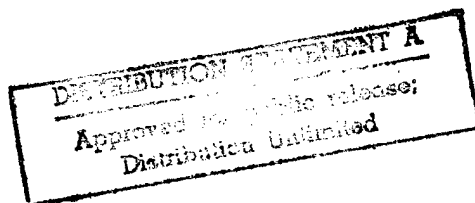


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JPRS 84041

4 August 1983



# Latin America Report

No. 2717

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FOREIGN BROADCAST INFORMATION SERVICE

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4 August 1983

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No. 2717

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## ELECTRICITY BOARD FACING 'DISASTER' AS EQUIPMENT FAILS

## Shortage of Funds

Belize City THE REPORTER in English 26 Jun 83 pp 1, 7

[Text] Belize Electricity Board is closer to disaster than most people realize. Several million dollars in debt, the Board continues to spend more than it takes in, while its generating equipment continues to break up at an astonishing rate.

It is, without a doubt, the biggest scandal of PUP times--the story of a vital and potentially rich utility, manipulated and mangled by the scourge of politics and slowly but surely haemorrhaging to death.

Today the Board does not even have the funds needed to buy spares for its generators. Faced with sure death from its many bleeding ulcers, the Board needs a massive infusion of new capital, and vigorous, fearless management to survive.

This week the Reporter secured official permission to visit the Ladyville Plant in the company of the Board's Chief Security Officer Mr. Harris, and to take photographs of the generating equipment. The picture that has emerged from REPORTER investigations and interviews is one of unrelieved gloom.

The Ladyville Station was built to replace the old Magazine Power Plant in Cemetery Road which was being phased out. Ladyville is equipped with three large generators - one Mirlee-Blackstone of 3,200 Kw capacity and two General Electric Rostons each capable of generating 2,900 Kws.

Today the Mirlee-Blackstone is down with a broken slipper pad and damaged rollers after being pushed beyond endurance for 6,000 operating hours over and above its maximum range of 12,000 continuous hours. One General Electric Roston is also down. Earlier this year it cracked its block and damaged its crank. Plant mechanics are working on this machine night and day to try to get it back into operation before the other generator breaks down. It is a battle against time'

The third generator, also a General Electric Roston, is the only one working. This generator has also worked well beyond its maximum range and is overdue for extensive overhaul.



The Roston General Electric generators have not done well in Belize. The Ladyville Plant started out eight years ago with two 16 cylinder brand new Rostons of 2,900 kws each. Both generators failed within five years and had to be written off as useless. Two more Rostons replaced these four years ago. One of these is still working, but the other has busted its block and damaged its crankshaft. The newest generator at the plant is the Mirlee-Blackstone. It has been working day and night for the last two years without a moment's rest until it finally conked out on June 16.

In addition to these the Board has two new Roston 18 cylinder generators. They have been sitting in their crates one at the Ladyville Compound, the other at the Port Authority warehouse for the last 14 months. They have not been installed because the Board does not have the money to build bases for them to run on.

These two generators were bought at the insistence of the Minsiter and over the strong objections of the Board's General Manager at the time, Mr. Graham Jones. His insistence on what he knew was right eventually cost Jones his job as General Manager, but it did not stop the order, and eventually the Board's two generators arrived - at a combined costs of something like \$3.6 million.

In more than a year and a half they have never been even removed from their packing cases.

The old Board's preference for the discredited Rostons was exceeded only by their neglect of the Mirlee-Blackstone. In more than two years, and until the day it failed, the Board had not ordered a single spare part for the generator that was the work-horse of the plant day after day.

#### Generator Breakdowns

Belize City THE REPORTER in English 26 Jun 83 pp 1, 7, 12

[Excerpt] Severe electrical shortages will continue to plague Belize City for at least another three weeks, according to an announcement issued by the Belize Electricity Board on Monday.

Reason for the short supply, the Board explains, is the failure of a key Mirelee generator at the Ladyville generating station which "failed" on June 16.

"The generators that are working are unable to supply sufficient energy for the entire city" a press release states.

Parts to repair this large generator have already been ordered and were expected to arrive from England by mid-week. Work on overhauling the generator will begin as soon as the parts arrive.

By its own admission the Board said it ran the generator, now out of commission with burned out bearings, beyond the safe limit.

"This generator was due for major overhaul in March 1983" the Board's release states, "but because of shortage of generating capacity, the Belize Electricity Board reluctantly continued running the machine in order to maintain power supply to consumers whilst two other generators were undergoing overhaul"

The plan ostensibly, was to have two smaller generators ready for service before taking the main generator off duty to do the repairs. Things did not work out that way however. During the three month interval between March, when the Mirelee generator was due for major overhaul and June 16 when it failed by burning out its bearings and possibly damaging the crank, only one of the small generators was put back into working shape. On June 16 when the main generator failed, the second small generator was still not yet in operation.

To help consumers cope with the new emergency the Belize Electricity Board has just released a schedule for load-shedding for the period of June 27 to July 3. Copies of this schedule may be obtained at the Board's offices in Church Street from the Consumer Relations Officer.

CSO: 3298/741

ALADI MEMBER NATIONS OPEN MARKETS TO BOLIVIAN PRODUCTS

La Paz PRESENCIA in Spanish 24 May 83 p 9

[Text] Bolivia will be able to export 126 products free of duty or any other restrictions to "Latin American Integration Association" (ALADI) member countries by decree of the fifth conference for evaluation and agreement held last month in Montevideo.

At the meeting, the preliminary national mechanism was approved and designated as "List of Market Openings," which will favor countries of relatively low economic development, i.e., Bolivia, Ecuador and Paraguay.

PRESENCIA has been informed that in adherence to said mechanism the remaining countries belonging to ALADI will allow products to enter duty-free and exempt from restrictions in order to grant those countries "more favorable conditions that will permit them to make practical use of the advantages offered by integration."

Renegotiations regarding the preferential [tariffs] that existed in the defunct "Latin American Free Trade Association" (LAFTA)--so that they can be transferred to the new framework of ALADI--have come to an end.

This period of renegotiation was scheduled to end in December 1981 but various circumstances related to the economic situation of the member countries caused repeated delays.

"This accomplishment marks a new phase within the association that will, in like manner, allow the implementation of its other mechanisms, since up to now, the setbacks in this renegotiation have hindered their operation," it was said.

Bolivia signed bilateral agreements with Argentina, Brazil, Chile, Mexico, Paraguay and Uruguay. With the first three countries, it modified agreements which had been signed at previous agreements whose structure was unfavorable to national aspirations.

Bolivia did not sign agreements with countries of the Andean Group because preferential [tariffs] exist among them within the mechanisms of the Cartagena Agreement.

In view of the critical situation that reigns in Bolivia, ALADI reiterated its plea to these countries urging them to sign commercial treaties with our country which allow the implementation of Resolution 24, through which this organization urges the opening of regional markets to Bolivian surplus export products on a preferential basis.

Bolivia has already signed an agreement along these lines with Brazil, in which "significant tariff reductions" have been granted for approximately 10 Bolivian products.

12445

CSO: 3348/446

## ANDEAN PACT STEERING AWAY FROM PRIMARY PURPOSE, SAYS WRITER

La Paz PRESENCIA in Spanish 21 May 83 p 3

[Article by Tomas Guillermo Elio: "The Andean Pact Has Done Nothing for the Agricultural Sector"]

[Text] In the article entitled "Nothing Concrete in the Development of Agriculture" (PRESENCIA, 24 April 1983) I regretted that, notwithstanding the statements proclaimed by the minister secretary of integration before and after the 35th meeting of the Treaty Commission that took place in Santa Cruz, it did not succeed in adopting any measures regarding agricultural development in the subregion. In the meantime, the problem is taking on dramatic overtones, especially in Ecuador and Bolivia in light of the floods and droughts that plague the plateau and valleys of La Paz, Oruro and Cochabamba.

I understand that integration is a process that requires "esprit de corps" and that it is unreasonable for member countries to hope to solve their problems by means of short and long-range programs. However, 14 years have elapsed since the inception of the agreement and in spite of the fact that agricultural development constitutes one of the designated mechanisms to promote economic growth for the countries involved and to steadily raise the standard of living of these member nations, dependence on imported food is on the rise, particularly in Bolivia where the forces of nature have made apparent the inadequate use of water resources of the country, as manifested by floods in one sector and drought in another. Neither the commission nor the Junta have done anything to solve these problems.

According to the minister of industry and integration of Peru, "the Andean Pact will take on another dimension" following the presidential meeting that will take place in Caracas next July and "will be revamped, basically with pragmatic programs" that will direct the efforts of the Andean Group toward evaluating the integration of the industrial sector. More programs, more analysis, more theorizing, and all of this in the industrial area. The commission coordinator says nothing about agricultural growth, which the Bolivian minister secretary of integration assured was brought up for consideration by the commission in its 35th meeting. (P.I.V. 83)

In the dispatch just alluded to, the correspondent adds that on the same day the 35th meeting of the Commission adjourned, the Seventh Agricultural Council of Vice Ministers of Agriculture came to an end, after having outlined a strategy for development and subregional agricultural integration in areas of production, commerce and sanitation aimed at raising the standard of living of the rural population, at boosting production and productivity, at substituting imports and diversifying and increasing exports, and at appropriately supplying the Andean market which involves 70 million inhabitants. The agreements reached by the council will be ratified at the Fifth Meeting of Ministers of Agriculture to be held 29 June. (P.8 V. 83)

From this information, it can be inferred that the agricultural problems of the subregion have not come up for a decision, a matter that falls under the responsibility of the commission. The meeting of ministers of agriculture does not have the authority to legislate policies binding the member countries; it will limit itself to making recommendations.

In other words, contrary to what the minister of integration said, the Andean Group again postponed discussions of the grave agricultural problems that in our country are ever more pressing. Thus the hope that the member countries will ever confront the serious problems of the rural sector dissipates.

As the minister of industry and integration of Peru and coordinator of the agreement publicly stated, it is distressing to witness that "during the agreement's 14 years true integration of the subregion has not yet been achieved." Far from it. What for Bolivia at least, constituted the primary incentive to join the Andean Group, i.e., agricultural development, has been virtually ignored.

A country whose major population is made up of poor undernourished and malnourished peasants whose basic needs remain unsatisfied, has not derived any benefit from the Andean Pact in the past 14 years in spite of the "aid programs" designed by the Commission for said population. The commission's findings are probably still tucked away in the files of the junta and of the ministers of integration, agricultural planning and coordination.

And now, after 14 wasted years, the commission announces that it will relaunch, or more likely, will review the agreement and will give it a new approach so that by means of pragmatic programs, it will focus on the industrial level, not the agricultural.

Isn't it time for Bolivia to review its policy with respect to the agreement so that in the proper framework it can draw attention to its most pressing problem, namely agricultural development?

12445

CSO: 3348/446

## DAILY SCORES AGREEMENT WITH GDR

PY201249 Buenos Aires LA PRENSA in Spanish 15 Jul 83 p 1

[Editorial: "On the Wrong Path"]

[Excerpts] In a communique issued by the Foreign Relations Ministry it is disclosed that the Argentine Republic and the so-called German Democratic Republic (which is really communist), also known as Eastern Germany, have agreed to support "a peaceful solution to the situations emerging in Central America, the Caribbean and the South Atlantic." According to the Foreign Ministry the GDR has reiterated that it favors "the resumption of negotiations seeking a peaceful solution to the dispute over the sovereignty of the Malvinas Islands." It was pointed out that the aforementioned communique was jointly signed in East Berlin by the San Martin Palace's general director for political affairs and the GDR foreign relations vice minister.

The mere fact that the document was signed by high ranking officials of our Foreign Ministry in East Berlin is an unmistakable sign of rapprochement and understanding with a puppet government of the Soviet Union. Our country thus continues on the wrong path of aligning itself with the communist orbit since this agreement implicitly means supporting the Soviet opposition to the establishment of U.S. missiles in NATO member countries. Moreover, it would be naive to believe that with the increasingly less Western policy, which our Foreign Ministry insists in following, that the Republic of Argentina may be successful in its claim over the national territory which was usurped by Great Britain. Moreover, the fact that our government appears together with East Berlin proposing a "peaceful agreement" to the "emerging situations" in the Caribbean and Central America means allowing it to interfere in subjects which preferably should be discussed with the OAS and thus copy Fidel Castro and the Nicaraguan communist dictatorship's actions.

By behaving this way our government seems to forget that to struggle against communism in every field is directly involved with the country's supreme interests and is, above all, a matter of national honor. As a consequence, the public should know that we have engaged in a sort of moral alliance with a regime such as that of East Germany which [word indistinct] mankind's harmonious coexistence with the Berlin wall [turno]. This agreement, which undoubtedly does not represent one of the greatest moments of the Argentine diplomacy, was signed in front of the Iron Curtain.

## POLITICAL OBSERVERS IDENTIFY ALFONSIN AS THREAT TO PERONISM

PY230124 Paris AFP in Spanish 1433 GMT 20 Jul 83

[Text] Buenos Aires, 20 Jul (AFP)--Local analysts and foreign observers have noted that the confirmation of progressive politician Raul Alfonsin as undisputed leader of the Radical Civic Union (UCR) will bring about a deep political change in Argentina and perhaps will displace Peronism which has been the main political force for the last four decades.

This 57-year-old lawyer, who is the leader of the renewal and change movement within the UCR, has overwhelmingly won his party's internal elections and to such an extent that his rival, Fernando de la Rúa, has decided to withdraw from the race a month before internal elections are closed and before the party convention, that must nominate the new UCR party authorities.

Running in the general elections to be held on 30 October, which mark the return to a state of rights in Argentina after 8 years, Raul Alfonsin is gaining strength through a campaign carried out in Argentina and abroad where mass media sectors believe he poses a serious and coherent opposition to the yet-undefined Peronist sectors.

Alfonsin came into the picture in 1972 when he challenged the late, traditional UCR leader Ricardo Balbin in the party's internal elections. Although he lost at the time, the 27,000 votes he obtained from the important Buenos Aires Province showed that he had a promising future.

A harsh critic of the military regime that came to power in 1976 and of the old conservative UCR leadership--such as that of former ousted President Arturo Illia and of Carlos Contin--the present UCR leader by the will of party members, was described by his critics as a leftist, as a man who creates schisms and as an eternal loser.

In an Argentina submerged in a stagnating economic and credibility crisis, either toward the military or toward politicians, Raul Alfonsin has emerged as the hope of many of the 4.5 million youths who will vote in October for the first time and of citizens who are members of different parties and who do not want to see the return of a Peronist government.



Alfonsin has promised to implement the renewal and change slogan in every sense of the word at the party, national and international level. Argentina has experienced a deterioration in its international relations with its South American neighbors, such as Chile, with the United States and with European nations as a result of the Malvinas war.

Regarding the UCR, Alfonsin plans to modernize Balbin's verticalism and to break the political courtship of the Peronist Party which was begun by Balbin and Juan Peron and was continued by Contin and Deolindo Bittel with the establishment of the Multiparty Group.

Moreover, he has predicted a greater UCR participation in traditional Peronist bastions, such as the union sector, which must be made more democratic, and the university movement.

Moreover, Alfonsin has noted that he favors partial elimination of the compulsory military service, a decrease in military spending and holding a dialogue with the church to resolve the serious abortion issue.

Regarding the economy he will try to prevent his government from being overthrown by the battle of higher salaries and he proposes a gradual recovery of the real salary, an overall social agreement with fiscal and financial incentives for those enterprises that respect official guidelines on prices, supervised banking deposits, interest rates fixed by the Central Bank and credits directed toward productive sectors [creditos orientados].

Identified as the man of social-democracy in Argentina, analysts note the favorable image that Alfonsin has been able to project, for example, with the French Government of Francois Mitterrand or in political circles of the FRG, the United Kingdom, Italy, Sweden and the United States.

According to those who have followed his footsteps, Alfonsin's good contacts with international centers of Western power will reportedly help him in improving Argentina's international relations, if the UCR leader is elected in October.

Stating that he has already achieved an advantage of at least 5 points over the Peronist Party, which he intends to invite to participate in the government, Alfonsin has noted: I am very confident that we shall be able to succeed.

Consequently, he noted: "I will request [the military government] to hand over power at the beginning of December, since this is essential.

CSO: 3348/563

## MULTIPARTY GROUP ACCEPTS EPISCOPATE'S PROPOSAL

PY160136 Buenos Aires DYN in Spanish 2356 GMT 12 Jul 83

[Excerpts] Buenos Aires, 12 Jul (DYN)--The top-ranking leaders of the Multiparty Group today expressed their commitment to the Episcopate's Social Pastoral group that they will demand the government to issue a series of economic measures in answer to demands that were submitted jointly last week by the two labor centrals to the Episcopate's Social Pastoral group.

After the meeting held this afternoon with the bishops, the top-ranking leaders of the political coalition noted that the labor demands are "just" but that in order to implement them, an overall program of measures is needed, and that, therefore, the Multiparty Group will start drafting it immediately.

In keeping with what has been established by the Episcopate group, Bishops Justo Laguna, Rodolfo Bufano and Domingo Castana today officially submitted to the Multiparty Group the joint proposals that the labor centrals had submitted to the pastoral group on Thursday in which they demand salary increases, subsidies for the industrial sectors and to the family basket, a stop in the hike of prices of public utilities, and social measures.

At the end of the meeting, Justicialist leader Deolindo Felipe Bittel noted that "in principle the proposal had been accepted since it is obvious that all Argentine homes are experiencing obvious needs." He added that "now, we must study how to overcome this situation since by granting salary increases we are merely creating more inflation because the government lacks at present genuine resources, and this may ultimately harm workers."

In this regard, Bittel noted that "an alternative would be to attend to the needs of low income sectors or to use those budget expendings assigned to the purchase of arms or other non-essential spendings."

For his party, Developmentist Party presidential candidate Rogelio Firgerio noted that during the meeting with the bishops we were informed about the demands of the labor movement which are absolutely unpostponable and unavoidable. But he said that in order to be implemented, we must have a coherent set of measures that see after the needs of workers and enterprises.

Frigerio, who was accompanied by Arturo Frondizi and Antonio Salonia, reasserted in this regard that it is imperative for the economic policy to make a 180-degree change and to implement a series of measures that, without unleashing inflation, may result in an economic expansion and thus put an end to the crisis and not start another crisis.

Christian Democratic leaders Martin Dip and Carlos Auyero, who made similar but more passionate statements, and who were also present at the meeting, noted that we shall not tolerate the government to simply do nothing and if the economy minister or the president of the Central Bank does not know how to solve the crisis, they will have to resign because the people cannot continue waiting until they come up with something while there are people dying of hunger.

Answering a question, Dip noted that even the junta must leave the government if it is responsible for this disaster.

CSO: 3348/550

## LEGISLATIVE COMMISSION APPROVES ELECTORAL LAW

PY210356 Buenos Aires CLARIN in Spanish 13 Jul 83 p 4

[Text] The Legislative Advisory Commission [CAL] approved the law yesterday calling general elections for 30 October in keeping with a draft that was submitted by the executive branch. Consequently, the electoral colleges will meet on 30 November to elect the president and vice president.

The text approved by the CAL establishes that there will be simultaneously elections for national and provincial authorities, for municipal authorities of the federal capital, for members of the legislature and for municipal authorities of the national territory of Tierra del Fuego, Antarctic, and South Atlantic islands.

It is particularly noted that "as was properly announced, the dispositions provided for in each of the provincial constitutions are hereby upheld. Therefore, the calling of elections is in keeping with the spirit and dispositions established in the constitution without altering the electoral regulations that are in force at the national and provincial level."

The executive branch draft notes that "compensating for the peculiar differences between provinces there will be three more deputies for each district in addition to the number of deputies that each province is allowed according to the inhabitants/deputies ratio. Moreover, it is established that no district will be allowed to have less than five representatives in the national chamber of deputies."

This same draft law reinforces decree law 2,191/57 which, among other things, establishes the installation of a territorial legislature in the national territory of Tierra del Fuego and South Atlantic islands. It is noted that in so doing the development of the island and the increasing population is hereby recognized. Moreover, the territory is also represented in congress, where it will have two deputies.

The executive branch notes that the draft approved by the CAL clearly shows the political will of the armed forces government to call general elections free of any illegality which is the main requirement so that the election of future national authorities will be irrefutable.

Article 1: General elections are called for 30 October 1983 for the election of a) national; b) provincial and municipal; c) federal capital; and d) national territory of Tierra del Fuego, Antarctic and South Atlantic islands authorities.

Article 2: The election of national deputies, members of the electoral college for the election of president and vice president of the nation, members of the electoral college for the election of senators, of councilmen and neighborhood councilmen of the federal capital; and of other members of the legislature and municipal authorities of the national territory of Tierra del Fuego, Antarctic and South Atlantic islands will be in keeping with the regulations established in Law 22,838.

Article 3: The number of national deputies to be elected will be one per each 161,000 inhabitants or no less than 80,500 inhabitants. In addition, there will be three more deputies assigned to each district. The number of deputies per district cannot be less than five or less than what each district had up to 23 March 1976. The national territory of Tierra del Fuego, Antarctic and South Atlantic islands will elect two deputies.

Article 4: Authorities representing the national executive branch at the provincial level, in the national territory of Tierra del Fuego, Antarctic and South Atlantic islands, will issue within 10 days after this law is published the respective call for the election of local authorities which will include, and in keeping with what is established in article 3, the following representations at the national level, on the basis of the census carried out in 1980:

Federal Capital: 25 deputies; 54 members of the electoral college for the election of president and vice president; 54 members of the electoral college for the election of senators; Buenos Aires 70, 144; Catamarca: 5, 14; Cordoba: 18, 40; Corrientes 7, 18; Chaco: 7, 18; Chubut: 5, 14; Entre Rios: 9, 22; Formosa: 5, 14; Jujuy: 6, 16; La Pampa: 5, 14; La Rioja: 5, 14; Mendoza: 10, 24; Misiones: 7, 18; Neuquén: 5, 14; Rio Negro: 5, 14; Salta: 7, 18; San Juan: 6, 16; San Luis: 5, 14; Santa Cruz: 5, 14; Santa Fe: 19, 42; Santiago del Estero: 7, 18; Tucuman: 9, 22; National Territory of Tierra del Fuego, Antarctic, and South Atlantic islands: 2, 4.

The number of alternate members of the electoral college and national deputies will be specified in the call for elections of each district in accordance with Article 7, Law 22,838.

Article 5: The National Territory of Tierra del Fuego, Antarctic, and South Atlantic islands will be considered electoral districts for the election of national deputies and of members of the electoral college for the election of president and vice president.

Article 6: The elected members of the electoral college for the election of president and vice president will meet in the federal capital, in the provincial capitals, and in the capital of the national territory of Tierra del Fuego, Antarctic, and South Atlantic islands on 30 November 1983 in accordance with Article 81 of the National Constitution.

Article 7: The provincial legislatures will meet on 24 November 1983 to determine the validity of the qualification of their members, to take the oath, and to elect their officials. After these procedures have been fulfilled, they will meet in a legislative assembly on 25 November 1983 for the election of national senators in accordance with Article 46 of the National Constitution.

Article 8: The senators of the Federal Capital elected by the Electoral College will meet in the Federal Capital on 25 November 1983 in accordance with Article 46 of the National Constitution.

Article 9: The elected national senators and deputies will meet on 19 December 1983 in accordance with Articles 56, 59, 82, 83, 84, and 85 of the National Constitution. After this the chambers will go into recess and will meet again on 30 January 1984 in an assembly to administer the oath to the president and vice president who, on this date, will take over their posts.

Article 10: The term in office of all elected officials will be computed from 30 January 1984. Municipal officials will also take over their posts on this date.

Article 11: The provincial and municipal elections will be held simultaneously with the national elections under the regulations of the National Electoral Law using the National Electoral Registry including the complementary registries established by local regulations.

Article 12: So be it.

CSO: 3348/563

## BRIEFS

TEACHERS STRIKE, MARCH--The teachers' strike organized by CTERA, the Confederation of Education Workers was practically total in the federal capital but in some provincial capitals many of the teachers went normally to work. The 48-hour strike was sponsored by the confederation after it had rejected the recent pay increases announced by the authorities. The government set the minimum commencement salary for teachers at \$1,751 as from the beginning of July and promised to raise the pay of provincial school teachers on a parity with those paid to the city of Buenos Aires municipality educational staff. On the other hand, the other labour union, the UDA (Union Docentes Argentinos) decided not to join the 48-hour strike as it considered the latest government measures to be satisfactory. The strike was 100 percent successful in Mendoza, Bahia Blanca, Tucuman, Jujuy, Santiago del Estero and Chaco. Teachers worked almost normally in Cordoba where the influence of CTERA is slight. In the afternoon about 3,000 teachers gathered at Plaza Congreso and later marched to the Education Ministry on completion of the first stage of the 2-day strike. [Excerpt] [PY142339 Buenos Aires BUENOS AIRES HERALD in English 14 Jul 83 p 11]

FALKLANDS WAR REPORT--The release of the final report to be completed at the end of this month by the committee that investigated the political and military responsibilities during the Malvinas war, might be put off until the forthcoming constitutional government is in office, military sources revealed yesterday. The delay would be aimed at not allowing any of the information contained in the report to favour the British position at the September meeting of the United Nations General Assembly, where Argentina will seek further backing to restart negotiations on sovereignty over the Malvinas Islands. Therefore, the sources do not dismiss the possibility that the conclusions to be arrived at by the so-called "Rattenbach Commission" may be used as a starting document by the investigative committee which will most likely be created in the forthcoming legislature to investigate the war. [Text] [PY180140 Buenos Aires BUENOS AIRES HERALD in English 17 Jul 83 p 17]

CSO: 3300/17

## AGREEMENT WITH MARTINIQUE OPENS NEW MARKETS TO BELIZE

Belize City BELIZE SUNDAY TIMES in English 3 Jul 83 pp 1, 2

[Text] On Monday June 27th, a delegation of businessmen returned from Martinique, the French Overseas Department, after a successful mission to foster and develop trade in the Caribbean.

The Belize Chamber of Commerce and Industry and the Martinique Chamber of Commerce and Industry signed a Chamber twinning agreement, this establishment was the result of approximately two years of planning and negotiating.

Martinique and Belize are both Caribbean Nations - geographically, one is an Island the other, a part of the Central American mainland. The institution development has been French and British respectively, with the corresponding languages. One has the status of a donor or developed nation and the other, that of a recipient or under-developed nation. Yet, the historical, cultural and economic backgrounds are very similar. The differences we have, allows the opportunity of sharing a wealth of experience with each other. The similarities create a natural environment for awareness and understanding of each others requirements.

Martinique is a hub in the Eastern Caribbean with a very attractive market place. Under the trade benefits of the Lome agreement, Belize can penetrate the European market tapping into the technology transfers through Martinique, utilising her also as a vehicle for future potential trade with the Caricom countries.

Specific areas covered were the Beef and Livestock Industry, Grains, Citrus, Timber, Fish and Aqua Culture, also training, joint venture and transportation development.

The composition of the delegation was the Hon. Fred Hunter, Mr. Alberto Espat, Mr. Telford Vernon, representing Government, and Mr. Elton Jones, President and the members of the Executive Council of the Belize Chamber of Commerce and other business.

CSO: 3298/744



ROW OVER CANADIAN FUNDS FOR BELMOPAN SEWAGE PROJECT

Belize City THE BEACON in English 2 Jul 83 p 1

[Text] The Canadian Agency in charge of overseeing the installation of Belize City's new sewage system, has reportedly refused to hand over to the Belize City Council money allocated for the restoration of the streets.

According to our informant, the contract with the Canadians calls for repairs to streets destroyed by digging to lay the sewage pipes, but the Canadians want to do the job themselves.

Belmopan naturally wants to do the street repair programme as part of the PUP campaign for City Council elections due in December this year.

But the Canadian Agency fear that if the job is left to the Belize City Council and the Ministry of Works, it will not be properly done. The Canadians do not want to leave a bad name behind.

There is, of course, the further fear that if the money pinpointed for street repairs was to be handed over to local administration, huge chunks would be misappropriated for other purposes; and once the elections were over, repairs of the city's streets would grind to an unscheduled halt.

Stop Press

Just as we were going to press, the Canadian Agency in charge of installation of Belize City sewage system held a press conference, at which it was announced that the repairs to the streets will be undertaken by the Ministry of Works, and that the funds for the repairs will be administered by the Canadians.

CSO: 3298/744

PRICE URGED TO PROBE CORRUPTION IN PARLIAMENTARY MOTION

Thompson Motion

Belize City THE BEACON in English 2 Jul 83 p 2

[Text] WHEREAS: It's an acknowledged feature of the practice of democracy in Belize that Ministers of Government are obliged, in the conduct of their office, to act with the utmost good faith, honesty and integrity

AND WHEREAS: The Constitution of Belize enshrines the principle of parliamentary democracy as the fundamental tenet of our political system

AND WHEREAS: Arising out of the recent convention of the People's United Party charges of very grave nature have been publicly made by certain Ministers of Government

AND WHEREAS: Particular allegations have been made against the Hon. Attorney General and against the Hon. Minister of Health, accusing them of acts of impropriety and dishonesty in the conduct of their offices

AND WHEREAS: Particular allegations have been made against the Minister of Energy and Communications accusing him of continuing and persistent corruption and dishonesty especially in relation to his former chairmanship of the Belize Electricity Board

AND WHEREAS: Allegations have been made accusing the Hons. Attorney General and Health Minister of subscribing to a political ideology that is subversive of parliamentary democracy, and of actively seeking to deliver the country into the hands of communism

AND WHEREAS: It is clear that the citizens of this country are intensely concerned about the presence of corruption and communism in the Government of Belize

NOW BE IT RESOLVED

- 1) That this Honourable House demands from the Prime Minister immediate statement of accounting to the House and the Nation indicating whether he, or any member of his Government, possesses or knows of any evidence supporting the charges of corruption and communism brought against the various Ministers

- 2) What action he proposed to take against the offending Ministers if it is true that they are guilty of any of the charges made
- 3) What action he proposed to take, if he is satisfied that none of the charges is true, against those Ministers of Government who have made, circulated, promoted, or supported untrue charges against other Ministers of Government.

