in other disturbed and one day will "deal with all of us" who have betrayed their trust, dashed their hopes and let them down.

Mr Outten also said that some members of the Legal profession were at the centre stage during the Commission hearings and it was alleged that some of them assisted in the "nefarious trade of cocaine and marijuana."

He read to the House the conclusions of the Commission on attorney Nigel Bowe, who appeared several times before the Commission and even took out court actions to protect his client's confidentiality.

Mr Outten said that in this nefarious trade, some lawyers flew to Colombia, Gorda Cay,

Norman's Cay and the United States to work for their "so-called clients" some of whom are serving prison sentences for drug trafficking.

"These lawyers, have for years, helped take our country and some of our citizens down into the pits of hell and degradation," Mr Outten charged.

He said that a lawyer even tried to bribe an official who has since died and referred to the conclusions of the Commission on attorney Godfrey Pinder, who was also harshly criticized.

He said that another lawyer even had the "gall" to take over a drug case in which he was involved while an officer in the Attorney General's office and saw nothing wrong with it.

Mr Outten also read to the House the conclusions of the Commission in connection with attorney Langton Hilton, a former Solicitor General and declared: "This is an officer of the court aiding and abetting the drug trade."

"The Legal profession in this country has a lot of explaining to do and a monumental task of cleansing itself," he said, adding that it must rid itself of the crooks, bums and hacks that are "dogging the profession."

He said that some lawyers who were officers of the court benefitted from the drug trade and others may still be benefitting, but that it is "interesting" to see if the Bar Council will do something about it.

#### Discussion of Smith's Activities

Nassau THE TRIBUNE in English 25 Mar 85 p 4

[Article by Anthony Forbes]

[Text]

ST JOHN'S MP Peter Bethel declared Wednesday evening that there was a "big discrepancy" between the findings by the Commission of Inquiry and Insp Frank Richter in their review of the financial affairs of former Agriculture Minister George Smith.

According to Mr Bethel, the

two different findings may have led the three commissioners to wrongly conclude that the Rolleville MP, who resigned from the Cabinet on October 8, two months before the Commission issued its Report, "corruptly accepted" drug money.

Mr Bethel said that the

Commission of Inquiry Report concluded that \$96,000 was deposited to the bank account of Mr Smith between 1979 and 1983, while Commission financial investigator, Insp Richter found that only \$24,500 was deposited during that period.

Telling members that Insp Richter found no extraordinary activity in the bank account of Mrs Laurie Smith, the Minister's wife, Mr Bethel said that it demonstrated his initial remarks at the outset of his contribution to the debate on the Commission Report that "we are all subject to mistakes."

Mr Bethel's comments came as he ended the second day of his debate on the Report of the Commission in the House of Assembly following a four-day marathon address by Montagu MP Orville Turnquest, the only opposition member to speak so far.

Dealing with the "serious allegation" of accepting a \$100,000 bribe from jailed American drug trafficker Edward Ward against the former Minister, Mr Bethel said that "the way this particular matter was handled leaves a lot to be desired."

He said that the transcripts of the evidence shows that none of the evidence against Mr Smith has been corroborated and believed that if Mr Ward had been asked to identify the Rolleville MP, he thinks Mr Ward would have been unable to do so.

But he said the Commission did not see fit to ask Mr Ward to identify Mr Smith which would have clearly established whether Mr Smith had been on a houseboat at Paradise Island and whether he did in fact leave with \$100,000 in a briefcase.

Told by Speaker Sir Clifford Darling that he should read from the conclusions of the Commission Report rather than the transcripts of the evidence to save time, Mr Bethel pointed out that the debate is of such importance that they should not worry about time.

He told members that when the Commissioners chose to believe Mr Ward, a criminal, rather than Mr Smith, a Minister for 10 years before his

resignation amidst a mounting crisis within the PLP, "something is wrong."

He said that Mr Ward was shown to have lied in four different statements about the same matter and as the Report had condemned Mr Smith, whose family will now have to live with that, he reserves the right to criticize what is in the Report.

He noted that the Commissioners had made some "strong recommendations" against the former Minister but the Commissioners, "being men like myself, is subject to mistakes."

He said that Insp Richter, a chartered accountant, who was attached to the Commission from the Royal Canadian Mounted Police, examined the finances of Mr Smith and found that between January 1, 1979 and December 31, 1983, the total cash deposits made to Mr Smith's account totalled \$24,500.

According to Mr Bethel, the Commissioners said in their Report that an investigation of Mr Smith's accounts showed that \$96,000 in cash had been deposited since May, 1979.

He said that the big discrepancy by the Commissioners in connection with the total cash deposit on Mr Smith's bank account may have caused them to reach the wrong conclusion.

Mr Bethel said that what was said in the Report of the Commission and in Insp Richter's statement is a big difference.

He said that he initially drew the same conclusion as Montagu MP Orville Turnquest did with respect to the \$96,000 the Commission Report said was deposited on Mr Smith account since May, 1979, but on a closer look at the statement of Insp Richter, he found there was a difference.

He said that by all indications, the movement of funds in Mr Smith's bank account does not indicate any extraordinary activity.

Dealing with the other allegations against Mr Smith in connection with two BMW cars, Mr Bethel said that all members of the House fell under the terms of reference of the

Commission but pointed out that there is a difference between a witness and a subject of the Commission's investigation.

According to Mr Bethel, one could not become a subject of the Commission until allegations were made against him.

He said that Mr Smith was one of the first to appear before the Commission, which had initially given its outline of procedures showing the manner in which they intended to deal with the evidence.

He said that during the Commission's hearings, the Commission began to use parts of Lord Justice Salmon's Report of the Royal Commission on Tribunals of Inquiry, which it did not have at the start of the proceedings.

Mr Bethel believed that because Mr Smith gave evidence before Lord Salmon's Report was brought up at the Commission, he was treated in a way which might have prejudiced his case and the subsequent findings against him.

He said that the Commissioners had indicated that there were two procedures that could be used, one of which was Lord Salmon's report containing the second cardinal principles involved in an inquiry that a person must be informed of the allegations against him and the supporting evidence before he is called as a subject before the Commission.

Mr Bethel said that before Commission Chief Counsel Robert Ellicott, QC, brought Lord Salmon's Report before the Commission, the Commissioners had not been using that second cardinal principle.

He said that the second procedure did not come before them until after Mr Smith had appeared before the Commission for the first time, and so he was not in a position to take advantage of it.

He said that at the second appearance of Mr Smith before the Commission and his cross-examination, Mr Ellicott spoke of "evidence of another vehicle," which was not put to Mr Smith at his first appearance.

Mr Bethel noted that Mr Smith was asked about the most

expensive gifts he had ever received while a Minister and declared that Mr Ellicott had ample opportunity to put the question to Mr Smith as to whether he had received a car as a gift.

He said that the second allegation against the Minister was by Mr Ward who said he paid Mr Smith \$100,000 in the presence of Everett Bannister, a close friend of Prime Minister Sir Lynden Pindling, on a houseboat at Paradise Island. Mr Ward had said that the payment was made to the Minister to smooth his and his wife's Immigration problems.

He told the House that former Opposition Leader Norman Solomon, who he defeated in the 1982 general elections, had visited Mr and Mrs Ward in Jacksonville, Florida, and as a result of that visit, Mr Solomon wrote out a memorandum on June 17, 1981 for his two colleagues in the defunct Social Democratic Party.

He said that Mr Ward wrote a subsequent letter on March 5, 1982, to Mr Solomon and signed by Mr Ward and a C Gregory Von Ebenstein, but that Mr Solomon kept the information in his possession until such time as the opportunity presented itself for him to do something about it.

He said that Mr Ward gave four statements on different occasions with respect to his involvement in drug trafficking in the Bahamas and in connection with people who were involved with him, and on all four occasions he gave a different statement.

He said that there is a discrepancy between Mr Ward's testimony and his March 5, 1982, letter to Mr Solomon and between Mr Solomon's memorandum of June 17, 1981, and Mr Ward's letter on March 5, 1982.

He said that with all the inconsistencies in the various statements by Mr Ward, the Commission still concluded that Mr Smith did receive \$100,000 from Mr Ward.

He said that the Commission's finding against Mr Smith on that allegation was

based primarily on the evidence of Mr Ward, who has been shown to be a liar, and secondly by the evidence of Mrs Ward of what Mr Ward had told her.

He said that if the Commissioners found that Mr Smith, Mr Bannister and Mr Ward were unreliable witnesses, they should have given Mr Smith, who had served the country for 10 years as a cabinet Minister, the benefit of the doubt.

#### More on Ex-Minister Smith

Nassau THE TRIBUNE in English 25 Mar 85 p 1

[Article by Athena Damianos]

[Text]

**CLARENCE Town MP James Knowles declared today that former Cabinet Minister George Smith could be sentenced to a maximum 25 years in prison if he is found guilty of four charges that surfaced against him during the Commission of Inquiry.**

Mr Knowles said that if the Attorney General presses charges and the former Minister is convicted, "every minute of those 25 years has got to be spent in Fox Hill."

"He should have been in the packing house!" a Member from Government's backbench shouted out. Mr Smith is the former Minister of Agriculture. The Commission found that Mr Smith

- Bought a BMW car from funds provided by the drug smuggling organization of Joe Lehder.

- Under evaluated the car for Customs purposes.

- Failed to obtain exchange control authority to export the purchase funds and to declare them to US Customs.

- Corruptly accepted funds from known drug traffickers.

"I know that's good for 25 years in Fox Hill if he's sentenced for all those offences with the sentence to run consecutively," Mr Knowles said.

He said that Attorney General Paul Adderley would probably be fired if he attempted to bring charges against Mr Smith.

Mr Adderley was in the gallery when Mr Knowles made his remarks.

He said that while Mr Smith "drove around in Mr Lehder's car cool as billy," he had in effect been bought by the Lehder organization "lock, stock and barrel."

Mr Knowles said that Mr Smith continued to sit in the Cabinet and conduct the business of the country after damaging evidence had been brought against him before the Commission.

"And, in the meantime they made him honourable for life!" he protested.

"Mr Joe Lehder, one of the most notorious drug smugglers in the world, gives the Minister a car and, according to the Commission, he receives \$100,000 from him and he is made honourable for life! Shame! I cry shame!" Mr Knowles shouted.

He said that unless Mr Smith's title is revoked, other member's like Cooper's Town MP Hubert Ingraham would not accept the title "honourable" for life if they qualified because of the stigma that has now been attached to it.

He prevailed on Members not to accept the title "honourable" unless it is revoked in the case of Mr Smith.

Mr Knowles said that Mr Smith has a big sign posted "Hon George A Smith, investment consultant" on the street.

He wanted to know who Mr Smith is a consultant to.

"Probably Joe," he muttered.

"A Cabinet minister to be that thoroughly devious and to remain a member of this House disturbs me," he said.

Mr Knowles strongly objected that Mr Smith took the oath of a Cabinet Minister in 1982, after he had compromised his position. He felt that by his action, Mr Smith was saying that the Constitution is a joke.

He said that even after Mr Smith accepted the money for a BMW, he claimed a lower price to cheat Customs and the public Treasury.

"God, Mr Speaker, how low! At least if you're going to accept a gift, pay the full duty on it," he said.

Mr Knowles said that if the former Minister is sent to prison, his sentence should not be reduced and under no circumstances should he be put on parole.

"They'll have to spruce up the jail for him," he said sarcastically.

Mr Knowles said that the prison would have to be vacuumed in the mornings and that Sunday would have to be made a special day "for him where you get coffee and Dunkin' Doughnuts."

Mr Knowles said that "George expected Lester Smith (his cousin)" to tell the Commission that he lent him money to buy the BMW.

"Lester Smith won't lie for anybody. The only person Lester Smith would lie for is those people at Lyford Cay. He ain't going to lie for no minister," he said.

Mr Knowles could "never figure out" how Mr Smith "out did" the Prime Minister's friend, Everette Bannister, by

being the one who received a suitcase containing money from a drug smuggler.

"Mr Bannister let him carry it away and not Mr Bannister! Now, something's funny. That's a feat!" he exclaimed.

Mr Knowles said he always thought Mr Smith was smart, but he never realized he was smart enough to out-do Bannister.

"The BMW is gone, and he (Smith) is still here (in the House)," he said.

Mr Knowles said that the former Minister would hang on in Parliament as long as he could; not caring about the shame and disrepute he is bringing on the House.

He said that the permanent secretary of the Ministry, Idris Reid, should have been removed from his post. Mr Knowles identified Mr Reid as the former minister's "bagman" in the BMW episode. He pointed out that the Commission found Mr Reid had been "less than candid" when giving evidence.

"There was the permanent secretary carrying the filthy lucre for the minister to bring the car. But he's still there. It's amazing," he said.

Mr Knowles said that Mr Reid should be "put out to pasture" because he is not a good example to young people.

He recalled that during a regatta at George Town, Mr Reid pointed at him and said, "I'm going to get your..."

"A permanent secretary talking to a shadow minister of agriculture! He is 'going to get my...' He has got plenty of power, Mr Speaker. He has got plenty of power and obviously the beat goes on because he is still there."

Mr Knowles felt that Mr Reid was putting the Ministry in jeopardy by staying on.

15 May 1985

## Call for Ban on Drug Figures

Nassau THE TRIBUNE in English 27 Mar 85 pp 1, 4

[Article by Athena Damianos]

[Text]

**CLARENCE TOWN MP** James Knowles today demanded that Michael Salvatore Caruana, a member of a New England Mafia family and fugitive from US Justice, be put on the Immigration stop list immediately with a guarantee that he is not allowed to step foot in the Bahamas again.

Mr Knowles said he was startled to learn from National Security Minister Loftus Roker today that Caruana's name was only placed on the Restricted list on January 8 this year.

"The Restricted list! Not the Stop list! I, as a Bahamian, demand that his name is put on the Stop list immediately and a guarantee is given that he is not allowed to set foot in this country again," Mr Knowles exploded.

"A fugitive from US justice! A member of the Mafia who would not hesitate to put a bullet between your eyes. That is unspeakable!"

Caruana's name first became public last July through Commission of Inquiry evidence which linked him as a veiled business partner of St Agnes MP Kendal Nottage. The Commissioners later found that Mr Nottage, the Prime Minister's friend and former law partner, "whether he realized it or not" fronted for Caruana. Mr Nottage resigned from Cabinet last October.

Before Mr Knowles could resume his address on the Commission of Inquiry debate this morning, Mr Roker and Tourism Minister Clement Maynard, the former Minister of Labour and Home Affairs, objected to certain remarks the Clarence Town MP made Monday.

Mr Roker said that because of the tourist traffic and scattered nature of the islands, it would be impossible to give an assurance that drug smugglers like Caruana and Joe Lehder

were not in the Bahamas.

He revealed that Artis Chester, wife of Tilton Lamar Chester, accused of drug trafficking, was put on the Restricted list on March 21, and that Caruana was placed on the list January 8.

Mr Maynard wanted to know if Mr Knowles objected to Lehder being given permission to enter the Bahamas for two days to wind up his affairs after being placed on the Stop list in 1980. He said that under the law, anybody who has been placed on the Restricted or Stop lists is entitled to apply for permission to enter the country to wrap up their business.

"I question, Mr Speaker, what business? You see, a drug smuggler, as far as I am concerned, has no business in this country except drug smuggling business," Mr Knowles responded.

He said he didn't care what the circumstances were because Lehder's entry into the Bahamas in the beginning was for an illegal purpose.

"I would like to have Caruana and Lehder banned from this country for evermore," Mr Knowles declared.

Mr Maynard said that Lehder, who was a major property owner at Norman's Cay, Exuma, was entitled to apply through his lawyers, to enter the country so that he could make arrangements over his land.

Mr Knowles said he never questioned Lehder's right to apply to enter the Bahamas to wind up his affairs. He was, however, questioning Government's approval of that application which, in his view, should never have happened.

During the exchange Mr Maynard began to lose control of his temper. He said that Mr Knowles as a lawyer knew he was misleading the House. He



wanted to know if Mr Knowles passed his Bar exam.

Arthur Foulkes (Blue Hills) objected that if an Opposition Member had made that type of remark, there would have been strong protests from the other side.

"Let's talk about finder's fees," Mr Foulkes suggested.

"You know you can't frighten me," Mr Maynard later said to Mr Knowles.

"Where I come from, son, anybody (who looks like you) I can beat," said Mr Maynard.

"Don't let him run you hot,"

Speaker Sir Clifford Darling advised, bringing an end to the matter.

Mr Knowles hoped that by the time the debate was over, a Government Member would be able to give an assurance that "the mafiosa partner of the Member for St Agnes" in the Freeport hotel venture would have been placed on the Stop list and would not be allowed to enter the country again.

"Michael Salvatore Caruana! Michael Salvatore Caruana! On

the Government's Restricted list since January, 1985," Mr Knowles shouted.

"This country belongs to us, you see. Not Michael Salvatore Caruana and I find that if he has his way, he'd own all of us. But, he's not going to own us. And, I'm going to do my best to see that he never sets foot on this soil again."

Mr Knowles said that he saw a front page picture of Lamar Chester (on February 25) outside the Magistrate's court with his wife Artis. Mrs Chester was freed of charges of marijuana possession with the intent to supply. She was arrested by police at Little Darby Island in the Exumas last November 17.

"In my opinion I would not have let him in, even under those circumstances," Mr Knowles said.

He said that Chester was not on trial and that, as far as he could gather, Chester did not give evidence in the case.

"So, what was he allowed here for?" Mr Knowles wanted to know.

### Ongoing Drug Trafficking

Nassau THE TRIBUNE in English 27 Mar 85 pp 1, 14

[Article by Colin Higgins]

[Text]

DRUG trafficking in the country has not changed since the Commission of Inquiry, Opposition Free National Movement MP for Clarence Town, Long Island told the House of Assembly Monday afternoon.

"The beat goes on Mr Speaker," he said.

Opposition colleague Vernon Symonette, who spoke on the 1984 drug trafficking and corruption Commission report immediately before Mr Knowles, stated: "I maintain the Government has lost the moral right to govern and we say - all 11 of us - that they should do the honourable thing and resign."

Mr Symonette - Inagua and Mayaguana MP - observed: "We are sitting on a powder keg."

Addressing Prime Minister Sir Lynden Pindling - who has not been in the chamber over the last few weeks - Mr Symonette said "before we are destroyed, in the name of God I say take your crew and go."

Mr Knowles said the Commission report shows the country has "a very serious" drug problem.

He said nothing has changed in the country as far as drug trafficking is concerned. It is just as rampant today as it was five years ago, Members were told.

Mr Knowles said he sat on his patio Saturday afternoon and saw an unmarked DC 3 in the air.

He said he could not see what was in the plane but based on his knowledge "that was a typical drug plane."

The Opposition member told the House that the eastern end of New Providence - within "eyeshot" of his home - is "abuzz" with fast boats.

Mr Knowles said he has heard reports that after midnight Great Harbour Cay is "alight" with boats.

"I want some assurance sir that this thing is going to be brought under control soon," the Member told Speaker Sir Clifford Darling.

He said it seems some drug traffickers have taken greater control of areas. "They haven't been deterred," he asserted. "The beat goes on."

Mr Knowles said this "very serious problem" will not "crawl away and say 'I'm going to leave you alone.'"

It is going to get worse and worse, parliamentarians were told.

Prime Minister Sir Lynden Pindling - aside from Governor-General Sir Gerald Cash - would have the most to do with appointing persons to the Commission of Inquiry, said Mr Knowles.

He said he believes the Cabinet would also have a part to play in appointments and this would include former Minister Kendal Nottage.

The Opposition member said Mr Nottage castigated the Commission. "Here you got a Government that has the power to choose its judge and jury, chooses its judge and jury and then has one of its principal members come around and castigate" those choices.

"Coming to this House crying, 'Poor me' and he had to have something to do with the appointment of the chief counsel," Mr Knowles said.

He said the Commission's chief counsel Robert Ellicott, QC, was not in the country and could not defend himself against Mr Nottage.

"The person that was torn to pieces by that Commission comes here and attempts to smear an innocent man," the Member said. "I take exception to that."

Mr Knowles said he felt extremely lucky and privileged to be a Member of "this honourable House," explaining that as a result of recent events the House will face a test of "our constitution."

At the "end of the day" Members will have more to do with the future of parliamentary democracy than any House in the past and many others to come, James Knowles said.