#### Action in Parliament

Belize City THE BEACON in English 2 Jul 83 p1

[Text] Clerk of the House of Representatives Maxie Monsanto, has again run afoul of UDP members of the House, by refusing to forward a motion submitted by the Leader of the Opposition Hon. Curl Thompson, calling on Prime Minister George Price to investigate charges of corruption among Government Ministers.

Thompson's motion (see full text on Page 2) arose as a result of charges levelled against feuding ministers and members of the PUP during the party's recent convention.

In an interview with the BEACON, the Opposition Leader said that he was told by Monsanto that his motion would not be submitted because the matters raised by it were sub judice (matters pending in or likely to be brought to Court).

The Clerk of the House was obviously referring to the fact that pamphlets issued at the convention by opposing factions of the PUP were reproduced in certain sections of the press, and that Attorney General Said Musa has threatened to take libel action against some newspapers. Monsanto reportedly claimed that Thompson's motion is contrary to Rules of the House.

But in his interview, the Leader of the Opposition explained that it is the duty of the Clerk of the House, to pass all motions submitted to the Speaker, who then issues instructions to put such motions on the Order Paper for presentation at a particular sitting of the House of Representatives. The usual practice is, for the House to pass motions to specific committees for consideration. It is at this stage that motions could be rejected.

But not by the Clerk of the House!

It will be interesting to see what finally transpires in this matter.

CSO: 3298/744

## PAPER RAPS MUSA, DISWEEK FOR MANEUVERING IN PUP

Belize City THE BEACON in English 2 Jul 83 p 11

[Text] When he challenged Louis Sylvestre for chairmanship of the People's United Party, Musa published leaflets which made it appear that he was running on a "slate" with Price. Events proved that this was a blatant act of political Joe Dicking.

This we learn from Musa's darling newspaper, "disweek."

When it emerged that Price has supported Sylvestre at the civic centre convention all hell broke loose.

The report on the convention by this newspaper is constructive. It speaks for itself.

Obviously hurt at the treatment of their candidate it pulled no punches.

"After the vote," it said, "Musa attempted to speak, he was refused."

With anguished bleatings, it complained, "sitting through all these irregularities was the Party Leader George Price. Not once did he try to point out or correct any irregularity; not once did he attempt to stop the Party machine from its course of destroying all credibility of the Party or fostering disunity and frustration that could burn it out."

Price was accused of "openly bad-mouthing Louie." When he realised that Sylvestre would win he changed horses. However, Price was going to hand pick the successor. According to them "Price has never been, and is not now, in favour of 'open' conventions, believing that 'too much democracy is bad; people have to be led.'"

The reports accused Mr. Price of rejecting the complaint of the left wing of the party that the party was harbouring a "self perpetuating" leadership. "This was self-righteously rejected by Price. Sunday's convention confirms the worst fears of the honest and faithful supporters of the PUP."

Mr. Price was condemned in scathing terms; "Most Party faithfuls however, are deeply disturbed at what took place, and consider that the real loser was

Price, who exposed himself as never before. It was clear that he was quite prepared to tolerate and endorse the abuses of the Sylvestre clique. He appeared cowed and nervous in his weak closing speech. He pointedly refused to even acknowledge Musa..."

It closed its rebuke on Price thus; "Price will have to do a lot of fancy footwork to live down his behaviour last Sunday."

But that did not stop the political Joe Dicking One would have thought that having been treated so shabbily there would be some soul searching. No such thing.

Let us examine what happened.

Opposition Leader Thompson called on Price in the House last week to do something about the accusations of communism and corruption that had been heaped on each other's head by ministers of government.

Reporting on this, in an article entitled "P.M. Dodges Call for Clarification," "disweek," Joe Dick fashion, was moaning again; "Thompson referred to the national convention of the People's United Party ... Before and during the convention Sylvestre's supporters circulated papers categorising Musa as a "communist" and alleging a number of corrupt practices against him." Thompson called upon the Prime Minister to clarify the position.

Joe Dick expected a defence from Mr. Price! His response was reported thus: "As Mr. Price rose to his feet, many observers waited to hear him reject the charges against Mr. Musa and uphold his integrity, but instead Mr. Price merely informed the Opposition Leader that "I know how to do the job of Head of Government and Party Leader."

This describes a clear case of political Joe Dicking.

CSO: 3298/744

## GENERAL VENTURINI JUSTIFIES AID TO SURINAME

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Jun 83 p 5

/Text/ Brasilia--General Danilo Venturini asserted yesterday in the Foreign Affairs Committee of the Chamber of Deputies "that there is no information that Suriname has made a choice in favor of the socialist bloc." The general was in that country in mid-April as the personal representative and special envoy of President Figueiredo to contain Cuban influence in Suriname. He admitted, however, that there were two pro-Cuban ministers in the Bouterse Government one of whom, Sital, has already, left) and that the Cuban ambassador in Paramaribo is highly trained in revolution and counterrevolution.

Venturini made an opening statement and then replied to the deputies' questions, spending 2½ hours explaining his mission to Suriname. He said five times that one of Brazil's objectives is to prevent South America from being involved in the East-West confrontation.

Deputy Jose Fogaca (Brazilian Democratic Movement Party, Rio Grande do Sul) considered the Venturini mission "strange and perhaps unusual because it ran counter to a tradition of Brazilian diplomacy, which is not to create areas of influence. According to the deputy, with that mission, Brazil was inaugurating a "policy of satellitization." Fogaca recalled the charge by the U.S. newspaper, WASHINGTON POST, that the plan for the destabilization of the Suriname regime was almost consummated by the CIA. But the plan was overturned in congress. He declared that Brazil was "crammed with American reports" about the situation in Suriname and stressed that although the United States is against the Bouterse regime, there were "subtle expressions of sympathy" for the Venturini mission.

Replying to the deputy, the special minister for property affairs and secretary of the National Security Council declared that President Figueiredo had two courses to follow with regard to the Suriname problem: to continue to support the mixed commissions between the two countries or rescind the matter and try to solve it in another way. Suriname complained about the slowness of the commissions. In Figueiredo's letter, which Venturini presented to Bouterse, it was clear that he would speak in the name of the president of the republic. "I am not the one who is going to say whether President Figueiredo acted well. But the mission of the secretary of the National Security Council is to study, plan and coordinate. Suriname is already beginning to receive aid. The Brazilian ministries are not asking questions about the aid to be given to Suriname. They are taking measures because it is an order from the president."

General Venturini said that Brazil "does not have the slightest doubt" that potentially Suriname can represent a foreign threat to Brazil if it is involved by extracontinental interests: "A plane can leave Paramaribo and without great difficulty reach the mouth of the Amazon River. The runway of the airport of the capital of Suriname is 3,300 meters long and a KLM Jumbo takes off from it every day. Thus, if Suriname is involved by third parties, against Brazilian interests, Brazil will act."

#### Satellites

Venturini gave assurance that Brazil does not want to "satellitize" anybody and that was made clear in the handshake that Lieutenant-Colonel Bouterse gave him, expressing the proposition of: Brazil for the Brazilians, Suriname for the Surinamese, and South America for the South Americans."

The chief of the mission to Suriname said that Brazil does not utilize "any intelligence service but our own" and pointed out that when Minister Saraiva Guerreiro was in Paramaribo in January of last year, he was given an extensive explanation of the situation in the country.

Responding to question by Deputy Francisco Benjamin (Social Democratic Party, Bahia), Venturini said that all of the military material that will be supplied to Suriname is Brazilian built but that the requests thus far are limited to uniforms, field equipment (tents), normal material for instruction and training. The air force there is rudimentary, almost nonexistent, and the navy is interested only in river patrol launches.

#### Incident

There was a minor disturbance in the chamber of the Chamber of Deputies foreign affairs committee when Deputy Joao Herman Neto (PMDB, Sao Paulo) expressed his amazement that General Venturini "is not telling us the truth." He suggested that Brazil's action in Suriname was a springboard for future intervention in Central America. In his view, "Brazil is acting as a subimperialist."

General Venturini reacted: "I cannot accept having it said that I am not telling the truth. Therefore, I cannot reply to your questions." While the PDS deputies applauded, Parana Deputy Sebastiao Curio (PDS) shouted: "He is a communist."

Venturini declared also that Suriname occupied "a special strategic position" as a link between the Caribbean and the Amazon Region. Without the financial support of the Netherlands and the political support of the United States, the Bouterse regime sought a dialog with other countries, including Mexico, Cuba and Libya "but no promise was concretely implemented so they turned to us."

When Venturini arrived in Paramaribo in mid-April, Bouterse was ready to announce a new government program. But he suspended the announcement to hear what the Brazilian envoy had to say.

8711

CSO: 3342/142

## MEMBERSHIP ON ANTARCTIC TREATY COUNCIL POSSIBLE

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Jul 83 p 11

[Text] Brasilia--Within a period that even exceeds the most recent and optimistic expectations of the government, in September Brazil may become the 15th member of the Antarctic Treaty Consultative Council, thus achieving the political power to influence the decisions on the future of the Antarctic. Commenting on this fact, government sources declared that the change of expectations in this regard is due to the diplomatic effort that is being carried out by the country and especially the current political situation, in which the entry of Brazil in the council is being viewed by its current members as a means of strengthening the organization and the Antarctic Treaty itself.

The member-countries of the council will be participating in a regular meeting next September in the city of Canberra, Australia. Brazil was invited to participate without the right to vote, in the capacity of observer, a fact that is being viewed as clear deference, considering that that status is not provided by the accord.

If everything goes as expected by the government authorities responsible for that matter, some weeks before 13 September, the date of the beginning of the meeting, Brazil will send a letter to the United States, the country that is the repository of the terms of the accord, requesting its admission into the council. And that should become a fact, at least in the analysis of the sources, which consider three aspects to justify that optimistic position.

The first is that there are no restrictions on the part of the treaty members to the Brazilian presence among them. That is due, on the one hand, to the nonterritorialist policy of Brazil in relation to the Antarctic. On the other is the diplomatic action that eliminated possible objections. That is so much so that Brazil is carrying out joint training with Chilean and Argentine personnel; is conducting commercial transactions pertaining to the Antarctic with Poland; has purchased a Danish ship, the "Barao de Teffe," to carry out its first expedition; and never ceases to send technicians and diplomats on visits to Britain, France and the Federal Republic of Germany. These countries are among the members of the accord and the Brazilian authorities have convinced all of them that territorial claims are completely outside Brazil's list of aspirations.



The second aspect is the effort that the government has been carrying out in the midst of the economic crisis to guarantee the continuation of its recent Antarctic program. This, incidentally, is one of the few government programs that merited the privilege of obtaining a real increase of budget funds.

Finally, the third aspect that is taken into consideration by the leaders of the program is the situation of the treaty at the international level. The document, which in its 23 years of existence was never strongly contested, is becoming the target of strong attacks by countries such as India.

Although the treaty includes the two most important powers in the world--the United States and the USSR--among other nations, there is the fear that India may succeed in garnering support among the nonaligned, today an unbeatable force because of their number in the general assemblies [as published] of the United Nations. The basis of India's argument is the need to internationalize the Antarctic, which would eliminate territorial claims and any pretensions regarding the reservation of rights over the mineral resources existing in the continent.

8711

CSO: 3342/150

## NEW PDS EXECUTIVE COMMISSION HAS NO DISSIDENTS

PY202332 Rio de Janeiro JORNAL DO BRASIL in Portuguese 16 Jul 83 p 3

[Excerpt] Brasilia--Yesterday the ruling Social Democratic Party, PDS, approved by acclamation the new Executive Commission of this party in the course of a meeting which lasted only 10 minutes. Senator Jose Sarney was reelected president of the party and Deputy Homero Santos was elected secretary general replacing Deputy Prisco Viana. The dissident "participacao" faction was not allotted any positions on the commission.

The vote by acclamation was suggested by former Governor Antonio Carlos Magalhaes and immediately approved by the 80 members of the National Board who attended the meeting (the board has 121 members). Antonio Carlos stated that this type of vote would be a means of showing the party's appreciation to Senator Jose Sarney and the rest of the members of the Executive Commission. Of the 23 deputies of the dissident factions who were present in Brasilia the day before yesterday, 15 attended the meeting.

The Executive Commission is eminently "pro-Figueiredo". Deputy Armando Pinheiro is the only representative of Pedro Maluf's group on the Executive Commission, which is now made up as follows:

|                       |                                               |
|-----------------------|-----------------------------------------------|
| President             | Jose Sarney (senator for Maranhao)            |
| First Vice President  | Jorge Bornhausen (senator for Santa Catarina) |
| Second Vice President | Amaral Peixoto (senator for Rio de Janeiro)   |
| Third Vice President  | Nilo Coelho (senator for Pernambuco)          |
| Secretary General     | Homero Santos (deputy for Minas Gerais)       |
| First Secretary       | Horacio Matos (deputy for Bahia)              |
| First Treasurer       | Augusto Franco (deputy for Sergipe)           |
| Second Treasurer      | Jose Camargo (deputy for Sao Paulo)           |

|                                                      |                                                                                                                                                                                             |
|------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Members                                              | Bonifacio de Andrada (deputy for Minas Gerais)<br>Eunice Michiles (senator for Amazonas)<br>Helvidio Nunes (senator for Piaui)<br>Amaral de Souza (former governor of Rio Grande<br>do Sul) |
| Leader of the PDS Bloc in<br>the Senate              | Aloysio Chaves (Para)                                                                                                                                                                       |
| Alternate                                            | Lomanto Junior (Bahia)                                                                                                                                                                      |
| Leader of the PDS Bloc in<br>the Chamber of Deputies | Nelson Marchezan (Rio Grande do Sul)                                                                                                                                                        |
| Alternates                                           | Italo Conti (Parana)<br>Alcides Franciscato (Sao Paulo)                                                                                                                                     |

CSO: 3342/152

## IMPACT OF FIGUEIREDO'S ABSENCE ON SUCCESSION PROCESS VIEWED

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Jul 83 p 6

/Article by Carlos Chagas/

/Text/ No Machiavellian plan, of those secretly conceived in the recesses of dark basements, would have gained the same success that a simple clinical occurrence has just gained. We are speaking of the succession process and its interruption, tried without success for several months and now a reality. What Gen Joao Figueiredo and his political aides sought to no avail through a thousand ruses has just occurred on account of nature. Compelled after much hesitation to take leave as chief of state to undergo examinations and perhaps even surgery, the president will not be able to continue coordinating the process, even when the coordination had the object of restraining its pace. That is equivalent to saying--even before he leaves national territory for Cleveland on the second week of this month--no more talk of succession. And it will not be spoken of until he returns. For some more irreverent observers, even if he does not require bypass operation, Figueiredo should take advantage of the opportunity and stay out of Planalto Palace as long as possible. Because if he returns in 3 months, it will take time to start everything over again and he will reach the end of the year without having to indicate his successor. It will avoid rows and political party aftermaths, delaying the creation of parallel powers in his shadow and he will not have to face ahead of time rebellions and adventures by those who, unable to become his candidates, would still insist on gaining the preference of the Social Democratic Party (PDS) (Good day, Dr Maluf).

In tactical terms, it could not have happened better despite the natural concern that always stems from departures, leaves and medical treatments.

We will not go so far as to say that there is no more succession but, in all certainty, one concludes that the process has just been frozen. With the assumption of temporary power by Aureliano Chaves, he being one of the candidates, there will no longer be any way of proceeding with the coordination. The vice president did not receive signed statements or powers of attorney but the job, and extremely ethical that he is, he will not consider taking advantage of his position to work in his own behalf. At the same time, he will not permit competitors to do so, nor would they dare to do so knowing that if they did they would receive the inexorable presidential staff on their backs, from either the substitute or from Figueiredo when he returned.

The image, if the irreverence serves, is of those science-fiction films where suddenly a Martian lands on Earth and pressing the button of a sophisticated computer, he stops time. It leaves everyone immobile, whether they are at the table eating or out on the street walking. In this case, the Martian is Figueiredo's need to undergo a medical examination. While the examinations last, and perhaps surgery subsequently, later the convalescence, there and here, nothing is going to happen.

In short, whereas there was much to analyze every day in the unbridled succession race, today there is no more. Last week's newspapers will serve to guide the curious in the coming months. And that is so for two basic reasons: without Figueiredo, there is no process underway. Not even with Aureliano. And whoever wants to hazard let him do so, but he is doomed to be swept away later.

The tableau will remain where it was Wednesday until the president again occupies his working office. The most the candidates will do will be to watch one another, each one interested in denouncing the possible and minimum movements of the other, which would be immediately labeled as treachery and lack of ethics.

Observations that in the exercise of the presidency Aureliano Chaves will have his candidacy reinforced or will abandon his aspirations depending on his performance are not likely to be valid. Nothing of the sort. In Planalto Palace, even exercising the full powers entrusted in his hands, he will not be heading his own government but the government of Figueiredo. He will avoid changes of policy or of personnel, and cannot be put to the test for that reason. If difficulties arise or if the economic crisis becomes even more intensified, even swallowing his pride, he will be forced to follow the policies of the president, that is, of the president's ministers. Which does not mean, let no one deceive himself, that he will behave like a marionette or a puppet. On the contrary, he is going to want to know everything, but umbilically linked by bonds of loyalty to the decisions and policy underway.

For his part, Mario Andreazza will not come out victorious in another public opinion poll because even they will disappear. His travels through the states as minister of interior will continue but they will be much less political and more administrative than before. He will not want to engage in talks, no matter how short, about his candidacy, which up to now has been the favorite. If before he sought to spare Figueiredo and his obvious inclination toward him, from now on he will spare Figueiredo even more, sparing himself.

Former Governor Paulo Maluf may continue to prepare and revise lists and red, green and black crosses on the roster of the members of the PDS national convention. But he will never be so bold as to continue in the open quest for support because any of his contacts, being malicious, can finish sinking his adventure simply by telling the newspapers that they were sought out. Other aspirants, less preferred until now, will sigh with relief, seeing in the interruption the necessary time to recover from their erosion.

Also, on the other side of the coin, between now and the next 3 months or more new and unexpected candidacies will not arise. The candidates are the current ones, at least until the president returns from the United States and is prepared to resume his office. Ironically, here we have a form of coordination that comes about through absence.

## LABOR, BUSINESS, MILITARY REACTION TO LATEST ECONOMIC PACKAGE

## Unionists Condemn Wage-Law

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 July 83 p 24

[Text] "It seems that that government wants to toy with the workers once again, passing along to them the bill for the crisis which they are not causing. As if the two wage decrees and the correction of the National Consumer Price Index (INPC) were not enough, now they take away a little more of the meager wage. The workers are already tired." Those were the statements of the president of the Metalworkers Union of Sao Paulo, Joaquim dos Santos Andrade, commenting on the National Security Council's decision reducing application of the wage law to 80 percent, that is, readjustments pertaining to the provisions of the wage law are limited to that percentage.

For his part, the president of the Federation of Metalworkers of the State of Sao Paulo, Argeu Egidio dos Santos, said he finds the new decree odd because "it is more than proven that wages are not the cause of inflation." He added that the 41 unions affiliated with that organization are going to meet tomorrow to analyze the measures and to adopt a position.

According to Joaquim dos Santos Andrade, "the situation is not new for the workers, who paid in 1973 with the manipulation of indexes and continue to pay until now, when their wages are eroded by inflation and are not restored in the same proportion." He criticized the actions of the ministers in the economic area who, with the policy adopted, "are intensifying even further the crisis suffered by the country, submitting it to the impositions of the IMF to guarantee the creditors receipt of the debt at the cost of the sacrifices of the wage-earners."

A similar statement was made by Argeu Egidio dos Santos, who declared that the workers are not in condition to bear that burden any longer. In the opinion of the metalworkers leader, the substantial reduction of wages which that measure will bring about, will plunge the country into an even worse situation than the present. "If the workers earn less, who is going to consume?" he asked, adding that the natural consequences will be reduction of production and inevitably unemployment.

In the opinion of Argeu Egidio dos Santos, the workers have borne various sacrifices over the years, but they have reached a critical point and cannot sustain anything else. He emphasized that the decree will have social consequences of great proportions.

The president of the metalworkers federation also criticized the provision of the decree that enables the companies to negotiate wages when it is not possible for them to comply with the wage law and declared that in an unemployment situation, any company can resort to the threat of rotation to reduce its employees' wages. The government grants free negotiation only when the company is going down but in times of development the government controls wage increases, preventing those same negotiations," complained the union leader.

#### Who Pays?

The Metalworkers Union of Santo Andre, Maua, Ribeirao Pires and Rio Grande da Serra released an official note last night expressing "public rejection" of the government's new economic "package" in which it points out that the 80 percent limit on wage adjustments for 2 years shows that "the workers will have the burden of bearing the crisis and they will no longer tolerate being responsible for what they did not do." It adds that "it is those who enriched themselves with the government's economic policy, detrimental to national and popular interests who should pay for the crisis."

The directorate of the organization criticizes mainly the establishment of free wage negotiation, stressing that "one cannot talk about that when there is a national security law that fetters union activity" and "an antistrike law such as the famous Law 4,330/64."

#### More Recession Seen

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Jul 83 p 24

[Text] Rio--"Since foreign funds are not coming in, money is going to be lacking in the economy because credit will also be lacking," was the reaction yesterday of the former president of the Central Bank, Carlos Brandao, commenting on the decision of the National Security Council establishing a schedule of interest rates for bank loans which, in his opinion, will accelerate the recessive process. According to him, the government has returned to the scheduling "very peculiar to Delfim Netto, only in its application, as it did until 1972." He explained, however, that at that time the interests were scheduled above inflation and now, with the corrections, they will remain at the minimum equal to inflation.

In that connection, he advised that "it is also time to return to the system of presetting the monetary correction as a way to reduce the yield of the National Treasury bonds, which are greatly responsible for the high rates for the attraction of money existing in the financial system." The former president of the Central Bank stated that if measures such as that are not

adopted the great beneficiary will be the government, which will continue to be in satisfactory condition to attract money by means of high-yield National Treasury notes (LTN)."

In his opinion, the scheduling of interests will affect mainly the investment bankers since the commercial banks do not have free funds for applications "because they are already tied to priority sectors."

The government's decision to eliminate the wage brackets benefits the middle class, maintains the wage hierarchy and responds to an old demand of the National Commerce Confederation (CNC), which always fought the wage policy established in 1979, declared the president of the organization, Antonio do Oliveira Santos.

He considered excessive the 20 percent "reducer" applied to the National Consumer Price Index (INPC), terming it a "shock measure" but he expects the lowering of that index before the 2-year period established in the presidential decree. As for the scheduling of interest rates, the president of the CNC asserted that it is a "correction brake," although he considers the limits approved too high.

#### 'Confiscation'

For his part, the president of the Bank Workers Union of Rio de Janeiro, Roberto Percinoto, observed that the establishment of wage readjustments at 80 percent of the INPC is one of the most outrageous confiscations of the earnings of the workers," who are already living through times of great difficulty.

"Another cruel truth," he added "is that the employer once again comes out profiting in this old contest between those who are doing well and those who are doing poorly" because the decision the government has just taken "immediately reduces the bankers' payrolls by 20 percent, with that savings representing a great amount already in the month of September at the time of the bank workers' negotiations [dissidios], not to mention the negotiations of many other categories."

#### End of the Agreement

The national vice president of the Brazilian Labor Party (PTB), Ario Teodoro, expects Deputy Ivete Vargas immediately to convene the party to dissolve any agreements and understandings with the federal government or with the Social Democratic Party (PDS). Considered the mentor of the agreement, Teodoro has broken with the president of the PTB. He believes that the agreement should already have been canceled after the INPC was corrected because it became only "the simple adherence of some congressmen to the government."

Ario Teodoro said also that he is "perplexed" over the new government package and that he does not concur with this new attempt to throw the responsibility for the Brazilian economic crisis on the working class.



## Sacrifices Should Be Shared

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Jul 83 p 25

[Text] Rio--The president of the Federation of Industries of Rio de Janeiro (FIRJAN), Arthur Joao Donato, declared that the measures approved by the government yesterday "should be followed by others of a political nature to distribute the sacrifices among society more equitably and to create a link of solidarity among all classes."

According to the president of FIRJAN, the main advantage to the businessmen is that the companies with financial difficulties may now freely renegotiate their work contracts with their employees. According to Donato, that alternative will enable the companies to resort to releasing their employees when they go through difficult financial phases.

The measures are "painful and restrictive," said the president of FIRJAN, but if they are well-complied with they can become a "useful sacrifice" so that the country may traverse a very difficult phase in its economic life.

In the opinion of Ruy Barreto, president of the Confederation of Commercial Associations, the reduction of the INPC for wage readjustments and the scheduling of interest rates will cause inflation to drop but distortions will occur with regard to the setting of maximum rates in negotiable invoice [duplicateas] discount transactions by the banks.

In the opinion of the business leader, it is essential that the scheduling of interest rates--a measure fought by units of the business sector and even by the government--be maintained on a provisional basis and that the government establish measures without delay so that interest rates may drop further without the distortions that the scheduling will cause, especially the average balance requirement.

Noting that only an overall analysis of the decisions taken by the government will permit a more definite assessment of its effects, Barreto pointed out that the reduction of the INPC was already expected so that wage increases would remain below the monetary correction.

As for the 80 percent INPC for readjustment of rentals, the president of the Confederation of Commercial Associations of Brazil believes that whereas the measures is fair on the one hand, it discourages civil construction on the other. For that reason, he hopes the government will adopt compensatory measures for the civil consturction industry.

In the meantime, the military men consulted yesterday about the measures taken by the government in the economic area--which abolish the wage brackets in calculating the INPC and reduce to 80 percent the wage increases based on that index--supported the reform of the wage policy but conditioned its success on political support that will avoid an escalation of social agitation that may compromise national security.

A general made the observation that the government waited too long to take stiffer measures, although recognizing that in reality they could only be taken in a situation that presents growing difficulties, both domestic and foreign, and that requires sacrifices and the priority of employment over wages in many cases.

The military, including two ministers, were unanimous in declaring that the president of the republic is going to need strong support in the political area even if this support may sometimes become difficult even among the members of his own party. The toughening of the economic policy was supported by military men this week even before the meeting of the National Security Council and reaffirmed later, when there was even a certain satisfaction over the government's decision to take tougher action against inflation.

According to one general, the tougher line in the fight against inflation does not mean that the political liberalization plan may become unfeasible despite the fact that demonstrations against the measures taken by the government are expected. In the opinion of that same source, a more consistent handling of the economic crisis may even prevent the country from reaching a more serious social crisis, also preventing a political retrogression which the armed forces do not desire.

8711

CSO: 3342/150

## CENTRAL BANK ISSUES INTEREST RATE REGULATIONS

PY201220 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Jul 83 p 24

[Text of Central Bank resolution regulating interest rates issued on 13 July]

[Text] The Central Bank of Brazil, in accordance with Article 9 of Law 4595 of 31 December 1964, informs the public that the National Monetary Council at a meeting held today, taking into consideration the provisions in Article 4, items VI, VII, VIII and IX of the aforementioned law, and in Article 29 of Law 4728 of 14 July 1965, resolves:

I. To limit interest rates charged by commercial banks in lending operations, involving domestic resources, for less than 180-day periods to:

- a. A maximum of 5 percent per month at large size banks;
- b. A maximum of 6 percent per month at small and medium-sized banks.

II. To limit interest rates charged by commercial banks, investment banks and development banks in operations subject to monetary correction equal to indexes of ORTN [National Treasury Readjustable Orders] variation to:

- a. A maximum of 20 percent per year at large size banks;
- b. A maximum of 24 percent per year at small and medium-sized banks.

III. For the purpose of this resolution, it is to be considered as:

- a. Large size commercial banks those so classified in circular 589 of 17 December 1980;
- b. Large size investment banks those associated with commercial banks referred to in a) above;
- c. Small and medium-sized development banks all those engaged in financing development-related programs.

IV. Interest rates fixed under item I and II above will be reviewed quarterly.

V. The Central Bank may dictate additional measures deemed necessary for implementing the provisions adopted through this Resolution.

VI. This resolution will become effective on the date of its publication, and Item I of Resolution 753 of 12 August 1982 is hereby rescinded.

Brasilia, Federal District.

[Signed] Carlos Geraldo Langoni, president.

CSO: 3342/151

## DEPARTURE OF SNI HEAD TO ALTER INTELLIGENCE SYSTEM

## Gradual Restructuring

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Jun 83 p 6

/Text/ Rio--High-level military sources, including officers who served in the National Intelligence Service (SNI), asserted yesterday that one of the consequences of the departure of Gen Newton Cruz as chief of the central agency of the SNI will be the gradual restructuring of the country's intelligence system.

The name of Maj Gen Geraldo Araujo Ferreira Braga was mentioned by the same sources as the most probable person to replace Newton Cruz, who will be relieved in such a way as to avoid eroding him professionally and enabling him to assume a command, the Planalto Military Command being the one most mentioned.

Gen Newton Cruz's transfer to a command, especially one that has access to the meetings of the Army High Command, will prevent new friction from arising between the intelligence personnel and that of other sectors, with the natural negative consequences that could jeopardize the objective of military unity.

In the opinion of the military who studied the situation and the prospects of the intelligence area, "this is not the time to allow pretexts for disunity to arise but for strengthening the cohesion of the armed forces and the army in particular."

One military man who advocated the return of the agency to its original mission said: "The departure of Newton Cruz as chief of the central agency is not a sign that he is going to fall into disgrace or that the intelligence system is entering a process of deterioration but rather the beginning of a gradual reformulation." However, he refused to accuse General Cruz as the only one responsible for the problems of the SNI.

In the opinion of a general officer who is knowledgeable about the intelligence system, the SNI should adapt to the new national situation, that is: the intelligence agencies should not act as they did before the beginning of the political liberalization plan, mainly, between 1969 and 1972.

The Baumgarten case was cited by the same sources as one example: the system would not be able to involve itself as it did with a journalist, for ethical reasons among others, because it should not try to influence the line of a magazine.

Another argument used by the advocates of restructuring was the fact that the SNI pledged support for a journalist who had been released from an Air Ministry course due to lack of moral qualities. The colleagues of Gen Newton Cruz emphasized, however, that he has already admitted to friends that he would appear before a court to testify in case judiciary obtains information that compromise him in the Baumgarten case.

The advocates of reform argue that the SNI should undergo the same change that Brigadier Delio Jardim de Mattos imposed on the Air Intelligence and Security Center (CISA) after he assumed the office of minister, withdrawing operational action from that agency and designating it only as an intelligence center, even though it kept the acronym CISA.

Another example from the Air Ministry indicated by the military was the policy ordered during the administration of Araripe Macedo, prohibiting public relations officers from simultaneously performing functions in the intelligence area, avoiding dual activity.

It was that policy, for example, that prevented the chief of the public relations center of the Air Ministry during the administration of Brigadier Araripe, Col Ivan Bernardino da Costa, from not heeding requests from the intelligence area not to accredit journalists. Notwithstanding that, he did not have any problems with the intelligence system, serving in the National Intelligence School (ESNI) after he left his post.

In the opinion of a military man who followed the activities of the intelligence system since 1964, it changed, especially in the 1969-1972 period, because of the problems the country had in that period, but now it should limit itself to being an agency for the collection and analysis of information for decisionmaking in the various sectors.

The officer pointed out that the SNI should reflect the definition of its activities given by one of its former chiefs, General Figueiredo, who described it as "an advisory agency." Other military men, some former members of the intelligence community, declared that the SNI must be turned inward, without failing to keep abreast of national problems, in accordance with the basic policy of the president of the republic.

#### Correction of Failings and Distortions

Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Jul 83 p 9

/Text/ Rio--The former secretary of security of Sao Paulo, Col Sebastiao Ferreira Chaves, yesterday supported the proposition that the reformulation of the intelligence system should adapt the SNI to specific objectives, with emphasis on foreign problems, withdrawing the agency from activities that are more inherent to the federal police and the secretariats of security of the states.

"The doctrine of the establishment of the SNI adopted by its first chief, Gen Golbery do Couto e Silva, is what gave rise to its current distortions, making possible the most diverse interpretations of the agency's role. At the time it was conceived in June 1964, it reflected an abnormal situation and the problem is that it ended up becoming permanent," he added.

According to the former secretary of security, "the SNI's principal distortion is the fact that it exercises a counterintelligence activity within the country when that is a function of the federal police, as occurs in the United States, with the FBI, leaving the Central Intelligence Agency (CIA) with a function directed more toward foreign problems."

In the opinion of Colonel Chaves, the SNI's concern with the domestic problem in the period of its establishment and until the beginning of the seventies was "perfectly valid and up to a certain point justifiable, but since the country returned to normalcy, the agency should adapt itself to a new situation." That could have occurred in large part even in the Costa e Silva administration, because afterwards "it was the armed forces that really combatted subversion and confronted the armed struggle."

In the opinion of General Chaves, the SNI should become basically an intelligence agency that evaluates the facts, analyzing their causes and consequences, being an agency of analysis and exploration so that the president of the republic can choose from among various lines of action the one that corresponds to the national interests vis-a-vis those of other nations or of multinational groups.

"The SNI cannot, at the risk of compromising its very purpose, become a partisan agency. Its members must be citizens dedicated to the country and their activities cannot be compromised as a result of political involvement, much less yet with the radicalism of the right or the left," said the former secretary.

Colonel Chaves stated further that "the security and intelligence divisions existing in the civil ministries should be abolished, even as an economic measure in a period of budgetary restrictions, considering that an agency directed basically toward foreign problems would make the existence of an organization established to obtain information from the civil ministries pointless.

"The National Security Committee of congress should be able to participate in a study on the reformulation of the SNI. In the United States, for example, the charter that defines the functions of the CIA was approved by the U.S. congress after debates on the limit of the functions of the agency. Congress must be consulted because an agency such as that must be in accord with the system in force in the country, which is the democratic system since the implementation of the political liberalization plan," concluded the colonel.

8711

CSO: 3342/143

## BRIEFS

CREDITS FOR 1983-84 CROPS--Brasilia--The Central Bank, through Circular No 791, yesterday announced the regulation governing changes in rural credit for the next crop. The director of rural and industrial credit and special programs of the Central Bank, Jose Kleber Leite de Castro, revealed that the banks can contract the financing requested up to the 9th of this month, when the National Monetary Council raised the charges to the previous rate of 50 percent per year in the North and Northeast and 60 percent in the Center-South, provided that the transactions are contracted by 15 July. The director of the Central Bank expects the official banks this year to apply from 6.1 to 6.3 trillion cruzeiros in agriculture-livestock, and the private banks, another 1.6 trillion cruzeiros. For the next crop, in the defrayal of planting supported by Basic Defrayal Bonds, the mini and small farmers will have terms of 90 and 120 days after the harvest to pay off the financing in two equal portions. The medium and large farm producers will be able to pay the defrayal credit in 4 installments due 30, 60, 90, and 120 days after the harvest, at percentages corresponding to 20, 17.5, 12.5 and 50 percent of the corrected debit balance. For financing intended for the purchase of machinery, tractors, equipment, boats, cattle and applications in reforestation investment, the banks cannot use more than 30 percent of their total applications at an interest rate of 3 percent per annum plus the full monetary correction. The mini and small farmers, including their cooperatives, will have the right to credit corresponding to 100 percent of investments, and the others to only 90 percent. [Sao Paulo O ESTADO DE SAO PAULO in Portuguese 29 Jun 83 p 34/ 8711

SALARY READJUSTMENT APPROVED--During an extraordinary meeting summoned by President Figueiredo yesterday the National Security Council [CSN] approved Decree Law No 2,045 which, in practice, replaces the current salary law by an across the board salary readjustment of 80 percent of the INPC [National Consumer Price Index]; limits the increase of rents to 80 percent of the INPC and, as of 1 July, restricts mortgage readjustments to 80 percent of the INPC for those mortgage holders who choose an adjustment every 6 months and who pay the difference at the end of the contract. Through a Central Bank resolution the CSN also decided to index the interest rates establishing a 5 percent interest for short-term loans (180 days) granted by the larger banks and 6 percent for short-term loans granted by the remaining banks and a 20-24 percent interest rate per year for long-term loans in addition to a monetary correction of the ORTN's [National Treasury Readjustable Bonds], respectively. [Excerpt] [PY230258 Sao Paulo FOLHA DE SAO PAULO in Portuguese 14 Jul 83 p 1]



## DAILY CRITICIZES BOLIVIAN ATTITUDE

PY071804 Santiago EL MERCURIO in Spanish 1 Jul 83 p A3

[Editorial: "Bolivian Consul"]

[Text] In La Paz, the Bolivian Foreign Ministry has officially announced that the government of President Hernan Siles has appointed Jorge Traverso--who until recently was his country's charge d'affaires in Peru--as consul general in Chile with the rank of ambassador.

With this decision, the Bolivian Government insists in maintaining the status of broken diplomatic relations which has existed virtually without a lapse since the 60's.

However, this rupture of relations is not total because Bolivia, going against all normal diplomatic practices, grants its consul general the rank of ambassador to allow him to deal in political matters with Chilean officials.

The "capitis deminutio" of his representation in our country has all the appearances of an element of pressure to force the Chilean Government into negotiations to grant Bolivia a sovereign outlet to the Pacific Ocean through Chilean territory.

In reality the possible effectiveness of this attitude cannot be envisioned. On the contrary, it is denying Bolivia the possibility of achieving the necessary political rapprochement. Unfortunately, the idea that diplomacy is a technical tool for solving differences between countries has not yet taken root in Latin America.

In the last few years, Chilean-Bolivian relations have seriously deteriorated due to the Bolivian Government's desire to take its land locked problem to international organizations and to use them for its benefit to force Chile to negotiate its coastal situation. In addition to this, continuous and unreasonable attacks against our country have been carried out.

All of these things have naturally created irritation among the Chilean people who have unanimously supported the government's refusal to deal with La Paz officials on any matter related to Bolivian maritime aspirations if

the attacks against Chile do not stop and if Bolivia does not quit its desire to drag us to international organizations as it has done so far and as it plans to do in the immediate future.

Any diplomatic negotiation needs an appropriate atmosphere to produce good results. Therefore, the creation of this appropriate atmosphere requires time and good will from the two interested parties.

It does not seem that these conditions are prevailing at this time. Therefore, it is up to the government of President Hernan Siles to act in such a way to make unpleasant past events forgotten and to pave the road for cordial relations.

Consul General Jorge Traverso said to our newspaper that only after this is done will Chile and Bolivia "be able to talk like brother countries in discussing our problems."

We Chileans wish the new Bolivian consul general complete success in his activities and in the task of rapprochement he plans for our future relations.

CSO: 3348/548

## DAILY ON SOUTHERN CONE RELATIONS, CONFLICTS

PY081220 Santiago EL MERCURIO in Spanish 2 Jul 83 p A3

[Editorial: "An Airfield for the Malvinas"]

[Text] The construction of a large airfield on the Malvinas Islands was recently announced in keeping with the purpose of strengthening the British position on those islands.

British Defense Secretary Michael Heseltine informed the House of Commons that the work will start during the next British autumn season and that the main landing strip will be ready for use in April 1985. The airport, which will be located near Mount Pleasant on the Eastern Malvinas Island some 40 km from Port Stanley, will be suited either for civil or military operations.

The British decision to strengthen its presence in the South Atlantic is due to, at least, two reasons. In the first place, our neighboring country's purchases of arms, after its defeat in the South Atlantic, was not only aimed at replacing what it had lost but also at updating the Armed Forces equipment even more so. It should be recalled that in January 1983 U.S. intelligence reports referred to the hasty training of units and members of the Argentine Air Force.

The aforementioned sounds ominous when the Argentine Government, making special emphasis, reiterates that it continues its struggle over the islands. On the occasion of the first anniversary of the end of the war, President Bignone maintained that his country "continues its struggle, which started 150 years ago, to recover the sovereignty usurped by colonialism." In addition to this Admiral Ruben Franco, commander in chief of the Argentine Navy and member of the government junta, asserted that his country's rights over the islands are "unrelinquishable," stating the same about the alleged rights over the Beagle.

In the second place, it undoubtedly seems that the Argentine Government's policy is experiencing noticeable changes. Driven by a pragmatism, possibly useful in the economic field and the short term, it has become increasingly linked to the Soviet Union. An overall violent anti-American attitude,

which is not something new, has contributed to this rapprochement. Moscow granted its support to Argentina during its recent disputes because Argentina, disregarding the U.S. grain embargo, became a generous supplier to the Soviet Union.

It is hard to believe that a country which shows such an attitude could be trusted by the United States or Great Britain when trying to solve the Malvinas problem. The islands have proven to be points of vital importance in the strategic aspects of the South Atlantic for the surveillance of the Drake Passage and the Antarctic where Great Britain, of course, has territorial claims which overlap those of Chile and Argentina.

The Malvinas issues threaten to become a new focus of tension, with Brazil this time. Argentina has just protested Brazil's authorization for British planes, bound for the islands, to make stopovers in its territory. There is talk of about 30 landings at the Canoas Military Air Base. The Argentine ambassador in Brazil has stated that this "could jeopardize the good relationship between our countries."

CSO: 3348/548

## ECONOMY MINISTER FAVORS MAINTAINING MIXED ECONOMY

PY230307 Santiago EL MERCURIO in Spanish 17 Jul 83 pp 1, A-16

[Excerpts] Economy Minister Manuel Martin expressed to businessmen his concern that theoretical discussions being made about the market social economy might end up in the adoption of a statist solution "which I would not like to ever have again."

The minister voiced his concern during a meeting of the Retail Commerce Confederation [CCD] to which he was invited by its president, Rafael Cumsille.

Minister Martin noted that the model which has been applied is not that of a market economy alone, but that it is also a "social" model.

He observed that "unfortunately errors have been committed by supporting a model, not the market social economy."

After voicing that criticism, Minister Martin expressed his concern about statist solutions that might be adopted in the wake of theoretical discussions now going on about the economic model.

"At the ministry, I have received labor leaders who are worried about dwindling job sources and who leave me worried about the solutions they proposed."

He said: "I want to warn you about statist solutions which will not foster our development, but will make us slide backwards."

"So we have to make an effort, setting aside all theoretical principles, to realistically analyze the problems so that we can again set this country on the course of development along the lines of a mixed economy which we now have, but giving more stimulus to private enterprise."

The economy minister said that the economy entered into a period of crisis caused by both external and internal causes. The latter "stemming from errors committed at a given time, although perhaps with the best intentions, but which should have been corrected in time. The crisis brought unemployment as one of the worst consequences."

He pointed out that the government is determined to solve the unemployment problem by resorting to temporary measures such as the Minimum Employment Program (PEM) and the Head of Household Employment Program (POJH).

"But what must really be pursued is creating permanent jobs, so that people can feel part of an enterprise, working or doing something for real," the minister emphasized.

He recalled that the first task undertaken by this cabinet was to prepare an emergency program so as to promote the country's recovery as fast as possible.

Among the measures adopted under this program, the minister mentioned the renegotiation of debts, the selling of new houses which were unoccupied, the adoption of a "moderate currency exchange law" to stem the drain of foreign exchange and bar the sale of dollars on the street, the restructuring of mortgage debts, and the support for cultivation of products such as wheat, corn and rice.

Regarding mortgage debtors, the minister said that the measure adopted not only has brought relief to them, but will stimulate other activities because the reduced mortgage installments will leave them with extra money to purchase other things.

On the other hand, the minister said that, for reasons that he does not understand, the country has not been using foreign resources from international institutions such as the World Bank and the Inter-American Bank for Economic Development.

He said that those international institutions were to assist Chile with credits for terms longer than just 5-8 years which are those usually granted by the international private banks.

"Those institutions have been created to assist in the implementation of infrastructure-building projects, but those projects, curiously enough, have been neglected for some time; now we will seek that assistance for such projects."

He said that those credits will be used to build the infrastructure which the country needs, and to provide "real and productive jobs" for Chileans.

After the president of the CCD announced that the confederation will examine the proposals submitted to the government by the Commerce and Production Confederation (CPC), the economy minister said that those proposals represent "a serious study," noting that demand is a problem about which everyone agrees.

Minister Martin then added: "The government should analyze those proposals with an open mind. We know that they represent a serious study, backed by experience."

## BRIEFS

RESERVES, TRADE BALANCE FIGURES--The Central Bank has reported that international reserves grew by more than \$66 million in the first half of June 1983, that the balance of trade registered a \$92 million surplus in the same period, that total reserves on 16 June stood at \$1,584 million and that the balance of trade has registered a \$644 million surplus so far this year. [Summary] [PY212115 Santiago Domestic Service in Spanish 2300 GMT 12 Jul 83]

FISHING CATCHES, EXPORTS INCREASE--During the first half of 1983, sea product catches increased by 15 percent. A total of 2,145,000 metric tons were recorded. Last year, over the same period, 1,860,000 metric tons were recorded. This information has been released by the National Fishery Service. The catches of Spanish sardines comprises a large share of the total, as the catch rose by over 200 percent, reaching 1,600,000 metric tons. Last year, a total of 540,000 metric tons of this species had been caught in the first 6 months. In turn, fish meal production for the first 4 months of 1983 totaled 277,000 metric tons. This figure represents a 6.5 percent increase. It is estimated that a total of 400,000 metric tons will be reached over the first half of 1983. The increase in catches coupled with the price increase on international markets allows Chile to count on a substantially larger amount of foreign currency derived from the fishery sector than in 1982. [Text] [PY191519 Santiago Domestic Service in Spanish 1100 GMT 19 Jul 83]

VALDES' RELEASE, DAY OF PROTEST--Chilean political sectors have welcomed the release of Christian Democratic Party leader Gabriel Valdes ordered yesterday by a Santiago court of appeals. By a two to one vote, the court upheld an injunction filed on behalf of Valdes and five more persons who had been jailed last Saturday by agents of the Chilean regime. A police report submitted to the head of the Chilean regime notes that the third day of national protest left a toll of 2 persons killed, 1 wounded, and 1,061 detained. The report adds that a radio station was attacked, that 108 cases of malfunctioning of the power system were reported and that a bomb exploded early in the morning. The third popular demonstration staged in less than 2 months in Chile concluded with the resounding beating of empty pots and pans in most houses of the capital and of the country's major cities. [Text] [FL141243 Havana Domestic Television Service in Spanish 1106 GMT 14 Jul 83]

## DAAFAR RADIOTECHNICIANS DEFEND COUNTRY'S SKIES

Havana VERDE OLIVO in Spanish 2 Jun 83 No 22 pp 34-39

[Article by Rolando Pujol in cooperation with DAAFAR's periodical SIEMPRE ALERTA]

[Text] In mid-morning of 19 April 1983 nearly all the cities and villages of central Cuba trembled with the rumble of an extended thunderclap which made many of their residents look skyward seeking the looming presence of some storm cloud.

The radiant and searing sun of that hour, with blue sky in the background, caused puzzled expressions for a few seconds on faces which subsequently turned to the chores of daily life and the contagious joy of everyone on account of the celebration of a new victory anniversary....

A few days later a protest note from the revolutionary government [published] in the pages of the daily GRANMA explained the real origin of those blasts. An SR-71 spy plane moving at supersonic speed had overflowed the entire Cuban territory in a flagrant violation of our sovereignty.

Aerial and electronic espionage has increased lately as part of a deliberate plan to collect the maximum amount of information on our military, economic, and political targets with a view to supporting warlike and diversionary activities in case of sudden armed aggression.

As on other occasions, the people energetically countered the provocation in the Grand March of the Fighting People of the First of May, followed by the supportive voices of the friends of Cuba who in various parts of the world condemned the arrogant attitude of the U.S. Government.

However, this fact which triggered the general reaction is part of the many stages of the hard-fought invisible war being waged daily against Cuba's enemy by the self-sacrificing and heroic radiotechnicians of DAAFAR [Revolutionary Air Force and Antiaircraft Defense].

Around the clock, these units keep uninterrupted watch over our air space, anticipating any attacks which our aggressor may stage from the north.



On the edge of the circular rim of the radar screen a greenish-orange blip appeared which seemed to be new to the operator with reference to the targets that he had identified....

With methodical regularity the radar antenna continued to revolve outside covering with its electronic sweep the dozens of miles of air space which in the deep obscurity of the radio tracking cabin flickered in a rotating beam of light which illuminated in its circular sweep the coordinating lines and the map of the area covered by the unit.

Above, some 220 degrees to the north, the blip continued to flicker, betraying once again a high-altitude flight.

On this occasion there was no doubt in the mind of Pvt Ramon Almeida. An unidentified object was fast approaching Cuba's air space.

Without waiting for the antenna to revolve once more, the soldier pushed the telephone switch and reported the event to the unit's command post.

Without omitting details, Private Almeida told the officer on duty what he had seen. When he finished he waited for a response.

"O.K. Don't lose sight of the object and report its position every 30 seconds seconds...."

Ramon Almeida felt the heat inside the cabin and perspiration was dribbling down his eyelids blurring his vision. He wiped it off with the right sleeve of his shirt and concentrated his entire attention on his adversary who, behind that seemingly insignificant blip, was moving rapidly toward southern Cuba in search of the sinuous coastline.

"What are they scheming now"? Private Almeida wondered in the short space of time during which the radar sweep in the opposite direction made the blip momentarily invisible.

The blip reappeared once more and the mind of the soldier translated its position on the screen into a special code of figures which the trackers receive and decode at the command post, plotting on a large map the complete "clinical framework" of the route followed by the violator. Already now, through the initial data available about its bearing, speed, and altitude, it was known what type of "biggie" they had to deal with.

In the darkness embracing his combat post, Ramon Almeida was alone with the enemy, his endless flow of coordinates, and his thoughts.

"At this time the Ramp must be crowded with people moving toward the break-water or going to the Coppelia--zero, four, eight, two--how good it would be to have a strawberry ice cream here now--zero, two, seven, two, one, six--or chocolate ice cream. What heat! Many people cannot imagine what it means to eat an ice cream in peace or talk with one's fiancée by the seashore--seven, four, three, two, zero, four. And Sonia--how long it is since I've seen

her, felt her silky hair on my hands, kissed her cheeks--must be leaving work around this time--zero, four, six, two, five--rushing to get to her night class early. If you knew that I was confronting someone who wants to end your happiness--zero, two, seven, three, one, five. And what a high-altitude flight. This one is no fool. He is afraid that he will be shot down and that he will remain without the dollars which he would collect on returning--zero, four, eight, two, eight, four. Idiots, they are shooting picture after picture looking for strategic secrets. Perhaps these photographs do not show the happy faces of the machete cane-cutters who cut cane defying the sun? Zero, four, seven, zero, one. Or the new schools surrounded by green cultivated fields? Or the militiamen being trained to repel their attacks? Four, two, six, two, one, five. They ignore the fact that it is those who have the highest principles and equitable ideas who always win wars. Three, five, two, five, zero, nine,...."

#### Without Respite Since the Initial Flights

The ill-intentioned air incursions from American territory began exactly a month after Cuba's revolutionary triumph. On 2 February 1959 the U.S. citizen Allen Robert Meller was arrested as he tried to infiltrate illegally onto Cuban soil in a small plane with the purpose of assassinating our commander in chief.

There followed an interminable criminal chain of bombings and machinegun attacks against sugar mills, industrial centers, cities, towns, the burning of sugar cane plantation, arms drops to counterrevolutionary groups, air attacks, the prelude of the attack in the Bay of Pigs, and the subsequent cover of the mercenaries.

In every case they took advantage of the surprise factor, of the limitations of our incipient air force and the absence of an early warning system, that is, of radio guidance.

A few weeks after the Bay of Pigs events the initial radar units arrived in Cuba from the sisterly Soviet Union.

The training of a group of operators selected among the members of the revolutionary armed forces and the militia units got under way.

Most of them, with an educational level below the sixth grade, had to tackle the use of electronic equipment of complex technology with extremely short training periods and with instructors speaking a foreign language.

Practically without interpreters, more through the universal language of gestures than through words themselves, that group of pioneers was trained--a group which, at the end of 2 months, was to fulfill its first mission.

On 19 July 1961 the incipient TRTs [Radiotechnician Units] successfully gave radio guidance and direction to the aircraft which brought to Cuba the world's first cosmonaut, Yuri Gagarin.

Since then the tasks performed by the radiotechnicians have been of extreme military importance. During periods of crises, maneuvers, threats, and efforts at imperialist blackmail, the fighters who operate our radar units have had no respite in the first line of defense of their people.

Far from their relatives in remote and rough locations, the personnel of the TRTs have worked without respite to maintain around us an immense electronic network that protects us day and night from the pirate-like machinations of our restless neighbors to the north.

#### The Electronic Surgeon

Radar sets are high technology equipment which combines in each unit hundreds of thousands of components and parts ranging from the curiously tiny to the surprisingly large.

Their operational principle is based on the conversion of a powerful flow of electrical energy of scores of thousands of volts in a beam of electromagnetic pulses which sweep a space with the filaments of their antennas. These high-frequency pulses reach a great distance and have the property of being reflected by all objects that they meet in their path. The reflected signal is captured on its rebound by the radar set and is again converted into electrical energy fed into a cathode ray tube leaving a blip of light on the circular display screen. This type of round "television" set is crossed by coordinate axes and superimposes the outline of the geographic configurations of the area which represents the unit's surveillance space. On this basis, when the signal reflected by the target appears, it is possible to determine its bearing, speed, and altitude.

In brief, this is the operational principle of our steel eyes.

Because of their constant surveillance tasks, the radar sets remain turned on much of the time, which subjects all their parts and components to prolonged stress, increasing the possibilities of the occurrence of an obvious "electronic infarction" at the least propitious time.

Nevertheless, our radar sets function flawlessly because of the permanent presence of their "surgeons," that is, of the highly qualified radio guidance technicians or engineers.

#### Here, Too, Prevention and Physiotherapy Are Valid

"Since you have compared our work to that of physicians, which honors us, I shall tell you, keeping to this analogy, that in the field of radars it is equally valid to speak of physiotherapy and the prevention of 'illnesses.'"

The individual who said this is Engineer Lt Juan Daniel Quintero who, at age 24, is responsible for the operation of the radio guidance equipment of his unit.

In an instructive explanation, Daniel Quintero told us how preventive work is organized in the TRTs to avoid breakdowns and technical snafus.

"We consider the realization of mandatory daily maintenance chores as the principal task for the technical personnel, as well as various major overhauls and repairs carried out in specific periods of the year.

"The prophylaxis of the 'ailments' of radar sets involves careful work inside all their electronic components to restore any operational parameters that have suffered any change as well as to replace the parts which have reached the end of their useful life determined by the operational standards....

"Considering that this activity demands of the personnel profound theoretical-practical skills, particular attention is given by the command, the party, and the UJC [Union of Young Communists] to the training of each soldier, providing them with every facility so that they may achieve complete control of their specialties and may also be able to assume, in case of need, duty at other combat posts." Are there resources to improve the combative caliber of the technology? we inquired.

"First, it is necessary to say on this score that our radar systems have a high level of combat readiness and the ideal design for the type of missions that they fulfill. Even so, within the context of our specific conditions, our specialists have assumed a dynamic role in solving some problems stemming from the military effort and have proposed the rationalization of parts and components as well as the optimization of some methods in the employment of technology in order to gain time and increase the effectiveness in the localization of targets."

An individual gets an infraction when he leads a sedentary life: Radar has in this respect the advantage of being constantly in use and of having close by the skillful hands of magnificent "physicians" so that its heart never stops beating.

#### The Surprises Are Over

The surveillance unit has been characterized as the best trained product of DAAFAR's radiotechnicians.

Two decisive factors account for this: The individual and the technology. Between both a symbiotic relationship is established leading to a high level of combat preparedness.

As is known, the TRTs warn us of offensive acts by our enemy and of the violations of our air space which are often perpetrated by aircraft of various types, at times unintentionally and at others wholly deliberately.

Historically, in the tactical precepts of warfare, the surprise factor is considered as a determining element at the hour of deciding on which side victory will result. Accordingly, whoever succeeds in getting close without being detected by his victim has great possibilities of wounding him mortally.

The necessity of being constantly alert and forewarned is what gave rise to the TRTs and their mission of constant vigilance: surveillance duty.

Because of its importance, surveillance duty is always epitomized by radio-technicians at a solemn ceremony where the troops swear loyalty to their homeland, their people, the party, and the revolution.

This ceremony is preceded by strenuous preparatory effort, both for personnel going on surveillance duty and for personnel leaving same.

For those joining, it is indispensable to realize an exhaustive review of all the skills inherent in the functioning of the technology and combat procedures against the enemy's offensive weapons.

The outgoing personnel, before being relieved from surveillance duty, analyze all the events occurring during their tour and check the effectiveness of the equipment for which they have been responsible.

During their tour of surveillance duty and their relief, it is necessary to single out the role played by the party and UJC activists who are responsible for providing support to the tasks entrusted by the command and are the first to try to solve any problems that technology can present because of unforeseen breakdowns.

The activists also fulfill extensive political-ideological work during their tour of field duty, keeping all the troops informed of the international situation and the aggressive course of imperialist maneuverings, the direct cause of the increase in violations of Cuba's air space.

At the start we referred to the man-technology symbiosis. On this score it is necessary to mention that the radio guidance facilities which we have demand from the soldier a high degree of expertise. The educational and training level of TRT personnel is very different today from what it was 20 years ago. At present, the average personnel has preuniversity training, and one finds in their ranks technicians and engineers who graduated from the universities and prestigious academies of the USSR and Cuba.

The existing radar equipment is capable of responding effectively to the complex situations of modern combat but in exchange it demands meticulous attention.

We cannot overlook the organizational aspect of military surveillance. The responsibility of radiotechnicians includes not only the surveillance of space but also the radio guidance missions of our air force.

During the flights of fighter planes and transport aircraft, the radar operators make available to these specific information on their location, bearing, and flight altitude, guiding them during takeoffs and landings.

To carry out simultaneously the missions of surveillance and support of the armed forces demands from the command of the TRTs a sophisticated organization

and appropriate distribution of forces at the time of determining the priority of one or the other goal.

Over 2 decades have passed since the vandalous incursions perpetrated by the mercenary air force in April 1961. Since that time we have had infinite scorn for the aggressor, a sad list of casualties, and a firm commitment that our skies will always be defended.

2662

CSO: 3248/1025

## CAMACHO AGUILERA ON PROGRESS IN PORT-MARITIME WORK

Havana TRIBUNA DE LA HABANA in Spanish 14 Jun 83 p 4

[Article by Nieves Alvarez Sisto]

[Text] The importance to our country's economic and social development of the self-sacrificing work of our merchant marine and port workers, including shipyard, Consignatory and Maritime Security workers, was clearly emphasized by our commander in chief when he closed the plenary session held on 14 July 1971 and opening a new phase of the trade union founded by Aracelio Iglesias. He said: "For our country, the sea and our ports constitute an activity whose history goes back centuries. One can say that in this land, everything revolved around the sea. For centuries, it provided the basic routes and even today, when other modern means -- as modern as aviation -- exist, the sea is and will continue to be the main vehicle for our communication and trade with the world."

"This country cannot be conceived of without its sea and ports."

These were the opening words of the first secretary of the party in the capital, at the main event of Maritime-Port Workers Day.

Expanding on the idea, he said that, in keeping with the commander in chief's conception, investments made by the socialist government in that important branch of the economy increased from that moment on.