BAHAMAS

BRIEFS

DOMINICAN FISHERMEN FINED--IMPOSING a \$3,900 collective fine on 30 fishermen from the Dominican Republic caught poaching in the Bahamas and possessing undersized crawfish, acting magistrate Sharon Wilson said the time must come when the court has to give some penalty that is punitive to the crew so they can help discourage the offence. The charge stated that the men being captain and crew of the foreign vessel "Pili" #2002 used the boat to engage in fishing in the exclusive fishing zone of the Bahamas March 14 about 12.02 pm in the vicinity of Racoon Cay. They were also charged with possessing a quantity of undersized crawfish. [Natasha Chea] [Excerpts] [Nassau THE TRIBUNE in English 25 Mar 85 pp 11, 14]

CSO: 3298/545

BRAZIL

# GOVERNMENT ANNOUNCES FIRST NEW AUSTERITY MEASURES

Sao Paulo GAZETA MERCANTIL in Portuguese 19 Mar 85 pp 1, 6

[Text] On the first working day of its term, the new government announced half a dozen important measures, to be adopted as of today, aimed at the reduction of the public deficit, recalibration of monetary and fiscal controls, and redirection of investments in the sectors of primary importance: agriculture, exports, and activities which generate jobs and improve the distribution of income. This was the first practical consequence of Tancredo Neves' speech read on Sunday to the ministers by the interim president, Jose Sarney, whose order was: "Spending is prohibited." Yesterday Minister of Finance Francisco Dornelles and Minister of Planning Joao Sayad took the first steps, which were:

--Official federal banks will suspend active operations for 60 days and will apply their non-cash holdings to public bonds during this period. After the 2 months they will have to reevaluate available sources and to adjust to the applications to sectors defined as having a high priority by the Tancredo Neves administration, they will return to normal operations. Next week, a monetary program will be elaborated for the Banco do Brasil and the Banco Central. This means that even the agricultural and export sectors may grumble over the lack of resources at the outset. But, according to Sebastiao Marcos Vital, Secretary-General of the Ministry of Finance, the idea of the government is to "fatten" the resources for these sectors, in the Banco do Brasil as well as in the rest of the official network, which may already have happened since last week.

--The fiscal budget will suffer an additional cut of 10 percent from the Cr\$ 82.3 trillion programmed for income and spending this year. This percentage is added to the 15 percent cut established by President Joao Figueireido at the end of last year, and should generate a savings of about Cr\$ 10 trillion.

--All hiring of new employees within the administration, as well as indirect employees and those in foundations which are supported from the National Treasury, are prohibited until the 31st of December, even in those cases in which a presidential dispensation was expected. The new ministries created by the incoming government will have to function with leftover employees.

--Each ministry will be funded on a fixed monthly basis. The Financial Programming Commission (CPF) of the Ministry of Finance will chart the month-by-month release through the end of the year.

--This administration will apply the penalties stipulated in Decree-law No 2,169 passed last October which penalizes federal, state, and municipal entities which invoke Decree GB-588, covering breach of contract with external creditors.

--Minister Francisco Dornelles advised the new President of the Banco Central, Antonio Carlos Lemgruber, that he should proceed to enforce rigorously compliance with Resolution No 991, which established the rules for rollover of debt in the public sector, allowing the refinancing of 90 percent of the principal.

According to Sebastiao Marcos Vital, who assumed his new position yesterday, behind these first measures is a strong intention on the part of the government to close 1985 with an inflation rate below the 223 percent achieved last year, to the extent that the measures will have an impact upon the reduction of the national debt, and even upon a diminution in interest rates.

Just yesterday, the Minister of Finance sent telexes to the heads of the major banks--BNH, BNDES, BASA, BNB, and the Caixa Economica Federal--recommending the suspension of active operations for 60 days, except for the Banco Central, which will have its open lines frozen for 90 days, and for the Banco do Brasil, which will be the object of monetary programming for the entire year, involving monthly limits on the release of money into the market. This measure will have as a backdrop an important result: there are almost Cr\$ 100 trillion which, paralyzed by this measure, will revert to the purchase of public bonds in the external market, with a significant impact upon the reduction of the money supply.

The apparatus of the federal government will operate only with the debt rollover, which operates according to the following scheme: in the private sector, 100 percent of the corrected principal and payment of interest, and, in the public sector, 90 percent of the corrected principal and payment of interest.

Each Ministry and entity which is part of the Federal budget will have to present its new expense budget within thirty days, counting today. According to the Special Secretary for Economic Issues of the Ministry of Finance, Joao Batista de Abreu, the Treasury will have to cover its costs with investments, since priority will have to be given to debt payment.

This priority expresses the attitude of the new administration, which this week will put into effect Degree-Law No 2,169, from last October, which established sanctions against the directors of state businesses who invoke Decree GB-588. That is, those who breach their contracts with international creditors, leaving the payment of their external debt to the Banco do Brasil. Under this law, the Banco do Brasil will have to notify the Banco Central of such payments, and notify the indebted entity that it must reimburse the institution within a

period of 30 days, after which it will begin to incur a fine of 10 percent of the value of the Decree GB-588, as well as pay monetary correction and interest of 1 percent. In addition, it will have all of its deposits in financial institutions blocked, and 90 days after the term in question, if the debt has not been paid, it will be written into the national debt, with public identification of the responsible parties.

Thus, as a result of these measures, the government entities will spend nothing for 90 days, and the official banks will lend nothing for 60 days. The logical result of these provisions, expected by Vital and Batista de Abreu, is a substantial reduction in monetary expansion, in the nominal public debt, and, thus, in inflation. They do not consider such measures as brakes upon economic growth since they would create openings in the financial market for the private sector. They feel, also, that this is the only way to find resources for the sectors with high priority needs, i.e., those that produce foods, that generate jobs, that better distribute income, and that result in more exports.

12857

CSO: 3342/134

BRAZIL

BRIEFS

TRADE PROSPECTS WITH ALGERIA--To increase exports of Brazilian autoparts to Algeria--which this year are estimated at US\$ 10 million--and, in parallel with this, to participate in the creation of an automotive manufacturing center currently under way in that country. These are the two principal goals of 16 companies from the Brazilian autoparts industry that will participate in the Algeria International Fair, which begins today and goes until the 17th of the month. Theophil Jaggi, Director of OEM Comercio Exterior, the company that is organizing Brazil's participation in this fair, feels that the possibility is very great that Brazilian companies will close "impressive contracts" in the after-market, but principally with the Algerian state manufacturers. He points out that Algeria has a policy of establishing joint ventures with foreign industries, and that means "good opportunities for Brazilian investors." According to the director of OEM, the moment is propitious for penetrating the Algerian market, because the Socialist government is forcing a separation from France for political reasons. "For this reason," he says, "I believe that Brazilian participation in this fair is of primary importance for the Brazilian autoparts industry, since, because it is a Socialist regime, commercial transactions with Algeria are centralized by the State, and this makes it difficult from the start to find a competent channel. With this fair we will have better chances." [Excerpts] [Sao Paulo GAZETA MERCANTIL in Portuguese 6 Mar 85 p 3] 12857

BIODIGESTOR SYSTEM IN SAO PAULO--A new system of sewage treatment was launched yesterday at the Jesus Neto Station of SABESP in Ipiranga. Through the use of an anaerobic biodigester, it is capable of purifying up to 80 percent of collected sewage, and of producing methane gas on a major scale; this can be used as a substitute for cooking gas in the kitchen, and, after purification, can fuel automobile motors. The Secretary of Projects and Environment, Joao Oswaldo Leiva, age 50, explained that, because of its low installation cost--six times less than the conventional method--and the efficiency of the process, this system could come to be installed gradually throughout the entire metropolitan area of Sao Paulo.

In spite of the fact that several other projects are being evaluated, such as Project Sanegran, which involves the emptying of Sao Paulo sewers at Praia Grande, this seems to be more adequate, according to Leiva, because its modular installation makes possible more immediate results for the community; "besides, the cost is only 10 dollars per inhabitant, while the conventional system costs 60 dollars", because it requires major construction and heavy equipment.

According to technicians of CETESB--who developed the biodigestor--this process has a capacity of 2000 cubic meters of sewage per day, meeting the needs initially of 10,000 inhabitants, and inside of three months its capacity will be doubled. [Excerpt] [Sao Paulo FOLHA DE SAO PAULO in Portuguese 9 Mar 1985 p 20] 12857

CSO: 3342/134



CHILE

# MILITARY OFFICERS HEAD STATE ECONOMIC INSTITUTIONS

Santiago QUE PASA in Spanish 7 Mar 85 pp 12-14

[Text] Not long ago, when Col Enrique Seguel became president of the Central Bank, many suggested that the Chicago boys "were attacking again." This transformed the officer economist into something like a "Chicago officer." This description he himself rejected, saying that this was making a mountain out of a mole hill. And he agreed, in passing, to put his cards on the table regarding his rumored economic tendencies: "I consider myself rather realistic. We will try to solve problems in light of this pragmatism, viewing the economic situation as a whole, within the larger context in which this policy should be framed, i.e., the social and political situation that our nation is experiencing."

If the replacement of Francisco Haney by Col Seguel--former undersecretary of finance, former economic attache of the Chilean mission to the OAS, in which position he participated in the Cartagena and Mar del Plata meetings--in the top position at the bank of issue, does not bring the return of a fanatic free market policy, then does it mean the beginning of a military "sortie" into the economy?

Giving additional force to this question is the appointment of Brig Gen Sergio Valenzuela as minister-director of ODEPLAN [National Planning Office], a position in which he replaced Luis Simon Figueroa.

And if neither the minister of economy nor the minister of finance comes from the Armed Forces, it is a fact that the undersecretaries in both ministries, Jorge Valenzuela and Manuel Concha, respectively, are colonels.

Both impressions remain to be disproved. Col Seguel warned against the danger of "making mountains out of mole hills," but what is the notion that the free market strategy has returned based upon?

Perhaps, in the first place, the fact that, in the eyes of some, the military regime is identified, in terms of what might be called "economic ideology," with such positions. So, at least, Genaro Arriagada and Manuel Antonio Garreton put it in a chapter of the book "The Armed Forces in Civilian Society," in which they spoke of the existence of a mutual conflict "between the nationalist conception and the principles of the free market, in which foreign firms have the same rights as the country's own, i.e., between political nationalism and economic "non-nationalism;" between economic privatization and political statism."

In order to establish the free market system--in which the chief protagonists would be the upper middle class and the technocrats--it was necessary, according to the authors, to assure a certain level of order, which the military undertook to do.

Considering the ministers of economy and finance that the regime has had in the last dozen years, this hypothesis would appear to be confirmed. In the beginning, as was logical, given the conditions under which the government started out, the former portfolio was in the hands of Gen Rolando Gonzalez and the latter in the hands of Rear Admiral Lorenzo Gotuzzo (one of the few sailors who has carried out economic tasks), the driving force behind the customs reform, who is regarded as having initiated the era of the social market economy.

It is a fact that, in the ministry of economy, from October 1974 until December 1980 (a few months before the symptomatic fall of CRAV, which forshadowed the "boom" crisis), and in the finance ministry, from July 1974 until now, there were no uniformed ministers.

#### A Retrospective Glance

So long as the "miracle" lasted, the military did not intervene in the Ministry of Economy. This was the case, of course, only insofar as the position of secretary of state is concerned (the same could be said regarding ODEPLAN), because, throughout the regime, one military man after another has occupied the subsecretary's position, seven of the 11 incumbents having come from the Army. The situation with respect to the subsecretary's position in the finance ministry is similar, because, although there have been fewer changes, members of the Armed Forces (a naval captain and two colonels) have occupied the position for a preponderant part of the period.

Members of the Armed Forces--basically, of the Army--have taken part in the management of the economy throughout the regime (only one of the nine vice presidents of CORFO (Production Development Corporation) has been a civilian), if not out in front, at least always in the rear guard. Moreover, they have coexisted with Cauas and "the policy of shock," with De Castro and the "boom," with Caceres, with Escobar and now with the Collados-Buchi duo.

"It cannot be said that the military have returned to economic tasks," a source said in this regard, "they have never given them up."

While it is true that, during this regime, there has been, for obvious reasons, an incursion of military men into nonmilitary areas, it is no less true that, traditionally, there have been men in the Armed Forces who specialized in non-defense matters, both in Chilean universities and abroad. Traditionally, navy men have shown an obvious interest in educational affairs; carabineers, in the law; and army men, in economics and engineering.

At the same time, according to Augusto Varas of the Latin American School of Social Sciences, who is an expert in military matters, the Chilean Armed Forces expanded considerably between 1973 and 1983. Thus, the preparation of military men for non-defense matters has probably been influenced by a historic tendency added to a situation favoring it and an increase in personnel.

He points out that, between 1973 and 1976, a large number of military men went abroad to study, in preference to different universities in the United States.

Among the officers who now have positions in the economic field are engineers, accountants and some economists, graduates of the Military Polytechnical Academy (especially the engineers) and Academy of War, where they received a basic education in economics and some did studies not strictly related to the purposes of the institution.

According to Varas's explanations, specialization in a nonmilitary area in any way prejudices one's career in the military establishment and, on the other hand, only officers of high rank come to occupy important positions in public administration (as exceptions, he mentions generals Frez and Danus). Thus, military men who have studied non-defense matters may remain for many years in public administration but not always at the highest level.

The universities at which they may have studied do not matter greatly, another source close to the subject indicates: "Our military are pragmatic and technically minded in economic terms. If you say that they are statist or fervent partisans of the school of Chicago, you are caricaturing them."

Another person points out, "You should not look for an explanation of their position in the places at which they studied but rather in their loyalty to President Pinochet."

As Col Seguel said, one should not make a mountain out of a mole hill.

CORFO [Production Development Corporation] - 83

Vice president: Gen Fernando Hormazabal  
General manager: Col Guillermo Letelier  
Manager for standardization: Maj Jose Martinez  
Manager for development: Air Force Commander Edgardo Villalobos

(In addition to the general, there are six other managers, two of whom--those already mentioned--come from the Armed Forces. Furthermore, there are also military men among the advisers.)

And what has happened in the state enterprises?

IANSA [National Sugar Industry]:

President: Col Enrique Alvarez

ENAEX:

President: Brig Gen Mario Hernan Ramos  
General manager: Maj Gen (ret) Manuel Pinochet

SOQUIMICH: [Chilean Chemical and Mining Association]:

President: Brig Gen Sergio Valenzuela

Telephone Company of Chile:

President: Rear Adm (ret) Rolando Garcia  
General manager: Lt Col Ivan Van de Wyngard

ENTEL [National Telecommunications Enterprise]:

President: Rear Adm (ret) Rolando Garcia  
General manager: Col Gerson Echavarria

ENACAR [National Coal Enterprise]:

President: Brig Gen Sergio Valenzuela  
General manager: Col Eudoro Quinones

Easter Island Agricultural and Services Company:

President: Vice Adm Raul Lopez

Panguipulli Forest Complex:

President: Gen Eduardo Castellon

CAP [Pacific Steel Company]:

President: Vice Adm Guillermo Adonei  
Vice president: Vice Adm Ramon Undurraga

ENDESA [National Electric Power, Inc.]

Vice president: Brig Elio Bacigalupo

Chilectra [Chilean Electric Company, Ltd.]:

President: Maj Gen Julio Fernandez  
Vice president: Col Eduardo Masallera

ENAMI [National Mining Enterprise]:

Vice president: Maj Gen Rigoberto Rubio

Railways:

Director general: Brig Jorge Correa

CODELCO [Copper Corporation]:

Executive president: Maj Gen Patricio Torres

Note: The companies included in this table have different degrees of state participation, as well as different legal statuses. Moreover, only those in which military men occupy the highest administrative positions are shown, without taking into consideration the composition of their respective boards of directors (on which, in some cases there are also military men).

ODEPLAN: Almost a Tie

Roberto Kelly  
Miguel Kast  
Alvaro Donoso  
Brig Gen Luis Danus  
Brig Gen Gaston Frez  
Brig Gen Sergio Perez  
Hernan Buchi  
Luis Simon Figueroa  
Brig Gen Sergio Valenzuela

(The ministers for the last 12 years are shown.)

SUBSIDIARY COMPANIES OF SUBSIDIARIES (CORFO)

Huachipato Steel Company:

President: Capt (Navy) Harald Rosenquist

Pacific Mining Company:

President: Col Luis Arangua

Pacific Ores Trading:

President: Vice Adm Maurice Poisson

Chilean Electric Power Company:

President: Lt Col Gustavo Latorre

Chilean Metropolitan Light and Power Company:

President: Lt Col Enrique Alvarez

Chilean Fifth District Light and Power Company:

President: Rear Adm Pedro Larrondo

General manager: Col (ret) Alejandro Morel

Colbun-Machicura Electric Company:

President: Lt Col Gustavo Vasquez

Schwager Coal Company:

President: Brig Sergio Valenzuela

12336

CSO: 3348/468

CHILE

BRIEFS

FISH REVENUES DROP IN 1984 --The total earnings of five of the country's most important fishing companies last year reached \$5.133 billion, a figure that represents a decline from 1983 earnings, which totaled \$6.054 billion. This is the conclusion indicated by the financial statements submitted to the Superintendence of Stocks and Securities by the Indo, Coloso, Eperva, Iquique and Chilemar firms, all processors of fish meal and oil. Of the five, Pesquera Indo was the company with the greatest profits. Its earnings reached \$1.643 billion, and came essentially from operational management, which produced a positive balance of \$1.630 billion. It should be noted that the income from sales reached \$4.001 billion in 1984. [Excerpt] [Santiago EL MERCURIO in Spanish 8 Mar 85 p B-1] 12336

PUBLIC AGENCIES' BUDGETS REDUCED--According to informed sources yesterday, the reduction in expenditures by public organizations and agencies agreed upon by the ministries of economy and finance is approximately \$2.5 billion. As indicated yesterday, both ministries sent each agency notification of the amount to be deducted from the budget for the current year. The agencies were free to adjust this reduction to suit their internal needs. In most cases, the deadline set for this adjustment expired yesterday. The reduction of expenditures forms part of the economic policy makers' new macroeconomic policy. [Text] [Santiago EL MERCURIO in Spanish 8 Mar 85 p B-1] 12336

CSO: 3348/468

COLOMBIA

ONLY THREE VIABLE CANDIDATES SEEN FOR 1986 ELECTION

Bogota EL ESPECTADOR in Spanish 17 Mar 85 p 1-A

/Article by Carlos Murcia/

/Excerpt/ The withdrawal of the first-round candidacy of Augusto Espinosa Valderrama has given rise to important political reshuffling, while there is intensification of the parliamentary election campaigns which will of necessity become the first test of fire for the confrontation of the political groups and parties.

In reality, there are now only three viable candidates on the political scene for the 1986 elections: Virgilio Barco Vargas, Alvaro Gomez Hurtado and Luis Carlos Galan.

Liberal Representative Alvaro Uribe Rueda and conservative Senator J. Emilio Valderrama are also candidates for the presidency; however, they have no chance of being elected at the conventions of the two parties, which means that their campaigns will not extend beyond August and November, respectively.

The number of liberal and conservative first-round candidates has been reduced to its proper proportions in the past few hours, leaving only those who have some chance of receiving a significant vote in the upcoming elections.

However, now discussion has also begun of the composition of the slates of aspirants to seats in Congress, the assemblies and councils.

To avoid unnecessary controversies among his supporters, Dr Barco has declared the slates to be wide-open.

Lopez Ruled Out

In the opinion of political analysts, the alternative of the reelection candidacy of former President Alfonso Michelsen is virtually ruled out, if account is taken of the fact that at least 70 percent of the National Convention which is to meet this year is leaning in advance toward Virgilio Barco, according to polls and alignments produced up to now.



The name of Lopez Michelsen, suggested by Augusto Espinosa and Federico Estrada in statements to the press, could only emerge in the very remote case of Barco's withdrawing his candidacy, which in the opinion of liberal conventioners who have already stated their positions would constitute a 180° turnabout or would mean that the candidate chosen at the Convention would suffer a very serious setback during the March 1986 parliamentary elections vis-a-vis the Conservative or New Liberal parties.

The naming of Lopez Michelsen, who is now in Europe, is not seen as possible, as EL ESPECTADOR was told by members of the Liberal Directorate because the Convention will vote only on the names of Barco Vargas and Uribe Rueda, the only two candidates who have filed with the DLN /National Liberal Directorate/, pursuant to the provisions of the so-called "rules of the game."

#### EL TIEMPO Support

Support for Barco continued to grow yesterday after the withdrawal of Augusto Espinosa Valderrama. Barco's list of new supporters include the newspaper EL TIEMPO, which in an editorial has stated categorically that he has now become the sole candidate of Liberal Officialism and the man who will lead the party to victory in 1986.

8143

CSO: 3348/518

COLOMBIA

BISHOPS DENOUNCE POLITICAL, ECONOMIC PERSECUTION OF PEASANTS

Bogota EL ESPECTADOR in Spanish 16 Mar 85 p 1-A

/Article by Carlos Alberto Junca/

/Excerpt/ On the occasion of the Day of the Migrant celebration this Sunday, the Colombian Episcopate has released a message denouncing political and economic persecution in the country which is an attack on human dignity.

In the message, the Colombian Church states that many persons have had to emigrate for political reasons and reveals that the government, through the Intergovernmental Migration Committee (CIM), had requested the transfer abroad of about 45 Colombians.

The highest Church organization in Colombia indicated that many persons emigrated for economic reasons and had to leave the country with bitterness to relocate in other countries.

The Episcopate warned of a renewal of the slave trade in poor countries by pseudo-resettlement agencies who contract young men and women to exploit them in other countries.

The document says, "Neither military nor police entities nor force should be used to suppress or stifle political ideas. Political ideas or philosophical concepts are proposed and rejected through intellectual arguments."

"In the past there was a civil war for political reasons, but there is still no political peace. Instead there is an armed truce," states the Permanent Secretariat of the Colombian Episcopate.

It adds that for this reason many persons, particularly peasants, have emigrated to other regions of the country and are living without material assistance.

In a letter addressed to the bishops, the Church reveals that over 1.5 million Colombians are living outside the country because it was unable or unwilling to guarantee them what is required to give them a life worthy of the sons and daughters of God.