He emphasized that over the past 12 years, 47 new ships have been incorporated into the Mambisa Shipping Enterprise, which now has a total of 65 and a capacity of nearly 875,000 tons dead weight, practically doubling the total of the early years.

The Caribbean Shipping Enterprise now has 21 new vessels, with a capacity of some 137,000 tons deadweight, in addition to tankers and a small section of cement boats.

In order to increase passenger traffic with the Isle of Youth, 11 launches were incorporated, along with 2 other vessels. The Cuban Merchant Marine is now one of the fleets with the greatest capacity in Latin America, with 110 freighters and a capacity of over 1 million tons dead weight.

He also spoke of investments in ports and mentioned the construction of 14 new general cargo vessels and the reconstruction of 11, construction of a grain terminal in Cienfuegos and the expansion of another in Havana, construction of 4 new mechanized bulk sugar terminals, the assignment of hundreds of pieces of technological equipment and development of the Casablanca Shipyard.

Progress was also made in the organization of work and wages, productive processes and the humanization of certain labor processes such as the unloading of fertilizer.

In this connection, he said that our country can now have ports whose worker collectives handle over a million tons of dry freight a year. He mentioned those of Santiago, Nuevitas and the Haiphong Terminal at the Havana Port.

Camacho said that these resources contribute to the economic and social development of our country: "Our condition as an insular country and the distance at which we conduct most of our foreign trade mean that our Merchant Marine, the ports, shipyards and auxiliary activities are the factors influencing our nation's foreign exchange receipts. Consequently, the efficiency of such operations will be reflected in the country's financial status."

He went on to say that if our fleets' vessels do not waste their time on future repairs, delays in scheduled repairs and loading and unloading operations as a result of greater efficiency at the ports, it will be possible to reduce the need to lease capitalist vessels, which costs convertible currency.

He added that if the Casablanca Shipyard, the technical brigades of the shipping enterprises and the brigades from Santiago would repair more vessels with the required quality, foreign currency expenditures will also be reduced.

Camacho spelled out the economic progress made by the Mambisa Shipping in its economic management and organization and stressed the importance of improving the technical condition of vessels to the required level.

He also stressed the role of Rojo Vivo Emulation in the fulfillment and the over-fulfillment of vessels and gave as examples the "Presidente Allende," Lazaro Pena" and "26 de Julio" vessels, which won the emulation in 1982, and the "Maffo," "Opal Island" and "Allende" craft, which won for the first quarter of this year.

He spoke of the responsibility of Cuban sailors, described by Fidel as sailing ambassadors, characterized by their iron discipline both on ship and on land, love for their ships and their exemplary conduct.

He called attention to the magnificent work done during this phase by the Caribbean Shipping Enterprise in the transportation of freight for repairs at sugar mills for this sugar harvest and the next, as well as the result of the coordinated work of the Shipping Enterprise, the ports, suppliers and overland transport companies.



He later added: "One matter requiring the action of the administration, the union and the party has to do with the technical condition of the vessels, especially the tankers, whose operational efficiency must be improved." He said: "We must fight tenaciously to significantly reduce the time lost in operating tankers due to breakdowns, delays in scheduled repairs and in loading and unloading operations, in order to be able to reduce the number of vessels leased in freely convertible currency. In this area, we can and must obtain better results."

The party leader called results achieved by the National Shipyard Enterprise in its economic management in 1982 satisfactory. He stressed the fact that the planned production goal had been exceeded by 5.2 percent and the increase of 19.3 percent. He said that the planned productivity goal had been exceeded by 8.9 percent, with an increase of 14.7 percent. A balance was achieved between productivity/average wage.

Camacho said that the total capacity of ships repaired was far higher than planned and even greater than in 1981. He said that this year, workers have proposed to produce goods worth 30 million pesos, 7 million more than last year. This increase should represent a savings on foreign exchange by reducing the number of vessels to be repaired abroad. He urged them to catch up as rapidly as possible.

Concerning port work, he said that at last year, the value of gross production was 10.9 percent higher than expected, for an increase of 11.8 percent compared with the previous year.

He added: "All enterprises exceeded planned goals, and only one reported a slight decline."

Regarding port workers, he said that the results of the first four months of the year confirm the fact that they are not ready to give up economic efficiency.

"The fact that, for the second time in history, port workers have managed to unload over 700,000 tons -- in March, April and May -- and, to hail the heroic Moncada gesture, they are fighting to set a new record for consecutive months, unloading 700,000 tons in June as well, is truly significant."

He explained that one of the factors contributing to the increase in port yield over the past year and the first quarter of 1983 was the use of new technological equipment. He emphasized the importance of its care and the production and restoration of the required spare parts.

He said that at the ports, in addition to implementation of the General Wage Reform, there is a new form of linking work results to wages, a fact contributing to the increase in economic indicators. He said that these results could have been better if port operations had adopted measures aimed at reducing time lost by part of the workers as a result of inadequate coordination with other factors in the chain.

Camacho Aguilera also referred to the role played in productive successes by other links in the chain, members of the Merchant Marine, truck drivers, railroad workers and workers of the domestic economy and their administrative, political and trade union leaders.

He said that in comparing the results achieved during the first five months of this year with those for the same period in 1981, one observes that the monthly average for equipment used so far this year exceeds those for the same period in 1981 by 31 percent, and that the average delay for all equipment and all trucks was one-fourth the amount. The average delay affecting the loading and unloading of railroad cars was one-eighth the previous amount.

Concerning the prompt dispatch and demurrage of vessels with dry goods from other countries, excluding sugar, he emphasized the fact that the ports have been turned into sources of foreign exchange income, accumulating a positive balance of over 500,000 pesos, materializing the commitment made as a response to the resolution of the sixth plenary session of the party Central Committee. He added that capital port workers have so far accumulated 500,000 pesos and, between port workers at the Cienfuegos Tricontinental Bulk Sugar Terminal and those of the 19 de Abril in Matanzas, 606,000 pesos, making over 1 million pesos in surplus.

He said that workers of the Ministry of Merchant Marine and Ports are not only millionaires because of the tons handled and the million pesos in foreign exchanged saved, but also with knives in hand, in cutting 34 million arrobas with 320 men fewer than the preceding year and worse climatic conditions.

The party leader explained the results backing the decision to grant to the Mambisas Terminal Enterprise of Havana City the privilege of hosting Maritime-Port Workers Day.

He warmly congratulated workers of the enterprise and other links in the chain and said that the 14 de Junio Operation had been a success, held to hail the event and helping to speed up loading and unloading of transportation equipment and extraction of the port.

In conclusion, the first secretary of the party in the capital said: "Workers in this branch have proposed, to hail the heroic Moncada gesture, to carry out the 26 de Julio Operation, based on the experience of the operation to be concluded on 14 June." He continued:

"Every year, Maritime-Port Workers Day coincides with an event of extraordinary historic relevance, the birthday of two greats in our history: Antonio Maceo and Ernesto Che Guevara.

"The best homage to what they represent is the result of the work you have achieved and the decision to meet the new commitments established."

## D.O.M. SECRETARY ANALYZES DEPARTMENT'S FUTURE DEVELOPMENT

Cayenne LA PRESSE DE GUYANE in French 11 Jun 83 p 1

[Article unsigned: "End of Mr Lemoine's Visit to French Guiana"]

[Text] The trip to French Guiana of Georges Lemoine, secretary of state in charge of DOM-TOM [Overseas Departments and Territories] ended with a press conference at the prefectural residence. Following a brief statement, the very relaxed minister, surrounded by the prefect, commissioner of the Republic, as well as two technical counselors who had accompanied him, answered questions from the journalists present.

The minister was eager to point out that decentralization was in a developmental phase. The last step will be the transfer of jurisdiction and resources, and it will be equally necessary to define the relationships that will have to exist between the Regional Council and the General Council. Mr Lemoine insisted on the fact that decentralization consisted of a sharing of responsibilities and that it did not in any way involve a freedom from obligation on the part of the state with regard to the overseas departments. "It is time elected officials be allowed to assume their responsibilities, and, for that reason, the region, the local community with full power, will have the financial means as well as the technical assistance of the state in order to carry out the mission entrusted to it." Mr Lemoine then turned to the role of the prefect, commissioner of the Republic: "The prefect in the DOM represents not only the government, but stands as well for each of the ministers. He is the person responsible for the region." The secretary of state regretted that he could not stay longer, but he acknowledged that he had come to a better understanding of the great problems of French Guiana, especially the problems of the Indians, as well as those of the development of land locked communities of enclaves.

Mr Lemoine realized as well what was at stake for agriculture in this department. "The land must be won over from the forest." It is necessary to develop fruit production, promote sweet lime, for example, with the prospect of exportation. Livestock is a trump card, according to the minister. After a period of adaptation, French Guiana will rapidly produce quality meat. The secretary of state certainly could not forget aquaculture. "It is necessary now to move out of the experimental phase."

The forest must keep its place, and we must turn toward the production of wood for furniture crafting. Quality wood must be proposed to compete with the quantitative output from the Asiatic countries.

Industrial development will be linked to agricultural, fishing, and forestry development. It will be primarily a question of processing industry. Anyone who talks about development certainly implies professional training, and the establishment of a solid structure is necessary.

"French Guiana needs outside support, in manpower especially, but immigration must be controlled."

Mr Lemoine then approached the delicate issue of security. For him, two levels must be distinguished:

--The tendency toward terrorism: The minister is attentive to the language and arguments developed by the minorities, but he firmly condemns all actions committed outside the framework of the law.

--The climate of insecurity: This is a more complex problem, and we should not look for those responsible exclusively in such and such an ethnic group. It is now a question of setting up more important and better adapted measures.

The secretary of state in charge of Overseas Departments and Territories was sensitive to the welcome he had received everywhere he went in our region. Even though he may go home impressed, he is completely aware of not having seen everything. Mr Lemoine has promised to come back as soon as possible to take up once more a fruitful dialogue with elected officials and members of the socio-professional milieux.

9955

CSO: 3219/38

## PAPER RESPONDS TO ATTACKS ON PRG BY EXPATRIATE SYLVESTER

St Georges FREE WEST INDIAN in English 18 Jun 83 p 12

[Text] The Grenada Revolution is once again being threatened with violent overthrow from abroad.

This time the threat comes from New York-based lawyer, Michael Sylvester, who is leader of a small group of fellow emigrants, calling themselves "the Grenada Movement for Freedom and Democracy".

Sylvester's threat was made clearly on the "Voice of America" (VOA), propaganda radio station of the United States' State Department, on the programme "Spotlight" last Sunday night.

The programme followed Prime Minister Maurice Bishop's successful visit to the USA and his well-received speech in Washington to a TransAfrica dinner, on the PRG's plans to consolidate popular democracy in Grenada and the new constitutional commission.

At the dinner were over 1,200 guests, the largest number at any TransAfrica dinner.

According to the VOA itself, "outside the hotel where he spoke, a small but vocal group of Grenadian exiles" were chanting, "Bishop must go."

Leading this vocal minority was Sylvester, who actually admitted to VOA that this "small group" represented not only his movement, but another. "The Grenada Democratic Movement" of whom he said: "We have no ties with them whatsoever".

Sylvester said, "The Grenada Democratic Movement was formed about one week ago, I am told, and they asked us to participate with them in a demonstration last Saturday, and naturally, of course, we consented."

Naturally, of course, because although the two groups "have no ties whatsoever", Sylvester is obviously hard up for support.

When PM Bishop spoke at Hunter College in Manhattan, there were over 3,000 people inside and nearly 1,000 outside wanting to hear him. The vocal minority was able to muster up only 13 picketers.

Yet, in spite of PM Bishop's obvious popularity among Grenadians in the US, and Sylvester's obvious lack of support, when VOA wanted comment on PM Bishop's statements, significantly, it was Sylvester VOA telephoned, and not any representative of a majority.

The irony of the leader of a clear minority saying that "we are attempting to re-establish democratic rule in Grenada", seems to have missed VOA producer-interviewer George Meeke.

This is not strange. After all, this is the same type of minority "democracy" that the US has established in Chile and El Salvador and are seeking in Cuba and Nicaragua.

And, by saying that his small group is attempting to "reestablish democratic rule" in Grenada, Sylvester seems to be suggesting that ex-prime minister Eric Gairy held free and fair elections, that he ruled with the consent of the majority of Grenadians, and that he practised "government of the people, for the people, by the people".

Yet, Sylvester boasts that "i opposed the last regime of Eric Gairy and was quite instrumental on many occasions in defending the fundamental rights of Grenadians", Why was this necessary?

Sylvester claims that there is no democratic life at all in Grenada's mass organisations and that PM Bishop "reads decreas at rallies, and, in point of fact, rallies are so poorly attended that he had in recent times, to bring trucks, buses, and forcibly have people attend three so-called rallies and demonstrations. This is where he tends to pass on most of his decrease, so-called creeds."

This is how Sylvester interprets the PM's efforts to keep the masses informed of the country's affairs, rather than confining these to an isolated Parliament, and the efforts to ensure that people are not prevented from taking part in a rally because of lack of transportation. Sylvester clearly shows his own misunderstanding of the word "democracy".

Sylvester says "I am a Canadian barrister" and that his so-called "Grenada Movement" has chapters his New York, Toronto, Montreal, London, Bermuda and Trinidad and Tobago, adding: "And we maintain some very large secret network within the island of Grenada itself."

Grenada is a small island, of 121 square miles and about 100,000 people. It is difficult to believe that a "very large" network of counter-revolutionaries could stay secret in such a small island for any length of time.

Certainly, such a "very large" network among such a small population would have already succeeded in its aim of overthrowing the People's Revolutionary Government.

And Sylvester makes no bones that this is his aim. Says he: "Our objectives are fairly clear. We maintain that Grenadians are democratic people by nature,

"by tradition, and we feel that Grenadians will never tolerate this Sovietization of the society. And to this end, we are working to overthrow the government of Grenada, by whatever means are necessary".

Asked VOA's Meeke: "This would include the use of force?"

Replied Sylvester: "Certainly, it does not rule out the use of force".

Advocating the violent overthrow of the government is a crime in the U.S. Most civilised peoples support violent overthrow only of unpopular, brutal, and repressive regimes, and only as a last resort, when all other means have failed.

Sylvester, therefore, should not complain, if he and his co-conspirators find themselves under manners, should they ever be so brave as to set foot in Grenada.

Even though the only "tradition" of democracy here came from the British imperialist class in Westminster and the dictator Gairy, now that Grenadians are learning true democracy, and are ourselves taking part in the decision-making process, Sylvester will find us very reluctant to give it up.

We will fight to the finish to defend our newly-won rights.

The majority of Grenadians are thoroughly fed up of being ruled by minorities, such as Sylvester and his clique.

CSO: 3298/746

## OFFICIAL AFFIRMS PRG'S ADHERENCE TO CARICOM RULES

St Georges FREE WEST INDIAN in English 18 Jun 83 p 5

[Text] The Government of Grenada has recently re-affirmed that the rules governing trade between member states of the Caribbean Community (Caricom) will be adhered to.

Minister of Industrial Development Kendrick Radix made this statement while addressing a one-day seminar on the new York House recently.

The Rules of Origin elaborate the conditions under which goods produced in the respective countries will have to satisfy to get duty-free entrance.

The new rules which came into effect on June 1, deals with what goods are developed, perfected, married or transformed in the Caribbean which would qualify them for preferential treatment.

Min. Radix said that trade is a critical element in the development process and that "we in Grenada have been fortunate to see the primitive outline of the manufacturing sector".

"Traditionally, our trade has been with the metropolitan countries" he said but the Caribbean countries, recognising the need for greater economic and political co-operation came together and signed the Treaty of Chaguaramas in Trinidad and Tobago on July 4, 1973.

"We have to see that our industrial practices conform with the Chaguaramas Treaty" he said.

Aaron Moses, an official of the Ministry of Industrial Development, said that there were many violations of the rules of origin by exporters in several countries, and the Caricom Secretariat had to revise the old rules.

Research by the ministries concerned revealed that it was mainly the exporters that had problems with the rules. "We felt it expedient to hold a seminar like this to examine the new rules of origin", he said.

The plenary session was conducted by comptroller of customs Patrick Bobb and Erick Stewart, a custom's official.



## COARD NOTES SURPLUS IN THIS YEAR'S RECURRENT BUDGET

St Georges FREE WEST INDIAN in English 18 Jun 83 pp 1, 3

[Text] Minister of Finance, Trade and Planning, Bernard Coard, expects \$8 million surplus on the recurrent budget this year, rather than the \$5 million formerly predicted.

So far, \$32,000 has been collected from recurrent revenue, representing a \$9,000 increase over the same period last year. This means that 36.8 per cent of the revenue expected has already been collected, a slight increase over last year's figure and a 2.7 per cent increase over 1980's.

Recurrent revenue is collected from taxes, duties and licences, and is used to finance recurrent and capital expenditure.

Recurrent expenditure goes towards paying salaries and projects, such as maintenance of roads, which do not generate money. Capital expenditure goes on projects such as the international airport, which will generate income once completed.

Although just a little over one-third of the expected revenue has been collected for nearly half the year, Min. Coard explained that this is not unusual.

The first six months of the year, he said, are what he termed the "dry season" months for collecting revenue. As with most other Caribbean islands, he said, August and the months leading up to Christmas are the ones during which most revenue is collected.

He explained that over half of government's revenue came from custom duties and other import taxes. More cargo ships come in around the latter months of the year, from September, carrying goods for the Christmas season. These goods bring in a lot of revenue from the duties charged.

The government also collects a lot of its revenue in August when more tourists come here for their vacations, and to see Carnival and Regatta and the other activities taking place at that time.

There is little money circulating in the first months of the year for another reason. Loans and grants promised for projects come late, as is the case now, but are ready for use during the second half.

At the same time, all ministries and departments want to begin their work in the first half of the year, because most of their projects involve construction, and they want to catch the dry season months of the year. Because there is a cash flow problem in those months of the year, most of them are forced to wait for the second half.

#### Monthly Recurrent Revenue 1980 to 1983

|           | <u>1980 %</u> |       | <u>1981 %</u> |       | <u>1982 %</u> |        | <u>1983 %</u> |       |
|-----------|---------------|-------|---------------|-------|---------------|--------|---------------|-------|
| January   | \$            | 3,675 | \$            | 4,379 | \$            | 4,679  | \$            | 5,732 |
| February  |               | 3,952 |               | 2,591 |               | 4,921  |               | 5,996 |
| March     |               | 4,327 |               | 5,452 |               | 6,041  |               | 8,421 |
| April     |               | 4,417 |               | 5,623 |               | 6,232  |               | 4,352 |
| May       |               | 3,278 |               | 4,233 |               | 5,182  |               | 7,187 |
| Total May |               |       |               |       |               |        |               |       |
| 41.7%     | 19,631        | 34.1% | 22,278        | 35.5% | 27,055        | 36.3%  | 31,688        | 36.8% |
| June      |               | 5,599 |               | 5,565 |               | 4,848  |               | 5,500 |
| July      |               | 6,025 |               | 6,288 |               | 9,332  |               |       |
| August    |               | 7,623 |               | 5,579 |               | 4,779  |               |       |
| September |               | 4,041 |               | 4,161 |               | 7,856  |               |       |
| October   |               | 5,279 |               | 4,895 |               | 4,792  |               |       |
| November  |               | 3,524 |               | 4,312 |               | 5,818  |               |       |
| December  |               | 5,846 |               | 9,621 |               | 10,014 |               |       |
| Total to  |               |       |               |       |               |        |               |       |
| December  | \$57,568      |       | \$62,699      |       | \$71,491      |        | \$86,000      |       |

CSO: 3298/746

## PUBLIC TO HELP RAISE \$4 MILLION NEEDED TO COMPLETE AIRPORT

St Georges FREE WEST INDIAN in English 18 Jun 83 p 3

[Text] Grenadians will be helping to raise the \$4 million needed to complete the international airport at Point Salines by March next year.

Some \$188 million has already been raised from 17 countries, but \$4 million is still needed to reach the targeted cost of \$192 million.

Originally, the \$4 million should have come from a loan from the Iraqi government, but because of the war with Iran, this will not materialise in time to complete the airport by March.

The \$4 million is being raised through an increase in the International Airport levy from two to five per cent, and an increase in the motor vehicles and road traffic duty from 30 to 40 per cent.

The International Airport Levy Law was introduced in the 1982 budget to assist in financing the airport's construction. It affects all imported goods.

The Motor Vehicle and Road Traffic Law was introduced since 1962, and affects all imported motor vehicles.

Deputy Prime Minister and Minister of Finance, Trade and Planning, Bernard Coard, has explained that in a year, these taxes will raise the \$4 million needed. Even though the increase took effect from last Saturday, and half the year has already gone, with a tight squeeze, he said, most of the money will be raised.

Commenting on the necessity of these tax increases now, Min. Coard said the country faced the question of whether to cease work on the international airport because the \$4 million was unavailable, or whether to try to raise the money internally.

The international airport will also be necessary for the airport's first operational years, he said. In the first three years of the airport's operations, expenditure will be more than the revenue the airport will bring in. Once the airport starts making profits, he said, the taxes will be removed.

Impact of these tax increases on the cost of living Min. Coard said, will be minimal. Inflation will increase by less than one per cent.

Right now, he said, inflation is running at 6.5 per cent and all indications are that the inflation at the end of the year will be less than the eight per cent predicted so far.

Effects on the cost of living will be small, Min. Coard said, because of the stabilising effect the Marketing and National Importing Board (MNIB) has been having on the prices of basic commodities, such as sugar, rice, milk, vegetables and fertiliser.

The National Transport Service (NTS), since the beginning of its operations over one year ago, has been able to stabilise bus prices.

Rentals, medical and educational services have also been cheaper since the Revolution, and all these factors will help keep inflation low.

CSO: 3298/746

## BRIEFS

CO-OP FUNDING--Minister of Agriculture, Co-operatives and Rural Development, George Louison, has said that the People's Revolutionary Government (PRG) has made a greater financial contribution to the co-operative sector than any other English-speaking Caribbean government. He was delivering the feature address on Tuesday to the opening of a six-month seminar at York House, for some 40 co-op managers and treasurers throughout the country. The seminar is sponsored by the National Co-operative Development Agency (NACDA) and is designed to improve co-op members' managerial and planning abilities in running their enterprises. Min. Louison said the PRG's decision in 1980 to use \$1 million from local funds to establish NACDA demonstrated its seriousness towards developing the co-op sector. More than \$3 million has already gone into the co-op sector, he disclosed. But Min. Louison expressed dissatisfaction with the results, saying that some co-ops have either mis-used their loans or failed to pay them back properly. This, he explained, was due to "poor accounting, poor control and poor management". The seminar, he said "should make the co-op into profitable and viable enterprises." And, it must also be seen in the ongoing context of greater training, a major task of the Revolution. Topics covered include financial management, marketing, group dynamics and political education. According to NACDA's registrar, Melvin Mitchell, it will try to implement a new accounting system for all co-ops, at the end of the seminar. The seminar is funded by the Agency for Rural Transformation and continues every Tuesday until December. [Text] [St Georges FREE WEST INDIAN in English 18 Jun 83 p 6]

CSO: 3298/746

## AGRICULTURAL SECTOR SUPPORTS TAX REFORM

## ANACAFE: Reform More Equitable

Guatemala City DIARIO EL GRAFICO in Spanish 16 June 83 p 54 .

/Text/ The very difficult situation which the domestic economy is experiencing makes tax reform imperative; such reform should, among other things, permit the agricultural sector to avoid further losses and to regain the income it needs to survive, Adolfo Boppel Carrera, president of the National Coffee Association, stated yesterday.

The coffee leader stated that such reform would correct the unfair tax system that has punished the agricultural sector and brought it to the present crisis by distributing fiscal obligations equitably among all the productive sectors.

Boppel pointed out in addition that sectors like the coffee growers cannot in their present circumstances continue to carry the fiscal burden which, as in the case of the export tax, is applied without regard for the increasing losses the coffee growers have been suffering. No agricultural group can continue being the chief support of the government without running the risk of bankruptcy as a result of the progressive loss of working capital, he stressed.

The president of ANACAFE stated emphatically, "that there will be no economic future for Guatemala if agriculture does not recuperate," and that tax reform is a response to the urgent need for a revival of the productive sectors of the economy.

In conclusion, he recalled that agriculture is the largest employer, the principal source of foreign exchange, and definitely the key to the reactivation of economic and social development in Guatemala.

## Considered Essential for Recovery

Guatemala City DIARIO EL GRAFICO in Spanish 17 Jun 83 p 26

[Report on interview with agricultural leader Fredy Lopez; date and place unspecified: "There Is No Social Justice for Agriculture"]

/Text/ Tax reform is essential to save the economy of this country from the most critical and distressing condition it has ever found itself in and which

requires the financial strengthening of its basic and most important sectors, such as those that constitute agricultural production at present, said agricultural leader Fredy Lopez today.

Asked how agricultural producers view the proposals for tax reform, he stated that they consider it imperative because of the very difficult conditions the nation's economy is experiencing.

But he stressed that the economic crisis is due to the fact that agriculture has not been treated fairly in fiscal matters; it has been taxed incorrectly and unjustly and forced to pay taxes despite losses, as is happening with coffee growers, who have to contribute on export sales made below cost, with no consideration for negative income.

He said that if the experts of the Finance Ministry reached the conclusion that tax policy should be changed in order to free agricultural producers from certain fiscal burdens, it was because they knew that if this were not done, this producing sector, so important to the economy of the country, would be condemned to oblivion very shortly.

Public opinion can readily imagine what will happen the day Guatemalan agriculture stops producing products of such great importance as coffee, cattle, sugar, etc., because of relentless fiscal chastisement. We simply will have nothing to sell abroad; consequently, thousands of Guatemalans will swell the ranks of the unemployed, thousands of families will suffer from hunger, and the government will not even have funds to keep public servants employed.

We are in a very serious situation, our consultant said, and let us hope that these pointless discussions do not drag on any longer because while they discuss this bill, the process of agricultural extinction is accelerating for lack of understanding and economic support.

#### Paper Concurs

Guatemala City PRENSA LIBRE in Spanish 24 Jun 83 p 5

/Text/ It is obvious that if the coffee growers sector is not refinanced by means of fiscal relief, as provided for starting in July--among other measures--the coffee sector financial crisis will accelerate, and within a short time Guatemala could be without its most important export product.

In fact, the chances for continued coffee production for immediate export during the months of July, August, and September, calculated at half a million quintals, worth \$62.5 million in foreign exchange, would be seriously threatened if fiscal relief is not forthcoming so that coffee growers can retain working capital.

#### Economic Background

Almost 90 percent of the coffee produced in this country is exported. For 1979, the year we are analyzing, coffee exports represented over 37 percent of total agricultural exports of this country and generated \$495.2 million, which was 35.7 percent of total foreign monetary revenues.

For the 1981-82 harvest total coffee production was 3,630,837 sacks of 1 quintal each, and 3,030,837 sacks were exported, representing 83.5 percent; this left 410,000 sacks, or 11.3 percent for internal consumption, and produced foreign exchange revenues of approximately \$244 million.

#### Decrease of \$250 Million in Foreign Exchange

If the 1979 and 1982 harvests are compared, it is immediately evident that there was an alarming drop in foreign exchange revenues in exports of the golden grain. This can be analyzed from various points of view, among which are the following: 1) increased production costs starting in March 1980; 2) increased costs of supplies by 125 percent; 3) payments of high interest rates to the banks and high financing charges abroad (handled through exporters); 4) an increase in the stamp tax by 100 percent; 5) the high cost of combatting coffee plagues and diseases, such as rust, borer, etc.

Eschewing a summary of the above, the coffee growing industry is heading for bankruptcy within a few months, which will increase rural unemployment. Guatemala will lose its principal economic mechanism and principal source of foreign exchange. Thus the fiscal relief planned for the coffee industry starting in July and a general modification of tax policy for the agricultural sector is essential.

9015

CSO: 3248/983



## ESSENTIALS OF TAX REFORM CRITICIZED

Guatemala City DIARIO EL GRAFICO in Spanish 29 Jun 83 p 35

[Text] During a recent luncheon meeting of the Rotary Club of Guatemala City, Attorney Fernando Monterroso Vasquez spoke on the theme "Essentials of the Tax Reform," a summary of which follows:

The essentials of the tax reform are as follows:

1. The IVA is not a substitute tax nor is it universal, as it was originally conceived. When the government announced the tax reform, there was talk of eliminating 300 levies. Later it developed that it was rates and not taxes that were going to be eliminated, and now it develops that 12 levies are actually to be eliminated and not 300, as was mentioned. They talk about the shopping basket, but this concerns all of us. They are creating an exemption for IVA in relation to this market basket. The most important part of the market basket is getting it (so people are going to get that market basket). If there are no jobs to provide wages to buy that market basket, what is the sense of the exemption. It is more important to ensure that job opportunities exist than the exemption itself.
2. The selective sales tax is discretionary and discriminatory. It is discretionary because someone is going to decide what is essential and what is not. It is discriminatory because some persons will remain above the line designating essentials and others will be below it. This brings uncertainty and speculation. In addition to the discretionary nature of this tax, it will bring about a rise in the prices of goods not considered essential. This will depress the living standard of the people since the standard is measured by the amount of goods and services the community can purchase. If you make something that improves the living standard impossible for the people to acquire, then that lowers the standard.
3. The customs valuation is discretionary and encourages corruption. It is discretionary because a customs employee can, at his discretion, impugn the validity of a seller's invoice, and this encourages corruption precisely because the decision rests with the discretion of the customs employee. A system with such a tendency towards corruption is contrary to the objectives of the present government.