JPRS-LAM-85-042  
15 May 1985

GOVERNMENT HOPES TO MAINTAIN FINANCIAL AUTONOMY

Bogota EL SIGLO in Spanish 21 Feb 85 p 9

[Article by Raul Rodriguez]

[Text] Last Monday's statement by Minister of Finance Roberto Junguito offers much food for thought and allows Colombians to draw conclusions about what the economic adjustment program has been and what remains to be done.

When the one in charge of public finances says that the coming weeks will be crucial for the Colombian economy, this means a lot, especially now that the IMF is preparing a new evaluation of the economy, the results of which will determine whether or not the country gets foreign credits or, as a last resort, has no choice but to enter into negotiations with the Fund.

What the government, with the help of the Congress, has done in recent months has been only to adopt some of the measures recommended by the Monetary Fund, but this process of adjustment only goes halfway, that is to say, there are other measures to be taken that imply greater sacrifices for the nation.

It has been said repeatedly that there is no more to be gotten from the taxpayers, and this is understood by the government which rejects any possibility of new tax adjustments, especially since the political parties consider any such move as counterproductive for the objectives of economic reactivation and peace in Colombia.

The government is optimistic about maintaining its autonomy in managing economic policy, because, if the World Bank does not agree to grant the country new credits after the IMF has issued its report, the government will be obliged to sign a formal contract with the Fund, which would imply that the latter could intervene almost directly in the adjustment process.

President Belisario Betancur, the minister of finance and other officials have asked that the World Bank recognize the effort that Colombia has been making, taking measures that are against the people's interest in some cases and that harm the image of the executive but as a result of which the present situation and future prospects are encouraging and which constitute a guarantee in order that the country may be given new foreign loans.

Many people think that the government is making a mistake in not recognizing that an agreement with the IMF is the only solution and they add that to postpone this step is to increase the sacrifices that that decision implies.

If we rely on the comments and figures cited on Monday by Junguito Bonnet, we have to be confident and to hope that, in the end, Colombia will overcome the crisis without having to go to the Fund, as the majority of Latin American countries have had to do, at a cost known to Colombian and world public opinion.

Maintaining autonomy in economic management is one of the bases of a solid and true democracy and this is why the government does not want to have to take that step.

If we are realistic, we cannot now altogether exclude the possibility of going to the Fund, but we should be optimistic within the confines of realism and hope, as the government also hopes, that the Fund and Bank will concede that the adjustment program is well underway and that, with sacrifices, the Colombian economy is beginning to show clear signs of recovery.

Let us hope that the government's optimism does not fail and that the Fund's mission in Colombia issues a favorable report, because, should the contrary be the case, the days ahead are not going to be easy, either for the rich, the poor, or the middle class.

12336

CSO: 3348/439

COLOMBIA

JPRS-LAM-85-042  
15 May 1985

# NATIONAL BANK PRIVATIZATION PROCESS BEGUN

Bogota EL TIEMPO in Spanish 21 Feb 85 pp 1-A, 2-A

[Article by Carlos Pineros, editor of EL TIEMPO]

[Text] The government yesterday opened the way to begin the National Bank privatization process, strengthened the financial system's possibilities for capitalization and approved a billion pesos of subsidized credit for the victims of the floods in the south of Atlantico.

The Monetary Board left it to the Committees of Coffee Growers to decide whether to invest in the Coffee Growers Bank, which is now owned wholly by the state. This bank is developing a plan for capitalization in the amount of \$5 billion, \$3 billion of which will be subscribed by the National Coffee Fund (which is dependent on income from taxes) and \$2 billion directly by the coffee growers.

The monetary hierarchy also smoothed the path for the government to reduce its present participation in the Livestock Bank, which is equal to 32 percent of the shares in circulation. The rest of the shares are in the hands of the Livestock Committees, which will have priority in subscribing to the new paper that the financial institution will issue to secure capital. The last meeting of stockholders approved the issue of bonds automatically convertible into shares up to a value of \$4 billion.

The Monetary Board also considered the possibility of private investors entering into participation in the ownership of the People's Bank. However, they met with legal obstacles; still, the infusion of private capital into this organization was not ruled out.

Next week, the Monetary Board will draw up a resolution to: clarify a series of questions raised by the bankers operating in Colombia on the process of capitalization; facilitate the presence of foreign capital in the financial system; and strengthen the system's possibilities for increasing its solvency.

12336  
CSO: 3348/439

COLOMBIA

# ANALYSIS OF PESO PARITY, EXPORT GOALS, MARKET SITUATION

Bogota EL SIGLO in Spanish 1 Apr 85 p 10

[Article by Arturo Menendez]

[Text] Unwillingly, and without getting into whether the chicken or the egg came first, the country ended up adopting the list of recommendations by the International Monetary Fund (IMF) to make adjustments in the implementation of economic policy in order to ensure the ultimate payment of the foreign debt, that is, to ensure that enough dollars can be obtained to pay foreign creditors.

Penetrating the euphemisms used by the IMF staff to describe the decisions that the authorities have been adopting or are willing to adopt in order to improve the balance of international payments, one can discern that the unofficial memorandum from the IMF experts, which will form the basis of the decisions that agency makes with respect to Colombia, has just one meaning: cinch the belt to the tightest possible notch.

"Colombian officials expressed their determination to restrict demand and to achieve a more realistic exchange rate," the document starts out. Apparently, that determination originates not in the government, but in the IMF recommendations.

Both sides have the same objective, however: to export as much as possible to earn dollars--and hopefully only dollars--as many as possible. For this reason, the government last week virtually abolished the Special Commercial Exchange Systems (SEIC), which did not produce dollars or any other hard currencies. It had experimented with that novel commercial exchange system for just a few short months.

The government's stated reason for cancelling the SEICs, on orders from Economic Development Minister Gustavo Castro Guerrero, was that "this commercial exchange system was adopted under the best auspices in order to stimulate exports, and has not yielded the expected results. A simple review of the contracts signed between the Colombian Foreign Trade Institute (INCOMEX) and private firms indicates that many of them have resulted in imports without the corresponding exports." In other words, either they were paid for with dollars obtained on the black market, or with foreign exchange from importers

abroad. Due to a lack of government controls, the system got out of hand and turned out "bad."

To restrict demand so that Colombians will consume less and more products can be exported, a number of mechanisms have been adopted. Raising taxes makes it possible not only to deal with the fiscal problem; in the end, with a given income and higher taxes, Colombians will have less buying power. The same goes for rates for public services. Since it is out of the question to obtain cheap dollars to pay off foreign obligations, especially in the electrical sector, the adjustment will have to be at least equivalent to the rate of devaluation plus the rate of inflation in order to meet the costs stemming from the higher price of the dollar and the increase in domestic prices.

The cut in demand will also be seen in the government itself: Budget austerity will result in lower wage raises, a paralysis of investment, and an effective hiring freeze, which will raise the unemployment rate.

In sum, let the gross domestic product rise, let national production grow; but buying power (demand) should be cut so that whatever Colombians or the government cannot afford to buy, for lack of money, can be exported.

If we grew before to go into debt, now we should grow to pay it off.

"Export or die" is one of the most common headlines in the Colombian press. To be sure, the IMF considers us moribund, because it knows that a country cannot die; at the most it suffers convulsions.

After the heated meetings at Cartagena and Mar del Plata, everyone is trying to stay afloat as best he can, at the expense of as many other people as possible.

The second aspect of the IMF recommendations is the acceleration of the exchange rate. That decision, about which "the Colombian officials expressed their determination," is aimed at doing away with subsidized interest rates for exports and Tax Rebate Certificates (CERT) once and for all, and achieving selectivity in imports, since they will become increasingly costly.

To even up the rates of the dollar and other strong currencies of countries with which Colombia engages in major trade, the government has decided to accelerate the rate of devaluation, which last week reached 60 percent.

The devaluations, formerly administered by eyedropper, are becoming more and more like the Great Flood.

A devaluation of 30, 40 or 60 percent in any other part of the world would be devastating, but in Colombia it is merely good business for those who manage to get their capital out in time.

That is why as long as there are continued expectations of a high rate of devaluation, as the government itself announced while pointing out the need to return to the exchange rate of 1975 (Figure 1), the exchange amnesty initiative, implemented through import licenses, will not yield results.

When all is said and done, what the government is guaranteeing to those who have dollars abroad is a very high profit, and it is encouraging those who do not have dollars to try to obtain them and pull them out, because it is suddenly good business.

With the peso being devalued at a rate of more than 1 percent a week, it is no exaggeration to talk of massive devaluations. The eyedropper was so overused that it broke, and now the devaluation is a steady stream.

I mention all of the above because today exporting is imperative for Colombia, not only as a means to keep its industrial, agricultural and commercial capacity occupied as fully as possible, but above all, to be able to pay off its foreign debts.

The IMF recipe is simple: The less we Colombians consume, the more can be exported; and to sell abroad at competitive prices, our currency must be devalued. Finally, we will have the dollars to pay the international credit institutions, and we Colombians will have learned to stick to a very strict diet.

#### Goals and Realities

Colombia's export aspirations for the next few years, under the plan prepared by the Export Promotion Fund (PROEXPO), project foreign sales of US \$3.62 billion in 1985, US \$4.47 billion in 1986, and US \$5.702 billion in 1987; they are expected to rise progressively in the ensuing years.

These projections are based on major sales of coal, petroleum and coffee, primarily, and on growth in some non-traditional exports.

The country should not only make up the lag in the exchange rate (the result of increases in the devaluation far below the inflation rate of the previous years, when the most orthodox formulas were applied to contain the rise of domestic prices during the "bonanza" years), but also recover its lost markets, dashed hopes, and depressed productive sectors. In general, it should recuperate from the recession.

#### Loss of Markets

One of the principal reasons for the decline in Colombian exports and the consequent drain of the dollars the country needs was undoubtedly the crisis that afflicted Latin America, whose effects are still being felt in the region.

Colombia, whose natural markets were Venezuela and Ecuador, saw its sales to them plummet because of the internal economic problems of these two nations.

Thus, for example, after exports to Venezuela rose during the period of 1980-1982 to a high of US \$366.1 million in 1982, they dropped to just US \$111.1 million in 1984.



Trade with the Andean subregion, instituted primarily to create a free-trade zone for products from the five member countries, deteriorated in recent years, in terms of Colombian exports to Venezuela, Ecuador, Peru and Bolivia (Figure 1).

From a total of US \$387 million in exports to the subregion in 1980, the figure rose to US \$456.6 million in 1981. It started to decline in 1982, dropping to US \$452 million, and then to just US \$181.8 million in 1983. Preliminary data show that there was a slight recovery in 1984, with US \$191.9 million in exports.

The two countries mentioned first, Venezuela and Ecuador, were in 5th and 14th place, respectively, among the countries that bought Colombian exports in 1984.

Trade with the subregion accounted for only 6.3 percent of Colombian sales, after having reached slightly more than 15 percent of total exports just 3 years earlier.

The weak integration process is hindered by the fact that the slightest hint of internal problems in one of the member countries throws everything out of kilter as the "every man for himself" philosophy comes into play. To be sure, integration will always exist more on paper than in reality, as has been the case so far.

While the so-called "natural markets" for Colombian products are behaving in such a way as to bring them to the brink of extinction (because, among other reasons, the multilateral agencies and the major institutions do not look favorably on the possibility of trading goods without going through the dollar), sales to the United States and the European Economic Community (EEC) grew between 1980 and 1984 in proportion to the rest of Colombia's foreign trade.

In the first case, despite all the restrictions and the overvaluation of the peso, exports to the United States rose to US \$945.1 million in 1984, after having dropped from US \$1.068 billion in 1980 to US \$692.5 million in 1981. Sales to the European Economic Community, which underwent a similar change, recovered from US \$954.7 million in 1981 to US \$1.0334 billion in 1984.

### Vulnerability of Exports

Colombia's principal exports have two main characteristics: They come primarily from the agriculture and livestock sector, and they comprise a small number of products that could be considered "luxury" items (Figure 3).

Although the effort to diversify the sale of products abroad has been significant, the agriculture sector continues to predominate in exports, and because of the productive structure of the country, there is resistance to making room for the manufacturing sector.

Fluctuations in the prices of agriculture and livestock products on the market are one of the greatest problems in foreign sales of Colombian goods.

Just to cite a recent event, the fall in sugar and cotton prices, the former due to the flooding of the EEC market that depressed prices, and the latter due to the appearance of synthetic fibers and to a glut on the market, is enough to illustrate how vulnerable the country's most important exports are.

Sugar exports brought in US \$195 million in foreign exchange in 1980, only to fall to US \$45.9 million in 1984. Cotton fell from US \$159 million to US \$98 million during the same period (Figure 2).

But the country's dependency on external factors for the sale of its products not only involves manipulations of inventories, as countries can do in the case of sugar, for example; it is also affected by the nature of the supply of certain products. Fruits like bananas that do not seem exotic to us are considered valuable and prestigious on the European markets, and obviously fetch a high price. These fruits, however, like flowers, must be marketed at the right price, which cannot be so high as to discourage buying; but whether or not a price is good depends on the income levels of Europeans and Americans, who today can afford these luxury imports. For the moment, we can rely on the romanticism, taste and income of the developed nations.

Now the country is under pressure from the IMF and the international banks to export as much as possible so that it can fully meet the obligations it contracted abroad in the past and obtain new credit in the future.

We must maintain this impetus, eliminating barriers and red tape and competing with quality and prices, not waiting for exploitative benefactors, so that we can keep our markets and our customers and not throw out all our accomplishments at the least sign of a "bonanza."

Figure 1

(1) Variación de las exportaciones por principales zonas a las que vende Colombia (1980 = Base 100)					
(2) Zona	1980	1981	1982	1983	1984 (1)
(3) Grupo Andino	100	117.74	116.78	46.87	49.48
(4) Resto Alac	100	66.07	42.92	46.87	55.05
(5) E.U.	100	64.79	67.59	49.47	88.42
(6) C.E.E.	100	73.23	84.99	81.57	80.35
(7) Sub total	100	76.11	80.47	87.28	77.78
(8) Otros	100	74.52	72.71	77.64	73.59
(9) Total	100	74.93	78.42	79.21	76.67
(10) Variación de las exportaciones a los países del Grupo Andino (1980 = Base 100)					
(11) País	1980	1981	1982	1983	1984 (1)
(12) Bolivia	100	173.48	41.15	73.21	72.47
(13) Ecuador	100	85.69	67.08	55.24	66.96
(14) Perú	100	155.38	116.35	67.19	93.92
(15) Venezuela	100	122.23	131.15	42.24	39.80
(16) Total	100	117.73	116.76	46.88	49.47
(17) (1) Sobre registros de exportación.					

Key (Figure 1):

1. Changes in Exports to Principal Areas to which Colombia Sells (1980 = Base 100)
2. Area
3. Andean Group
4. Rest of LAFTA
5. United States
6. European Economic Community
7. Subtotal
8. Others
9. Total
10. Changes in Exports to Andean Group Countries (1980 = Base 100)
11. Country
12. Bolivia
13. Ecuador
14. Peru
15. Venezuela
16. Total
17. (1) Based on export records

Figure 2

Producto Capítulo (1)	1980 (2) Índice (US\$000)	1981 Índice (US\$000)	1982 Índice (US\$000)	1983 Índice (US\$000)	1984 Índice (US\$000)					
55 Algodón (3)	159.339	100	148.434	93.1	66.494	41.7	58.587	36.7	98.188	61.6
61 Ropa (4)	104.761	100	102.205	97.5	112.682	107.5	54.119	51.6	42.163	40.2
08 Frutas (5)	99.989	100	128.289	128.3	157.068	157.0	150.935	150.9	202.690	202.7
06 Flores (6)	99.407	100	110.820	111.4	113.463	114.1	121.864	122.6	134.452	135.2
17 Azúcar (7)	195.353	100	92.448	47.3	63.915	32.7	78.855	40.3	45.929	23.5
49 Libros (8)	38.610	100	45.960	119.0	42.719	110.6	32.925	85.2	39.245	101.6
84 Calderas (9)	48.496	100	41.916	86.4	40.030	82.5	22.290	45.9	19.961	41.1
25 Sal, azufre (10)	38.984	100	33.223	85.2	36.388	93.3	21.370	54.8	38.113	97.7
42 Manuf. cuero (11)	26.005	100	35.800	137.6	43.212	166.1	23.256	89.4	16.995	26.9
03 Crustáceos (12)	35.392	100	33.361	94.2	32.710	92.4	27.367	77.3	31.293	88.41
73 Hierro, acero (13)	20.015	100	26.234	131.0	32.100	160.3	60.484	302.2	80.649	402.9
24 Tabaco (14)	26.312	100	20.914	79.6	23.578	89.6	23.495	89.3	23.529	89.4
48 Papel (15)	32.424	100	44.895	138.4	31.269	96.4	24.042	74.1	44.657	137.7
21 Alimentos (16)	14.210	100	42.992	302.5	21.131	148.7	37.911	266.8	45.650	322.6
39 Plásticos (17)	20.453	100	26.384	124.1	26.920	131.6	26.786	130.9	37.426	182.9
04 Lácteos (18)	21.068	100	17.243	82.31	10.657	50.5	296	1.4	-	00.0
69 Cerámica (19)	12.989	100	18.289	148.5	11.113	85.5	3.657	28.1	3.819	29.4
58 Alfombras (20)	17.499	100	16.695	95.4	11.508	65.7	3.619	20.6	3.494	19.9
38 Químicos (21)	22.525	100	22.590	100.2	22.100	98.1	26.204	116.3	30.441	135.1
83 Manuf. diversas (22)	9.679	100	15.970	166.7	15.647	162.3	3.108	32.4	2.841	29.6
Otros (23)	428.526	100	462.225	107.8	389.696	90.9	321.080	74.9	294.284	-
Sub-total (24)	1.471.935	100	1.487.014	101.0	1.304.300	88.6	1.122.136	76.2	1.236.019	83.9
Café (25)	2.360.804	100	1.423.621	60.3	1.561.789	66.1	1.507.179	63.8	1.730.616	73.3
Total	3.832.739	100	2.910.635	75.9	2.866.089	74.7	2.629.315	68.6	2.966.635	77.4

(No se incluyen exportaciones de petróleo y sus derivados.) (26)

Fuente: Dane e Incomex. (27)

Key (Figure 2):

- |                     |   |
|---------------------|---|
| 1. Product Category | 15. Paper   |
| 2. Index            | 16. Food  |
| 3. Cotton           | 17. Plastics  |
| 4. Clothing         | 18. Dairy products                                    |
| 5. Fruits           | 19. Ceramics  |
| 6. Flowers          | 20. Rugs  |
| 7. Sugar            | 21. Chemicals   |
| 8. Books            | 22. Miscellaneous manufactured goods                  |
| 9. Boilers          | 23. Others  |
| 10. Salt, sulfur    | 24. Subtotal  |
| 11. Leather goods   | 25. Coffee  |
| 12. Crustaceans     | 26. (Does not include exports of oil and derivatives) |
| 13. Iron, steel     | 27. Source: DANE and INCOMEX                          |
| 14. Tobacco         |   |

Figure 3

(1) Participación de sectores en las exportaciones				
Año (2)	Agropecuarias (3)	Industriales (4)	Mineras (5)	(6) Total
1975	59.01%	40.59%	0.22%	100
1980	69.25	30.41	0.33	100
1981	62.34	37.27	0.38	100
1982	62.35	37.18	0.46	100
1983	60.99	38.45	0.54	100

Key (Figure 3):

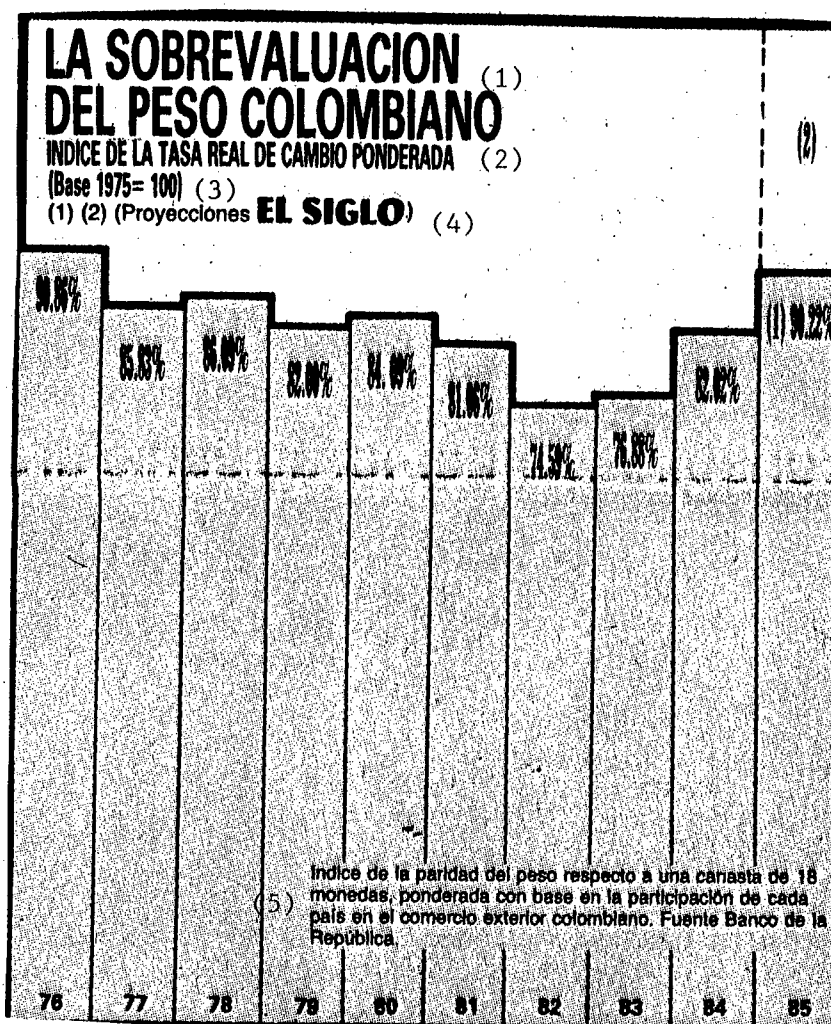
1. Sectors' Share in Exports
2. Year
3. Agriculture and Livestock
4. Industrial
5. Mining
6. Total

Figure 4

(1) Principales países compradores 1984		
	US\$ (2) millones	%
Estados Unidos (3)	945.1	31.24
R.F.A. (4)	572.2	18.91
Holanda (5)	154.3	5.10
Japón (6)	145.1	4.79
Venezuela (G.A.) (7)	111.1	3.68
Suecia (8)	89.4	2.95
España (9)	83.8	2.77
Reino Unido (10)	78.4	2.59
Benelux (11)	66.8	2.20
Italia (12)	66.3	2.19
Finlandia (13)	64.7	2.13
Francia (14)	61.7	2.03
Argentina (15)	52.1	1.72
Ecuador (G.A.) (16)	51.7	1.70
Hungría (17)	41.0	1.35
Total 15 primeros países compradores (18)	2,584.4	85.43
Resto (19)	440.78	14.57
Total exportaciones 84 según registros Incomex (20)	3,025.1	100.00

## Key (Figure 4):

1. Principal Purchasing Countries, 1984
2. Millions of U.S. Dollars
3. United States
4. Federal Republic of Germany
5. Holland
6. Japan
7. Venezuela (Andean Group)
8. Sweden
9. Spain
10. United Kingdom
11. Benelux
12. Italy
13. Finland
14. France
15. Argentina
16. Ecuador (Andean Group)
17. Hungary
18. Total of top 15 purchasing countries
19. Remainder
20. Total 1984 exports, according to INCOMEX records



Key:

1. Overvaluation of the Colombian Peso
2. Index of the Real Weighted Exchange Rate
3. (Base 1975 = 100)
4. (1) (2) (Projections by EL SIGLO)
5. Index of the parity of the peso with respect to a basket of 18 currencies, weighted on the basis of each country's share in Colombian foreign trade. Source: Bank of the Republic.

8926

CSO: 3348/578

COLOMBIA

# RAW MATERIALS IMPORTS FREED FROM RESTRICTIONS

Bogota EL TIEMPO in Spanish 19 Mar 85 p 1-A

/Article by Jose Suarez/

/Excerpt/ Yesterday the Foreign Trade Directive Council eliminated 99 percent of the procedures required for the import of raw materials and manufacturing components for national industry and the agricultural-livestock sector, which earmark a high percentage of their production for foreign markets.

On the one hand, the measure seeks to normalize the flow of imported goods and, on the other hand, to strengthen export development policy for goods other than coffee--with special emphasis on exports of agricultural-livestock products--EL TIEMPO has been told by official sources.

In turn, last night PROEXPO /Export Promotion Fund/ made public two resolutions which assure the financing of the textile industry and raise the interest rates granted by that organization to sectors that export to the United States, in compliance with an agreement reached with that country to avoid the imposition of additional tariffs.

According to the agreement, Colombian exporters of those products will have to give up a percentage of the CERT (Tax Reimbursement Certificate) and accept higher rates of interest on PROEXPO credits compared to what they had been paying.

PROEXPO Resolution No 07, although it means an increase in interest rates from 18 percent to 25.6 percent, guarantees long-term credits for the entire sector, which are required for their operations, including the refinancing of debts that they have been seeking.

8143  
CSO: 3348/518

COLOMBIA

GOVERNMENT DENOUNCES COMMERCIAL AIR AGREEMENT WITH BRITAIN

Bogota EL ESPECTADOR in Spanish 31 Mar 85 p 5-A

[Text] The Colombian Government just denounced the commercial air treaty signed with the United Kingdom in 1951. It felt that there was no "real and effective" reciprocity in operational service between the airlines of that country and Avianca.

This decision was made by the national government after intensive negotiations between official aeronautical spokesmen of the two countries and Avianca and British Airways. The latter was recently designated by the United Kingdom to provide service on the London-Bogota route, replacing British Caledonian.

With the denunciation of the bilateral treaty, British Airways will only have the right to operate that route commercially until April of next year unless there is an agreement with Avianca to indefinitely extend the 12-month term that began yesterday.

The lack of real and effective reciprocity that the Colombian Government alleges is based on the fact that the London-Bogota-London route is only served by a British company (until yesterday British Caledonian and beginning this week British Airways). There have been attempts to correct this imbalance with limited economic participation by the national airline.

Not Commercial

The route between the two capitals does not offer acceptable commercial prospects, according to an official source. It only transports an average of 50 passengers directly between the two destinations each week.

The attraction, however, is the stopovers, Caracas and San Juan, where there is greater passenger movement from Bogota as well as from London. This situation generates strong competition for regular Avianca services.

In the coming days, negotiations will resume between the executives of Avianca and British Airways which has installed its commercial offices in Colombia. It is prepared to handle the weekly market between the two countries beginning this Monday.

7717

CSO: 3348/578



COLOMBIA

# COMPTROLLER GENERAL'S EL CERREJON LOSS FIGURES DISPUTED

Bogota EL SIGLO in Spanish 3 Apr 85 p 9

[Article by Lucy Diaz: "El Cerrejon Will Yield Profits for Colombia"]

[Text] The cost per ton of coal produced by Cerrejon Norte is based on the production of 15 million tons per year which will yield profits. It is not based on the small volumes being extracted now, explained the enterprise INTERCOR [expansion unknown]. It stated that coal sales are not generating losses and predicted a good future for coal marketing.

INTERCOR is a Colombian enterprise to export coal from the Zona Norte project of Cerrejon. Its official spokesman, Manuel Dangond, told EL SIGLO that if the ratio of assembly costs for the project, whose exploitation must last 33 years, is applied to current volumes, it will reflect enormous losses.

He made the above explanation referring to the criticisms by the comptroller general of the nation who stated that Colombia is losing \$11 per ton of coal exported.

The INTERCOR spokesman refused to stipulate the sale price of our coal. He indicated that it would be imprudent to publicly reveal the current sale prices of Colombian coal which have been promotional so far to try to participate in the international market. It is trying to penetrate a difficult market.

Dr Dangond stated: "We have the feeling that Dr Rodolfo Gonzalez is not sufficiently informed about the matter. The Zona Norte project is not producing any losses." He added:

"We are now extracting minimum quantities of coal. The costs of the railroad, the highway and the airports--more than 32 billion pesos--and the cost of the mining equipment cannot be applied from a unit perspective because this would obviously result in an enormous figure. If the comptroller is referring to that, then, of course, money is being lost but that is an incorrect calculation. It must be taken into account that the project is being constructed to produce 15 million tons, not 3 million."

He emphasized that it is not even correct to use the word "losses" with respect to the sales that have been made from Zona Central of Cerrejon since those sales were made as part of our coal promotion policy abroad.

"The logical markets are in Europe. CARBOCOL [Colombian Coal, Inc.] acted with great vision in carrying out a project like Zona Central to produce coal even at a high cost, transporting it by highway to Santa Marta.

"Those are not normal economies but it will not be permanent. The intention was to begin to sell coal without worrying about the cost so that when the Zona Norte project was functioning, our potential clients would already know the coal. Those sales opened the way."

#### Exports

So far, Colombia has exported 150,000 tons of coal mined from Zona Norte of El Cerrejon. The plan is to produce 3 million tons of coal and export 1.5 million this year.

The largest ship that has entered the country is now being loaded in Bahia Portete. It will carry 150,000 tons of our coal to Ireland.

The largest coal deposit known in the country covers an area of 38,000 hectares in that zone, located between the municipalities of Barrancas and Maicao in La Guajira.

#### Financial Situation

As to the financial situation of the enterprise, he said that INTERCOR, a branch of Exxon, is adequately financed. He indicated that the problems that CARBOCOL has had since it is an enterprise in a state with financial difficulties have been solved in time without causing delays to the project.

Of the \$3 billion needed to develop all the programs of infrastructure in Zona Norte, \$2 billion have been invested so far. In other words, construction of the project is 75 percent completed.

The projects not constructed yet include the installation in the port of equipment to load ships at a rate of 10,000 tons per hour. The mine shops and warehouses will also be adapted.

#### Social Programs

Dr Dangond explained that the aid programs for the inhabitants of La Guajira have mainly focused on the areas of health, education, improvement of the standard of living and preservation of the Indian culture.

He reported that the clinic built by the enterprise when it began the project with the objective of providing care for the workers at the mine and port during the 3 years of construction was sold to the Social Security Institute, the entity responsible by law for providing that service in the region.

7717

CSO: 3348/578

COLOMBIA

BRIEFS

GALAN PRESIDENTIAL CANDIDACY ANNOUNCED--At a political meeting that took place in the city of Neiva, Senator Arismendi Mora Perdomo officially launched the presidential candidacy of Luis Carlos Galan. Arismendi Mora said that "Galan is the only choice that the country has to meet the serious problems from which the nation is suffering." He added that "true Liberal unity ought to be achieved around the name of Luis Carlos Galan, since he is the only choice that Liberalism has to direct the country's destiny." "Galan's candidacy is the only serious and respectable solution for the Liberal Party," declared the New Liberalism leader. [Text] [Bogota EL ESPECTADOR in Spanish 20 Feb 85 p 5-A] 12336

THREE AMBASSADORS CONFIRMED--The deputy minister of foreign affairs, Laura Ochoa de Ardila, will be the new Colombian ambassador to Guatemala, according to foreign ministry sources. Dr Laura Ochoa de Ardila will participate in the next meeting of plenipotentiaries of the Contadora Group in Panama City on 11 and 12 April. The objective of the meeting is to amend the Contadora Agreement for Peace and Cooperation in Central America. It was officially reconfirmed that the new Colombian ambassadors to Austria and Nicaragua will be former minister Humberto Avila Mora and Abelardo Duarte Sotelo, respectively. [Text] [Bogota EL ESPECTADOR in Spanish 3 Apr 85 p 2] 7717

AMBASSADOR TO ECUADOR RESIGNS--The government has accepted the resignation of Laureano Alberto Arellano Rodriguez, Colombian ambassador to Ecuador, effective 8 April 1985. On that same date, pending the appointment and assumption of office by the new ambassador, Hector Fabio Varela Bejarano, current minister-counselor, will serve as the Colombian charge d'affaires. This decision was adopted by means of Decree No 810, March 1985. The following changes were also made: Alvaro Lara Lopez, second secretary of the Colombian embassy in Japan, will be responsible for Colombian consular affairs in Tokyo pending the assumption of office by the new consul; Dr Humberto Gomez Gomez was given responsibility for the secretariat general of the Ministry of Foreign Affairs; Dr Clara Ines Varga de Lozada, minister-counselor, was made responsible for the Undersecretariat of Foreign Policy; Jaime Fernando Acevedo Sanchez, director general of protocol, was sent on a 3-day mission to Washington, U.S.A. to coordinate preparations for President Betancur's visit. /Text/ /Bogota EL ESPECTADOR in Spanish 22 Mar 85 p 11-A/ 8143

CUBA

## RECRUITMENT, DAILY LIFE OF SOLDIERS IN ETHIOPIA

Havana CUBA INTERNACIONAL in Spanish Feb 85 pp 20-29

[Article by Ciro Bianchi Ross: "Ethiopia--Shield of Steel"]

[Text] Despite the time which has passed, Ramon Medina still remembers the exact day on which he was first asked if he was prepared to carry out an internationalist mission. It was in the month of October 1979, and he was straightening out a routine matter with the military committee in his municipality when the young officer who was interviewing him asked him the question. Departure was not imminent, nor at that time was it specified to what country he would go. The officer only wanted to know if he could rely on him if he was needed.

Medina hesitated for a moment before giving an affirmative answer, and he recalls today that at that moment, a series of images came to his mind.

Because of his youth, the Bay of Pigs and the struggles against the counter-revolutionary bands in the Escambray Mountains were only a historical reference for him, as were the literacy campaign and the battles waged by the rebel army in the Sierra Maestra. But he had indeed followed the triumphs of the Cuban troops in Angola and Ethiopia with interest, and he had seen friends and family members return home proud of their participation in those battles. There were some internationalists among his friends and former schoolmates, and he had always wanted to be one of them.

Time passed and Medina was again summoned to a military committee interview. Now another stage in his life had been completed, and he was an industrial equipment mechanic and had recently joined the labor force. Almost 2 years had passed since the preceding interview, and he was asked if he still was as ready as before. It was no longer a matter of a possibility, for on this occasion the opportunity would be immediate, following some military training.

I met Ramon Medina in the Ogaden Desert in the republic of Ethiopia. He had been there 23 months and was assigned to a multiple rocket-launching battery.

Like his commanders and comrades, he lived in underground premises. He suffered from the heat of the day, which dries and cracks the skin, and the intense nighttime cold, and from hour to hour he faced life-threatening danger if another Somali attack occurred.

Like the other Cubans carrying out internationalist missions, Ramon Medina was experiencing a harsh and difficult life, far from Cuba, one full of dangers and with serious material limitations.

#### What Are These Men Doing There?

The Ogaden Desert, the cities of Harar, Dire Dawa and Jijiga, and also the mountain range which rises to the east of the first of these cities, were the scenes of cruel battles at the beginning of 1978. At that time, Ethiopian and Cuban forces, in a joint struggle, defeated the invasion by the Somali forces, which had occupied some 320,000 square kilometers of Ethiopian territory, in other words an area 3 times the size of the island of Cuba. In these areas, a well-armed enemy who had the support of the U.S. imperialists, NATO and the Arab reactionary forces was defeated in a war which lasted 7 weeks.

With the dispatch of troops to Ethiopia, at the request of the authorities in that country, the government of Cuba once again demonstrated that internationalist solidarity, the keystone of its foreign policy, is an attitude it is prepared to carry through to the final consequences.

Although defeated in battle, Somalia continued to train its army, completing its military units and training others on the frontier in order to carry out small-scale operations against Ethiopia. It was a silent and latent threat, such that it can be said that the circumstances which led Cuba to go to the aid of the Ethiopian revolution were not entirely eliminated.

This is why Ramon Medina is in Ethiopia now. Together with many other Cubans, he is contributing to safeguarding the sovereignty of that country, where they are welcomed and treated like brothers.

What leads men in the prime of their youth to leave all they have--homes, friends, family, job security--to travel more than 18,000 kilometers from their fatherland? How do they live? Were they forced to take this step? What would have happened if they had given a negative answer? Have their families been left without support in Cuba following their departure?

In the course of a long tour through Ethiopia, I talked with many Cuban combatants in the search for answers to my questions.

Diosbel Sanz Felico, 25, a reservist, answered that no one in Cuba is required to accept a mission of this kind. A man accepts it or does not, knowing that to do so is an honor and that the mission will provide great satisfaction.

Sanz has to his credit another internationalist mission, which he carried out in Angola between 1979 and 1981.

Another reservist, Tomas Iglesias, said that if he had rejected the offer, he could have returned calmly to his usual work. No one would have harassed him. At the time he was mobilized, he was working in construction in Pinar del Rio, the westernmost of the Cuban provinces.

Orlando Lameda, who is 22 and is doing his military service in Ethiopia, was deeply moved when he was asked to remain in the Revolutionary Armed Forces on a permanent basis.

"In fighting for Ethiopian sovereignty," Lameda said, "one is waging a struggle for the integrity of Cuba as well."

And very simply, this is the key to the internationalist attitude of the Cuban people. It is to be regretted that some people do not yet understand it.

#### Real Battle Conditions

The combatants in the Cuban military units assigned to Ogaden live underground. The command post, the classrooms, the dormitories, the dining room and the club are all subterranean. The soldier emerges from "the holes" for military training and activities of a recreational nature, such as sports, and then goes underground again. And so on, day after day for 24 months, the average length of an internationalist assignment.

Commander Rodriguez Cruz told me that the prolonged stay outside Cuba and the sacrifice this entails are not the main elements in assessing the fulfillment of an internationalist mission. The important thing instead is the results of the mission itself, whether or not the goals set have been achieved.

When I interviewed him, this officer, 34 years of age, had been in Ethiopia 5 months. He is married and has three children. The type of weaponry under his command terrorizes the enemy in battle, because of its efficiency and the destruction and psychological impact caused by the firepower.

"Our presence in Ethiopia contributes to the defense of the country," he added. "This is the basic factor in our mission, which is being carried out to the extent that the combat training and readiness and the political work being pursued with the troops serve this purpose."

"It is not a question of making use of the period of our stay here to train the soldiers," he went on to say. "Rather this training, as in Cuba, constitutes one of the determining factors in the defeat of the enemy and completion of the assigned task."

"Combat training is carried out under conditions similar to those in real battle, as a function of the mission assigned, the characteristics of the terrain and the enemy we might encounter," I was told later by Captain Jose Monteagudo, who at that time had been in Ethiopia for 18 months.

"One must not lose sight of the fact that battle conditions are constantly changing because of many factors--the experience the enemy has, the changes in the composition and structure of his armed forces and his weaponry and combat technique, among other things."

"This is why one must never underestimate the enemy, and the man in the command position must wage a battle against routine and formalism," Reserve Captain Ramon Alcolea, 43, said for his part.

"I rely on the team of soldiers I have under my command, and along with contributing my experience, I listen to the suggestions the soldiers make to me and I learn from them."

Bergelino Aviles, a soldier of 22 who has been in Ethiopia 10 months, told me the following: "We are far from Cuba, but we have the support of our superiors. There is great trust between the soldiers and the noncommissioned officers on the one hand and the commissioned officers and commanders on the other. Respect and military discipline do not prevent us from all being like a family."

This is what is called cohesion between the commanders and the troops in the Revolutionary Armed Forces, a factor which is essential for victory.

#### Time for Relaxation

In Ethiopia, the Cuban soldiers get up early. In the morning, they have a program of classes and other activities. Then after lunch they rest and prepare for the afternoon activities. Several times a week they engage in sports. Sports marathons are held periodically.

Each military unit has a recreation club for the soldiers. In these clubs, those who like them spend their free time engrossed in traditional table games, as well as others they themselves have invented and which each group hands on to the next. There are also libraries for those who like reading.

In all of the units, both Cuban and Ethiopian national holidays are celebrated and once a month, a collective birthday party is held for the soldiers.

Thanks to the radio and Cuban newspapers, which are sent to them regularly, they learn of the details of life on the island. Letters from family members and friends sent from Cuba arrive frequently and are always a great encouragement to the soldiers.

The unit commands routinely offer incentives to the soldiers, based on their attitude over a given period. Various types of incentives are offered. The best of all is doubtless the opportunity to spend leave in Cuba.

Reserve Lt Juan Jose Garcia, 30, had a daughter born while he was in Ethiopia, and he was not able to see her until 4 months later, when he returned to Havana for his first leave. By pure coincidence, he arrived in Cuba on a second occasion precisely on his daughter's first birthday.

Jose A. Valdivia, a mechanic, said that when he returns to Cuba, he will go back to his old job. Daniel Rodriguez de Pedro and Adalio Almeida, a construction worker, say the same thing. Ramon Medina, of whom I spoke earlier, said that he will return to his job but will try to earn a university degree.

Capt Guillermo Cribeiro said that he will make use of his next leave in Havana to get married. He explained that the greater part of his engagement has been

carried on by letter. He is a graduate of the cadet training course, and was sent to Ethiopia after a mission in Angola. He is 27 years old, and when he returns to Cuba for good, he hopes to complete the studies in law which he interrupted when he volunteered for this mission.

#### The Value of the Man

I was surprised to meet a captain of Cribreiro's age. Later I found that youth is almost the common denominator for Cuban officers in Ethiopia. And the number of soldiers who have been decorated for their attitude with the Distinguished Service Award is tremendous.

"Technology is worth what the man handling it is worth," the Cuban combatants say.

It is the worth of these men which has made the Ogaden Desert, which was yesterday the scene of the war between Somalia and Ethiopia, into a shield of steel today which the enemy cannot penetrate, and it is the reason that each Cuban military unit assigned to this territory can maintain its well-earned glorious and invincible status.

These soldiers have mastered the weapons put into their hands and they do not neglect training. They know what confidence Cuba has placed in them by sending them there and what responsibility they have taken on. They associate with the Ethiopian people and armed forces in brotherly fashion. They have confidence in themselves and maintain high morale, ready to go into battle if necessary as men convinced of the justness of the cause they defend and the principles underlying it.