4. Another essential is the fact that the IVA and the income tax exist side by side. The effect of this is equivalent to a double tax on profits (one tax during the process stage and another at the end); this discourages investment. Anything that discourages investment at a time like this will result in increased unemployment. Why? Because a lack of investment by the rich translates into a lack of opportunity for the poor. It is said that in Guatemala there are no opportunities for the poor, as there are elsewhere. The difference between job opportunities is that elsewhere there is greater investment and therefore more job opportunities. If unemployment is our principal concern, then we should promote investment, not discourage it. The population believes that it is the rich who bear the income tax burden. That is false. It is precisely the poor who are most affected by the progressive income tax because by definition the rich possess wealth. Investment by the rich means job opportunities for the poor.

5. The tax package is not equitable because it favors the agricultural sector at the expense of the other producing sectors of the country. It is well to help the agricultural sector because it has suffered from fiscal surcharges for many years in order to defray the costs of government. It was high time to remove that burden. But it is not right to place a surcharge on all those who are outside the agricultural sector in order to help just one sector. It is necessary to help all sectors.

6. The package is precipitate. It took a year to prepare it and they have shown it to us six weeks before its implementation. With five weeks to go, the list of essential items is not ready. That is five weeks to analyze, understand, digest, and adapt to it. We Guatemalans have always criticized the Mexicans for one or another reason. However, the Mexican Government gave its people a year to study and adapt to the IVA. Let us learn good things from others and not just the bad.

7. The package has been poorly presented. It has been surrounded by much secrecy and the effect has been to multiply the uncertainties. The whole country is waiting to see how we are going to come out and what is going to happen. The consequence of this secrecy and uncertainty has been to escalate prices of basic grains. It has begun to affect people with low incomes, and the tax package is yet to be implemented. All this is a reaction to the secrecy and uncertainty.

9015

CSO: 3248/1008

## BRIEFS

AGRICULTURAL LOANS RENEGOTIATED--The Monetary Board has set aside 50 million quetzals in internal reserves of the Bank of Guatemala for 3 years to support credits authorized by banks and financial institutions of this country to the agricultural sector. Resolution 9990 of the Monetary Board establishes that the 50 million will be used to extend or renegotiate loans made to the agricultural sector up to 31 December 1983. However, in certain special cases new financing can be included in order to continue agricultural activities in this country. The rediscount rate for this sector was set at 9 percent and the interest rate to the end user cannot exceed 12 percent annually, except in cases where a special commission suggests a lower rate; in such cases the rediscount rate would preferably be 5 percent annually, so that the banks could apply an interest rate of 8 percent annually. When the banks and financial institutions handle special cases with their own funds, the Bank of Guatemala will apply a previously established financial mechanism, it was indicated. [Text] [Guatemala City EL IMPARCIAL in Spanish 25 Jun 83 pp 1, 2] 9015

MOVEMENT OF CAPITAL RELAXED--The Monetary Board has decided to relax the restrictions contained in the emergency regulations governing international transfers of capital. This was revealed by the Bank of Guatemala, which indicated that the temporary article incorporated in this regulation and approved by Resolution 9626 of the Monetary Board, was being inserted. This temporary article reads as follows: "The Exchange Department is authorized in certain special cases to allow payment in kind for Guatemalan exports up to an amount that would normally be received in foreign exchange. To this effect, the Exchange Department shall verify that there are no restrictions on the entrance of the goods received in payment. Consequently, the exchange operations regulation in effect among the signatories of the Central American Economic Integration Treaty, contained in Resolution 9072 of the Monetary Board, as well as Articles 26, 27, and 30 of the emergency regulation governing international transfers of capital, is modified in that sense. The Exchange Department bases its action on foreign trade developments, the international monetary reserves situation, and the economic convenience of the negotiation. A weekly report on operations that have been authorized shall be presented to the Monetary Board." [Text] [Guatemala City EL IMPARCIAL in Spanish 25 Jun 83 pp 1, 11] 9015

CSO: 3248/1008

## MILITARY IG SEEKS TROOP PARITY WITH NICARAGUA

Tegucigalpa LA TRIBUNA in Spanish 15 Jul 83 p 64

[Text] The inspector general of the armed forces, Col Efrain Gonzalez Munoz, disclosed yesterday that they are working to achieve a military troop parity with Nicaragua, which presently has more than 100,000 armed men, while Honduras only has 15,000.

The official said that the Honduran army's achieving parity with Nicaragua is a very difficult problem, "because we do not want to enter into an arms race, but Nicaragua is forcing us to by breaking the military balance of the region."

He said that the Honduran Armed Forces want the problems with Nicaragua to be resolved peacefully and will always hope for it because they do not want a bellicose confrontation to develop which will not benefit either people.

He pointed out that, "Our interest in having peace prevail is so great that we are going to demonstrate it to the Latin American countries, by being part of the mission that will travel next week to reinforce what was presented by the Honduran ambassador to the OAS, Roberto Martinez Ordonez."

Colonel Gonzalez Munoz made an appeal to the Honduran people to resolutely support the armed forces, pointing out that it is not necessary to take up arms to demonstrate this support, but that increased reconciliation and greater understanding is enough.

He maintained that "We have always sought reconciliation with the people and we have also demonstrated it in different ways, that is why our army is a respectful and faithful defender of the Constitution of the Republic."

CSO: 3248/1100

## BRIEFS

ALCONH CONTROVERSY--San Pedro Sula--Victor Hidalgo Villafranca, one of the founders of the Peasant Alliance of Honduran National Organizations (ALCONH), asserted to LA PRENSA that the present leaders of this peasant organization are destroying the farmers' institution. He explained that ALCONH is now an area where anarchy prevails since some leaders of the executive committee are having it side with the National Party and a "dandy," named Santos Flores, is moving it to the left. "On the other hand," the interviewee added, "ALCONH is an organization that has clearly defined its principles, objectives, and goals, prohibiting slandering and defaming government institutions that are struggling as hard as they can precisely to give the peasants land. On the other hand, involving ALCONH with political parties is prohibited."

Hidalgo Villafranca called for an ALCONH special rank-and-file assembly to dismiss all those irresponsible leaders who have betrayed the principles of the organization and substitute them with responsible and honest people with defined democratic principles. Finally, the founder of ALCONH said that one has to be careful with peasant organizations because there are those who are trying to have them take sides, especially now that years of political campaigning are near. [Text] [San Pedro Sula LA PRENSA in Spanish 16 Jul 83 p 1]

CSO: 3248/1100

## EXPORT DEVELOPMENT FUND GETS INFUSION OF NEW MONEY

Kingston THE DAILY GLEANER in English 14 Jun 83 pp 1, 13

[Text]

The Export Development Fund is being replenished to provide local exporters with funding for their raw material requirements and "measures are being implemented immediately" to ensure that the private sector will have their "fair and necessary share of domestic credit at the expense of the public sector," Minister of Industry and Commerce, the Hon. Douglas Vaz, said Saturday night.

Delivering the keynote address at the 15th anniversary Awards Banquet of Appliance Traders Ltd, Mr. Vaz in outlining Government assistance to help the private sector, appealed for a "structural adjustment of private sector mentality" without which the Government's structural adjustment programme would not work.

The "structural adjustment of private sector mentality," would result in private sector personnel becoming entrepreneurs of the quality of Mr. Gordon "Butch" Stewart, chairman of Appliance Traders Ltd., and the Hon. Carlton Alexander, O.J., who would then make the economy perform, Mr. Vaz said.

A packed ballroom of the Oceana Hotel, downtown Kingston, headed by several Ministers of Government, leading representatives of the clergy and the private sector, heard Mr. Vaz salute Appliance Traders, as being a fine example of a business concern which had responded to the Government's structural adjustment programme.

Mr. Stewart, who received several rounds of praise at the function, had plunged headlong into tourism despite not having the experience, Mr. Vaz said. Owner of the "Sandals" and "Carlyle Beach" hotels, Mr. Vaz noted with satisfaction that Mr. Stewart had not only launched into tourism but was the single largest owner of Jamaican hotel rooms, with the exception of National Hotels and Properties.

"Entrepreneurship at its best," Mr. Vaz commented as the ballroom came alive with applause. It was the

type of entrepreneurship which the country needed if "we are not to bite the bullet," Mr. Vaz said, reviewing the growth of the company started in 1968 by Mr. Stewart.

Mr. Vaz said emulation of the examples of Mr. Stewart and Mr. Alexander by the private sector was what the country needed to go forward and not to move from crisis to crisis.

Mr. Vaz expressed his dislike about written criticisms of the private sector by people who were speculating as to whether the sector responds to the levels necessary to make the economy work, which he said, was very important as the Government had said that it wanted to be the "policy setter, the referee and not the player in the ball game."

Recognising the presence of Mr. Alexander, Mr. Stewart, Mr. R. Anthony Williams, president of the Jamaica Manufacturers' Association, and Mr. Bruce Rickards, president of the Jamaica Chamber of Commerce, Mr. Vaz said he was confident that the private sector would respond — despite the present hardship — to Government initiatives designed to build a firm economic export base with four legs: mining, tourism, agriculture and manufacturing, rather than the two-legged economy based on mining and tourism.

Dealing with the assistance to the private sector, Mr. Vaz said that whereas the public sector had taken more than its share of domestic credit, "measures are being implemented to ensure that the private sector will have their fair and necessary share of domestic credit at the expense of the public sector."

"I mean the public sector will be containing its use of credit to ensure that the private sector will have its requirements." Within the capacity of the Government to supply credit, the Government was prepared to cut its own requirements to ensure that private sector requirements were met.

"There can be no greater statement than the public sector will bow to the private sector," Mr. Vaz said.

Dealing with the Export Development Fund which, he said, the J.M.A. president had expressed concern about as to whether it would be replenished, Mr. Vaz announced that it would be replenished by the World

Bank so that manufacturers who export to Third and CARICOM countries, would have their raw materials supplies met.

Mr. Vaz apologised for the absence of the Prime Minister who should have addressed the function.

Some 60 members of staff received awards and certificates from Mrs. Vaz; Mr. Stewart and Mrs. Heather Turnbull, an employee. The media also received certificates from Mrs. Philippa Thomas, an employee.

Mr. Stewart in a brief address said that the company's biggest contribution was that of service which it would try to maintain. The company had also tried to be good citizens and one of its subsidiaries, Caribrake through its recycling operations had saved the country U.S.\$3 million.

Mr. Oswald Green, a company director in charge of servicing, also addressed the function, emphasising that Appliance Traders was all about service to the public.

A feature of the function was the cutting of a large birthday cake by Mrs. Thomas and Mr. Green.

Mr. Eric Bell, managing director, presided. Mr. D. G. Allen, a director, said thanks.

CSO: 3298/731

## LOANS ARRANGED FOR AGRICULTURE, EXPORT DEVELOPMENT FUND

\$10 Million From IDB

Kingston THE DAILY GLEANER in English 15 Jun 83 p 1

[Text]

A U.S. \$10-million loan contract was signed yesterday by Prime Minister, the Rt. Hon. Edward Seaga, and the Executive Vice President of the Inter-American Development Bank, Mr. Michael E. Curtin, to assist the development of small-scale agriculture in Jamaica.

The signing took place at the Government Conference Centre, downtown Kingston.

According to Prime Minister Seaga, the project, from which some 4,300 small farmers would be beneficiaries, was designed to strengthen the institutional and financial framework of agricultural lending in Jamaica.

The loan is for 35 years at an interest rate of 2 per cent per annum. It will be used by the Agricultural Credit Bank, channeled through the People's Co-operative Banks, and the Ministry of Agriculture, to carry out two sub-programmes. These, Mr. Seaga explained, would involve work related to soil-conservation practices at the farm level, pasture and soil improvements, purchase of dairy livestock and the ac-

quisition of agricultural inputs.

Four watershed management projects to be sited in the Rio Grande Valley of Portland, Trinityville in St. Thomas, Pindars River Valley in Clarendon and Anchovy in St. James, would be implemented under the sub-programmes. Some 790 acres of new forests would also be planted, he added.

He said that an estimated 86,000 farmers in Jamaica were operating farms ranging from two to 10 acres. The total cost of the programme, which the Government was anxious to implement to break the dependency on a few crops, is approximately US\$25 million. He said \$18.5 million of this amount would go to the farmers as credit.

Mr. Curtin said the loan represented the continuation of a programme initiated by the Inter-American Development Bank with the Government of Jamaica in 1970 to foster development of the agricultural sector by helping the small producers. He pointed to the esti-

mated 25 per cent contribution which small farmers made to the value of Jamaica's farm exports. He also spoke of the important role of small farmers in the country because of their substantial contribution to food production in general.

Since Jamaica joined the IDB in 1969, the Bank has approved eight loans totalling US\$59 million for the agricultural sector, representing almost 20 per cent of the Bank's total lending to the country, Mr. Curtin disclosed. In addition, the Bank has approved technical co-operation for studies in fishery development, dairy farming and hillside terracing.

He said the Bank was fully aware that the agricultural sector was of great importance to the Jamaican economy and that strengthening that sector would improve the quality of life.



## \$30 Million From World Bank

Kingston THE DAILY GLEANER in English 21 Jun 83 p 1

[Text]

Prime Minister Edward Seaga yesterday announced that the World Bank has approved a U.S. \$30.1-million loan to the Government of Jamaica for a third Export Development Fund (EDF) project.

The loan was approved by the Bank's Executive Directors on Friday, a release from the Office of the Prime Minister said.

Under the terms of the loan agreement, U.S. \$5-million will be used as a medium-term window for financing capital goods; U.S. \$2-million for technical assistance, and U.S. \$23-million for raw materials. The remaining U.S. \$100,000 is reserved for payment of fees.

The loan is repayable over 17 years with a four-year moratorium, at an interest rate of 10.9 per cent, subject to periodic review by the World Bank and the Jamaica Export Credit Insurance Corporation of the Bank of Jamaica.

It will be disbursed through commercial banks to qualified export manufacturers at 16 per cent interest.

Jamaica has so far received U.S. \$66-million from the World Bank since the initiation of the EDF Programme in June, 1979. The present loan, which is the third replenishment of this revolving exchange facility, will now bring the amount received from the World Bank under the programme to U.S. \$96.1-million.

CSO: 3298/731

## SEAGA ANNOUNCES NEW MEASURES TO DEAL WITH POOR ECONOMY

Text of Address to Nation

Kingston THE DAILY GLEANER in English 16 Jun 83 pp 1, 13

[Text]

**A GREATER NUMBER OF ITEMS are to be placed on the parallel market exchange rate in an effort by the Government to deal with the problem of reduced foreign exchange resources.**

This was announced by the Prime Minister, the Rt. Hon Edward Seaga, in a broadcast to the nation in which he foreshadowed new economic measures to be introduced in the country.

A Ministry Paper and a new Parity Order are to be tabled in Parliament today, setting out the new range of payments which will not be met from the parallel market. This will be a reduced list, limited to official overseas payments and essential imports.

All other payments and other imports involving foreign exchange will be on the parallel market rate.

Mr. Seaga said the measures were going to affect everyone in Jamaica — “in all sections of our community: the farmers, the workers in factories, in the field, and in offices; the housewife, the businessman.”

“These are tough measures, for tough times. Let us not mince words — all of us will hurt,” he said.

Mr. Seaga said that if certain loans which were being sought by the Government were not secured, it will be necessary to cut imports by U.S.\$150 million.

This cut will affect consumer goods and capital goods, but the allocation for raw materials will remain the same, he said.

Fiscal Budget expenditure will also have to be cut by \$147 million.

“These measures will necessarily affect our projections for economic

growth. The positive target for growth will not be sustained and, indeed, the result may very well be negative,” he told the nation. **ward the economy” follows:**

“Since the Government took office two and a half years ago, it has been my policy and practice to keep the people of Jamaica informed of specific matters of critical national importance through periodic broadcasts to the nation.

I have never hesitated in sharing with you the realities which the country faces in making its way along the difficult road to recovery.

Tonight the news I bring you is not good and I have to tell you that the path before us in the immediate future is going to be a hard one.

If I speak in figurative terms, it is only because I wish what I have to say to be as clear as possible.

In the 1960's Jamaica's economy shone like a brightly burning light. We had no serious problems of inflation, which was always contained at low figures; nor investment which flowed generously; nor with growth, which reached the highest average level for any period in our history; nor with budget deficits — as these were tiny; nor with the foreign exchange shortages, since surpluses occurred consistently year after year.

There was one dim element in the sparkle of that period unemployment, which grew significantly.

By the end of the 1970's only a tiny flickering light was left of the blazing beacon of eight years before.

We took that flickering light and fanned it and in one year restored it to a flame. Investment returned; growth was restored; unemployment dropped; foreign exchange flowed; the budget deficit declined; and inflation fell to one of the lowest rates in the world.

IT WAS A REMARKABLE success story of economic turn-around — not a recovery, but a strong beginning of recovery.

We accomplished this working with two main tools — the surge of new confidence in the future which enveloped the country, and improved flows of foreign exchange.

Although year 2 was not as satisfactory, investment continued to flow at a high rate and with its positive growth was maintained; inflation was contained again to very low levels and the budget deficit brought under further control. But unemployment and the shortage of foreign exchange once again became problems.

In January of this year, when I announced the measures introducing the parallel market, I warned the nation that we were facing a critical challenge in 1983 and that even more severe problems would arise if we did not take urgent steps to further improve the foreign exchange situation. You may recall that I said then that we had so far managed to walk between the rain-drops, sheltered from the economic storms raging around us, but that we could not expect to continue much longer without getting wet.

Those storms have been blowing away larger economies than ours in the savage recession that has beset the world during the past three years.

Some of our neighbours are facing a situation much more serious than our own; spiralling inflation, crippling capital flight and a disastrous collapse of their commodity markets have led to default on debts, the abandonment of development programmes and continuous devaluations.

Some countries do not have the foreign exchange to import basic food items and many are at this very moment increasing the costs of their water, light and other utilities by three and four times in order to make ends meet.

Many of you might have heard newscasts during the past few weeks on what has been happening in a number of countries.

Since yesterday, fresh reports have been coming from throughout the region of imminent defaults on bank payments, requests for re-scheduling of loans and new devaluations.

All of this is part of the general picture of a region being battered by severe economic storms.

Well, some of the effects of the stormwinds of recession are hurting us in Jamaica, now; and we are definitely going to feel the rain. What I am telling you tonight is how we will be battenning down to withstand the winds, to secure the house, to keep our economy safe so that we are not overtaken by the fate of others that have been collapsing dramatically in our neighbourhood.

Last month, when I introduced the Budget, I told the country that there was a gap in the foreign exchange budget of US\$150 million. I indicated that we hoped to close this gap by loans which we were negotiating with European banks. And I warned that if they did not materialise, adjustment would have to be made to the foreign exchange and fiscal budgets i.e. to imports and to government spending — and that further shifts of expenditure to the parallel market would in any case have to be made.

TONIGHT, I have to report to you that the loans of US\$150 million mentioned earlier, which we have been negotiating, have not yet materialised. But if we are to succeed in our application to the IMF for a waiver in this month, immediate steps must be taken to place the economy of the country on the soundest possible footing so that it can maintain its bargaining position, sustain its credibility, and retain the reputation that this administration has established for taking strong and responsible financial decisions so that none may say of us that we are afraid to take strong positions when the times demand.

Over the weekend, the Cabinet met to review the situation, and to consider the choices we have.

With the new resources that the parallel market brought into the banking system, we were able to shift to the commercial banks some of the payments which the Bank of Jamaica would normally make, and in so doing, reduce the gap faced by the Bank of Jamaica.

It was recognised at that time that the payments shifted in January would not close the entire foreign exchange gap. The decision taken was that the Bank of Jamaica would buy surplus dollars in the parallel market to completely close the gap.

This thinking was reviewed in the structuring of the Budget because the purchase of dollars by the Bank of Jamaica at parallel market rates of \$2.60, for example, to finance payment at \$1.78 (the official rate) would entail a serious loss to the Bank of Jamaica of many million of dollars. This loss was initially to be met by an increase of taxes in the Budget, but in the structuring of the taxation package, it was decided that this would result in a level of taxation that would be too burdensome to bear.

On this basis, there was a clear choice of approaches to close the remaining foreign exchange gap for 1983.

What were these choices?

We could —

(1) Do without a number of products. This is an option which will be fully used in non-essential goods,

(2) Reduce imports dramatically in areas which must inevitably include vital goods if the savings are to be meaningful. The inevitable result here would be a return to the blackmarket system in the wake of shortages, supermarket riots, long lines at gas stations and other hallmarks of the 1970's;

(3) Increase taxes to allow the Bank of Jamaica to subsidise the import of these products whether the taxpayer used them or not;

(4) Shift the products to the parallel market where the users can meet the cost according to their own level of use.

The fairest choices in the options available to close the Bank of Jamaica foreign exchange gap were obviously to shift transactions to the parallel market and thereby reduce the Bank of Jamaica costs and, secondly, to reduce non-essential imports.

IT HAS BEEN DECIDED not to further increase taxes to close the gap but to shift these payments for goods and services to the parallel market.

A Ministry Paper and a new Parity Order are to be tabled in Parliament tomorrow setting out the new range of payments which will not be met from the parallel market. Simply stated, with these additional shifts of payments, only the service of Government and Government guaranteed debt and capital pay-

ments by Government, essential imports on credit through the Jamaica Commodity Trading Corporation — principally some basic food items and fertiliser — food for the tourism sector, replenishment of the Export Development Fund, and certain payments for Government imports and Government services will be met by the Bank of Jamaica.

Looked at from the total foreign exchange budget, the total payments of foreign exchange on the parallel market for 1983/84 would now be US\$528 million and by the Bank of Jamaica US\$1076 million. The question will naturally arise as to whether the parallel market can finance these payments. The original projection of inflows for the parallel market was US\$530 million for the first year. On the basis of purchases to date this estimate is still considered accurate.

The effect of these payment shifts will be both positive and negative. There will be some price increases on the one hand in respect of those items now to be financed from the parallel market, while on the other hand, these new decisions will also provide that investment coming into Jamaica other than for bauxite, sugar and bananas can be converted at the parallel rate without question, this will make Jamaica more attractive in terms of new investment and therefore enhance the possibilities for greater foreign exchange flows and employment opportunities in the future.

The details of both positive and negative consequences will be set out to Parliament in the Ministry Paper tomorrow. Let me warn, however, that any attempts to dupe the public with increased prices on goods which are already on the parallel market and therefore not liable for any increase or to increase prices on existing stock of those items now being shifted to the parallel market, will meet with very severe reaction from the Government.

I have charged the Ministry of Industry and Commerce with the responsibility for continuous monitoring and the Prices Commission is being geared to expose unwarranted increases by comparing price levels of specific imports between Jamaica and other places, such as Miami. These exposures will be done on television and radio in special programmes for the buying public to see and profiteers can expect other consequences to follow.

No one wants to see prices increase but it must be remembered that this

stems from a shortfall of foreign exchange in 1983 resulting from the combined effect of reduced bauxite earnings and the increased cost of servicing the foreign debt deferred from 1978/79 — a total negative cost of US\$200 million. If there was not this negative flow of US\$200 million to deal with, there would be no shortfall of US\$150 million to find at this time, and this is the crux of the matter.

IT IS STILL TOO EARLY to say whether our attempt to raise US\$150 million will be successful as negotiations are still continuing. But in the meanwhile, we had a deadline to meet in so far as our application to the IMF is concerned for a waiver to allow us to continue the present Agreement, the terms of which are more favourable than any new Agreement which could be negotiated now. That deadline was Monday, June 13, to enable the IMF to consider our waiver application at its meeting later this month.

The reduction of imports is the second major area of adjustment in the economic measures to be announced at this stage.

To ensure that we will have the resources to carry through the Programme in 1983 without a gap, it will be necessary to cut imports by US\$150 million if these loan funds are not secured. The reduction of imports is therefore a necessary precaution to ensure that we meet our targets.

The Import Budget for 1983/84 will therefore reflect a reduction of US\$150 million which will be made in consumer goods and capital goods while raw materials will be held at the same level.

This follows logically in as much as the reduction of foreign loans will make less resources available in the economy. Indeed, without the Budget cuts, Budget demands for local funds would substantially reduce the level of credit available to the private sector by comparison with last year and this would have the effect of closures and lay-offs in the private sector.

The Budget cuts will avoid this and ensure that the private sector has adequate credit to work with to maintain production and employment.

These measures will necessarily affect our projections for economic growth. The positive target for growth this year will not be sustained and indeed the result may very well be negative.

It is important to recognise that the extent of economic growth can be largely measured in the availability of foreign exchange. We had a spectacular Year 1 because we were able to mobilise substantial gross foreign exchange flows, including export earnings. The economy performed less spectacularly in Year 2 because these foreign exchange flows were reduced.

This year the down-turn will be greater because still less foreign exchange will be available for economic growth largely because of reduced bauxite earnings and greater debt servicing. In addition, we are committed to showing a US\$125 million balance of payment surplus this year to set off the large deficit of last year.

It is important further to recognise that foreign exchange is available only from two sources — loans and earnings.

LOANS HAVE BEEN much more difficult to negotiate, not because the Jamaican economy has not shown the turn-around results which lenders respect, but because the whole Latin American area is viewed with deep suspicion and anxiety by bankers as a result of what has taken place in the major Latin American economies, especially the failure of these economies to service their debts.

The Caribbean has been associated in the minds of the banking community with Latin America and the normally forthcoming flows are no longer possible. Here again, the world recession has taken its toll on Jamaica.

The need for borrowings in the early period of recovery was set out by me early in the recovery programme. I explained that the alternative to borrowings were earnings and we had little earning capacity in the beginning to work with.

In 1980 the economy consisted of a few run-down sugar mills, diseased and destroyed banana plantations, half-empty hotels, half-utilised factories, and a dead construction sector. The only active sector was mining.

We have in two years halted the slide in sugar production, started the upward climb in banana production, convincingly revived tourism, increased the utilisation of factories, and restored the construction industry to a place of primacy.

But at the same time the boost in revenues and foreign exchange earnings from these areas of recovery have been wiped out by the dramatic fall in reve-

nue and foreign exchange in the bauxite industry. Had all other things been equal and the bauxite industry performed at customary levels, **we would have been well placed to dispense with some of the loans that continue to be necessary at this stage.**

In the instance of both reduced earnings and a curtailed loan programme, the economy will naturally suffer from inadequate foreign exchange and will show the result of this in the downturn of economic activity which I have outlined.

It is for this reason that 1983 must show a spectacular result in one area of the economy above all other considerations — the re-building of our foreign exchange reserves by US\$125 million this fiscal year.

This is the indispensable base for recovery.

Apart from noting for the record, there is no use lamenting the economic recklessness of the past, nor the ravages of the recession on the present and the future. We overcame the damage of the past while we had adequate foreign exchange in the first two years. We have not overcome the recessionary pressures of the present which have made it impossible to continue the flows of foreign exchange on the same scale.

The inevitable result in these circumstances is that the economy will contract until we can revive these critical flows of resources to enable it to proceed once again on a path of expansion as in years 1 and 2.

While it is true that this is a temporary situation which we face, and which will lift when the impact of the upturn in the world economy reaches us as the recession fades, we must ensure that in the interim we re-structure the economy to yield more earnings.

This is the whole basis of the strategy of recovery — the reduction of our budgetary deficits from 18% of GDP in 1980 to less than 12% this year under these new measures, and likewise the generation of a substantial balance of payment surplus. These are measures of a reduced scale of borrowings which means in the long run better health for the economy.

The attitude towards loans have been a source of mixed feelings which needs some explanation.

**THIS GOVERNMENT** does not consider that we can borrow our way

out of our problems and has said so time and again. Borrowings are a temporary measure until earnings can take over the dominant role of providing foreign exchange.

We borrowed during the first two years for the following essential reasons —

We borrowed to clear inherited and deferred debts; the funds secured from the IMF were all used to:

— Pay back the IMF loans received  
US\$167M

prior to 1981

— Reduce arrears in payments

US\$80M

— Repayment of Commercial Bank Loans

US\$89M

— Build up Reserves

US\$238M

US\$574M

We borrowed to restore a flow of supplies to the resource starved economy in order to restore growth.

We borrowed to rebuild, at a cost of \$300 million, the wrecked utilities, roads, hospital and clinics, security services and other ravaged areas where services had been reduced to meaningless levels.

It is instructive to consider that this \$300 million alone could have provided at least 30,000 new jobs for the unemployed, had we been able to invest it in productive enterprises instead of having to repair, restore, revive, rehabilitate and rebuild.

We borrowed, finally, to rekindle the flame of human hope.

When we assumed responsibility for the country in 1980, many of you were spiritually and emotionally exhausted from years of decline and crisis — years of uncertainty about the direction in which the country was going. We inherited a shattered economy, the legacy of squandered resources, beset with dead hopes and dismal expectations. One of the few assets we had to work with was the fact that for the first time in years people had a sense of hope for the future.

We had therefore a critical choice to make:

Should we have asked for further sacrifices, further restraints and the continued depression of our human resources?

Should we, on the other hand, have sought to revive foreign exchange flows, to revive production, and to turn on the light to a future which beckoned brightly if we were prepared to move towards it with

courage, hard work and steadfastness of purpose?

We chose the latter because we believed that human endurance has its limits and that these limits had been reached by Jamaicans in 1980 — that the years of anxiety and deprivation had taken their toll.

It must be forgotten that we had our depression in the 1970's — worse than anything we are enduring now at a time when the economies of other countries in the Caribbean were expanding.

We saw it as our clear duty to keep alive the hope that had begun to stir again in the hearts of Jamaicans.

That hope would unquestionably have extinguished long ago were it not for our efforts to revive tourism, to restore buoyant levels of construction, to increase production and to stabilise the nation.

NOW A BLISTERING wind from outside is threatening us. The measures which we are now taking are designed to protect us from that wind — to protect the gains made in reviving the economy and to keep aglow the light of hope through a temporary twilight of immediate expectation.

In the short term, it will be hard on all of us. But taking control of a hard 1983 is the best hope that we have for a better 1984.

The Cabinet spent last weekend reviewing our economic strategies at the mid-point of our term of office.