A fundamental factor in all of this is the work done by the political organizations (Communist Party and Communist Youth) with the armed forces, and the efforts pursued among the troops by the political workers.

Commander Ibrahim Alfonso Victorero told me the following:

"Political work of a scientific nature developed with the armies of the new type defending the cause of the proletariat. It pertains to the entire life of these armies, is a part of them and of their development, and contributes to shaping the concept of a revolutionary army. And all of the commanders, officers and soldiers participate in this task.

"The soldier is an active individual and we work with him as such. The soldiers influence us, and we learn from them. The soldier is educated and sensitive, he is a man trained by the revolution and therefore those who deal with and guide him must be individuals of a higher level.

"We try to measure up to these soldiers who are above all individuals who must adapt to military life. They are the repositories of our work."

One day in Ogaden, Lazaro Veliz Morales, 22, a second lieutenant in the reserve, talked to me proudly about the combat training and readiness of his troops.



To see what he would say, I asked him how I could establish that what he told me was true. But Veliz was not at all fazed. He asked to me stay right where I was while he went to where the alarm bells were located, where he activated one of them. Immediately his men began to emerge from their shelters and to take up their positions. In a matter of seconds the unit commanded by 2nd Lt Veliz Morales was ready for battle.

These men in Ethiopia are formidable combatants, as they would be in Cuba as well if the imperialist enemy were to dare to attack it.

#### Tatek Means Firmness

Tatek is a place near Addis Ababa which is a symbol of the patriotic and libertarian traditions of Ethiopia. In ancient times, it was here that the warriors thanks to whom the nation could maintain its independence were trained. In the era of the Somali aggression, it was here that the militiamen who then joined the battle against the invader were trained. In the national language, Amharic, the word "tatek" means "firmness."

Named after the site at which it was first located, the first Cuban internationalist radio broadcasting station was named "Tatek" by the troops assigned to Ethiopia. It has been in operation 6 years now, and is presently located in the city of Harar.

The radio broadcasting station was established shortly after the end of the conflict between Somalia and Ethiopia. It was established on the initiative of the command and political section of the mission, and this idea won the immediate support of the workers at the Cuban Institute of Radio and Television (ICRT) who were sent to this African country.

"This station began as a radio base, and it now broadcasts more than 50 hours a week. Its programming includes a daily news report and serial dramas. Time between the programs is filled with music, the same as is heard in Cuba, which is sent regularly by the ICRT through the Central Political Office of the Revolutionary Armed Forces." This information was provided by Augusto Rodriguez, a television director who is at present the director of Radio Tatek. He is 33 years old and has contributed to the production of a number of programs which have played stellar roles on Cuban television. The organization for which he works chose him to carry out this task in Ethiopia.

A small team assists Augusto Rodriguez in his work. It includes Aida Martinez, a journalist from Havana Radio City, who has been associated with the internationalist broadcasting station for more than 20 months. There she has combined her previous profession with a job which she has come to love--announcing. Immediately after reveille, Aida's voice reaches the soldiers with a news summary of events in Cuba and the world.

"The Radio Tatek team," Aida says, "does not sit quietly at the broadcasting station. It pays visits to the Cuban units and in addition participates in the maneuvers on the firing range, using mobile equipment under field conditions to broadcast on these occasions. It organizes meetings with Radio Tatek

in the military units and performances created by the soldiers themselves, and sponsors amateur competitions in various artistic fields--music, singing, dancing. The winners represent the Cuban mission at the festivals of armed forces performers held in Cuba."

As these pages are being written, Aida is already back at her radio station in Havana. Before her return she was presented with the Distinguished Service Award. Augusto Rodriguez is still in Ethiopia. Both these individuals are civilians who chose voluntarily and for a period of time to go into military life.

Workers like them are making it possible for Cuban soldiers located more than 18,000 kilometers from their fatherland to maintain contact with the reality in Cuba and to receive warm messages from it by this means.

5157

CSO: 3248/319

GUATEMALA

COCA-COLA BOTTLING PLANT RESUMES OPERATIONS

Guatemala City PRENSA LIBRE in Spanish 2 Mar 85 p 8

[Article by Carlos E. Estrada]

[Text] The Coca-Cola Bottling Company resumed operations yesterday after 376 days of inactivity, with the signing of a labor contract between the new owners and their employees.

The Coca-Cola plant was officially shut down on 17 February 1984 by legal representatives of the company Anthony Zash Burgos and Roberto Mendez y Mendez and the company directors. More than 470 employees were left jobless, and as a result, their dependents suffered a great deal of hardship.

In response to the situation, union members, along with other company employees, took over the plant and initiated a series of negotiations with company representatives and directors but were unsuccessful.

As the days and months passed, many employees who were left without any monthly income, were forced to abandon the struggle, and they began to seek other employment to support their families. Union members, however, remained firm in enduring the difficult situation.

The union received financial and moral support from unions in other countries, as well as from workers, religious groups and private organizations who helped provide for some of their basic needs by sending them food and other provisions.

The conflict continued, but the representatives and directors would not come to an agreement and alleged that the union was engaging in illegal activity by remaining inside the plant.

After many more attempts, the union succeeded in having the international company deposit a total of 1.8 million quetzals in a bank as compensation for all of the employees with an additional sum of money to be paid over a period of 11 months, so employees would not lose their status as employees.

The Coca-Cola employees went 10 months without receiving a single penny in wages, a fact that disheartened many who left the company in search of a better opportunity, believing that the problem would never be resolved.

Antonio Guirola Batres, Carlos Humberto Porras, Carlos Enrique Claveri Delgado and Luis Juventino Arroyave accepted the challenge and are currently the new owners of the company which opened its doors yesterday to resume operations. Under the contract signed yesterday between owners and employees, union members succeeded in winning four points beneficial to them: first, the swift resumption of operations; second, recognition of the union; third, acknowledgement of the prevailing collective agreement; and fifth, [sic] 265 positions in the company with a guarantee that 85 more employees who will temporarily be without work, will be rehired and that employee wages will be paid in proportion to the consumption of the soft drink that is, sales volume.

When operations were resumed yesterday, the Coca-Cola facilities were decorated, fireworks were set off, and a jubilant mood prevailed.

Labor minister Carlos Padilla Natareno was in attendance, and in his speech, he congratulated the new owners of the plant and the employees for having reached an amenable agreement.

The new owners also expressed their gratitude to the minister for his positive intervention in the situation, and union members also indicated their appreciation, predicting a good beginning for the company and cooperation between the parties involved.

It was also mentioned that the machinery is currently being cleaned up to put it into working order as soon as possible, so production can begin within 5 to 10 days, and that as early as 10 March, residents of the capital will again be able to enjoy a Coke.

9787

CSO: 3248/303

MEXICO

## DRUG FIGURES NAMED AS ERSTWHILE CHIHUAHUA BANKING OFFICIALS

Mexico City PROCESO in Spanish No 439, 1 Apr 85 pp 10-13

[Text] Chihuahua, Chih.--During 1979, the Administrative Council of the SOMEX [Mexican Association for Industrial Credit] Mexican bank, whose general director from 1976 to 1982 was Ramon Beteta, appointed Miguel Felix Gallardo and Tomas Valles Corral as council members of the institution in Chihuahua, on the basis of their economic and moral solvency.

That year, and at least until 1982, both were shareholders in the state banks and distinguished clients on the national level. According to the Office of the Attorney General of the Republic, the DEA and the United States Embassy in Mexico, Felix Gallardo is the second-ranking drug trafficking czar in Mexico, after Ernesto Fonseca, "Don Neto." The third-ranking is Rafael Caro Quintero. Tomas Valles Corral is Felix Gallardo's deputy.

The present director of the SOMEX Mexican bank in Chihuahua, Alberto Rivapalcio, claims that the two are no longer council members. He would not confirm whether they are shareholders and clients, adhering to bank confidentiality.

A council member must be an honorable, prominent person. His function is to aid the bank with its business dealings, councils, contributions and relations. Nevertheless, Felix Gallardo had this public record: In 1976, a warrant was issued for his arrest as a presumed cocaine and heroin trafficker in Tijuana. According to the DEA, Felix Gallardo had the absolute backing of Jaime Torres Espinoza, currently circuit agent for the Tijuana zone of the Office of the Attorney General of the Republic, who in 1976 had been deputy coordinator of the campaign against the drug traffic. Torres Espinoza did not appeal the decision handed down by the judge, ordering the drug trafficker to go to jail in 1980.

The drug traffickers' presence in the banks came to light again in Texas on 18 March of this year, because of the freezing of two bank accounts of the Mexican, Mardoqueo Alfaro Margarino. The accounts, in the First National City Bank of El Paso, and the Laredo Savings and Loan in Laredo, Texas, amounted to nearly \$8 million. Federal Judge Harry Lee Hudspeth ordered the accounts frozen, because it was suspected that the money came from the drug traffic and that

the real owners are heads of the rings which kidnapped and murdered Enrique Camarena, a DEA agent, and Alfredo Zavala, the Mexican pilot.

Mardoqueo Alfaro Margarino was deputy director of credit at the SOMEX Mexican bank in Chihuahua. He resigned in 1981. The two accounts that were in his name in Texas had Tomas Valles Corral as beneficiary.

The investigation began when Alfaro Margarino invested several million dollars in the construction of a hotel in Anaheim, California. It is presumed that he has other investments in the United States, or has opened more bank accounts. He had \$6.5 million in the First National City Bank, and \$1.4 million in Laredo Savings Bank. Philip Jordan, DEA agent in El Paso, Texas, claimed: "This is the biggest money laundering operation ever known."

Soon, more information and more implicated persons appeared, such as the former director of the SOMEX Mexican bank of Chihuahua, Miguel Angel Matas Martinez, Mardoqueo Alfaro's chief when the latter was deputy director of credit.

#### Clues to the Laundering

In its column "Flashes," the newspaper EL HERALDO DE CHIHUAHUA reported on 26 March: "The SOMEX bank's general administration is investigating the laundering of money by the former regional director of this institution with headquarters in Chihuahua, Miguel Angel Matas Martinez, for two presumed drug traffickers from Guadalajara: Miguel Angel Felix Gallardo and Tomas Valles Corral.

"Mata Martinez, who has been in custody for defrauding SOMEX, received \$1 million from the aforementioned drug traffickers to have it converted into clean money. The former official took the money out of the country. With an initial sum of \$350,000, he purchased a building and a lot in El Paso, Texas. With the rest, he purchased an automobile agency, named 'Frescas Chevrolet.'

"To pay the narcos' 'loan,' Matas Martinez, for his part, requested credit from SOMEX (or rather lent it to himself), in the amount of \$500,000 in cash and 195 million in national currency, the amount that he still owes SOMEX.

"The United States DEA and the PGR [Office of the Attorney General of the Republic] are investigating how Matas Martinez, with a salary of only 100,000 pesos per month, could take the \$1 million to the United States and, on the other hand, how he was able to arrange to have Miguel Angel Felix Gallardo and Tomas Valle Corral appointed bank council members, in addition to Victor Manuel Guzman, who was the contact with the individuals from Guadalajara and with Matas Martinez.

"The discovery of the transactions carried out by Matas Martinez in cooperation with Mardoqueo Alfaro Margarino, who was his bank manager in Chihuahua (and whose account in El Paso, Texas, was frozen a few days ago), was made by a SOMEX external auditor who also found that there were fixed term deposits in certificates and money belonging to the Guadalajara narcos, amounting to over

800 million pesos, the profits from which have been collected by the 'contact,' Victor Manuel Guzman, every month."

Miguel Angel Matas Martinez, who has been incarcerated in the Chihuahua penitentiary since November 1982, responded with a half-page explanation addressed to the newspaper's editor, Jose Luis Munoz Perez, on Wednesday, 27 March:

"In the first place, I must tell you that the Messrs Tomas Valles Corral and Miguel Angel Felix Gallardo, during the period when I served as regional executive director of the SOMEX Mexican bank with headquarters in this district, were major shareholders in that banking institution and distinguished clients on the national level, who actually served as council members by virtue of the appointments made on their behalf by the Administrative Council of the SOMEX Mexican Bank, which invariably meets in Mexico City, D.F., a fact which never depended on my decision or personal intervention because, I repeat, the aforementioned persons were leading shareholders and clients of the bank in question.

"Apart from the foregoing, each and every one of the charges made against me by the one responsible for the cited 'Flashes' column are absolutely false, attesting to the determined intention of harming me personally; for which reason I shall take steps to file the pertinent complaint against him and whoever may prove responsible. I publicly challenge the person responsible for the 'Flashes' column to prove convincingly what has been asserted therein regarding me personally, or else retract it."

According to record 114-82, Matas Martinez was remanded for the crime of fraud against the SOMEX Mexican bank in 1982. He had apparently granted loans to the business firms owned by him "without subjecting himself to the authorization of the bank's Administrative Council and without charging commissions. Furthermore, he granted loans to insolvent individuals and bankrupt companies, such as the American Frescas Chevrolet, Inc, in which he is a stockholder. According to the charge, the fraud amounts to 191.1 million pesos and \$514,422, for which he was sentenced in the first instance to 8 years in jail.

When interviewed by PROCESO in the Chihuahua penitentiary, Matas Martinez explained that all the charges had been duly refuted with documents and expert testimony. Nevertheless, he claims, no one took them into consideration. "I proved with documents that the loans were not authorized by me, but rather by the SOMEX corporate director, Armando Beteta (brother of Mario Ramon Beteta, then general director of the bank), and by the vice president, Luis Antonio Chicopardo, who is currently director of the BCH. Armando Beteta was my immediate superior. Their signatures are there on the documents."

Matas Martinez, 45 years of age, is a banker and businessman. He was with the Banks of London and Mexico in Chihuahua, the Mexican Commercial Bank and Bancapacifico [Pacific Bank] (now Atlantic Bank). He is the owner of mining companies and of a mine in Durango. He owns lumber and sawmill companies. He resided in Culiacan when Luis Antonio Chicopardo invited him to work at the SOMEX Mexican bank of Chihuahua, where he spent 3 years. In 1981, he decided

to retire and did resign by June 1982, leaving, as he claims, with honors and awards for the work performed. In November 1982, he was arrested, accused of fraud.

"I proved to the point of satiety during the 72 hours after my arrest that the crimes were not committed and that the loans had already been paid. Despite this, I am still here; the trial is continuing; they have not declared me guilty. I have already complained to the Supreme Court, because I have no hope that the lower levels of the judicial branch will act properly."

#### The Straw Men

He regards his case as political. "I have been labeled corrupt, I don't know why; and now no one wants to release me."

The businessman says that he is now being associated with the drug traffic because the former deputy director, Mardoqueo Alfaro, was laundering Mafia money. "What I say is that they should prove that I am implicated." He said that he had actually dealt with Miguel Felix Gallardo and Tomas Valles Corral, "who are now claimed to be drug traffickers." Like any council members, they attended the board meetings at which the director read the monthly report and loans were approved. "I found out that those gentlemen were from Guadalajara where they had two hotels. They opened accounts in Guadalajara and Tijuana. In Chihuahua, they had no checking accounts, but rather deposits, that is, investments.

"When I left in June 1982, Felix Gallardo and Valles Corral had been council members for 3 years. I cannot be completely sure, but no council member has been removed. When the banks were nationalized in September 1982, the council was not changed. I have seen many of them depicted in the press."

"Do you think that you are a scapegoat to take the blame for officials of higher rank?"

"I don't know what blame there could be. The loans granted were properly authorized by them. There was no loss to the bank. I don't know what blame they are concealing. It seems like a plot in which everyone is participating to ruin me on the local and national level. In 1982, I was replaced by the attorney Alvaro Espinoza, who came from Mexico City, and now is at the BCH. He ran to the auditors and the bank's lawyers, and then set up the charge against me. My experts provided evidence in my favor, although they didn't allow us to enter the bank. We had to enter with the aid of the public forces. Our expert testimony is extensive, detailed, with considerable evidence, and that of the other side consists of only two or three pages. I sent letters explaining my irregular situation to Mario Ramon Beteta and his successor at SOMEX, Julio Rodolfo Moctezuma Cid, and I have not received a reply."

The authorities from the DEA and FBI, and from the State and Treasury Departments, claim that Mardoqueo Alfaro Margarino, former credit director of the



SOMEX Mexican bank, is only one of many individuals engaged in laundering money, although many of them do so in different ways, acquiring businesses or opening new ones in American cities.

The Alfaro Margarino case led to the discovery of other "straw men" of the drug traffic. The front men who are now under investigation by the Treasury Department, FBI and DEA are Anselmo Moreno, Juan Trejo, Justo Chavez Moreno, Rosario Galadis, Jaime Mendez, Crisostomo Galadiz, Rosario Gastemol Payan and Leticia Corona.

During the past 3 months, all of them have made capital turnovers and transfers amounting to \$25 million to Panama and other South American countries to pay for cocaine and heroin shipments. They were discovered when Mardoqueo Alfaro's attorney (he is apparently in the United States) requested the protection of Judge Henry Hudspeth for his "depositor" clients.

The U.S. authorities presume that there are millions of dollars in the states of Texas, California and Arizona originating from the international drug traffic. In San Isidro, California, the deposits come from individuals in some way connected to the drug traffic, with a residence in Mexico.

In 1984, the Texas banks collected \$612 million, a result of deposits made by Mexicans. On 25 March, Don Shustal, vice president of International Banking, in El Paso, Texas, explained: "That money does not come from the drug traffic, but rather from lawful activities, such as politics, commerce and industry. They are Mexicans who want to protect their money from the Mexican crisis."

The American bankers defend their Mexican clients, because they fear massive withdrawals. Nevertheless, there is a law in the United States which requires the reporting of capital receipts when they exceed \$10,000. In Mexico, there is no regulation in this matter, as noted by Chihuahua bankers; because the main goal is to increase the collections.

Nevertheless, during the past 2 weeks sizable withdrawals of funds from the banks have been discovered in Chihuahua. The amount is not known, but it totals billions of pesos. The bankers think that the "narcos" have felt insecure in the country owing to recent events, and have ordered their financial "representatives" to withdraw their bank deposits.

2909

CSO: 3248/332

MEXICO

# HUGE INDUSTRIAL LOSSES LINKED TO NEGLECTED MAINTENANCE

Mexico City EXCELSIOR in Spanish 25 Mar 85 pp 5-A, 22-A

[Text] The chairman of the CONCAMIN [Confederation of Industrial Chambers] producers commission, Julio A. Millan, has claimed that the lack of proper maintenance in the national industrial plant facilities is causing losses of 600 billion pesos per year, or about \$3 billion, nearly two thirds of the total value of manufactured exports.

He remarked: "The slight significance given to maintenance in Mexico has magnified the lack of a productivity system on the national level, despite the fact that this would constitute the strongest tool for our country's development."

He gave a reminder that productivity should be interpreted as the capacity for raising the output from human effort for the benefit of the society, through new sources of employment, better income for workers, a reduction in inflationary pressures, a heightening of our competitiveness, worldwide penetration and the intensification of our self-determination as a country.

Nevertheless, in Mexico, the abolishment of the National Productivity Center a year ago has caused us to lack any means or forum that would combine the participation of the different entities acting in this complicated socioeconomic process.

He came out in favor of the creation of an institution that would agglutinate, lend consistency to and make permanent the productive phenomenon; because otherwise "we shall not leave the path of single exports, and the opportunity for a potentially high-level economic and social development will be missed."

He stressed the fact that productivity is an unavoidable means for confronting the challenge for Mexico in the year 2000, when "we shall comprise nearly 110 million inhabitants and shall need to have doubled the numbers of dwellings, schools, hospitals, food supplies and technological developments that will make it possible to guarantee the minimum supply of goods for our population."

However, he claimed that the "great missing factor" has been the lack of a policy on productivity that has caused the use of our non-renewable natural resources and of foreign financial resources, which is "now depleting us so much," and which has fostered retrogression, disorganization and waste that

are constant factors in our economy and a breeding ground for all types of evils, headed by corruption and irresponsibility, which have struck at our society.

Millan commented that, unfortunately, "We have been overly concerned about what is urgent and have neglected the important thing; and therefore planning is not yet part of our daily activity, because as a rule we think that planning means being tyrannized by time."

He concluded by saying that the explicit lack of productivity policies has caused a reduced participation by the population, paternalism in certain government programs, the distortion of the productive system and increasing commercial and technological dependence on foreign countries.

2909

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MEXICO

# SALVADORAN REBEL GROUP SPOKESMAN OQUELI DISCUSSES CONFLICT

Mexico City EXCELSIOR in Spanish 16 Mar 85 p 22-A

[Article by Jose Valderrama]

[Excerpt] If the war in Central America spreads to the entire region due to direct military intervention by the United States, some 100,000 guerrillas will be involved from the different countries, requiring at least a million soldiers to fight them, Hector Oqueli, member of the political committee of the FDR-FMLN [Revolutionary Democratic Front-Farabundo Marti National Liberation Front] and formerly deputy foreign minister of that country, said last night at the Economics and Destabilization in Central American round table organized by the National College of Economists, which concluded yesterday evening.

He added that a prolonged war in the area only suits the United States, not El Salvador, since that country has already had over 50 dead [figure as published] and its economy has suffered serious harm. However, if the war goes on, the revolutionaries might make greater progress.

Oqueli, one of the speakers representing the guerrillas in the now suspended negotiations with Salvadoran President Jose Napoleon Duarte, said that the Contadora group must take concrete steps in direct negotiations with the United States, "especially since the Contadora group emerged under the principle of nonintervention."

"El Salvador is not Grenada," he said, explaining that it could defend itself from an intervention with 40,000 soldiers coming from Honduras, an intervention that would not only affect El Salvador, but also Nicaragua, "in a cleanup operation involving all of Central America."

El Salvador requires a political solution in order to put an end to the suffering of the people and thus prevent a massive intervention. The solution to the Central American conflict cannot be achieved on the whole, but only country by country, negotiating bilaterally, he said. He also said that he did not believe that the disarmament meeting between the United States and Russia could provide a solution to conflicts in this troubled zone, especially since the problems in the region are not part of the East-West conflict. Rather, they are the result of the unjust economic and political situation in which the Central American peoples live.

Likewise, he said that revolutionary action in El Salvador is a "legitimate defense" action and that the political solution should involve all Salvadorans, "not only the oligarchy."

Concerning the position of the governments of El Salvador, Honduras and Costa Rica, which have hindered the negotiations suggested by the Contadora group, he said that those countries are not acting alone, but following the instructions of the United States.

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MEXICO

TRIANGULAR TRADE DEAL INVOLVING PERU, USSR BEING NEGOTIATED

Mexico City EXCELSIOR in Spanish 29 Mar 85 p 22-A

[Article by Jaime Contreras Salcedo]

[Text] Moscow, 28 Mar--Mexico is currently involved in high-level negotiations concerning the possibility of providing Peru with specific types of national goods to be placed on the Soviet market for the purpose of helping that South American nation to pay its debt to the USSR. According to official sources, that debt amounts to over \$200 million.

Within a period of time to be determined by the parties involved and either through bartering or countertrade, Peruvian producers would provide us with goods that we do not produce or that we produce in insufficient quantities, based on the value of our products, EXCELSIOR was told by Eduardo Fuentes Uquillas, Mexico's trade adviser in the Soviet Union.

It should be pointed out that according to Nikolay Osipov, vice minister of foreign trade of the USSR, 27 percent of what the Soviets import involves "widely consumed" edible and industrial products, as well as raw materials for their manufacture, "which increase the country's material resources aimed at improving the standard of living of the workers."

"That is the direction in which we Mexicans would work," says Fuentes Uquillas, "inasmuch as what we want to do is ensure the presence of national goods and, once this commitment has been met by the Peruvians, aim our efforts at seeing that Mexico's articles are continuously present on this very valuable market."

Fuentes Uquillas reports that a Peruvian delegation spent a few days in Moscow for the purpose of renegotiating their foreign debt to the USSR. Both delegations were in agreement "and even enthusiastic" because what they want is to solve the financial problem. "The only thing I am waiting for is the list of Mexican products that can immediately be placed on that market," says the official from the Mexican Foreign Trade Institute.

Naturally, Fuentes says, "we would make basic consumable expenditures available to the USSR, plus very few manufactured goods. However, we should note the special place of light woven clothing, which is very sought-after here."

There are also possibilities for Mexican shoes, lead and movie film made in our country.

Fuentes Iquilla enumerated the list of imports we receive from the USSR, including spare parts for tractors, ball bearings, books in Spanish, streptomycin and related salts, voltage regulators, knitting needles, certain camshafts and certain industrial gears.

The representative of the Mexican Foreign Trade Institute in the USSR said that a month ago, the Soviet Ministry of Foreign Trade claimed that Mexico had not honored purchasing commitments with the USSR based on the bilateral commercial protocol dated in February of last year and that "they hinted at the possibility of further reducing their purchases."

Based on the Soviet figures, during the January-September period of last year, Mexico had a deficit of \$15.95 million (13 million rubles). Our country bought goods worth 14.2 million rubles (\$17.42 million) and sold only 1.2 million rubles worth (\$1.47 million).

However, based on standardized reports of the Mexican Foreign Trade Institute and data from the Secretariat of Planning and Banking of Mexico, Mexican goods worth \$3,255,000 were placed on the Soviet market during the period in question, "which shows that we did comply with the trade agreement in question," said Fuentes Uquillas.

He continued: "If this triangular deal between Peru, the USSR and Mexico should be completed, even through other paths, there will be more national production on this market and we will be able to study new possibilities of increasing the sale of Mexican articles here."

For his part, Osipov, vice minister of foreign trade of the USSR, said that his country imported goods worth 168.6 billion rubles during the period from 1981 to 1984 and that over a third of that amount (58 billion rubles) was for machinery and equipment for construction enterprises, the modernization or expansion of Soviet industry.

That is the area we Mexicans should go after, says Fuentes Uquillas, citing the example of equipment for oil exploration and extraction now idle because of the crisis in Mexico and "that cannot be absorbed by American producers, for example."

He also noted that national industry has great potential in the food processing sector "because of our vast natural resources and the relatively cheap supply of professional labor that we have." On this matter, the Mexican foreign trade official said that Mexican food is highly appreciated in the world, often not so much because of the product in itself, "but rather, because of the image that we have unintentionally gained."

Demonstrating some impatience, the Mexican trade adviser in the USSR pointed out that Mexico needs more agility in selling goods in the USSR, "but no project is dead. We have confidence that we can sell in short-range terms -- via Peru or the rest of the world, even ourselves -- on this important market."

Finally, Fuentes Uquillas deems it important for Mexican exporters to have more confidence in their own work. They must prepare professionally to compete abroad and "no longer leave up to others the work they have to do themselves. To do otherwise will cause greater problems and more expenditures."

11,464

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MEXICO

# ILLEGAL REMOVAL OF PAN MEMBERS FROM TOWN GOVERNMENT CHARGED

Mexico City EXCELSIOR in Spanish 26 Mar 85 'States' section p 4

[Article by Manuel Lino R.]

[Text] San Martin de las Piramides, Mex., 25 Mar--A "PRI assembly" has illegally and arbitrarily removed seven members of the PAN [National Action Party] from the local town government, including the municipal secretary, Ramiro Reyes, and the treasurer, Ponciano Alvarez, according to a report by the latter party.

The removals occurred, based on information from the PAN, "following an assembly held by the state government and the official party in which local PRI deputy Maria Elena Reyes played a special role. By bringing in people and exerting pressure, she gathered together in the municipal auditorium nearly 1,000 persons, who 'decided' to remove the seven PAN members."

In order to hold the assembly at which it was to be decided whether or not the PAN members would continue in their posts, "first of all, an agreement was signed by state authorities and National Action officials, which was not abided by by the authorities."

The president of the PAN regional committee in the state of Mexico, Deputy Astolfo Vicencio Toyar, said that the National Action will support its members from San Martin de las Piramides and blamed state authorities for the violation of the agreement signed.

Through a press bulletin, the PAN said that today, "state police prevented PAN officials from entering the offices of the town hall, despite their protests."

In the bulletin, the National Action states that since the very beginning of this administration, there has been great pressure against PAN officials and as an example, said that in the case of the police command, it does not have a single member. In other posts, PAN members could not even occupy their offices.

In other cases, PAN officials have been prevented from performing their duty when the necessary material and human elements were not provided, as in the posts of the DIF [System for Complete Family Development], the Municipal Secretariat, the Civil Registry and the deputy judgeship.

Concerning the treasurer, Ponciano Alvarez, friction between the latter and the municipal president, Gerardo Martinez, have been due to the fact that the mayor ordered unjustified payments for publicity and other costly outlays.

MEXICO

BRIEFS

DICONSA DISTRIBUTION OF CONTRACEPTIVES--An agreement covering the distribution of contraceptives through the DICONSA [CONASUPO (National Company for Basic Commodities) Distributing Agency, Inc.] network, which has access to the poor in both rural and urban areas, was signed yesterday by the Secretariat of Health (SSA) and CONASUPO. At a ceremony held in the SSA Council Room, Guillermo Soberon, secretary of the branch, and Jose Ernesto Costemalle Botello, general director of CONASUPO, signed the document coordinating action to support the interinstitutional program of family planning. Both officials emphasized the importance of the agreement, which backs the one signed 2 years ago by both agencies relating to health education. They stated that with the new agreement, they will combine efforts to improve health conditions of the population, thus helping to reduce the birth rate, with complete respect for the decision and dignity of married couples involved. In particular, the action will promote a better balance between economic and demographic growth and development. [Text] [Mexico City EXCELSIOR in Spanish 23 Mar 85 p 12-A] 11,464

CAPITAL PUBLIC SAFETY MEASURES--Yesterday, the head of the Department of the Federal District, Ramon Aguirre Velazquez, turned over to the Secretariat of Safety and Roadways 100 light patrol vehicles and 60 horses to improve surveillance in the delegations of Iztapalapa, Coyoacan, Tlahuac, Milpa Alta, Xochimilco, Tlalpan, Magdalena Contreras, Alvaro Obregon, Cuajimalpa and Azcapotzalco. During the ceremony, which took place on the mall of Venustiano Carranza, the head of the Secretariat of Safety and Roadways, Ramon Mota Sanchez, also recognized that problems of security and highway administration in the metropolis demand ever greater devotion on the part of the preventive police. He added that the new equipment will permit police penetration and presence in areas of difficult access and provide effective vigilance, as well as the ecological preservation of rural areas of the Federal District. After expressing thanks for the support of all participating organizations in the life of the city, he spoke of programs of modernization, moralization and professionalism in order to turn police agencies into institutions truly serving the public. Shortly thereafter, Aguirre Velazquez visited the facilities of the Balbuena area, where he presented mock rescues of hostages and the deactivation of car bombs, noting the technical and physical training of security personnel and the participation of women in such activities. [Excerpt] [Mexico City EL DIA in Spanish 16 Mar 85 'Metropoli' Suppl p 3] 11,464

CSO: 3248/313

NICARAGUA

ARRIVAL OF MEXICAN OIL SHIPMENT VIEWED

Mexico City EXCELSIOR in Spanish 23 Mar 85 pp 2-A, 16-A

[Article by Manlio Tirado]

[Text] Managua, 22 Mar--A ship loaded with 250,000 barrels of Mexican oil arrived in Nicaragua yesterday. The Sandinist authorities considered this a "positive response" from the Mexican Government "to the national emergency due to the lack of other supply sources."

Nicaragua faced a serious energy crisis a month ago because an Ecuadoran oil shipment destined to supply the energy needs of this country was sabotaged by Washington pressures, according to official circles here.

Under these circumstances, the Managua government asked for Mexican cooperation. It immediately showed solidarity with Nicaragua and decided to send 250,000 barrels of crude oil that arrived in Puerto Sandino last night on the ship "Prededaring."

The Soviet Union and Cuba also helped Nicaragua. The former sent 250,000 barrels of oil 2 weeks ago and the latter sent 60,000 barrels of gasoline and 70,000 of Diesel.

Since August 1980, Mexico and Venezuela each supplied Nicaragua 7,500 barrels per day in accord with the San Jose Treaty.

The Caracas government stopped its exports to the Sandinist government in July 1982 because Nicaragua could not comply with the financial terms of the agreement. Mexico made up for Venezuela's part.

Since 1984 Mexico and the Soviet Union have supplied Nicaragua. About 55 percent of the crude oil used in the Central American country came from Mexican Petroleum and the rest from Moscow.

"Gesture of Support and Solidarity"

Mexico stopped sending fuel to Nicaragua at the beginning of this year. The Nicaraguan Energy Institute referred to the 250,000 barrels that arrived yesterday. It indicated: "This shipment is not part of the regular supply

program agreed on with Mexican authorities. Therefore, it is a gesture of support and solidarity."

The Nicaraguan Energy Institute reported that the Sandinist authorities are talking with Mexican Petroleum to reach a supply agreement for crude oil and other derivatives within the agreements to improve cooperation between the two countries.

Nicaragua's oil debt to Mexico is estimated now at \$600 million. This debt is being renegotiated.

Mexico has asked the Managua government to pay for the oil supply in advance. Due to its difficult economic situation, Nicaragua cannot always guarantee its solvency. This has hindered a continual supply of Mexican crude oil to the Central American country. It has a similar problem with Costa Rica.

Meanwhile, the Soviet Union continues to export oil to Nicaragua.

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CSO: 3248/331

PERU

## ECONOMIST PREDICTS CONDITIONS FOR NEW ADMINISTRATION IN JULY

Lima EL COMERCIO in Spanish 8 Apr 85 p A-12

[Interview with economist Alejandro Toledo in Peru; date not specified]

[Text] What is the diagnosis of the state of the Peruvian economy in July 1985?

This question was asked of the well-known economist, Alejandro Toledo, at the foot of the plane that would take him to a seminar on the Latin American economies starting today in Washington. Later, Toledo will travel to Japan and Singapore, as a special guest.

This is the dialogue held with Toledo, an economist from Stanford and former official of the World Bank, who was a former adviser to Alfonso Grados Bertorini in the Ministry of Labor and Social Welfare.

[Question] Could you give some prospects for the health of the Peruvian economy in July 1985?

[Answer] If the trends recorded for the first 3 months of this year continue, and there is every indication that this will be the case, moderate estimates indicate that the patient to be received by the new president on 28 July will have the following chart:

### Internally

1. Inflation of about 95 percent;
2. Devaluation of approximately 110 percent;
3. An official dollar (average purchase/sale) of I/.12,400, and a certified dollar of I/.13,200;
4. A gallon of gasoline for about I/.15,300;
5. A weak capacity for internal savings;
6. A weak predisposal for private investment;
7. An economic growth of between 1 and 2 percent;
8. Overt unemployment of about 11 percent;
9. An addition reduction in real wages and salaries averaging 8 percent; and,
10. Increased dissatisfaction and a suspenseful socio-labor atmosphere.

Externally

1. The marked reduction in the flow of funds from the international private banks will remain in effect;
2. A strong pressure to have the country pay the interest on its foreign debt and buckle to the agreements with the IMF;
3. The multinational and bilateral agencies, in contrast to the international private banks, will show a greater likelihood of granting credit to the country; but it is to be expected that all of them will require, if not buckling to the IMF, the submission of a realistic, consistent economic program for both the short and the medium-long term;
4. Potential foreign investors will have an attitude of "wait and see" regarding what the government's position toward them will be, before investing;
5. Limited foreign exchange income originating from exports, particularly from the non-traditional ones;
6. We shall continue to witness protectionism and unequal treatment, in terms of commercial exchange, on the part of the industrialized countries, with adverse effects on international reserves and domestic production.

[Question] Does this apply to any government?

[Answer] This is, roughly speaking, the diagnosis of the economic and social health of the country that the new "physician" who will be elected within the next few days to assume the critical responsibility for its treatment, regardless of his political orientation, will receive.

[Question] How would you analyze it?

[Answer] Obviously, given the magnitude of the crisis, the financial maneuvering room that the new government will have available, to comply with its proposals and to keep its electoral promises to a population with moderate economic and social expectations, will be markedly limited, as it has been, although to a lesser extent, for the outgoing government as well. This is the challenging dilemma. I consider it imperative to view the mistakes of the past with a constructive, critical perspective, so as to enhance the future decisions.

2909

CSO: 3348/605

PERU

# NATIONAL SAVINGS DOWN AS DEPOSITORS CHANGE SOLS FOR DOLLARS

Lima EL COMERCIO in Spanish 7 Apr 85 p F-3

[Text] The accelerated trend toward "dollarization" of savings and the latter's obvious transfer from deposits in national currency have been showing up in the statistics of the Superintendency of Banking and Insurance, which keeps track of the commercial banks' accounts.

According to that source, in just one month (January), nearly 13 billion sols were withdrawn from the commercial banks in the form of savings, as were 86.3 billion from the time deposits in national currency.

The tendency toward withdrawal for possible conversion into foreign currency has been observed since the devaluations became marked and since the savers became aware of the loss of their saved capital, owing to the low rate of return offered them and the devastation caused by inflation to money.

According to the SBS statistics, at the end of December 1.826 trillion sols had been deposited in the 23 commercial banks in the form of savings through the passbook system. A month later, the figure was reduced to 1.813 trillion.

The same thing occurred with the time deposit accounts in national currency, which dropped from 1.132 trillion sols to 1.046 trillion.

There was an increase in the account represented by demand deposits or current accounts in national currency, which rose from 2.128 trillion to 2.277 trillion; because these are working capital of business firms and for individual consumption.

But where the most marked increase occurred was in the foreign currency (dollar) deposits, which were observed rising from the equivalent to 8.116 trillion sols to 9.493 trillion; in other words, over 1.377 trillion in just a month.

This amount is quite clearly very large in comparison with the possible transfer of savings from sols to dollars, totaling the aforementioned 99.3 billion; which is the sum of withdrawals through passbooks and through time deposits.

The explanation for the larger sum noted in the equivalent amount in sols, in addition to the transfer of sols to dollars in the banks themselves, might lie in the conversion of the dollars deposited to national currency, considering the increase of 18 percent through devaluation in that month of January alone; and in the new dollar savings using the current account system, as well as time deposits through the use of bank certificates. Not to be disregarded are transfers of savings in sols from other institutions, such as mutual, financial and cooperative ones.

According to the Superintendency of Banking and Insurance, at the end of January, \$1.17 billion had been deposited in the commercial banks in the form of bank certificates in foreign currency. In the entire financial system, the figure totaled \$1.647 billion.

We recently reported, based on the statistics from the Central Reserve Bank, that deposits in dollars or foreign currency in the entire national financial system was equivalent to 52.5 percent of the total saved.

The percentage is not the same in the case of dollar deposits in the banks. In that case, it amounts to 65 percent; in other words, the "dollarization" of savings is noted far more in the commercial banks than when averaging with the entire financial system.

2909

CSO: 3348/605



PERU

## NAVY MAY LOSE ADVANCE PAID TO DUTCH SHIPYARD

Lima EL DIARIO DE MARKA in Spanish 5 Mar 85 p 4

[Article by Victor Alvarado: "Navy Swindled in Holland"]

[Text] The Peruvian Navy runs the risk of losing more than \$40 million due to the bankruptcy of a Dutch naval shipyard which was awarded a contract to re-equip and modernize the Peruvian fleet's flagship, the cruiser "Grau."

Reports from Amsterdam, the capital of the Netherlands, confirmed the existence of a public debate between the Dutch government and the ADM Shipyards, which won the contract from the Peruvian Navy.

The shipyard is demanding that the Dutch government grant it a subsidy of 38 million florins (equivalent to \$9.5 million) for working capital which would allow it to reopen the shipyards immediately and accept the "Grau," which had planned to arrive in Amsterdam at the end of last February.

The ADM Shipyards asked the government for aid, based on the fact that the Dutch state owns 67 percent of the stock, while the remaining 33 percent belongs to the private firm of Westhaven.

According to the ADM Shipyards' contract with the Peruvian Navy, the former agreed to re-equip the cruiser "Grau" with new electronic radar and modern sonar installations to detect submarines, and to modernize its ballistic missile system, at a total cost of 350 million florins, equivalent to \$87.5 million. For its part, the Peruvian Navy agreed to advance nearly half the total cost.

### Disauthorize Shipyard

This agreement was vetoed by the Dutch Economy Minister himself, Gigs Van Aardenne, when he refused to provide another florin to the ADM Shipyards, citing the pretext that national budget allocations for aiding companies in crisis had been drastically cut.

According to the translation of a newspaper article from the Dutch paper DE VOLKSKRANT, he cited official figures from his office in support of his opposition. In 1984, 92.5 million florins were allocated, while only 23 million florins have been allocated for 1985.

The ADM Shipyards have suffered from the effects of the international economic recession, which have translated into a decrease in international orders for shipbuilding. In order to weather the crisis, they had opted for a series of austerity measures.

Among the measures adopted, with the agreement of the shipyard's workers, was a reduction of personnel. In 1983, ADM Shipyards had 1,320 workers. Subsequently, 220, then 180, and then 40 workers were laid off, until only 880 remain in its present work force.

Logically, the workers who were laid off received benefits with permanent compensation, that is, subsidies sufficient to support them in dignity until the reopening of the shipyards permits them to be reabsorbed with full rights.

The possibility that another shipyard may take over the re-equipping and modernization of the "Grau" is under consideration, since Holland is one of the world's most advanced countries in building battleships and it has several shipyards, all of which enjoy full professional and technical solvency.

#### Peru: An Old Customer

The question of what will happen to the advance payment made by the Peruvian Navy to the bankrupt ADM Shipyards merited full coverage in the Dutch press.

The traditional commercial practice is that a bankrupt company is only liable for payment of its debts with its net worth, but in a way that distributes the payments proportionally among its creditors, giving priority to the social needs of its workers.

It was also learned through sources from the newspaper DE VOLKSKRANT that the Dutch government has notified its client, the Peruvian Navy, that it is impossible for the ADM Shipyards to honor its commitment.

According to our press files, this is the second time that the "Grau" has returned to the ADM Shipyards for reconditioning. The first time was in 1981, when it was reconditioned along with the Peruvian cruiser "Aguirre."

At that time, Holland delivered five destroyers to Peru, the purchase of which was ordered by the former government and carried out by the present government under the leadership of President Belaunde. The destroyers purchased in 1981 were the "Quinones," the "Villar," the "Castillas," the "Garcia y Garcia" and the "Galvez."