We looked at the progress to date and the threats to progress for the future. We looked too at the fundamental policies and strategies which we are pursuing to structurally adjust the economy, and we are satisfied that good progress is being made to address the basic weaknesses. A progress report on the structural adjustment programme is being finalised for Parliament.

**The conclusion of Cabinet after last weekend's evaluation is that there must be no wavering or reversal in our plans to re-structure the Jamaican economy to make it more competitive and stronger to face adversity and stand on its own feet.**

THE MEASURES which are to be announced tomorrow are going to affect everyone in Jamaica — in all sections of our community: the farmers, the workers in factories, in the fields and in offices; the housewives,

the businessman. These are tough measures, for tough times. Let us not mince words — all of us will hurt.

The recent history of Jamaica has shown us that in the management of a country, as in the management of one's private affairs, we inevitably have to reckon with the consequences of a reckless squandering of resources. The wilful waste of the seventies is the woeful want of the eighties.

But, life also teaches us that provided we learn our lessons well, we can draw strength from adversity. The history of the Jamaican people has also been a history of overcoming. This is what makes us strong, and we are a strong people.

Only a strong people can build a strong Jamaica. Only a strong Jamaica can help its people. Only a Jamaica which puts behind it the fears of survival and commits itself to the task of revival can grow in strength rather than consume its strength.

I say to you tonight that together we will draw strength to meet this challenge.

Some people may be bewildered by the fact that, having had a very good Year 1 and a good Year 2, we are now experiencing a bad Year 3.

And equally, they wonder what are the signals we must look for that things will turn better soon.

As I have said before and want to repeat again in closing this statement to the nation tonight, had we not had the experience of having to survive the cruelty of the recession with reduced bauxite earnings, and the millstone of a legacy of unsettled debts, we would have been US\$200 million better able to face the future, and there would have been no US\$150 million gap to frustrate our economic recovery for 1983.

— Until the recession breaks and improved bauxite earnings begin to flow;

— Until we improve the effectiveness of our capacity to earn more from exports;

— Until we are able to awaken the sleeping giant of the nation's agriculture;

— Until we as a people face the reality that the world does not owe us a living, that it is only our efforts individually and collectively that will solve our problems;

— Until these things become apparent, the dimness of today will not recede into a brighter tomorrow.

When these things are manifest; when the signs of economic recovery from outside and revival from inside our country and ourselves are clear and distinguishable, then we can expect change.

Yet what we must seek is not just a change for the better but a transformation that will ensure that the change is lasting. Any change that merely restores better prices without us exerting ourselves more, and producing more; any change that revives our loans without us earning more; is a temporary phase which will lapse again in the misfortunes of a fragile future.

Since hardship now demands that

we change, let us not change our hopes, but change our whole country, re-build it in such a way as to withstand future shocks.

As a Government we will face this challenge; we have no intention of retreating from our stated goals.

As a people we must face this challenge and in the same way that the bitter depression of a few years ago tested our strength for survival, **and we survived**, we must confront this savage recession which we now face, which now tests our strength again, and with confidence assure ourselves that we did it before, we beat it before, and we can do it again!"

#### World Bank Loan

Kingston THE DAILY GLEANER in English 16 Jun 83 p 1

[Text]

Jamaica is to get a U.S.\$60.2 million World Bank loan for the Government's Structural Adjustment Programme, Prime Minister Edward Seaga announced on Tuesday.

In making the announcement in a news release from Jamaica House, Mr. Seaga said that the loan was one that was expected to have closed the foreign exchange gap in 1982/83 to satisfy the IMF test.

According to the news release from Jamaica House

this is the second such loan and it will be used to finance the importation of capital goods and raw materials for the productive sector. The first loan of US\$75 million was made available in the 1981/82 fiscal year.

The current loan will be drawn down in two tranches, the first amounting to US\$35 million which will be available immediately and the second totalling US\$25.2 million at a later date.

Commenting on the approval of the loan, the Prime Minister said: "This loan has been under negotiation for many months and was expected to have materialised before March 31.

"It was one of the loans that was expected to have closed the foreign exchange gap in 1982/83 to satisfy the IMF Test.

"We are very pleased that this loan has now finally materialised and will come on stream immediately."

#### Price Increases

Kingston THE DAILY GLEANER in English 17 Jun 83 pp 1, 18

[Text]

**THE PRICE OF PREMIUM gas goes up today from \$4.63 to \$5.99 per gallon among a series of price increases arising from the shift to the parallel market rate of exchange of a wide range of imports under the new economic measures introduced by Government.**



Basic agricultural materials, imports of drugs and raw materials for the manufacture of drugs, imports of textbooks and paper for the printing of textbooks, imports of cooking oil, soaps, and raw materials for the production of cooking oil, detergents and soaps, are among the items listed in the Ministry Paper presented to Parliament by the Prime Minister and Minister of Finance, the Rt. Hon. Edward Seaga.

Imports of crude petroleum and petroleum products are also being transferred to the parallel market. This means that the price of gasoline is being increased, with premium gas going up to \$5.99 per gallon (from \$4.63).

Also shifted to the parallel market rate are: business and other travel, passenger fares, charter hire, port payments, pensions, dividends and profits (other than those related to bauxite, sugar and bananas), principal and interest on private, non-guaranteed debt, education expenses, medical expenses, maintenance payments, fees, international communication charges.

Under the new arrangements, the Ministry Paper said, the value of cash transactions to be financed in the official market is U.S. \$1,076 million, and those to be financed on the parallel market amount of U.S. \$528 million.

The import level has been reduced by approximately U.S. \$159 million to U.S. \$1,220 million.

Overseas payments which will continue to be made on the official market will be: public debt, public capital payments, a proportion of Government imports and service payments, basic foods and raw materials imported under special credit terms, food imported for the Tourism sector, fertilizer imported under special credit terms.

Prices of kerosene and cooking gas will remain on the official rate, and so will prices of fuel oil supplies to the Jamaica Public Service Company, to keep down the cost of electricity.

Following is the text of the Ministry Paper No. 24 titled "Measures to safeguard the economy":

"Members of this Honourable House will recall that on January 10, 1983, the Government introduced a set of economic measures which included the introduction of certain incentives for exporters and the formalisation of the parallel market for foreign exchange transactions.

The formalisation of the parallel market which was designed to ensure a more efficient use of scarce foreign exchange resources entailed the listing of certain transactions which would take place at the official rate of ex-

change while other transactions were shifted to the parallel market operated by the commercial banks.

Resources flowing into the parallel market have been running in line with projections but there has been a shortfall on the official market due to the failure of certain loan inflows to materialise. As a result of this shortfall, Jamaica did not meet the performance criteria under the IMF programme at the end of 1982/83.

In order to meet the targets originally established for the programme, it is now necessary to make certain adjustments to the external accounts as well as the fiscal budget.

With regard to the external accounts, it will be necessary to transfer certain transactions from the official to the parallel market. The main payments which will remain on the official market are as follows:

- (a) public debt (direct and guaranteed);
- (b) public capital payments;
- (c) a proportion of Government imports and service payments;
- (d) basic foods and food raw materials imported under special credit terms;
- (e) food imported for the tourism sector;
- (f) fertilizers imported under special credit terms.

A listing of the permitted purchases and sales at the official rate of exchange is shown in the Schedule to the Parity of the Jamaica Dollar (No. 2) Order, 1983, which is attached as an Appendix.

All purchases and sales of foreign exchange in respect of transactions not listed in the Schedule will take place at the parallel market rate.

Among the items shifted to the parallel market are the following:

- (a) Imports of basic agricultural materials such as: insecticides, herbicides, vaccines, medications, planting materials, agricultural hand tools, hatching eggs, animal feed, bull semen.
- (b) imports of drugs and raw materials for the manufacture of drugs;
- (c) imports of textbooks and paper for the printing of textbooks;
- (d) imports of cooking oil, soaps, and raw materials for the production of cooking oil, detergents and soaps;

- (e) steel billets;
- (f) sports goods.

Imports of crude petroleum and petroleum products are also being transferred to the parallel market but fuel for the Jamaica Public Service Company will be cushioned against price increases so that there will be no increase in electricity rates.

The following service payments have been shifted to the parallel market:

- (a) business and other travel;
- (b) passenger fares;
- (c) charter hire;
- (d) port disbursements;
- (e) pensions;
- (f) dividends and profits other than those related to bauxite, sugar and bananas;
- (g) principal and interest on private non-guaranteed debt;
- (h) education expenses;
- (i) medical expenses;
- (j) maintenance payments;
- (k) fees;

- (l) international communication charges.

Applications now at the Bank of Jamaica relating to imports cleared on 10th January, 1983 and after, as well as applications for service payments will be financed through the parallel market. However, the undertaking which the Government gave that all imports cleared through Customs before January 10, 1983, would be accommodated in the official market, will be fully honoured.

Under the new arrangements, the value of cash transactions to be financed in the official market is US\$1,076 million and those to be financed in the formalised parallel market amount to US\$528 million.

The import level has been reduced by approximately US\$159 million to US\$1,220 million.

**The areas in which these reductions will take place are indicated below:**

| ORIGINAL             | BUDGET         | REVISED        | CHANGE        |
|----------------------|----------------|----------------|---------------|
| Bauxite Sector       | 255.0          | 255.0          | —             |
| Non-Bauxite Sector   | 1,124.0        | 965.0          | -159.0        |
| 1. Consumer Goods    | 190.0          | 137.0          | 53.0          |
| 2. Raw Materials     | 415.0          | 410.0          | -5.0          |
| 3. Fuel              | 223.0          | 223.0          | —             |
| 4. Capital Goods     | 296.0          | 195.0          | -101.0        |
| <b>Total Imports</b> | <b>1,379.0</b> | <b>1,220.0</b> | <b>-159.0</b> |

The estimate of resources in the parallel market is US\$530 million. Purchases by the commercial banks to date, are roughly in line with this estimate. The transfer of additional payments to that market, however, will necessitate a further shift of resources from the official market to the parallel market as well as the reduction in foreign exchange expenditure already indicated.

With regard to the transfer of resources from the official to the parallel market, it has been decided to shift private investment flows to the parallel market. This should provide an added incentive to foreign investors since Jamaican dollar investments would require a smaller foreign currency outlay. In addition, the repatriation of capital as well as remittances of profits and dividends will also be through the parallel market which will allow for greater flexibility and speed. As in the case of export proceeds, investment inflows as well as profits and dividends of the bauxite, sugar and banana sectors will remain on the official market.

Car rental enterprises are now required to buy their vehicles at the parallel rate but to surrender 100% of their foreign currency earnings at the official rate of exchange. In future, these agencies will be required to surrender 30% of their earnings to assist in providing the foreign exchange flows to service the foreign exchange debt relating to their previous years' imports which were financed by credits negotiated by the Government and which form part of the public debt. In any event, while U-Drive operators are required to purchase vehicles at the parallel rate, they will benefit from the higher values when they dispose of these vehicles on the second-hand car market.

The transfer of transactions from the official to the parallel market must of necessity lead to price increases. Where resources allow, every effort will be made to hold prices to present levels.

In the case of petroleum products, certain of these will no longer be priced at the official rate of exchange

but will now be shifted to the parallel rate. As a consequence of this shift, the new ceiling prices of controlled petroleum products will be as follows:

- (1) Premium gasoline will move to \$5.99 per IG;
- (2) Regular gasoline will move to \$5.85 per IG;
- (3) Automotive diesel oil will move to \$3.99 per IG;

It should be noted that despite these increases, the new prices of motor fuels in Jamaica remain significantly below prevailing prices in a number of other countries. Examples are as follows and prices are quoted in Jamaican dollars:

#### REPRESENTATIVE RETAIL PUMP PRICES FOR MOTORFUELS

|                                      | J\$ PER<br>IMPERIAL<br>GALLON          |
|--------------------------------------|----------------------------------------|
| <b>I. PREMIUM<br/>GASOLINE</b>       |                                        |
| Italy.....                           | 10.20                                  |
| Ireland.....                         | 9.00                                   |
| Uruguay.....                         | 8.95                                   |
| Belgium.....                         | 7.85                                   |
| France.....                          | 7.70                                   |
| Brazil.....                          | 7.60                                   |
| United Kingdom.....                  | 7.30                                   |
| Barbados.....                        | 7.00                                   |
| Costa Rica.....                      | 6.50                                   |
| Sweden.....                          | 6.45                                   |
| Federal Republic of Germany.....     | 6.40                                   |
| Jamaica.....                         | 5.99                                   |
|                                      | <b>J\$ PER<br/>IMPERIAL<br/>GALLON</b> |
| <b>II. AUTOMOTIVE<br/>DIESEL OIL</b> |                                        |
| Ireland.....                         | 7.65                                   |
| United Kingdom.....                  | 6.45                                   |
| Italy.....                           | 6.10                                   |
| Barbados.....                        | 5.90                                   |
| France.....                          | 5.90                                   |
| Federal Republic of Germany.....     | 5.75                                   |
| Belgium.....                         | 5.35                                   |
| U.S.A.....                           | 4.00                                   |
| Jamaica.....                         | 3.99                                   |

It should be further noted that Jamaica is not unique in having to increase its petroleum prices. In recent months, price increases of a comparable magnitude or greater have occurred in Brazil, Mexico and Uruguay. Lesser increases have been recorded in such countries as Belgium, Canada, The Netherlands and Trinidad.

In order to reduce further hardships on the society, the prices of kerosene and L.P.G. (cooking gas) will continue to be based on the official rate of exchange and prices will remain as before.

Prices of fuel oil supplies to the Jamaica Public Service Company will

also be held at the same prices to prevent increases in electricity rates because of the effect that such increases would have throughout the economy.

In the case of basic foods, all items will be imported under special credit arrangements and will therefore not experience and price increase from the new measures. These include the following:

- (1) Wheat
- (2) Corn #2 — Cornmeal
- (3) Corn #3 — Animal Feeds
- (4) Soya Meal — Animal Feeds
- (5) Rice
- (6) Soya Oil — Cooking Oil
- (7) Canned Mackerel
- (8) Sardines/Herrings
- (9) Corned Beef
- (10) Dried Salted Fish
- (11) Milk Solids
- (12) Canadian Biscuit Flour
- (13) Baking Flour and Counter Flour
- (14) Drugs for Diabetes, Hypertension, Asthma, Heart Disease, Arthritis, Cancer, Glaucoma, Kidney Dialysis, Chronic Ulcer — currently imported by JCTC.

The products which will be shifted to the parallel market are as follows —

- (1) Other drugs.

Since May 16, 1983, a special rate for CARICOM transactions was introduced. Members should note that the CARICOM Rate of J\$2.25 to the US dollar remains in place. In so far as imported inputs for export to CARICOM are concerned, the CARICOM Rate is available only by going through the Export Development Fund (EDF). Any exporter who does not go through the EDF will have to access the parallel market for his imported inputs. All proceeds of exports to CARICOM will however be converted at the CARICOM Rate.

The existing procedures relating to licences and quotas will remain in place but the value of quotas/licences will be reduced in line with the reduction in the overall level of imports. There will be strict monitoring to ensure that imports do not exceed the available resources to finance them since otherwise there would be a build-up of arrears which would not only lead to a loss of trade credits to the economy but would breach the performance targets under the EFF Programme.

With regard to the fiscal accounts it will be necessary to reduce overall Government expenditure by some J\$147 million. The compelling reason for this reduction is that the shortfall in external resources will reduce the level of credit in the banking system. It is considered essential that the productive sector must retain its share of banking system credit and this can only be achieved by the Government reducing its credit demands from the banking system thereby releasing resources to the productive sector.

The release of credit to the private sector leaves a financing gap in the fiscal budget. This gap could be addressed by increased taxation, incurring a larger deficit or reduced expenditure. Given the current state of the economy, increased taxation and running a larger deficit were both found unacceptable. It was therefore decided to reduce expenditure to the level of available resources.

The circumstances which have necessitated the introduction of these measures are completely out of the control of Jamaica. The sustained world recession has had a debilitating effect on our exports, particularly our exports of bauxite and alumina.

In addition, our ability to borrow overseas is severely constrained by the state of the financial markets and the high debt service ratio of the country. At the same time our debt payments are substantially more this year. The foreign exchange problem will therefore be with us for some time and the only lasting solution will come with our ability to increase production and exports to levels which can support the demands of the society for goods and services.

#### Date of Implementation

The new import and payment regime will come into effect on the June 17, 1983.

#### PNP Reaction

Kingston THE DAILY GLEANER in English 17 Jun 83 p 1

[Text] The People's National Party said yesterday it was studying the implications of the new economic measures announced Wednesday night by Prime Minister Edward Seaga to see exactly what effect they would have on the society.

According to the PNP's statement, the party did not think that the Prime Minister's approach, which it said sought to retain the failed policies of the Government, could form the basis for viable solutions.

The text of the statement read:

"On Tuesday of this week, the People's National Party, through its spokesman on Finance, Mr. Seymour Mullings, indicated to the country that the implication of not securing the \$150 million loan would mean, among others, the dismantling of the budget passed by Parliament a mere three weeks ago, and that the majority of items now on the official rate of exchange would have to be shifted to the parallel market with consequential increases in the cost of living and that imports would have to be significantly reduced.

Notwithstanding a Jamaica House report purported to respond to our initial statement which was carried in today's newspaper, these implications have been confirmed by the Prime Minister in his speech to the nation.

"We are studying the implications of the new policies to see exactly what effect they will have on the society. When we have completed this study, we will have more to say on the matter.

"It is now clear that the Prime Minister did not level with the country when he presented the Budget, The Opposition warned that this was so and it is now clear that we were correct.

"The country will not continue to accept this constant hiding behind alibis. The fact of the matter is that the Prime Minister campaigned for power in a completely irresponsible manner, telling Jamaica that there were no serious problems. Secondly, they and they alone must accept responsibility for allowing the country to go on a spending spree when they came to power and now the chickens are coming home to roost.

"The People's National Party does not think that the approach outlined by the Prime Minister which seeks to retain the failed policies of the government can form the basis for viable solutions. A further statement on this matter will be made after the specifics of what the Prime Minister is proposing are tabled in the House."

#### Editorial Call for Solidarity

Kingston THE DAILY GLEANER in English 17 Jun 83 p 8

[Text]

The spectre which has been haunting the Jamaican economy particularly since the beginning of this year, with the shrinkage of foreign exchange resources, has finally brought about the situation which the country has been dreading. A regime of harsh economic measures has had to be introduced by the Government in order to safeguard the economy from further disaster.

The measures set out in the Ministry Paper presented to Parliament yesterday by the Prime Minister are far-reaching in their effects. As Mr. Seaga himself warned in his broadcast on Wednesday night they are going to hurt almost everyone in the society. But this is a burden which the nation must bear in order that out of the crucible of suffering and sacrifice may come the salvaging of the economy from the threat of ruin.

As the Ministry Paper has pointed out, the circumstances

which have necessitated the introduction of these measures are out of the control of this country. Jamaica has been caught up in a sustained world recession which has acutely depressed the nation's earnings of foreign exchange which, in the context of international interdependence has meant that there is just not sufficient national income to keep pace with the national expenditure and to meet all the demands being made on the public purse.

So however bitter the pill and however strong the disappointment of those who had hoped that the problems of the 1970s would have disappeared in the high hopes of the 1980s, this country has had to enter upon a new period of austerity, with shortages in some instances and high prices in others, while an attempt is made to ride out the economic storm.

This is an occasion for a great national coming together in the face of national peril. Jamaica is in

fact caught up in an economic war and must now regard itself in a state of economic seige. The country must be prepared to make a concerted effort for maximum national production in the face of national need.

The higher prices, the budgetary cuts which are still to be spelled out, will take their toll and test the mettle of our people in the difficult days ahead. We will need Jamaican solidarity for the deliverance that must surely come.

#### Seaga Press Conference

Kingston THE DAILY GLEANER in English 18 Jun 83 pp 1, 20

[Text]

**IMPORT CUTS COULD BE REVISED and possibly some sensitive items returned to the official rate of exchange, if the U.S\$150 million loan being negotiated overseas by the Government materialises, Prime Minister the Hon. Edward Seaga said yesterday morning.**

Speaking at a news conference at Jamaica House dealing with the new economic measures tabled in the House of Representatives on Thursday afternoon to deal with the foreign exchange crisis, Mr. Seaga said that some of the measures could also be rolled back if the economy picked up sufficiently next year.

Mr. Seaga was hopeful that if targets set were realized then next year should be a different year and the economy should be able to return to positive paths.

The \$150 million represents the gap in the foreign exchange budget which was not closed and led to the measures being taken as forewarned by Mr. Seaga when he presented the budget.

The import level was reduced by U.S.\$159 million, fiscal expenditure by \$147 million and a range of goods and services, including gasoline, shifted from the official rate to the parallel market, sparking price increases.

As to the the price levels of the affected commodities, Mr. Seaga said that calculations were being worked out.

Not much layoffs should result from the fiscal cut, Mr. Seaga said. The cuts would be finalised by next week. Efforts were being made to avoid as far as possible work programmes and rural based programmes, he said.

ANSWERING A QUESTION about the management of price increases, Mr. Seaga said that the "loosely structured"

sections of the economy would be the area most difficult to monitor.

These sectors such as the informal ones were the areas where the greatest increases were likely to occur because persons carrying out activities would believe that they could get away with increases which went beyond what the new increases should be.

Citing the public transport system in the Corporate Area, Mr. Seaga said sanctions and moral persuasion would be used against transport operators, especially minibus crews, who overcharged. In the first instance they would be spoken to by the Ministry.

One sanction which would be applied to unheeding transport operators flowed from them "immediately" eliminating themselves as possible franchise route operators when the J.O.S ceased operating.

Another area where sanction would be applied would be in the area of licencing of these operators, who would have to cease overcharging, as well as adhering to other codes of conduct.

Mr. Seaga said against the improvements being made in the utilities

with respect to the Jamaica Public Service, and the water service, which was to be bought under control, he had told the Minister that this was to be transportation year.

The Government was not going to tolerate, "unregulated, ad hoc, haphazard and an indisciplined" transport service.

MR. SEAGA also disclosed that the Board of the International Monetary Fund in the light of the Government's failure to realise the \$150 million loan, had been circulated with the Government's fresh economic measures which were geared also to meeting the I.M.F. year end target of U.S \$125 million in foreign reserves.

Mr. Seaga said that the I.M.F. had wanted a target of \$150 million however he had argued that the country could not carry that strain. The target was a positive step to restore balance of payments accounts to a healthy position.

On the U.S \$101 million capital cut, Mr. Seaga said that to a certain extent certain capital requirements under the Government's Structural Adjustment Programme might possibly be cut, however he pointed to inflows stemming from credit programmes which are geared principally to the export sector.

As to what he saw as a solution to the international system hardhit by a recession, Mr. Seaga said that increase liquidity led by the I.M.F. and the World Bank, and commercial banks if necessary, had to be brought about to revive world trade.

There was also the need for mechanisms to deal with the debt problems

of those countries which were not major trading countries. Mr. Seaga rejected the view that now that the recession was showing signs of lifting then all that was necessary for countries to be pulled out of their present situation was for the upturn to be sustained. Some countries who did not figure prominently in trade would be bypassed, he said.

Mr. Seaga said that there were indications that there should be some upturn in the bauxite industry next year.

The Government was tackling flight of capital from the country not through draconian measures but by implementing management systems designed to tighten up leakages.

He mentioned a monitoring system for receipts from the tourist sector and also one which for the first time was designed to ensure that export receipts enter the system.

Mr. Seaga also said that the informal commercial traders were already on the parallel market. The foreign exchange allocation of U.S\$56 for vacation travel would also be at parallel market rate. As to Air Jamaica air fares being on the parallel market, Mr. Seaga said this should give that airline a competitive edge over other airlines operating here.

He also said he would be introducing shortly in Parliament a Ministry Paper giving a progress report of the Structural Adjustment Programme to correct the misconception that it covered only one or two areas.

The Minister of Public Utilities and Transport, the Hon. Parnell Charles and top aides were with Mr. Seaga at the conference.

### Stone Critique

Kingston THE DAILY GLEANER in English 20 Jun 83 p 8

[Article by Carl Stone]

[Text]

The drastic austerity measures announced by the government have brought out into the light of day the darker realities of our economic situation which have (in the recent past) been covered over and obscured by the cosmetic of excessive policy optimism by the JLP leadership. But at last the pressures from the combined foreign exchange and financial crisis have washed away the

make-up and some of us are seeing the ugly face of economic reality for the first time.

The government's credibility is going to take a savage beating. To the more cynical the optimism of the last budget presentation seems almost like an exercise in fantasy carefully staged to divert their attention from that ugly face of reality. After two and a half years of bright JLP projections about economic recovery prospects, the suddenness of these harsh measures have jolted many from their seats, as the driver of the national vehicle has suddenly jammed on the brakes after cruising at 50 miles an hour while assuring us that we were about to be driven at even higher speeds towards the recovery and deliverance destination.

The government has, of course, been criticised for overheating expectations of economic recovery and material improvements by its overly optimistic interpretations of economic trends. Additionally, there are those who take the JLP to task for failing to install a regime of economic austerity from the inception of its term of office and thereby permitting relaxation of austerity only gradually and as real improvements in our earning capacity was evident.

To my mind, the government does itself a great disservice in limiting the discussion of the austerity measures to the gap in loan funds instead of trying to give the man in the street a fuller account of the structural problems of the economy and a comprehensible explanation in simple terms of the basic economic principles that make these kind of measures necessary and unavoidable.

The Prime Minister's Wednesday night broadcast provided some warning signals of what was to come but failed entirely to give the public an understanding of the issues. The contents of the speech were not understood by most of those who listened. I am afraid that the general public has not yet grasped the connection between our inability to secure a loan and the harsh measures that have followed.

### National discussion needed

In short, the public has neither been prepared to face these harsh realities nor to understand and comprehend why they are being carried out. There is therefore a need for the media, the political parties, the interest groups, the economists, and the trade unions to attempt a full scale national discussion on the economy and the economic measures with a view to giving the public a clearer grasp and understanding of these matters.

To be sure, these recent policy developments have to be viewed against the background of the unfolding events and political debate over the last

decade. We have been through crisis after crisis each accompanied by appropriate policy measures announced with great fanfare and projected as solutions. The solutions have not yet come and with each successive repetition of this scenario public cynicism has increased, confidence in the political directorate has fallen and a deep sense of hopelessness and despair has grown within the body politic.

The present government was elected by large numbers who defected from the PNP out of the feeling that the apparent superior management capability of the JLP and its array of international capitalist backers would open up some new horizons for economic change. The new government elected in 1980 began with much enthusiasm and confidence that its policies would show dramatic results in three years. All of that has been savaged by the world recession, our waste of foreign exchange on wanton consumerism, the modest and inadequate inflows of new investment, the uneven performance in our export earning sectors and the crippling stranglehold of debt capital and debt payments.

### Any real solutions?

With the announcement of these measures many will question whether the JLP policy measures and policy framework have any real solutions to the underlying problems and whether they offer any real hope for positive change. These doubts are going to increase as the economic and social problems intensify in 1983.

The government's hope is that notwithstanding these setbacks things will get better next year and perhaps even better in 1985 thereby restoring public confidence in what it is trying to do.

For many austerity was already here in 1981 and 1982 because they did not have the means to partake in the consumerism free-for-all.

My polls done in late 1982 and early 1983 revealed bitter complaints by the people about unemployment, shortage of money, lay-offs, and the high cost of living. The new measures will increase the growing sense of hopelessness among the majority.

At best these new developments might eliminate the illusions in many quarters about instant economic solutions and eliminate the unrealistic time-table of expectations for increased economic benefits.

The crisis should be used as an opportunity to increase public understanding of the real underlying economic problems in the country that go much deeper than PNP mismanagement, JLP policy errors, IMF pressures, and the failure to secure a loan. The problem runs deep and there are no quick solutions. The sooner the country comes around to grasping this the better placed they will be to assess and evaluate the alternatives being offered by those who compete for the opportunity to sit in Jamaica House.



Kingston THE DAILY GLEANER in English 20 Jun 83 p 8

[Editorial]

[Text]

The new austerity measures announced by the Government, within a month of the presentation of the Budget for the 1983-84 fiscal year, are indicative of an economy under siege. By now there can be no doubt about this despite earlier signs to the contrary.

The Prime Minister, Mr. Seaga, has explained that the austerity regime is the result of the gap of U.S.\$150 million in the foreign exchange budget, and that if the Government was to succeed in its application to the IMF for a waiver, and presumably continued access to IMF funding, "strong and responsible" action had to be taken to maintain the Government's bargaining position. Mr. Seaga, therefore, has chosen to stress the foreign exchange component of the difficulties, but it is clear from the measures introduced that this represents only a part of the overall problem. The country faces also a serious domestic resource problem, a problem which access to the U.S.\$150 million will not meet.

A similar problem in the 1982-83 fiscal year was met by the absorption of resources at the expense of the private sector. In the last year the Government realised just over a quarter of the external loan inflows of \$815 million for which it had budgeted. The result was that the financing of the budget depended overwhelmingly on domestic borrowing, thus pre-empting investible resources which should have gone to the productive sector. In fact, although at the start of the fiscal year Government estimates had called for loans amounting to \$209 million from the domestic market, by year end borrowing from this source had climbed to \$725 million.

This experience should have indicated a more cautious approach to the financing of the 1983-84

budget. For neither should the Government have depended so heavily on external borrowing, nor could it hope to have repeated the high level of absorption of domestic resources. But with unfounded optimism the Government had actually projected for increased foreign borrowing to finance a budget which had grown in excess of 26 percent over its first in 1981-82.

In our view it was psychologically a bad decision to present an optimistic budget based on such slender foundations. Upward adjustments could easily have been made if the anticipated resources materialised. The Government must now cutback and bear the political consequences of falling expectations. But the Government seems still intent on supporting high expectations for Mr. Seaga, at a press conference last Friday, tried to reassure the nation with the statement that should the external funds become available certain items now on the parallel market may be shifted back to the official market. This gives the misleading, the politically dangerous impression, that loans will solve the structural deficiencies in the Jamaican economy. Inevitably, people will be disappointed.