The "Grau" was purchased during the 70's after 30 years in the Dutch Navy. Built in 1940, it operated efficiently during World War II, but has required successive reconditioning to navigate and compete under conditions such as those of modern ballistic electronics.

It is proper that the Navy Ministry inform the Peruvian people of the final fate of the "Grau" and, in particular, that it explain what steps it has taken in view of the Dutch government's decision not to accept the ship because of

the bankruptcy of the ADM Shipyards. It also should explain what measures it has taken to recover the \$40 million advance made to ADM.

Concern about the "Grau" has been obvious in the Dutch press, and this is in contrast with the virtual absence of publicity about the matter in Peru.

Even in Holland, according to press dispatches, it has been argued that the Dutch state should subsidize the ADM Shipyards so that the latter may honor its contract with Peru, in view of the fact that another shipyard, the RVS, also undergoing bankruptcy, has nonetheless received an important sum of money enabling it to reopen its shops.

8631

CSO: 3348/465

PERU

#### OIL EXPLORATION INVESTMENT RATE DROPPING

Lima EL COMERCIO in Spanish 4 Mar 85 p A-13

[Text] Investments in oil exploration and production in this country have decreased from \$552 million in 1982 to a present annual rate of \$250 million, according to engineer Felipe Thorndike, president of the national energy council.

According to the speaker at the international petroleum conference organized by ESAN [School of Business Administration], this rate is far from the level of investment requirements that will be needed in the coming years. This should range from \$800 million to \$1 billion annually.

Thorndike feels that the country has four means of financing the petroleum industry.

The first should be the net cash flow from Petro-Peru's operations, but the company's financial condition has been increasingly affected by pressure from regular taxes and the special petroleum tax.

For example, he explained, the selective consumption and general sales taxes, which amounted to 87 percent of the out-of-plant price Petro-Peru was receiving for 84 octane gasoline in June of 1983 rose to 192 percent of the out-of-plant price in effect in January of 1985.

Budget restrictions have prevented Petro-Peru from playing a more vigorous role in petroleum operations, he added.

As a case in point, he said, Petro-Peru's management allocated \$375 million for investment in 1984, but the government authorized it to invest only \$158 million, of which 30 percent went for activities other than exploration and production.

The second method of financing the petroleum industry in the country would be for Petro-Peru to go into debt, which is equally unworkable under present circumstances.

With its almost nonexistent profit ratio, the state enterprise is a poor credit risk, as is the Peruvian government itself, which must endorse any significant loan to Petro-Peru. The foreign debt, he said, is a very heavy burden for financial negotiations.

On the other hand, he said, the development bank does not ordinarily finance a project in full. In addition, it is somewhat resistant to granting loans to the oil sector because it realizes that these loans represent investments which, if successful, have a high profit ratio and thus financing can be obtained through direct investment or financing from private banks.

However, the private banks are not going to increase their loans to Latin America either, especially to the petroleum sector. This is mainly because of the difficulties they are facing because a substantial part of their assets is tied up in loans to Latin American countries.

Thorndike also eliminated what he considers a third method of financing: funding from state contributions. The country does not have the capacity for domestic savings. On the other hand, we will most likely continue to have a heavy fiscal deficit during the coming years.

#### Foreign Financing

To assure our ability to provide for our own energy needs, he went on to say, as well as to assure exports that provide, as they do now, 20 percent of the foreign exchange from sales abroad, the country should invest \$800 million to \$1 billion annually.

If Petro-Peru enjoyed a stronger financial position, it could have up to \$160 million available annually to invest in crude oil exploration and production. But if the country needs a minimum of \$800 million, it is obvious that we need to cover that shortfall of \$640 million.

That money can only be obtained through the fourth method of financing, which is private foreign savings, he concluded.

"If we want to sign oil contracts that will bring in that financing," he maintained, "we must be competitive with what is being offered by other countries and admit that the typical Peruvian contract, which might have been good in its day, now needs modifications that will make it more attractive to today's investor."

"To do this," he continued, "Peru should allow for a larger and more reasonable margin of profit, consider the cost recovery factor and moderate its income tax rates."

"None of this means that national interests would be ignored," he said. "The benefit to the country would be the greatest possible, within realistic and competitive terms in today's world."

8631

CSO: 3348/466

PERU

## PETROLEUM CONFERENCE RECOMMENDS STRENGTHENING STATE INDUSTRY

Lima EL COMERCIO in Spanish 3 Mar 85 p F-1

[Text] The need to strengthen the state petroleum enterprise, Petro-Peru, was one of the agreements reached during the international petroleum conference organized by the Institute of Economic Development of ESAN [School of Business Administration]. Experts from various countries and the principal candidates for the presidency of the republic participated in the conference.

That proposal--for which our newspaper has fought and continues to fight ceaselessly--was heralded by the participants who, of course, recognize the need to complement exploratory efforts by means of cooperation with capital from national and foreign private sources.

The statistics cited indicate that the public treasury is taking too much out of petroleum profits. We have "petrolized" ourselves, as one of the candidates remarked, and we are wringing our industry dry.

Projections presented to the bicameral congressional budget committee outline the following results:

Due to its heavy tax burden, Petro-Peru would end the year with a \$117 million deficit, despite an income of approximately \$2.1 billion.

And its financial balance sheet would end up \$113 million in the red.

The state petroleum industry's investment budget is barely \$186 million, of which \$124 million is allocated for the vital activities of exploring and developing the company's own fields.

### How to Strengthen Petro-Peru

According to the company's chief executive, the enterprise could be strengthened by granting it reasonable remuneration for its products, offering it the chance to invest more than it is investing presently, allowing it a degree of operating flexibility consistent with its characteristics as a dynamic productive enterprise, and finally, subjecting it to a fair and equitable tax system.

What share of the national economy do Petro-Peru and the oil industry represent?

--Oil provides 80 percent of the primary commercial energy used in our country. Natural gas and hydroelectric power run a distant second and third place with about 10 percent each.

--The value added by the petroleum industry represents 9 percent of Peru's total GNP. Of that percentage, the largest part consists of activities related to exploration and production of crude oil, and the rest to refining, transportation and marketing.

--The petroleum sector is the greatest individual contributor in Peru, since it provides about one third of the current total tax income collected by the state. Only the selective consumption tax comes close with 17 percent of the revenues collected.

--Oil has become a way of transferring resources to the regional economies. During 1984, the regions of Loreto, Piura, Tumbes and Ucayali received a total of 345 billion soles by way of tax shares and the highway plan, among other things.

--"Black gold" is also a pillar of our trade balance. In 1984, Petro-Peru exported 18.6 million barrels of petroleum products, which meant \$497 million for our international reserves.

#### Solution for 1985

In order to avoid falling into a state of financial loss, the state petroleum industry has proposed modifying the controlled fuel price structure, excepting gasolines, which would yield \$675 million, as compared with the \$552 million established by the government. It should be recalled that the treasury's cut will be \$872.7 million in 1985. In comparison, the tax credit for contractors' would be \$150 million.

This is the problem that the party or parties that assume power in the executive office in June will have to face. Strengthening Petro-Peru in fact entails raising prices or decreasing a large share of the pie. Anything else would be to adopt an ostrich policy.

8631

CSO: 3348/466

PERU

## INDUSTRIAL FORUM FAVORS REACTIVATION OVER RECESSION

Lima EL COMERCIO in Spanish 3 Mar 85 pp F-14

[Text] Proud of the evident recovery of his sector, Industry Minister Alvaro Becerro Sotero carried out with grace and style one of the goals he had set for himself last year: to hold a forum on industrial planning and development. The minister's satisfaction was supported by the black figures achieved by the nation's industry in 1984. Industrial growth rose 3.2 percent in that year, as compared with a 17 percent drop in 1984. [sic]. The official from CORPAC [Corporation for Airports and Commercial Aviation] wants to leave his successor with the basis of an industrial program, starting with the results of the forum, which in spite of coinciding with a petroleum conference, was well attended by national as well as foreign experts.

In his closing speech the minister cited, among other things, the situation of the industrial enterprises, which are the productive agents of the sector.

He mentioned the high level of indebtedness that is being incurred, insisting on a search for ways to lessen the impact of the debt service because of the high interest rates and the urgency of deadlines for payment on the principal.

During the first stage, he said, consideration has been given to allowing financial institutions to exchange the debts of companies that are in trouble but capable of recovering, for readjustable value bonds at a relatively low interest rate for a minimum of five years.

### Forum Conclusions

Peru is currently faced with one of its best opportunities to reinitiate its industrial development, since it enjoys three basic elements that are fundamental to such a task: an established but unproductive industrial capability, a qualified but unemployed work force and a diversity of raw materials that could promote all kinds of development. However, the necessary consumer market is lacking, due to the low purchasing power of the population and because of devalued currency. For this reason, while a policy of spurring economic and social reactivation is being implemented, industry should direct its efforts toward exportation,



This is the general conclusion that emerged from the four-day Industrial Development and Planning Forum held in the auditorium of the Ministry of Industry, Commerce, Tourism and Integration. More than 400 participants attended the conference.

#### The Agenda

With nearly a score of reports presented by international experts from ONUDI [United Nations Industrial Development Organization] and UNCTAD, and national experts represented by industrial specialists from the political parties, who spoke on the last day, and the presentations of some 50 panelists, the forum covered a broad range of topics. All of them were designed to shed light on national industrial scene and its prospects through an examination of the current state of the Peruvian economy and the international context.

A central position, on which there was unanimous agreement, was that economic reactivation should be directed towards the industrial sector, paralleling a corresponding agricultural activity, upon which a large share of that industry should be based.

#### Limiting Factors

All of the factors that might limit the Peruvian economy's growth were analyzed as a whole, such as inflation, the foreign debt service and the balance of payments, and it was generally agreed that the country should opt for reactivation rather than recession as a means of achieving economic balance.

With recession linked to the adjustment programs of the International Monetary Fund and the international banking creditors, the forum felt that to free resources for development, the foreign debt service should be limited to a ceiling of 20 percent of the value of exported goods.

A proposal by ONUDI, through its experts Krugger and Schydlowski, suggested that the figure could reach 15 percent, under terms of a refinancing plan the conditions of which would be set by Peru.

#### Fewer Devaluations

As a basic condition for industrial reactivation and developing the domestic market, it was also proposed that we abandon monetary policies which manifest themselves in sudden currency devaluations and readjustments of the bank interest rates. These policies are leading the country into an uncontrollable inflationary spiral.

Within the policy of promoting exports--which was suggested as necessary and upon which there was also unanimous agreement--it was felt that it should operate through CERTEX [Export Certificates] and not necessarily exclusively or predominantly through the exchange rate, because of the counterproductive effects on inflation.

## Greater Protectionism

Protectionism was another unanimous conclusion on the part of the experts, as well as of the political parties, which mentioned it in explaining their plans on the final day.

The organizations that sponsored the forum had prepared in advance an important document, edited in four volumes, which contained a broad analysis of the current state of the country's industry and a strategy for development.

This document was circulated in advance among the political parties that were invited, and was also furnished to the panelists, who included businessmen and public and academic officials.

The document was explained during the first three days of the conference in sessions that lasted from 9 in the morning until 8 at night.

## Basic Sectors

Besides the industrial policy guidelines, special documents were prepared for the textile, machinery and metallurgy industries.

These sectors, as well as footwear, have been considered basic to initiating a process of industrial reactivation not only because of their economic impact but also because they generate foreign exchange. Agribusiness and aquaculture were also stressed.

The use of intermediate technologies as well as their development was considered important in order to favor the country's industrial development, in view of the significance to Peru of the problem of unemployment. One of the important suggestions was that we not try to compete with the large industrialized countries in areas where we do not have comparative advantages.

8631

CSO: 3348/466

PERU

## YOUTH COMMITTEES PREPARE FOR MOSCOW WORLD FESTIVAL

Lima EL DIARIO DE MARKA in Spanish 5 Mar 85 pp 12, 13

[Interview with Jesus Manyá, secretary general of the National Preparatory Committee for the 12th World Youth Festival: "Youthful Lovers of Peace and Friendship Meet in Moscow"; author, date and place of interview not given]

[Text] Jesus Manyá, secretary general of the National Preparatory Committee for the 12th World Youth Festival, says: "We are more than 190 million strong throughout the world. Through a decision by the United Nations General Assembly, 1985 is our international year. On the threshold of a new century--a new century during which much is expected of the youth of today--it is logical to ask ourselves about and to concern ourselves with the future consequences of the tremendous struggles of the present. With a great economic crisis and an endless recession, the youth are always the main victims," says Jesus Manyá, a young resident of Cuzco and president of the National Preparatory Committee for the 12th World Youth Festival which will be held in Moscow, the capital of the Soviet Union, in July.

[Question] Tell us about this festival, please.

[Answer] Well, this is a highly significant festival because of what I said earlier. It is being held under the general framework of the International Year of Youth, but also at a time when the world is shaken by the greatest crisis in history. And when I say crisis, I am referring not only to a crisis of a material or an economic order, but also to the moral and political crisis which rocks the capitalist system. The world is also threatened by the nuclear madness of Ronald Reagan. This man proposes to liquidate peoples who are fighting for their freedom, trample the rights of men and liquidate the socialist countries. And now he is aiming his guns at Nicaragua.

But besides all this, despite the published wealth of some societies, when youth are asked to talk about their main problems, what immediately comes up in our country is unemployment or underemployment, lack of future opportunities, maladjustment, hunger and poverty, which is another form of aggression, another kind of war.

Thus, the importance of periodically holding festivals, as does the World Federation of Democratic Youth (FMJD) and the Secretariat of the International Union of Students (UIE), where the youth of the world can meet to bring up

their problems, discuss alternatives and express solidarity with the struggle of the world's peoples. This year, the main theme of the festival is "Favoring anti-imperialist solidarity, peace and friendship."

Some 80 representatives of youth from all the continents are currently participating in preparations for the 12th World Festival in Moscow.

[Question] And in Peru?

[Answer] A very complete preparatory committee has been formed in this country, composed of different political, religious, union and people's organizations. Among them, for example, are the CGTP [General Confederation of Workers], the CNA [National Agrarian Confederation], the ANEA [National Writers and Artists Association], the National Federation of Hotel Workers, the United Leftist Youth, the Peruvian Youth of APRA [American Revolutionary Popular Alliance], the Peruvian Communist Youth, the Youth of FOCEP [Student Peasant-Worker Popular Front], the Socialist Revolutionary Youth, the Youth of PADIN, the youth of Socialist Political Action, the Association of Socialist University Graduates, the Permanent Committee of the New Song, the SUTEP [Single Union of Education Workers], sector 13, the Catholic Working Youth, the Youth Center for Peace and Friendship, the New Friendship University "Tuna," the Jose Castellares Folklore Group, the Mariateguist Pioneers Organization, the "La Verdad" Journalists' Circle, EL DIARIO DE MARKA, and many more from Lima and the provinces.

All of them must work together until July to publicize the goals of the festival and to promote activities concerning its fundamental objectives.

[Question] How will this be done?

[Answer] In the most varied ways--round tables, conferences, marches, meetings, song festivals, etc. For example, we have suggested that EL DIARIO DE MARKA hold a journalistic contest in which young people will enter essays about various topics which are the responsibility of youth, such as the struggle for peace, the various economic and social problems which affect our country, drugs and unemployment, among others. The initiative of each youth institution also has a lot to do in this. That is, groups that are interested in music, for example, can compose songs, hold contests, organize festivals, etc. And so on.

[Question] Have you, as a national committee, made an appeal to promote the festival?

[Answer] Of course. In a meeting last 25 May, the members of the committee approved an appeal to Peruvian youth. In it, we detailed the problems of youth, which fit perfectly into the general framework of the country, because of our dependence on it.

We also stressed how the effects of the economic crisis fall on youth, who suffer the effects of the social breakdown of the system and the profound crisis, which is worsened by the ill-fated policies of the Belaunde government. These policies have been leading this country into the most critical bankruptcy of its entire history.

We pointed out how that policy is affecting the right to work, education, family, and in general, all areas of young people's lives.

[Question] How are the preparations coming along?

[Answer] In general, they are still proceeding a little slowly. We need to promote the work of the festival more and not leave it to the last minute. It is true that there are some committees that are making efforts, even to procure funds, such as the Huancayo committee, which is presenting samples of handicrafts, and some new song groups, but more is needed. The responsibility should be collective and should transcend the problems, some of which are explainable, such as the electoral campaign, or the present economic limitations themselves. But we must not lose sight of the fact that conditions are optimum for a good effort, multiplying our initiatives.

The most difficult problem, however, is the sabotage of reaction. A few days ago, for example, a Venezuelan official was in our country inviting young people to a pseudo international conference of the youth of the free world next April in Jamaica.

Of course, all the members of the National Preparatory Committee for the Moscow Festival rejected this proposal, considering it divisionist and an attack against the principles of free choice of the delegations who revere democracy, and the UN itself. Also, we all know that the present Jamaican government, which would be the host of such a meeting, is not an example of democracy and brotherhood. On the contrary, it is one of the many puppet governments in Central America, and it even gave its approval to the U.S. intervention in Grenada two years ago.

For that reason, the effort of that phantom delegate was rejected by the genuine Peruvian youth organizations. The patriotic, democratic and anti-imperialist youth in Peru look only to Moscow as the international center of solidarity with the peoples of the world. And that is where we will be.

8631

CSO: 3348/465

PERU

# ARMY SAYS PECHORA MISSILES IN PLACE FOR NATIONAL DEFENSE

Lima EL COMERCIO in Spanish 31 Mar 85 p A-1

[Text] The artillery branch of the Peruvian Army is equipped with Pechora missiles with a high degree of destructive power, a long range and the capacity to exceed the most advanced supersonic combat planes in speed.

Although the number of missiles has not been disclosed, it is known that they have been placed at strategic points in the country and mounted on their respective ramps, ready to be fired in the event of an air attack.

According to high-ranking artillery officers, whose anniversary will be marked on 2 May, these are probably the most powerful antiaircraft weapons in their institution, putting it on a footing with the most modern armies on the continent.

## Ready on Their Ramps

The Pechoras, of Soviet make, are mounted in groups of four on each ramp. They measure 7 meters long and are provided with two charges.

These missiles are prepared to destroy supersonic planes, because they develop speeds of nearly 1,000 meters per second; while the fighter planes have a slightly lower speed and even less when they attack.

It is claimed that the Pechoras reach a speed of up to 3 mach, whereas the supersonic aircraft develop an average speed of 2.5 mach. Every mach is equivalent to 340 meters per second, that is, the speed of sound.

They have radar that enables them to locate the enemy at a distance of 450 kilometers, warning of its presence. Other radar gives it a "more exact local" siting at 150 kilometers, and that information goes to the ramp from which the firing heading directly toward the target to intercept it is carried out electronically.

When the missile is about 300 or 400 meters from the target, an incorporated radar "picks up the target" and follows it without letup. Within about 30 meters the missile explodes and with its shock wave causes the aircraft's destruction.

2909

CSO: 3348/605

PERU

#### BRIEFS

SMALLER MICROFILM PROCESS INVENTED--A Peruvian has invented a microfilm 300 times smaller than that which is normally used. Based on microscopic photography that was used by the German secret service during the Second World War, it measures just one milimeter long by one milimeter wide. The information contained in an ordinary microfilm, that is, an average of 60 exposures, will fit on the new microfilm. The film's inventor, Daniel Huaman Castillo, has obtained a temporary letters patent from ITINTEC which is valid for one year. During that time, he will perfect a procedure for manufacturing film that can reproduce an image that will allow for easy reading of the microfilm, which is the size of the head of a pin. If he succeeds in doing this, and to do so he need only regulate the reading machine system and adapt the lenses to fit it, the new microfilm will revolutionize filing systems throughout the world. [Text] [Lima EL COMERCIO in Spanish 4 Mar 85 p A-1] 8631

CONTEST WINNER TO MOSCOW--Within the next few days EL DIARIO will publish the rules for a sensational journalistic contest in honor of the solidarity of all the young people of the world. The contest is part of the celebration of the International Year of Youth that was established by the United Nations. In the contest, the best article which discusses the problems of today's youth will receive a prize. The winner will be sent by this newspaper to Moscow, along with the Peruvian delegation, which will attend the 12th World Festival of Youth and Students in the Soviet capital next July. [Text] [Lima EL DIARIO DE MARKA in Spanish 5 Mar 85 p 2] 8631

CANADIAN CREDIT FOR ELECTRICITY--Yesterday, at Tagle Tower, the agreements were signed for loans and subsidies between Peru and Canada, amounting to \$7 million for the Tingo Maria and Aucayacu transmission lines project. The documents were signed by Prime Minister Luis Percovich and the Canadian ambassador to Lima, Michael Bell. The loan has been granted on favorable terms, devoid of interest and with a term of 50 years, with a 10-year grace period, as Percovich emphasized, declaring that this "constitutes a positive contribution from Canada for our country's energy development." [Text] [Lima EL COMERCIO in Spanish 30 Mar 85 p A-4] 2909

CSO: 3348/605

URUGUAY

## ZERBINO DISCUSSES PROGRAM TO HALT INFLATION

Buenos Aires CLARIN in Spanish 28 Feb 85 pp 24-25

[Interview with Ricardo Zerbino, the future minister of economy of Uruguay: "Modest Goals"]

[Text] Ricardo Zerbino, 46, who comes from the Colorado Party, will start his term of office as minister of economy of the Uruguayan democratic administration this Friday. In the conversation with CLARIN, he summarized the basic aspects of the policy he will implement in his rather conflict-ridden area.