The country must be told that we face a long, rocky road ahead; that a few years of positive economic growth do not mean prosperity, and must not signal a reversion to the pattern of conspicuous demand that characterised the sixties. Rather, the country must consolidate its gains, or else the present crisis will be a recurring element in the economic life of the country. The major problem the Government faces is to convince the nation that it must get used to the lower living standards that the country's productivity allows.

## BUS COMPANY WORKERS WILL LOSE JOBS IN STAFF REDUCTION

## Call for Voluntary Redundancy

[Kingston THE DAILY GLEANER in English 15 Jun 83 pp 1, 16]

[Text]

Jamaica Omnibus Company is to implement the second phase of its redundancy programme by the end of this month, in an effort to balance the cost of operating its fleet of 160 buses.

Mr. Hugh Bonnick, the company's Chief Executive Officer, told the **Gleaner** last night that the company was operating at a loss of \$1.4 million per month in addition to operating on an overdraft of \$22 million.

He said that from time to time workers expressed interest in voluntary redundancy and this was being considered as one means of dealing with the "grave state" in which the company was now existing.

Mr. Bonnick said he had no idea how many workers were inclined to apply for the redundancy. He said he called a meeting yesterday with the unions representing the workers to discuss the situation, so that he could obtain a formal indication of the number of such workers.

In the first phase of the redundancy programme which began on May 14, last year, a total of 589 employees of the JOS were laid off.

The company, Mr. Bonnick said yesterday, was over-staffed for the number of buses in operation — 1,475 workers to 160 buses — thus it continues to lose money due to the payment of salaries as well as other operating expenses.

YESTERDAY, JOS employees received the following letter from Mr. Bonnick:

"As a result of the deteriorating financial situation of the company and the present over-staffing, it is necessary to consider a Phase 2 Redundancy Programme.

"The company is prepared to consider applications for voluntary redundancy from persons with less than 10 years service and also from persons who were 50 years and over on their last birthday.

"A list will be posted on 22nd June of all the selectees who will be made redundant, following this exercise".

## Further Cuts

Kingston THE DAILY GLEANER in English 21 Jun 83 p 1

[Text]

More workers of the metropolitan bus service -JOS - are to be laid off month end, and some made redundant.

This is the latest development in the situation as Kingston's main public transportation system moves from Government operation to private day-to-day running.

On May 14 last, the JOS, facing continuing money losses, laid off 589 workers as a first step to putting the company back on a financial footing as well returning it to private ownership.

Chief Executive of the JOS, Mr. Hugh Bonnick, yesterday met with unions representing the workers - BITU, NWU, and UTASP.

He told them, according to a JOS release, that it would not be possible to make redundant all those who volunteered for redundancy.

He told the unions that because of the financial situation of the company and the overstaffing situation in relation to the present fleet of buses, it would be necessary to lay off a number by month end. If those employees were not recalled, they would get redundancy payment at the end of the lay-off period, according to law.

Another meeting to discuss the number of employees to be made redundant will be held with the unions on Thursday, the JOS release said.

## NORA ASTORGA INTERVIEWED ON COUNTRY'S FOREIGN POLICY

Lima CARETAS in Spanish 6 Jun 83 pp 42-44

[Text] Nora Astorga, the "acting" Nicaraguan foreign minister (she takes over when the minister is absent) is a unique woman in many ways. With her baggy blue corduroy pants and white blouse, she stands out in the olive-drab world of Nicaraguan leaders. She dresses to highlight her tall frame (about 5'9") and her undeniable beauty. She spontaneously admits to being 34 and, with revolutionary coquettishness, says that she is the unwed mother of five children. According to others, this is not exactly the case. She used to be married to a man named Jenkins, who is today allegedly in the diplomatic service, that is to say, under its thumb. Her office evidences "a woman's touch": dolls from other countries, handicrafts. Even "Che" Guevara has been demoted from poster to picture frame. Her quiet voice and confused choice of words (almost out of keeping, we would say, with a doctor of laws specializing in bank legislation) betray difficulties in conceptualizing as categorically as, for example, Tomas Borge. If we did not know more about her, we might think that she was a typical society girl who had studied in Europe and was captivated by the romantic elan of a revolution. Nevertheless, in Nicaragua she is viewed differently, ever since she was involved in a spectacular and bloody incident: the "execution" of Reinaldo Perez Vega, a philandering general in the Somoza National Guard. According to the calmest account, Nora Astorga, a very attractive woman, had a rendezvous with the pleasure-seeking general at a house in which her fellow plotters were hiding. Once in the underground, she claimed responsibility for the slaying, with a photo of herself in guerrilla garb and with revolutionary pride. So then, "Norita," as they call her in the ministry, is something more than a technocrat with a pretty face. She is, literally, a minister of action who as a child did not even correctly learn the story of Little Red Riding Hood, as we will see later.

Does Minister Astorga realize that Nicaraguan foreign policy, which she helps to conduct, is influenced by the domestic policy that the nine commanders decide? Does she admit that there is a link between the political model, the shattering of the national unity that led to Somoza's downfall and the gradually widening gap between Nicaragua and the Western World?

Let's say that if she does, she does not let on about it, tactically, with revolutionary good wishes: "The fact that some people, some groups are against the revolution does not mean that there is no longer national unity in Nicaragua."

There is certainly some rough evidence: the fact that there are political parties in Nicaragua other than the FSLN [Sandinist National Liberation Front], including "the forces of civilian opposition." We then mentioned to the minister that the Social Democrats and the Social Christians, the political groups that carry the most weight in the West, have grouped together in the Ramiro Sacasa Democratic Coordinating Assembly and decided to offer lukewarm resistance, not to cooperate. What does Dr Astorga think about this?

"Their representatives are here, in the Council of State. I think that last year they withdrew for a time."

Yes. And they have not taken their seats at this legislative session.

Nora Astorga emphasizes that "they have been around," but the fact is that on 4 May, at the opening of the fourth session of the Council of State, they were conspicuous by their absence. Furthermore, they have asserted, in private, that their absence left the ceremony without a quorum and, therefore, deprived it of legitimacy. The minister's response was that at least politicians from the Constitutionalist Liberal Party attended. Finally, she makes a somewhat disheartened confession: "Many rightwing parties have tried to undermine pluralism here by staying away from official bodies...but they are here in the country, opposing the government, which is entirely permissible."

Leeway

In another vein, how much leeway does she think the international community will allow Nicaragua? It is a fact that Sandinism no longer enjoys the broad support that it did when the tyrant was toppled. More specifically, the Andean Group, which used to play a prominent role, has become manifestly indifferent to the Sandinist Government's charges of outside aggression. Moreover, in his report to the Council of State, Daniel Ortega could mention only a visit to France as evidence of good relations with the major Western nations.

The minister has a different perspective: "Nicaragua has a great deal of support in Latin America and Western Europe." The solidarity that the Socialist International has shown is proof of this. Of course, "the campaign that the United States has conducted against Nicaragua has created doubts in some countries...and the level of cooperation might also have dropped." Concerning the U.S. charge that Nicaragua is meddling in El Salvador, a charge that has been voiced anew in the wake of the tragic death in Managua of two Salvadoran guerrilla leaders, Cayetano Carpio and Melida Anaya, the truth is that "the

Americans are determined to overthrow this government and replace this revolution." The minister added that "we have stated that we are not giving logistic support to El Salvador and we reaffirm this...So far, the United States has been unable to produce a single piece of evidence of our involvement and the weapons shipments." She hammers the point home with a comment on strategy: "A war cannot be conducted from other countries...over a walkie-talkie or a radio or via a communications system, no matter how good it is."

A war, no. But in a guerrilla war, safe bases, "sanctuaries," are a major tactical principle. Remember the "Ho Chi Minh trail" in Vietnam, your own bases in Costa Rica before 1979.

"We mobilize as all other movements mobilize: in many countries, in many places. But the war today in El Salvador is being waged by Salvadorans, and they have our solidarity in it."

#### The War Has Begun

In any event, the situation in the region has forced Nicaragua's leaders to declare a "state of prewar" and of "military invasion." Inasmuch as Nicaragua is also directly accusing Honduras of helping the invaders, what would it take, in the minister's judgment, to shift into a full-fledged state of war?

To her, the state of war already exists. "The United States is waging an undeclared war against us...Just because it is not official or because mercenaries are carrying the weapons does not mean that it is not a war." Nora Astorga feels that "we are in the final stage of a direct confrontation between Honduras and Nicaragua," because not only is Honduras making its territory available for aggression against us, but the Honduran Guard is actively supporting the counter-revolutionaries."

Hasn't the dangerous mechanism of the "self-fulfilling prophecy" been set in motion? According to Honduran Foreign Minister Edgardo Paz Barnica, Commander Humberto Ortega has repeatedly announced that "war is inevitable." Therefore, as far as Paz Barnica is concerned, it would be irresponsible of his government not to take the necessary precautions. In other words, if you announce war with Honduras all the time, war will eventually come...

The argument brought a smile to the minister's face. "What you're telling me is absolutely absurd. It sounds like the story of Little Red Riding Hood, who kept saying that the wolf was coming to eat her, and when he finally was going to eat her, no one believed her...Wasn't that Little Red Riding Hood? Anyway, I don't remember, but there was a children's story like that."

## BORGE ON POLITICAL, ECONOMIC SITUATIONS, CHURCH, PASTORA

Lima CARETAS in Spanish 22 May 83 pp 26-32, 38

[Interview with Nicaraguan Interior Minister Tomas Borge Martinez by Jose Rodriguez Elizondo, in Borge's office on Saturday 7 May]

[Text] Some military commanders hang crosses around their necks. The Nicaraguan interior minister prefers to hang them on his walls. The little comander spoke openly about almost everything: his run-ins with the Church, the irrationality of the bureaucracy and its censorship, the "eradicable counterrevolutionaries" and his sacred "compas" [comrades]. Almost 2 hours of non-stop conversation. A veritable Borge anthology.

Saturday, 7 May, 1130 hours. Commander Tomas Borge receives us unexpectedly in civilian garb, a light Lacoste shirt and sky-blue pants. It makes him look shorter and thinner, like an aging jockey. As we will discover, he too knows that he looks different in his uniform. Before arriving at his fifth-floor office, in a building that used to house the Electric Power Enterprise, we spent some time in the Interior Ministry's Public Relations office two blocks away. A security agent there inspected every lens in the collection that Yovera [the cameraman] usually carries and even told me to turn on my tape recorder. He trusts no one. We were escorted to the commander's office by a journalist-militiaman who looked just like Daniel Ortega and a female security guard in an impeccable uniform who almost forgot to remove her pistol at the entrance to the building. "Deposit your weapon here," reads a sign in the main lobby, facing a small room that in a country with a cooler climate would logically be the checkroom. Borge received us in a nicely furnished room on one of whose walls there hung a beautiful collection of crucifixes

and in which we could see whisky bottles that will never be opened. An aide clipped a microphone on him; it was connected to a professional tape recorder operated by a soundman. The man who looked like Ortega has his National Panasonic recorder ready too. Borge neither laughs nor smiles, only at the close of the interview when he imitates Eden Pastora. Oddly enough, one of the people whom Pastora imitated to this reporter in Lima was Borge. In any event, Borge's seriousness is not Nordic coldness. The little commander exudes an enormous cold passion, betrayed by his slightly strabismic eyes. His adversaries fear him and tell horrible stories about his behavior. "He is one of the four warlords in this country," one of them has said. The others would be the Ortega brothers and Jaime Wheelock. As far as his friends are concerned, they are either sworn followers or critical intellectuals. They reproach him for being a bit too much in the limelight (perhaps due to vanity) and for not fully realizing his limitations. The fact is, though, that Borge is the most accessible of the nine commanders in the FSLN [Sandinist National Liberation Front] National Directorate, and it has been Humberto Ortega, not Borge, who has created the most internal problems with his public statements. Furthermore, because of his age and because he is the sole surviving founder of the front in Nicaragua, Borge is the most individualistic of the revolution's leaders. In contrast to the others, who project an orthodox group image, Borge is the only one who betrays the conscience of an individual. With the appearance of a character in fiction, he could have figured in a novel by Miguel Angel Asturias yesterday or Gabriel Garcia Marquez today.

[Question] Commander, it is difficult to get to see leaders, so I would like to thank you for receiving us. I have heard it said that "commanders are not here just to receive journalists." That's true, but it doesn't further good communication with Latin Americans if it is taken too far.

[Answer] I don't know whether that statement is justified or not, but regardless, I realize how important contact with national and world public opinion is. Perhaps it's a question of character too.

(Borge speaks carefully. He constructs each sentence meticulously, watching out for his syntax, like a writer dictating his work. He occasionally goes back over a paragraph to polish it. And he takes long pauses before replying to certain questions. He now explains that he agreed to be interviewed by us "because of the particular relationship that I have had with the Peruvian people.")

[Question] You are without doubt the best-known leader of this revolution, for several reasons. A certain individual who does not exactly sympathize with this process says that you "are the most Nicaraguan of the revolutionary leaders." Given this background information and with an election campaign approaching in 1984 for the elections that are scheduled for 1985, you would be the front's logical candidate. Would you accept a nomination for president?

[Answer] We have not discussed this issue in the Sandinist Front's Political Commission. We have decided to hold elections in 1985 and to start the campaign in 1984 and we have appointed a commission to visit various countries and learn what specific experiences they have had in connection with election campaigns.

[Question] Will parties who do not share the FSLN's ideology be able to run?

[Answer] There are more than 10 political parties here whose ideology is not even remotely similar to the FSLN's, parties ranging from the Conservative Party, which is traditional, to the Christian Democrats, who have two parties, and the Communist Party.

[Question] So the elections might be won by a party other than the FSLN.

[Answer] They have legal guarantees that if they get a larger share of the vote, they will take power. All we have to do is examine the historical development of this country and use elementary logic logic, to realize that this really is a theoretical possibility.

[Question] I am asking you this because in dissident circles you hear the following remark by a leader of the revolution: "We are not going to raffle off power," which has been taken to mean the opposite of what you are saying.

(Borge looks up and takes a long pause, perhaps thinking about Humberto Ortega.)

[Answer] A remark can at times be taken out of context and manipulated. We would have to look at the complete text of what was said at the time. Perhaps what was meant or the spirit of the remark was that the people are now masters of their fate and that this is not going to change. We could interpret it that way, just as we could interpret it another way, couldn't we?

[Question] I still haven't gotten over my surprise at the words that you have had painted on the facade of the building: "Interior Ministry: Sentry of the People's Happiness." Given the image that every Interior Ministry has, do you think that it is proper to use such a slogan?



[Answer] This is not rhetoric; it reflects a concrete fact: this ministry could not function with the extraordinary efficiency with which it does if it were not part of the people. In other words, the extraordinary efficiency of State Security and the police, which are the two main agencies combating crime and the counterrevolution, should be attributed to the people's support, not to our own capabilities, to both the volunteer police force and to the enormous contributions being made by the VR [Revolutionary Vigilance]. So then, and this is a somewhat subjective problem, we see ourselves as a sort of sentry, armed with a rifle and a smile, safeguarding the smiles, joy and even the expressions of pain, I would say, of our people, in the face of the aggressions of which they are victims.

[Question] In his message to the Council of State, Commander Daniel Ortega said that there were 143,000 revolutionary vigilantes. We already knew that the Sandinist Defense Committees (CDS) existed...How many CDS's are there, in addition to the thousands of revolutionary vigilantes?

[Answer] Hundreds of thousands. I don't have the exact figure at this time, but some of the CDS members are revolutionary vigilantes.

[Question] The VR and the CDS's have a surveillance function. In Jinotega and here in Managua I have seen signs saying "thousands of eyes are watching you," "in this town we know who the counterrevolutionaries are." Moreover, the violence of the political language is striking; it is full of "traitors," "CIA agents" and "idiots." I know, of course, that people call each other many of these names, which indicates that your victory did not make the political debate any less bitter. And this leads to a polarization. As a leader of this revolution, do you want such a polarization?

[Answer] What happens is that at times words are used in connection with a specific reality. And what is that reality?

(Borge graphically recounts a common scene in Managua today: the funeral of a lad slain during fighting near the border, the cortege interrupting vehicular traffic, the revolutionary rallying cries that people shout at the top of their voices and...the fact that these terrible scenes are taking place almost daily. He had run into one of them the previous night, but since he was in a hurry, he managed to make it through the cortege in his car.)

[Answer continued] ...I was deeply saddened when I realized that this had become a terrible routine, something that we no longer notice that much.

[Question] You are running the risk of losing the management ability needed to run the economy. The official figures are quite negative. Moreover, I have talked with an older conservative leader, a famous ophthalmologist...I'm sure you know him...

[Answer] Emilio Alvarez Montalban.

[Question] Alvarez Montalban. To my surprise, he talked about the irreversible accomplishments of this revolution: the nationalist sentiments that did not used to exist, the involvement of women, having learned to live in accordance with the country's actual poverty...In other words, there are opposition men like him, but the objective process prevents them from becoming part of a new political system. What do you think about this?

[Answer] Not all opposition leaders are as intelligent as Emilio Alvarez Montalban...He is an intelligent enemy of the Nicaraguan revolution and talks up its accomplishments so that he can also highlight his criticism of it.

[Question] Wouldn't you change the expression "intelligent enemy" to "intelligent adversary"?

[Answer] I think that in the case of Emilio Alvarez Montalban, I would have my doubts about describing him as an enemy or an adversary.

[Question] As far as the economy is concerned, average citizens are complaining about the status of the internationalists, who reportedly have no problems with gasoline, have maids, etc. Moreover, I myself had a problem getting gasoline and I'm going to tell you the story...

(I tell Borge about the Chevron dealer who, in order to give us our entire quota of gasoline, had us siphon several liters from the tank into a can so that he could pump the rest into the tank because...we did not have authorization for him to fill our can. The morale that I drew was that this exasperates the people and, therefore, that lines are essentially subversive. What does the commander think?)

[Answer] (long pause) The bureaucracy is not a necessary evil. But sweeping changes unfortunately give rise to bureaucracy, which, in my judgment, is a more dangerous enemy than the counterrevolution. We have already begun to take specific steps to combat the bureaucracy, but they are not always as effective as we would hope. The totally idiotic and mechanical interpretation of the man at the gasoline station is merely a representative illustration of this bureaucracy. There have been even more outrageous cases. Of course, bureaucracy is not exclusive to revolutionary countries. But here in the Interior Ministry we have been struggling against it and we have been unable to come out on top. It was easier to overthrow Somoza and it is going to be easier to defeat the counterrevolution and imperialism.

(Borge interrupts himself. He remembers that he has not yet addressed the issue of complaints about the alleged benefits that the internationalists get. He praises these foreign activists or friends who are working with and for the Nicaraguan process. In a word, they are experts who cost the country nothing and who deserve a few benefits.

"A specialist who visits Peru and has to be paid is going to cost somewhat more than \$2,000 a month, right?"")

[Question] You know how much emphasis has been placed on the Cubans who are working with the army. But according to the figures in a recent government press release, which I have here, there are 3,263 Cuban internationalists, 2,117 of whom are involved in education, 535 in health care, 237 in construction and 374 in other economic activities. In other words, there is supposedly no Cuban internationalist aid in the army. Are these figures correct?

[Answer] The Cubans have worked occasionally with the army, but there are so few of them that they do not bear mentioning among these figures.

[Question] They are important qualitatively.

[Answer] I think that all countries need the aid of other countries in organizational matters, but not in running their armies or their security agencies, of which we are extraordinarily possessive.

[Question] I would like to go back to the issue of supplies. I was telling you that lines are subversive, at the level of citizens who are not politicized. In contrast, there is at times a tendency to ideologize political processes to the maximum. I heard you once on TV talking about the general science of revolutions. Do you think that an emphasis on ideology can take root among the Nicaraguan people? Is this general science Marxism-Leninism or is it something else?

[Answer] (long pause) Well, I must confess, first off, that you are a fine journalist.

[Question] Thank you.

[Answer] You have more insight than others. We have said that this revolution is based on the philosophy of Sandino and Fonseca and takes into account the revolutionary experiences of other countries and is not alien to inherited revolutionary science. Of course, revolutionaries who take power through arms are generally self-trained. We are fundamentally pragmatic, and the leadership in our country has not even remotely finished studying revolutionary ideology, which is a process. But to the extent that we have been able, we have studied the revolutionary experiences of other countries, such as Mexico, Bolivia and Cuba, to mention a few in Latin America. With regard to other countries, we are very interested in the economic experiences of Bulgaria and several pluralist experiences that Democratic Germany had, especially in its initial stage. We are very interested in the experiences of Vietnam and we are not hostile to the sources of Marxism-Leninism.

[Question] Commander, we are now going to broach the enormous issue of freedom, which is common to all political systems and all historic

processes. For example, there are tight controls here on freedom of the press. The only paper that is not aligned with the revolution has been closed down several times and is subject to prior censorship. A few days ago an issue failed to come out, for this reason, I assume. This has necessitated the creation of an apparatus that, as I understand it, is run by this ministry (Borge nods). And this sets a trend in motion: the apparatus becomes bureaucratized and, in so doing, tends to become self-justifying, to expand and to become more sophisticated. Certain news stories that have been censored in LA PRENSA have appeared in BARRICADA and NUEVO DIARIO, such as one about world boxing champion Alexis Arguello. I have no reason to love General Pinochet, but I have to acknowledge that Chilean dissidents have more chance to express themselves in spite of a state of emergency that has lasted 10 years.

[Answer] We have to draw some distinctions, don't we? First of all, regarding the somewhat Kafkaesque ramifications of control over the mass media, which at times transcend the limits of elementary logic and escape our political vigilance...What you mentioned has happened: items that appear in BARRICADA or NUEVO DIARIO are banned from LA PRENSA. This reflects the peculiar development of agencies that in their eagerness to achieve a certain degree of autonomy, fail to follow the political guidelines of this country's leadership. My job does not always allow me to keep close tabs on these irregularities. And of course we have to distinguish between the state of emergency imposed by the Chilean criminal known as Pinochet and the emergency situation in our country. The one in Nicaragua is to defend the people of Nicaragua. From a strictly objective standpoint, Chile has not been invaded, as Nicaragua has. If Chile were to be invaded by 2,000 or 3,000 revolutionaries, Pinochet would take draconian measures against the Chilean people...

(The issue worries him. He explains at length that it was the emergency that forced the government to take control of the news, in order to insure the country's security and supplies for the populace. Certain publications were divulging military situations that hampered the movements of the Armed Forces. LA PRENSA specifically was said to have embarked on a campaign to cause artificial shortages of certain items. He denies that the media were controlled before the Emergency Law, whose date of issue he does not recall.)

[Question] And what about the closures of LA PRENSA before the law?

[Answer] Yes, but there was no prior censorship. On one occasion that paper insulted the memory of the commander who founded the revolution, Carlos Fonseca, and was sanctioned. It said something really obscene against Comrade Fonseca, who is sacred to us.

[Question] Another topic of great interest is the Church. We can sense a split here between one sector of the Church, the people's church, and the establishment Church. In NUEVO DIARIO I have read about the "monsignor of the poor," as Father Jose Arias Caldera is

called, and about the "mystic pastorals" and other derogatory opinions about the establishment Church. For its part, the establishment Church has technically suspended the three priests who are government ministers, and they can no longer say Mass. We can imagine what this means to a priest...

[Answer] It was a terrible thing for them.

[Question] And this conflict is getting worse. It is no longer a question of whether or not the emergency period that made possible their appointment is over. This is a test of strength between the religious hierarchy and the revolution. Don't you think that these ministers are in a dreadful, tragic situation?

[Answer] Yes they are. Not only those three ministers, but the entire Christian population of Nicaragua. The problem, in my view, is that the archbishop of Nicaragua, Monsignor Miguel Obando, is not only a Christian leader but has also become the best-known political leader of the Nicaraguan revolution's adversaries. As an archbishop, we have no problem with him. It doesn't matter to us whether he says 2, 3 or 4 Masses a day or whether he says none. His preaching the word of God is of no concern to us. The problem is that he is using not only the forum of the Church but also his international ties for the benefit of his own political program (I am talking about his specific links with the U.S. Government and the economic aid he is receiving) and not to spread religion in this country...

[Question] This is a very Catholic country, isn't it?

[Answer] Very Catholic...but instead to further a strictly political, not a religious philosophy, regardless of whether he disguises it with religious words.

[Question] I want to get back to the following. Aren't those three priests paying the piper, as individuals, as human beings?

[Answer] They regard it as an extraordinary personal sacrifice.

[Question] Upon seeing their sacrifice, couldn't you be magnanimous and tell them to go back to their religious duties?

[Answer] Under present conditions in our country, we accept their sacrifice as a contribution by Christians to our revolution.

[Question] Seeing how it tears them apart?

[Answer] Yes, it's awful. It touches us deeply. But the interest of peoples is above personal sacrifices.

[Question] A short while ago in Lima I conducted a lengthy interview with an old acquaintance of yours: Eden Pastora. There were many

references to this ministry during that interview. He gave me the impression that you clashed over State domestic security policy.

[Answer] Not at all. While he was deputy interior minister, we did not have the slightest difference of opinion, except concerning certain measures that he took to release a few Somozist prisoners or to return some confiscated properties. He was a very popular man in this country, and unfortunately I furthered his popularity to a degree. When the masses on occasion demanded my presence on the speakers platform, I always called on him. I established what I thought was a good personal relationship, almost a family relationship...

(This is obviously a major issue to Borge. The initially slow, then rapid transition from love to hate. Two comrades in arms who become two armed enemies. Borge tells of the first signs of rivalry or envy that he thought he perceived in Pastora. As the commander expatiated, an aide desperately signaled to me to end the interview, tapping his watch. "Do you have 5 more minutes?" I asked, interrupting Borge. "Yes, of course," he quickly replied. He has been deep in thought the entire time, and it is apparently true that he does not care for interviews, not out of mere vanity, though, but as an intellectual challenge; in this he is similar to Milton Friedman. He speaks briefly with his aide. The minister of telecommunications, Deputy Commander Enrique Schmidt, is waiting for him. "Have him wait," Borge orders. He changes his mind right away though and decides to have him brought in and join the already large group. We return to Commander Zero, and Borge explains why he doesn't believe that he is "a vulgar CIA agent" but why he does believe that there are certain ties.)

[Answer continued] ...in his personal ambitions and his excessive vanity, he thought that the mistaken principle that the end justifies the means should be part of political tactics.

[Question] Is Eden Pastora in Nicaragua now?

[Answer] Please! he's in Costa Rica. The attitude that he has taken seems a great deal like some of the remarks that he made to us in the past: We have to deceive everyone!

[Question] He was very impressed with what Fidel Castro told him.

[Answer] What did Fidel Castro tell him?

[Question] "You're either a saint or a fool. You should have taken power."

[Answer] (short laugh) Fidel Castro never told him that. Eden is lying. He just says that Fidel told him that. He attributes remarks to me that I have never made. He is a man with an imagination that deserves a better cause...

(The commander's eyes shine bright as he begins what could be called "the tales of Eden," as written by Borge. The story of the strange parapsychological powers of Commander Zero's mother: "She would stare at glasses on a table, and, crack! they would shatter." His bragging about his sharpshooting, when he claimed that he put a bullet through the hole in a coin. Or the time in Guadalajara when a foolhardy fellow pinched his wife's backside, and Pastora killed him with one blow. Or when he aimed a mortar by sight, and the shell hit right in the middle of a National Guard ship. He acted out, with sounds, all of these tales, imitating Commander Zero, as his audience laughed. "This is what he looks like, right?" Borge asked me at one point. I say yes, but I'm actually thinking that Pastora does a better imitation of Borge.)

[Answer continued] ...and he could say things about me: making up stories about a baby grand piano in my house, rugs that never existed.

[Question] Didn't Zero ever try to disobey an order that he thought was particularly silly?

[Answer] Never. He never questioned anything. In fact, he even into extremist positions here, and I controlled him in this regard. He became the biggest communist in the country.

[Question] What post was it his ambition to hold in the revolution?

[Answer] He once told me but did not harp on it, that his ambition was to be a member of the National Directorate, which is the highest decision-making body that can exist in this country. And his ambition, now I can see it, was to be president of Nicaragua or something like that, to be the maximum leader of this revolution.

[Question] Is there a hierarchy among the nine members of the group leadership?

[Answer] There is no hierarchy.

[Question] Not even you rank higher, since you are the sole founder of the front left?

[Answer] There is a hierarchy from a pro forma standpoint, in the sense that if I...if we attend a political function together, I'm the first to arrive, or if they put out an empty chair for Carlos Fonseca, I sit beside it.

[Question] By protocol then you come first.

[Answer] As a matter of protocol.

(He might have perhaps added that he is the only one of the nine whose likeness appears in Revolution Square. But it has been a good hour and a half, and I pose my last question to him, regarding an incident with the Peruvian Embassy that made the papers in Lima. Borge explains it at length. I turn off the tape recorder, and he has me play the tape over so that he can underscore his remarks. He wants to make it clear that the incident should not sour diplomatic relations with Peru and he reaffirms his great fondness for the country. Then, looking at himself ("but I'm not in uniform and I feel strange without it"), he agrees to have a special photograph taken of himself outside his imposing building. His presence in the elevator disconcerts the people waiting on every floor, and while Yovera shoots him with various cameras, a crowd of onlookers watches us in astonished amusement. As we bid him farewell, Borge asks whether we came by car and then tells one of his aides to take us. A final courtesy accorded dryly, martially. He then turns around and reenters his domain, his feudal castle, as the fellow would say who described Borge as one of the four warlords of Nicaragua.)