[Question] The economic plan which has been worked out and which lays the groundwork for your job, explicitly states that decision to adopt policies that are clearly different from the "neoliberalist" policies of the prior administration. In what specific ways will this difference be marked?

[Answer] Throughout this entire past period, the policy that was implemented--not properly described in every case as neoliberal, because the state retained a major degree of intervention--very definitely gave preference to economic matters over social matters and in some aspects to financial matters over economic matters. The policy that has now been designed, on the basis of an agreement between the political parties, with principles advocated by the Colorado Party during the election campaign, very clearly defines that we will in the future first of all seek the recovery of the production sectors, while preventing them from remaining subordinate to the financial sector. Therefore, for example, the activities of the Central Bank will guide the financial system and we will try to make sure that the way the system works will contribute to the aspects of economic recovery and the subsequent growth of the economy.

[Question] Is any thought being given to major changes in financial operations?

[Answer] This will not be exactly a reform. These outlines do not imply dropping such aspects the continuation of freedom in handling exchange, nor doing away with the operation an open financial system. On the other hand, they do mean exercising the central-bank function so as to guide the system and place it in the service of national objectives. There is another aspect that distinguishes this policy that the administration will implement by way of what would be a neoliberal approach however doing without the social aspect, from the viewpoint



that the administration has assumed commitments regarding the rise in the income of the low-income sectors, thus seeking to carry out an effective redistribution action through the state. This does not necessarily mean accepting the economic mechanisms but it does mean teaching compatibility between economic efficiency and the achievement of social justice.

[Question] Does the fact that the administration "has undertaken commitments" to raise wages also imply that it has set specific deadlines for that objective?

[Answer] No. No deadlines have been set because it is clear in the document itself that we have a series of restrictions here which do not enable us to set precise target dates for that recovery. The country basically faces a situation of heavy foreign borrowing which harms its chances of growth. Second, there is a situation of excessive borrowing at the level of the production sectors. The administration is committed to creating the policies and basic conditions that will bring about an economic that is favorable to revival and at the same time, looking at wages and pensions, it will adopt some redistribution measures that will give preference to the less well-off sectors.

[Question] What will those urgent measures be?

[Answer] Basically, to continue a wage policy which, through negotiations between the labor and employer sectors, will make it possible--by having the executive branch fix minimum wages--progressively to move toward a real wage rise, combined with social benefits that will basically be tailored to the family situation and that, by virtue of their character as fixed amounts, will have stronger repercussions on lower-income families.

[Question] Is it the basic idea during the second stage to continue regaining points against the rise in the cost of living?

[Answer] Not necessarily; if we achieve our purpose of progressively bringing inflation under control and if we manage to bring the rate of inflation down, merely maintaining the purchasing power level as it is, we would indeed be increasing the real wage.

[Question] What measures will be implemented to slow down the accelerated growth of inflation observed in recent months.

[Answer] Basically, the origin of inflation in Uruguay is a monetary order, with a major effect also deriving from the propagation mechanisms generated by expectations. On the other hand, the tax deficit has reached a very high level, amounting to practically 10 percent of the gross domestic product. On of the priority actions to be taken by the future administration will be oriented toward a reduction in the tax deficit as a form of acting on the inflationary aspect and on expectations. To the extent that we can see firm and determined action, the negative expectations will continue to fade and inflation consequently will also go down. A policy to reverse the government deficit requires the very orderly handling of monetary policy and the expansion of the media of exchange.

[Question] Will a project for recovery, that is based to a great extent on incentives for export, be accompanied by a currently favorable rate of exchange?

[Answer] In Uruguay we have a floating exchange rate that will be retained. Lately we have had some excessive fluctuations in the exchange rate which we hope will disappear when the political situation is stabilized through indirect mechanisms; in some necessary cases, through direct means, involving the intervention of the Central Bank on the exchange market, we will possibly try to reduce these fluctuations which are taking place in order to seek the establishment of a free exchange rate capable of developing in accordance with necessities.

[Question] During the month of June, Uruguay must cope with an installment that is due on its foreign debt. Has anything been defined on the standards for the renegotiation of that debt?

[Answer] Uruguay achieved a postponement of all installments due for the year 1985 until 30 June of next year as a way of giving the new administration some time to adopt resolutions. This postponement applies only to the installments on the principal because the country is paying its interest on time. I cannot at this moment obviously come out with any proposals but I can tell you that the renegotiation of the debt is a fundamental aspect of the future administration's political strategy. The country has to have an orderly pattern in its relations with the outside world and with the international financial system.

5058

CSO: 3348/463

VENEZUELA

PETKOFF REPORTEDLY SEEKING TO FORM ALLIANCE WITH MUNOZ

Caracas BOHEMIA in Spanish 8-14 Apr 85 pp 10-13

[Article by Luis Arturo Alvarez]

[Text] The countdown toward the holding of the internal MAS [Movement Toward Socialism] elections, during which new regional and national authorities will be elected, begins today. This is a process which the MAS militants have kept practically secret. Christmas passed, Mardi Gras passed, and now Holy Week has ended. Now there are no more vacations. Now begins the final stretch toward the great battle being cooked up below the surface. It is a real time bomb.

Why is it a time bomb? Because what is really at stake is not the presidency of the General Secretariat of the MAS, but the presidential candidacy. Obviously, the control of the party is important in the first instance, but, depending on what happens in these elections, the presence of the MAS in 1988 may be important.

For the first time in this process, after the 14 years of existence the MAS has had, more than 1,000 delegates will be elected and primary elections will be held in the month of May. Later, in June, the national convention will be held to choose the secretary and the president.

The Candidates

Pompeyo Marquez has been secretary general of the MAS since its founding, prior to which he was secretary general of the Venezuelan Communist Party. In other words, many MAS militants have seen no other individual as secretary general than Marquez.

Marquez wants the presidency of his party, although Teodoro Petkoff advises him against it, using the argument that this is "a decision for those who come afterward." Marquez regards this as a maneuver on Petkoff's part, and has set off full tilt to collect signatures for his nomination, which he has been able to find in all sectors.

Freddy Munoz seeks the post of secretary general, with the support of Pompeyo Marquez, but an agreement may have been reached between Munoz and Petkoff with

a view to support for the latter in 1988. Freddy Munoz represents the orthodox faction within the MAS, and has been described as very cold when it comes to making a decision against any comrade in his camp.

Bayardo Sardi is, in the view of the public, in what has been called the "toucan" sector. He headed Teodoro Petkoff's campaign and as a result of the loss of the elections, was subjected to a series of attacks by the sector represented by Munoz, who accused him of being responsible for the electoral failure. Within the "toucan" sector, they cast a disapproving eye on a pact with Munoz, because this would mean strengthening his positions, but the friendship with Petkoff is such that there is a search for a pact wherein Bayardo Sardi would be the president and Freddy Munoz the secretary general. This would be the formula advocated by Teodoro Petkoff to guarantee his presidential nomination.

Juvencio Pulgar, as head of the parliamentary faction, has talked of the humanization and renewal of the MAS. This means a more open approach to the sectors dealt the harshest blows by the orthodox faction and an end to the harassment of those who were the strongest adversaries of Munoz. The triumph of Juvencio Pulgar would mean almost the abandonment by Teodoro Petkoff of any possibility of winning his new presidential nomination, since there is talk within his team of possible support of an independent friend of the MAS like Reinaldo Cervini or some other equally important personality who could rally the leftist sectors which would not support a party candidate.

Argelia Laya has won considerable approval within the MAS as the first woman to covet party leadership, since within the old leftist schemes, no representative of the women's sector ever adopted such a position. Argelia Laya enjoys a magnificent image and has people who support her within the MAS, but this candidacy will be framed within the sector including Freddy Munoz and Pompeyo Marquez, the comrades with whom she has the best internal relations.

The candidacy of Rafael Thielen is equally symbolic, since he has no chance of winning, but will also fall within the framework of the Munoz support sector.

#### The Presidential Candidacy

This time bomb called the presidential candidacy has already begun to tick. A short time ago, on 20 March of this year, some statements by Pompeyo Marquez appeared in a daily newspaper in the state of Carabobo, in which his desire for presidential candidacy was not excluded. Pompeyo Marquez has wanted this for a long time, and his followers have made it known and are thought to be promoting it. Pompeyo Marquez has within his party, as a founder and long-time leader, a real chance of defeating Petkoff if he seeks to do so, since Petkoff has just suffered a reverse in the last elections which "puts lead in his wings" with regard to 1988. The strength Pompeyo has with the public has not as yet been measured.

But Teodoro Petkoff's position in seeking the support of Freddy Munoz through a pact would, if Munoz won, place him in a position of advantage over Marquez. Obviously, if the pact were arranged, the other factions traditionally

friendly to Petkoff would not support him, since they would regard it as disloyal to support his most definite opponent.

The campaigns undertaken against German Lairer and Antonio Jose Urbina, which Freddy Munoz headed, should be recalled. The "toucans" remember this and they are concerned about the fact that a triumph for Freddy Munoz would close the doors definitively for these comrades and many others who have adopted a waiting stance with regard to what will happen in the months of May and June. This is why an effort was made to arrange a pact between Bayardo Sardi and Juvencio Pulgar, but without any positive results, while on the other hand, Petkoff is working to include Bayardo Sardi in a pact with Munoz.

Within the MAS and in the sector of public opinion familiar with the maneuvers to arrange a pact between Munoz and Petkoff, the question as to why Petkoff has not publicly and openly supported the candidacy of Munoz has been asked. In the view of some, it is out of fear of appearing to be committed to the more orthodox factions in the MAS, which would damage his reputation as a progressive. Another group believes that it is his "toucan" friends who have given him support and solidarity who would feel that they had been deceived by Petkoff's attitude.

#### An Absolute Majority

What is certain is that in order to be elected secretary general and president of the MAS, it is necessary to win more than 50 percent of the votes at the national convention. For the time being, it does not appear that any of the four candidates has such a majority and could win on a first ballot. There would then have to be a second ballot, at which time many things could happen.

Formula One: Juvencio Pulgar as secretary general and Bayardo Sardi as president.

Formula Two: Freddy Munoz as secretary general and Bayardo Sardi as president.

Formula Three: Freddy Munoz or Juvencio Pulgar with Pompeyo Marquez as president.

And another name has been mentioned at the very last minute for the presidency of the MAS--that of Eleazar Diaz Rangel, who would serve as a kind of balance among all the factions.

The important thing is that the presidential candidate of the MAS will depend to a certain extent on what happens at the national convention. Freddy Munoz knows this. Teodoro Petkoff knows this and Pompeyo Marquez knows this. And behind them are the factions which do not want Petkoff to be the presidential candidate of their party again. And there are also men like "Cañaquita" Urbina, who appeared on his recent arrival in Venezuela to be demonstrating that he wants to continue to wage a battle within the MAS, but never outside it.

What will happen? In this countdown which began today, more than one individual would like to be at a distance in order to avoid the blast of the explosion.

5157

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VENEZUELA

EDUARDO FERNANDEZ VIEWS ON NATIONAL ACCORD

Caracas EL NACIONAL in Spanish 8 Feb 85 p A-4

[Text] The Democratic Action government has just had its first anniversary. It is still easy to recall the vast hopeful expectation which surrounded the birth of the new regime. The whole country extended to the administration of President Lusinchi a broad note of confidence. We were all--political parties, mass media, active organized forces, the opposition and, in general, the entire public--ready to offer our assistance to leadership effectively and in determined fashion prepared to face up to and overcome the crisis.

At the end of one year, the results are saddening. The Democratic Action government has failed to fulfill its basic promises. The country has not been set moving nor have we begun to live better. The government has lost the battle of confidence. We are not what we say we are, the public opinion polls which the government orders and analyzes indicate eloquently and resoundingly. Never has a democratic government discredited itself so much in so short a time as the present one.

In just one year of administration, the favorable opinion enjoyed by the government has declined from the 57 percent achieved in the December 1983 elections to a dubious and melancholy 20 percent in the last polls. This has contributed to encouraging an atmosphere of pessimism and skepticism on the various population levels. This state of mind is precisely which has led us social Christians, committed to forming a responsible and constructive opposition, to formulate our thesis of national understanding. Only through a readiness for understanding will it be possible to reestablish the confidence of the country in its democratic political process.

What concerns us is whether or not the high-level national leadership, not in the government alone, but in all sectors in general, has a clear awareness of the dimensions of the problem we are facing. In connection with the "celebration," if we can call it that, of this first anniversary, the government has attempted to sell us a picture of what is happening in the country which simply does not correspond to the truth. This particularly worries us, because if the government believes that everything is going well and that the only shortcoming is a news policy which fails to inform the country of all of the marvels being effected--then the corrective decisions which the situation demands will not be made.

In the first year of the period, the so much desired economic relaunching did not occur. There was no recovery because there is no confidence and there is no confidence because the national goals and the rules of the game for productive activity have not been clearly defined. What is certain above and beyond all the manipulations of figures is that economic stagnation continued throughout the first year of the period, which is precisely the peak period for any government. The tremendous capital represented by the letter of confidence the country gave the new government has been regrettably wasted.

What is certain is that a "cocktail" which is highly dangerous because of its explosive content of social conflict is being mixed before our very eyes. The ingredients in it are the following: economic stagnation; growing unemployment, often disguised as underemployment; a high cost of living burdening family budgets, despite the tremendous efforts made to contain it artificially; personal and collective insecurity; and a declining yield of basic public services. To these elements must be added the most explosive one--the deterioration in the oil situation, which is inevitably reflected in a decline in Venezuela's foreign exchange income.

Some senseless individuals have maintained that the problem of Venezuela is not dollars but bolivares, and that in the final analysis it suffices to turn to the mechanism of successive devaluations of the currency in order to obtain the bolivares needed. What these original geniuses of political economics are suggesting is the very formula which aggravated the economic and social problems in the countries of the Southern Cone, culminating in the collapse of their democratic structures.

It is this entire picture which we must face. Venezuela has the elements needed to overcome the current crisis successfully. There is need for firm and clear leadership, in other words leadership capable of defining the goals of the present period very precisely, of calling for national unity in order to achieve these goals we have set ourselves, and of guiding the helm of the ship of state with unshakeable determination in order to reach a safe port. There will already be time for the interparty confrontation, once the next electoral campaign begins. What we must do now is to join efforts and wills in order to resolve some of the most pressing problems of the country. It is this spirit which is the context for our proposal of a great national agreement to replace the frustrated Social Pact and to revitalize the creative potential of the nation. During our interview with the chief of state, we were dealing with a receptive state of mind. We placed in the hands of this official a document which can lead to a great deal or could come to nothing. Everything depends on the readiness of the agreement to reach an understanding. Our first loyalty is to the country and we have committed our entire existence to its service. It now falls to the government to pick up the challenge our proposal has thrown down, to the extent it deems it desirable to do so.

5157

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VENEZUELA

# LEFTIST LEADERS VOICE DOUBTS ABOUT NATIONAL AGREEMENT

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[Text] Rodriguez Empire

The country, and in particular the Venezuelan left wing, is beginning to notice the traditional aroma of "guanabana" between the Democratic Action (AD) and the COPEI [Social Christian Party]. The left-wing leaders are noting with no surprise that, 8 days after the interview at which the Social Christians proposed a great national agreement to the president of the republic, they have still not been asked to participate in the dialogue, consensus or agreement concerning the great national problems.

In their comments about such agreements they indicate that the voice of the opposition is excluded, although the operation is headed, in each constitutional period, either by the COPEI or the AD.

The leftist leaders warn of a sort of political maneuver on the part of the two major parties to keep the organizations of the left in the position of "silent guests" in these bilateral talks between the representatives of the AD and the COPEI.

In their criticisms of the political attitudes noted in the AD and the COPEI, they say that when these parties attempt to project an image of consensus to the country, they are doing nothing but recycling the "class understanding" between the party of the government and the main party in the opposition.

They believe that the supposed separation between the AD and the COPEI only functions during the electoral campaigns, while later, they share the responsibilities and rewards of power "with the results with which Venezuelan society is now familiar."

Furthermore, the semantic discussion which has developed about whether the national agreement proposed by the Social Christians is the same as the Social Pact outlined in the government program, or whether one replaces the other, seems sterile to them. Or perhaps, they could supplement one another to ensure the better survival of the "guanabana," a kind of marriage between the two political organizations which have held power in Venezuela since 1958.



Both the "national agreement" and the "Social Pact" in the judgment of the left-wing politicians will never be more than a mere statement of good intentions if the other political and social forces in the country do not participate therein.

#### Dialogue Should Not Be a Comedy

According to Pompeyo Marquez, the MAS [Movement Toward Socialism] sent a communication to the president of the republic in response to the telegram received in connection with the 14th anniversary of the MAS, requesting an interview for the following week.

We asked if any response had been received to this communication.

"We will talk with the president next week and we will deliver to him a memorandum containing very specific ideas about a national oil policy, about the urgency of deconcentrating and decentralizing the political authority and public administration, to which end it is indispensable to provide proof in the realm of the municipal councils and their autonomy, as well as everything pertaining to regionalization, from the point of view of direct election of the government leaders, the role of the legislative assemblies, etc.," Marquez said.

He noted that the MAS plan was put forth at a time coinciding with that of the COPEI, because of their anniversary dates. He believes that concrete scenarios do exist for proceeding with certain agreements on specific themes, such as oil, wage reforms and the national employment plan, among others.

"These scenarios would be the Congress of the Republic and the Presidential Commission on State Reform, among others. We are persuaded that it is important to talk about or explore these agreements which would not be limited to the AD and the COPEI nor even just the parties, but would have the social organizations as interlocutors as well," Marquez stated.

We asked if the leftist leaders did not fear exclusion from a future AD-COPEI agreement.

"The dialogue and the agreements cannot be limited to experiments which have already failed, such as the Sixth Point, the 'guanabana,' the Broad Base or the Social Pact," Marquez replied. "On the basis of the crisis shaking the country, new methods of agreement must be sought which will cover all the other sectors of national life."

We asked if the left wing had been excluded from these recent talks between the AD and the COPEI.

Marquez replied as follows: "In this connection, there is a statement by the president of the republic and the AD party which goes beyond the dialogue between the AD and the COPEI. We want to say sincerely that this issue of national dialogue should not be transformed into a new advertising comedy,

and also that where the MAS is concerned, and we say this in total modesty, but also in total frankness, we are not prepared to lend ourselves to a game of this nature.

"Finally, in our communication we told President Lusinchi that the government has had an opportunity available to it when the Seventh Plan for the Nation was presented. Since the resignation of Minister Matos Azocar, all of this has been under a cloud."

In his view, it is not a question of general plans now, because there is a new political, social and economic situation, and a kind of demand that the parties promote agreements on various subjects.

"Concerning this there has been positive experience, such as the drafting of the constitution now in effect, which contains a state plan. Another is in the oil sector, both with the Reversion Law and that which reserves the hydrocarbons industry and trade for the state," Marquez went on to say. "Based on this experience, we could today take up administrative and state reform in very specific areas."

#### Recycled Agreement

In the view of Jesus Faria, leader of the PCV [Communist Party of Venezuela], the agreement recently proposed by the COPEI "seems to be a recycled version of the class agreement between the government party and the party which became the opposition."

"The presumed separation between them is only while elections are pending. After the electoral period, the appearance of divorce ends and the COPEI provides the AD with a little bit of help, only to create new problems for Venezuelan society," he said.

The communist leader explained that he was ready to urge the government to have pity for the great mass of the unemployed. In his opinion, more than a million Venezuelans are unemployed.

He expressed the view that any agreement between the AD and the COPEI will retain discrimination, "because the government leaders and certain sectors do not like to hear the truth, but to be applauded."

He said that this is the reason they are not appealing to the other political organizations, since these might contribute a discordant note which they want to avoid.

#### Statement of Good Intentions

Jesus Angel Paz Galarraga said on behalf of the MEP [People's Electoral Movement] that both the national agreement proposed by the COPEI and the Social Pact are nothing in practice but a statement of good intentions to win the sympathy of the country, which is alarmed by the crisis.

"We have always believed that it is naive, deliberate or otherwise, to claim one can reconcile interests which are basically in conflict one with the other. In Venezuela, what is being urged is a patriotic front of great social breadth capable of facing up to 5 percent of the people in the privileged class, but they do not offer a fertile field for a proposed national consensus such as that we propose, because they hold the economic and political power in Venezuela," the MEP spokesman said.

#### Agreement Cannot Be Limited

Hector Perez Marcano is among those who believe that the country is beginning to realize that no serious effort is being to seek a national agreement, since such an agreement could obviously not be limited to the COPEI and the AD. In the view of the president of the MIR [Movement of the Revolutionary Left], what happened at the meeting held in Miraflores was a kind of political maneuver on both sides (the leadership of the COPEI and the government), while the country is viewing the prospects on the oil market with great uncertainty and President Lusinchi favors the country with his good-natured smile.

"The sectors which met should begin humbly to admit the role they have played, and the response they have provided over 27 years, the result being the awful crisis the country is experiencing," Hector Perez Marcano said.

5157

CSO: 3348/443

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