8743

CSO: 3248/1023



## NUNEZ DISCUSSES INSTITUTIONALIZATION PROCESS

Havana GRANMA in Spanish 10 Jun 83 p 6

/Report on Interview with Commander Carlos Nunez Tellez, chairman of the State Council by Granma special correspondent Luis M. Arce; given in Managua on 6 June

/Text We talked with Commander Carlos Nunez Tellez, chairman of the State Council, in his office for some minutes, which he snatched from his intense work in the leadership apparatus of his country.

The conversation revolved around the process of institutionalization which is at a very important stage because plans of enormous importance, as are those pertaining to the Law of Political Parties and the Election Law, are under discussion.

Nunez, a guerrilla commander not much over 30 years of age, explained details of this problem to the readers of GRANMA.

"In reality," he explained, "what is being carried forward in Nicaragua is the development of a legislature in which the Nicaraguan revolutionary process tends to refine itself and where the political will of the revolution is expressed through its vanguard, the Sandinist National Liberation Front (FSLN).

"With it," he added, "we are fulfilling the pledges assumed. But the process of institutionalization is not being taken up now for the first time; rather, it has been carried out since victory. What we are doing at the present time is to proceed with the political-juridical regulation of the state and to prepare to cope with future difficulties."

With regard to the Law of Political Parties and the eventual Election Law, the chairman of the State Council explained the following:

"They are not going to mean the beginning of a process of institutionalization but the demonstration of the political will of the FSLN, of its revolutionary conduct, before the international forces; and they will strike a blow against U.S. imperialism, which has said that the Sandinist Revolution is not capable of fulfilling its pledges.

"Then, they wonder: Will an election process in Nicaragua mean reform, stagnation or the paralyzation of the revolutionary transformations? We believe not. Because in its consolidation, the revolution has as its standard bearers the social forces which are supports of the whole process that reached power by the way of arms and defeating an enemy regime.

"In this sense," Nunez replies to our question, "we do not believe that in any circumstance, either the right nor imperialism have possibilities of developing in Nicaragua and much less returning to a regime like or similar to the one we had previously.

"So that these tasks we are carrying out at the present time must be understood as part of the revolutionary development of the Nicaraguan process, as part of its consolidation and of the fulfillment of its pledges, and also as a demonstration of the strength of the revolution."

In response to a question about how can the tensions in the Central American area influence that process, Commander Nunez said:

"Obviously those tensions are a very important fact which we do not intend to evade. I must say that in stating publicly before the international community that we are going to approve the Law of Political Parties and the Election Law, it means that the revolution is capable of keeping its word, but at the same time those tensions can bring about consequences to the area and to Nicaragua.

"This is not a matter of seeing the situation of some Central American countries in an isolated manner; rather, the phenomenon must be set with the results of the imperial policy currently supported by the U.S. administration led by Ronald Reagan, which supports the proposition of keeping its strategic interests intact and guaranteeing its hegemony in the continent, and that to achieve this it does not hesitate to use other governments or other armies as tools; it does not hesitate to divide the Central American countries and to use blackmail, taking advantage of the economic crisis, or to exacerbate the contradictions to the point of making them burst and cause a war. Such is the case of Honduras, which is no more than a servile tool in the service of the Reagan administration.

"It is clear that Nicaragua expresses its most firm will to carry forward the Law of the Parties and the Election Law, establishing the rules of the game for all the political parties in the country, recognizing their right to fight for political power, and their strength will be demonstrated by the social base that will support them but which we know will not be very great.

"We must say," Nunez clarifies, "that one thing is our will and another thing is the will of imperialism, and that an increase in the aggressive escalation, a greater military involvement through one or several Central American or Latin American governments, or an intensification of the fighting that is currently going on in the northern border can affect not our will but a task that will become secondary in the face of the alternative of putting the whole country on a war footing.

"This would mean," the chairman of the State Council underscored firmly, "that we would reinforce all the struggle fronts--the international, the political and the ideological--and that tasks such as this of legislation on political parties would be left for a better opportunity, and we know that the international community would understand that because it would be inconsistent for us to be talking about and working on an election process while our people are bleeding and when the important thing really is to achieve the survival and the prevalence of the revolution."

8711

CSO: 3248/1050

## MSGR OBANDO Y BRAVO DISCUSSES ROLE OF PRIESTS

Lima CARETAS in Spanish 30 May 83 pp 46-47

[Interview with Archbishop Miguel Obando y Bravo, at his residence on 3 May]

[Text] In polarized Nicaragua, Monsignor Miguel Obando y Bravo is either an angel-pastor or a devil-reactionary. We have already seen that to Tomas Borge, he is "the best-known political leader of the revolution's adversaries." Therefore, attending his religious services is a way of displaying dissidence, whether the archbishop likes it or not. He has focused his battle against the nine commanders on the independence and freedom of the hierarchical Church, which he claims is being threatened by the Sandinist attempt to establish an alternative people's church. Hence, the prominent government positions of certain priests, including Foreign Minister Miguel D'Escoto and the Cardenal brothers, Fernando and Ernesto, have become the touchstone of the prolonged conflict. From this standpoint, the support that the pope gave him in March was to Obando what spinach is to Popeye. His natural strength, as reflected in his face and bull-like frame, increased considerably. This was unquestionably in evidence when he received CARETAS on the evening of 3 May at his villa, Maria Auxiliadora. In his full archbishop's regalia, as our cameraman would irreverently say, he looked strong, optimistic and ready to charge.

[Question] There are those who say that the pope's visit will be a decisive event in the history of Central America. What do you think in this regard and, in particular, about his bumpy visit to Nicaragua?

[Answer] The preparations for the Supreme Pontiff's visit were very difficult. The people from the Vatican who were in charge of the visit say that nowhere else had they encountered such difficulties with preparations. To me it was regrettable that there were groups

that wanted to show disrespect for him. The pope himself told me later in Haiti, "the disrespect towards my person doesn't concern me, but disrespect towards Jesus transubstantiated, towards his Eucharist does." When he was celebrating Mass, people began shouting rallying cries, chants that had nothing to do with the liturgy. They stormed the microphones. There was a terrible rumpus. It was a very big mistake, but I can assure you that it was not the Nicaraguan people's fault.

[Question] Whose was it then?

[Answer] The great majority of Nicaraguans came to the square with great fervor and spirit of sacrifice. Just imagine standing up all day there, with our scorching sun! The words that John Paul addressed to us were timely and have not fallen on deaf ears but on fertile soil, and I am certain that they are going to bear great fruit.

[Question] Are attempts being made to establish a parallel church in this country?

[Answer] There are unquestionably people here who will not admit that there is a people's church, but their line, their policies indicate that there is a people's church. No sooner had the Supreme Pontiff's plane left than over our car radios we heard very harsh criticisms of him from those who say that they are not forming a people's church.

[Question] Today's EL NUEVO DIARIO has an article praising a revolutionary priest and stating that a true Christian does not resort to "mystic language" or "the subterfuges of alienating myth." For whom are these phrases meant?

[Answer] I couldn't tell you for whom they are meant. I suppose they are directed against the Catholic Church.

[Question] Did you combat Somoza?

[Answer] Not just me. Other bishops too. We were against the unjust, sinful situation, not against a specific individual. The bishops have thus spoken very clearly regarding the Miskitos under this regime. The Church tries to improve man in an all-round way by preaching the gospel to him and jolting his conscience so that he becomes the master of his fate, so that he grows as a human being. We do, however, try to maintain our identity, and this earns us labels like "reactionaries," "counterrevolutionaries" and "mystics."

[Question] What is the ecclesiastical status of the priests who are part of the government?

[Answer] The Church's policy, as expressed in its council documents, in Puebla, is that laymen should be in charge of temporal matters and manage them in accordance with Christ's teachings. These matters include

party politics and public office. Thus, they were first asked to resign from their positions...

[Question] Did you ask them?

[Answer] No. It was the Nicaraguan Bishops Conference. We talked with them and reached the decision that as long as they held public office, they could not practice the priesthood either publicly or privately. When he arrived at the airport, the Holy Father himself went up to Father Ernesto Cardenal, who is the minister of culture and sports, and went like this (Obando imitates the pope's harsh gesture, pointing both index fingers), telling him to "straighten out his status with the Church." As we can see, the Holy Father does not agree with what these priests are doing.

[Question] Have they been technically suspended?

[Answer] We are very careful about the word "suspension." We have a gentlemen's agreement that they are not to practice the priesthood either publicly or privately. And they agreed to this.

(We should add parenthetically here that there was a specific reason for Obando's assertion, a reason that this journalist was unaware of at the time of the interview. At least one of the suspended priests, Miguel D'Escoto, has admitted saying Mass, privately, after the suspension. This was reported in a book of interviews by Teofilo Cabestrero that is freely available in Managua.)

[Question] Are you in touch with them?

[Answer] I don't have any priests in my diocese. Escoto (Obando leaves off the D') works here but, citing some legal nonsense, claims that he belongs to the diocese of Esteli. Ernesto Cardenal belongs to the Migalpa diocese.

[Question] You could disregard the red tape in a matter as important as this.

[Answer] It is really not a question of red tape; it is a question of law. If a priest is incardinated at the Migalpa diocese, for example, he has his bishop.

[Question] What do you think of Ernesto Cardenal's ideas about the essential compatibility between Marxism and Christianity?

[Answer] I have listened to and read his statements several times. I would answer him with a letter that Father Arrupe wrote several years ago: "Can a Jesuit, a Christian, accept Marxian analysis and leave aside ideology?" He would have to accept the class struggle and admit that the end justifies the means.

[Question] Nicaragua is in a period fraught with dangers, perhaps even on the verge of a civil war. Don't you think that you should personally appeal to the consciences of government officials and the opposition?

[Answer] I must repeat: here we act as a group.

[Question] But it is a fact that you are the religious leader of the Church.

[Answer] When very touchy things are involved, we always act by common agreement. I am the chairman of the Bishops Conference, and we unquestionably see the situation as very complicated. I would like to see the problems resolved along civilized paths, to see people working for a peace based on love, justice, truth and, above all, freedom. If after serious thought we at the Bishops Conference reached the conclusion that new guidelines had to be handed down, we would do so.

[Question] Do you see yourself as the head of the opposition?

[Answer] I think that there are always people trying to distort other people's images. I always hark back to the Pastoral Letter of November 1979. It says that if socialism means preventing the people of Nicaragua from being the masters of their own fate, then we are against that kind of spurious socialism. But if socialism means creating a more humane, more brotherly system with greater involvement, then we are for it. In accordance with our identity, we cannot make the revolution absolute. We cannot raise it to the status of an idol. When man worships created things--the State, sex, wealth--he becomes a slave. God wishes to enter into a dialogue with a man who is able to make his own decisions.

[Question] People say that because this is a young revolution, it is somewhat iconoclasti

[Answer] Problems can always exist between generations. I am an educator and I know that young people become enthusiastic about ideals, and this helps us to enrich each other.

[Question] Were any of the commanders ever your students?

[Answer] Yes, one of them. But I will not reveal his name so as not to compromise him. I choose to be prudent.

[Question] History tends to place certain men in positions in which they have to make critical choices. For example, don't you see yourself, with some degree of fright, as a sort of Nicaraguan Archbishop Makarios?

[Answer] I have always said that a bishop's duty is to be a pastor. On 19 July 1979, when the National Guard chief of staff asked me: "Are you going to take power?" I was very clear: I said no! I have always said that a bishop is concerned about man's total salvation, but without being involved in party politics. A bishop should be a unifying element, and as soon as he belongs to a given party, he runs the risk of perhaps dividing the community further.

## HERRERA DISCUSSES TASKS OF CDS IN FACE OF AGGRESSIONS

Havana GRANMA in Spanish 14 Jun 83 p 5

/Report by GRANMA special correspondent Luis M. Arce/

/Text/ Managua--Nicaragua is mobilized from coast to coast and each grain of rice or each bean that is sown, or each law that is legislated is done under the strict revolutionary vigilance of the people. Because, in these times of aggression in which the attacks of the Honduran Army and the former Somoza guards are combined with the destabilization plans of the CIA, revolutionary vigilance is the watchword.

And revolutionary vigilance is the responsibility of the people organized block by block, cooperative by cooperative, in their Sandinist Defense Committees (CDS). The CDS's are the eyes and the arm of the revolution, an arm armed with rifles as the times demand.

Leticia Herrera, a heroine commander of the revolution, is responsible for directing the CDS. GRANMA spoke with her at length about different topics connected with the most popular and largest mass organization in Nicaragua.

Explaining the combat-readiness of the people in the face of the escalation of aggression that Nicaragua is experiencing, Commander Leticia Herrera told us:

"In the face of the escalation of imperialist aggression, there are several alternatives. The most direct one has been the incorporation of the people into the militias and the reserve troops to serve as support for the regular forces of the revolution. Along with that is their incorporation into the CDS and; with the CDS, revolutionary vigilance. In this regard, the People's Army, the fighters of the Ministry of the Interior, the Frontier Guard forces and the reserve battalions have considered the CDS to be their secure rearguard as far as the country's defense is concerned.

"In reality," explains the guerrilla commander, "in terms of the country's defense, the CDS's concern themselves with five already consolidated basic areas: the reserve battalions, the peoples militias, the self-defense units, revolutionary vigilance and civil defense. This latter, recently created, is organized in such a way that it can intervene not only against outside aggression but also in case of natural disasters, as in the case of earthquakes, floods, etc."



The revolution, adds our interviewee, has created various mass organizations; however, thus far none have had the possibility of being organized on a territorialwide basis like the CDS to defend the territory of the country inch by inch in an organized and effective way. "Let us take the Atlantic Coast, for example," she said, "the Atlantic Coast that traditionally lived isolated from the rest of the country with its customs and dialects very peculiar to its minorities. Nevertheless, the CDS are organized there as a natural response of the people in defense of their revolution. The most singular thing is that they have spontaneously adjusted the structure of the CDS to the specific conditions of the region, making them more effective."

The prospects of the organization are very broad, explained Commander Leticia, and they are not limited exclusively to defense tasks, although that is their priority.

At the same time that they control the activities of the enemy and prevent violent actions such as sabotage, the CDS's thwart diversionist activity, the attempts to cut supplies and watch to see that a proper distribution of the basic goods is made to the population.

In that regard, the CDS's constitute veritable live cells, of a decisionmaking level, of the various state organs by participating in a direct manner in the popular councils of the ministries.

At the same time, the CDS's represent an inestimable fulcrum of the revolution in tasks that without the direct participation of the organized people would be very difficult and almost impossible to carry out, as for example the national health days, including the vaccination campaigns in which more than 15,000 health brigaders--as the CDS personnel who participate in that activity are called here--participate voluntarily.

Volunteer work, which the Nicaraguans call communal work because it is performed in the community and for its benefit, is another of the great contributions and permanent activity front of the CDS's, with the participation of which communal houses, schools, medical stations have been built, streets and country roads have been paved, etc.

It is of interest to point out, as the guerrilla commander explains that the historical background of the CDS's is the CDC, that is, the Civil Defense Committees which operated clandestinely in the struggle against Somoism, performing tasks of logistic support for the FSLN and which played a prominent role in the defeat of the tyrannical regime of Anastasio Somoza.

Its conversion into the CDS, when the participation of the people after the revolutionary victory became more massive, is not simply a logical continuation of that anti-Somoza primary popular organization, but, in addition, it is the result of the people's need to express their patriotic feeling, their fighting spirit and their determination to defend what they had already gained.

That is why, explained Leticia Herrera, even though their activities may be very diverse, at their center, for each CDS member, is the defense of his own

gains. Consequently, each of his actions: revolutionary vigilance, voluntary work, the health and education campaigns, etc., has to be seen from the viewpoint of the defense of the revolution and its great gains.

It is precisely from that awareness and from the concrete situation of the country that emerge the watchwords that come from the people and that return to them in the form of very specific tasks to fulfill, as is the case of the one that prevails today, "Revolutionary Vigilance Is the Daily Task"; and that is the one that each of the sons of this heroic people fulfills with the firmness which the times demand.

8711

CSO: 3248/1050

## IRREGULAR STRUGGLE BATTALION UNIT DESCRIBED

Havana VERDE OLIVO in Spanish 9 Jun 83 No 23 pp 16-17

/Article by Lesmes la Rosa/

/Text/ "Here is the chief of the 'Choir' and his deputy for political work. We sent for them to give them some instructions...."

That was what Cdr Alvaro Baltodano, chief of the Struggle Against Somoza Bands, told us as he received us in a command post imbedded in the zone of operations in the northern part of Nicaragua. When we heard those words, the idea of a cultural group flitted through our mind. But we were very quickly disabused: we learned that it was the Irregular Struggle Battalion (BLI), "Choir of Angels," one of the most campaign-hardened units of the Sandinist People's Army in the current struggle against the mercenary groups that imperialism has infiltrated into the country.

The "Choir of Angels" has deep historical roots. Some aspects of that nature were related to us by Sub-Lt Antonio Baquedano Martinez, occupying some rustic trunks that in that combat situation became comfortable seats.

"The 'Choir of Angels' unit was created by Gen Augusto Cesar Sandino in 1927 at the time of the Yankee invasion. In it there were kids of even 8 and 13 years of age. Generally, they were orphan children whose parents had been murdered by the gringos. But the age did not matter; they participated in combat actions, some making a clatter with cans and firecrackers; others already carried rifles. Many made bombs using empty cans...."

"They were brave kids; they puffed hard, they had endurance, they marched a lot. They did not forgive the gringos. There is a significant thing: the chief of the unit was General Sandino's youngest general. Miguel A. Orteza. He was 25 years old; almost a kid...."

Suddenly, the officer came to attention when he noticed the presence of a semibearded military man who, with a folding AKM rifle on his shoulder, advanced toward us. From the first moment, the recent-arrival created a pleasing impression by his simplicity. He was Sub-Cdr Oscar Lanuza Salgado, current chief of the BLI "Choir of Angels." We continued to speak with him about the unit he commanded which, according to the opinion of the military leaders and the feeling of the fighters, is the pride of the Sandinist People's Army.

## Along the Sandinist Path

"Just talk a bit about the 'Choir of Angels,' right, brother?" the officer told us and added:

"Because its history is the same as that of any guerrilla column you had when you fought in the Sierra Maestra against Batista.

"Let us begin then. In mid-1982, we received the order from the high command of the Sandinist People's Army (EPS) to create this unit, bringing back the Sandinist tradition. It is a pity that the battalion is engaged in an operation 60 kilometers from here and you cannot talk with some fighters.... Well, this BLI is special; it is intended for counterinsurgency and it has currently had a main role in the encirclement, pursuit and destruction of the former national guards who invade us.

The combat and moral experiences of their young chief are very useful to the members of the "Choir of Angels." He is of peasant stock and knew the rigors of working from sunup to sundown for some 50 centavos a day. Notwithstanding the fact that he was illiterate at that time, "I was able to assess the situation in which the people lived, the exploitation. I began to become aware and to see that the only way to get out of that was armed struggle, there was no other way but to continue the heritage of General Sandino."

For that reason, in 1975, he enlisted in the FSLN. The Northern Front learned his fearlessness. He fought in Esteli, Limay, Matagalpa, Sauce. At the end of the war in July 1979, he was already chief of a guerrilla column. Now he is 28 years old.

But he devoted few words to that and instead concentrated on the qualities of his subordinates:

"They are very young kids. Many fought in the insurrection. Some were already in civilian life and we went there. They said, 'Present.' Others were in the Sandinist People's Militias. Peasant youths of the region, who were familiar with the harshness, customs and subsistence in the mountains, also joined.

"In reality, they are experienced. They have the capability to pursue the enemy and maneuver well. They display physical endurance; they are accustomed to walking a lot. They exhibit natural tactics. They instinctively know the enemy's route and where he may appear. Above all, there is a high combat level and high morale. The battalion has a good proportion of comrades whose parents, brothers or some other member of the family were killed by the Guard in Somoza's time. Some are orphans of FSLN martyrs. That influences their morale, discipline and hatred of the enemy.

## Hunt for Bands

After the victory of the Sandinist revolution, Sub-Commander Lanuza was given cultural and military advance training courses. He also served in G-2. The "Choir of Angels" has been in operation for several months. He referred to it:

"We have completed an infinite number of missions in different parts of the country. The unit is mobile. We recall places such as Kilali, Wiwili, Limay, San Juan de Rio Coco.... We always came out victorious. We have inflicted many casualties on the enemy and taken possession of the equipment with which imperialism arms them. During one operation, we confronted about 200 Contras. They tried to take a position but we maneuvered and enclosed them in a basin, a watering place. We hunted them and those who could escape received our pursuit fire.

"In Chachagua they did not put up a fight. In Kilambe, it was the same. We also pursued the task force of a henchman called 'Tono.' We had eight clashes and inflicted 40 to 50 casualties on him.... And we continue to fight for the fatherland...."

/Question/ Who are the command cadres of the battalion?" we asked.

"From the squad level to the chief, all are old guerrillas, FSLN fighters with plenty of experience.

"The Sparrow" Returns to the Mountains

Sub-Lt Julio Cesar Briones is one of those command cadres to which Sub-Commander Lanuza referred. Everybody affectionately calls him "The Sparrow" /El Gorrion/.

"Because during the insurrectional struggle, being in the Northern Front, Cdr Juan Alberto Blandon gave me the mission of capturing some informers of Somoza. I fulfilled the mission quickly and well. Each time I introduced an informer (there were five), I said sarcastically: 'Come along, Mister Little Sparrow, come along.' After that task and my humor, the chief said that my pseudonym would be "The Sparrow."

Julio Cesar felt the evil abuses of the Somoza dictatorship. For that reason, I joined the struggle.

"I confronted the regime because I saw the poverty the children and farmers were going through. In my house, we had not seen food for some time. Moaning was not going to fill our stomachs. There was nobody to whom one could complain. The authorities and the bourgeoisie were against the poor. The only thing left to do was the revolution. I followed the reports from Cuba, you were already liberated. Then, when I was not yet 'The Sparrow,' I climbed the mountains to fight.

"After the victory, I have rendered various services. I had the opportunity to visit Cuba, almost just recently down from the mountains. Comrade, I tell you sincerely: you are really brothers; you have a great heart! I visited Havana, Matanzas, Varadero, Cienfuegos.... Those Santiago people are tremendous....!

"Well, the thing was that last year I was in Montelimar receiving cultural and military advanced training--we are a stronger army now. Then the S.O.B.'s of the National Guard sent by gringos came to invade us; they called me from the

command and "The Sparrow" returned to the mountains. Here I am with the kids of the 'Choir of Angels,' giving them my experiences. But who said they were angels? They are scorpions because wherever the contras enter, they sting them...."

The meeting was approaching an end. A helicopter of the Sandinist Air Force was preparing to take those officers to a certain point. But before the blades revved up and the craft cut through the free Segovia sky, Sub-Commander Lanuza reiterated:

"The counterrevolutionary bands cannot cope with the people. They do not have the morale. That stuff about they are going to take power, not even they believe it. We have given them a great response at the national level; they have been hit from all sides and we will continue to fighting and winning. Furthermore, the peoples of the world support our cause.

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CSO: 3248/1050

## LABOR MINISTER ON ROLE OF MINISTRY, NEW LABOR LEGISLATION

PY211853 Lima EL COMERCIO in Spanish 3 Jul 83 p A 4

["Summary" of undated interview with Peruvian Labor Minister Patricio Ricketts Rey de Castro--place not given]

[Text] [Question] Policies that will be conducted to give them legal protection from the point of view of the labor sector.... [sentence as published]

[Answer] Essentially, yes. The day I assumed my functions as labor minister I said that my ministry was very limited: I am neither an economy minister nor a minister of national or world crisis. The precise framework of this ministry is that of labor. The problems of employers, including the state as an employer, pertain to other sectors with which I will establish a relation of dialogue. I will try to be a valid interlocutor, but from the point of view of the workers because that is my sector: this is the Labor Ministry, that is, of the workers.

[Question] You said you would be "a minister of the workers and not a minister of national or international crisis." Do you mean that your field of action will be very restricted precisely due to the economic crisis the country is confronting?

[Answer] It has been said that this task is practically impossible, but it is now my job to deal with it. I have sworn as labor minister "to fulfill faithfully and loyally" the task that has been entrusted to me. This task and this framework are much more complex than they appear. They are very broad and I must be dedicated to them.... Moreover, there are specific legal dispositions such as the labor statute and the law regarding the ministry which defines exactly the functions of the minister. And the laws have been made to be fulfilled. While these laws remain as they are, I will act in strict accordance with them....

[Question] Nevertheless, as a valid interlocutor you will be acting at a time in which Peru--as are other nations--is experiencing one of the worst crises in its history. How will you reconcile the surely increasingly more serious demands of the labor sector with the current critical situation we are encountering?

[Answer] The duty of finding viable solutions concerns not only the Labor Ministry but also the other parties to the dialogue. These others are mainly the workers and their enterprises. The first relationship that exists is the direct one. The ministry should intervene in labor relations only in a subsidiary position when the parties do not reach a direct agreement. This is the ideal. The most important thing is the direct negotiation, the direct agreement, and to create the appropriate conditions so that this relationship is as effective as possible.... It must be pointed out, however, that the national crisis demands national solutions. Regarding the workers' problems, we must all work together--workers, employers, the ministry.... The national problem is to find formulas so that the weight of the crisis--which is a real burden--is as light as possible for the labor sector.

[Question] During this interview you said you would try formulas in search of more resources for your ministry. Concretely, what do you intend to do?

[Answer] I have several basic ideas which will be studied in this case, as in all others, by the experts of the ministry. My first concern is to promote teamwork; to stimulate the contribution that can be made from past experience, which is really remarkable in the labor sector; and to stimulate creativity. So we will discuss the different proposals with the experts and advisers who have offered their contributions.

[Question] In a gesture that has been unusual among the predecessors in your post, you visited the headquarters of two labor organizations on the same day you were sworn in as a minister. What was the purpose of the visits, apart from the gesture?

[Answer] To lay a basis and begin a dialogue which I hope will be sincere and fruitful from the start. It seems to me that excessive attention is given to formalities in Peru. As I have said many times, I do not feel any vanity over my post. It is a work like any other. It is simply a responsibility. We all have our responsibilities and it is our duty to face them as well as possible, seeking all possible ways of attaining solutions. I told the CGTP [General Confederation of Peruvian Workers] and CTRP-Lima [Federation of Workers of the Peruvian Revolution, Lima branch] leaders very frankly that my attitude is very open and that I wish to work with them.

[Question] What did the leaders answer?

[Answer] They absolutely agreed with these points of view, which is highly encouraging.

[Question] Would you say that you start with good prospects?

[Answer] We have started, at least, and with good prospects, I hope.

[Question] Spokesmen of the Marxist left, Senator Malpica among others, have criticized your assumption of the high post you are holding, asserting that you entertain neoliberal ideas and that you will last for a very short time at the ministry. Any comment?



[Answer] I have read in some dailies about Senator Carlos Malpica's prophecies that I will be very short-lived (as labor minister). Personally I believe that we should leave it to time to confirm or deny those prophecies. I have no comment on them....

[Question] What is the labor situation in the country right now, Dr Ricketts?

[Answer] It is very quiet just now. There is no great conflict; at least there is no strike of any great importance.

[Question] Despite the fact that 5 days is a short time for a full evaluation, what have you been able to observe regarding the functioning of the ministry entrusted to you? In what state did you receive it?

[Answer] From my point of view, there are great shortcomings which I might sum up in the following words: At present the Peruvian workers have neither the legislation they deserve, nor the ministry they deserve, nor the Peruvian state instruments they deserve. There is an abyss between the great principles and the great mandates of the constitution and what really exists.

[Question] To what do you attribute the picture you have just outlined? Inefficiency? ineffectiveness?

[Answer] Not at all. There is nothing personal in this. It is simply the continuation of a situation which has its origins a very long time ago. For instance, the legislation is really in a state of chaos which can be clearly seen from the effort of compilation recently made by the Labor Ministry in coordination with or with support from international organizations. A first volume of about 200 pages has now been published, regarding the individual work contract and all kinds of regulations, some of which are most peculiar. This labor law compilation quotes, for example, an official communique of 1974 as a legal disposition. Undoubtedly, this is not what the working class deserves and this is one of the origins of a great number of conflicts. Contemporary Peru requires a great legislative effort to modernize regulations and to create a body of laws which represent the great principles of solidarity, respect for work, etc, not only for labor relations but for all aspects dealing with work....

[Question] In your opinion this does not exist, right?

[Answer] In Latin America there are still two countries (Argentina and Peru, I believe) which have not made that effort. Practically all the others have codified their labor legislation.

[Question] Your appraisal of the need to modernize the body of labor laws of the country is broad and general. What specific aspects will be included in the task? Could you tell which subjects will get priority treatment?

[Answer] Everything has priority, but I might mention the following subjects: collective bargaining, labor conflicts, forming of labor unions, and a great

many other fields in which it is necessary to arrive at some really advanced juridical formulas which are in tune with our times and the needs of the country.

[Question] According to your own statements, the Labor Ministry you received "is not what the workers deserve." What is the basis for that appraisal?

[Answer] The fact that labor is really immense in this country. People usually identify labor problems with the problems of organized labor, that is, the small labor sector organized in unions which participates in collective bargaining. All of us know that this is a very small part of the working population. The sphere of action of the ministry is much more complex than that: it has to concern itself with the incorrectly named informal sector [street vendors] which is huge; it should look after the work on the farms, the native communities, the peasant communities, and pay attention to everything that is the most problematic in Peru. The ministry has no means to begin working on these aspects or to start studying these problems. It is a completely ineffective administrative structure facing the task it has to deal with. It is ineffective as a structure, although the personnel are extremely hardworking people, but they are very few in number and work under difficult conditions and without the elements they need to fulfill their functions. I have even found that numerous posts are vacant on the executive level and it will be very difficult to fill them under the conditions offered by the ministry. The latter has had to have recourse to loans from other institutions, because it cannot pay a person of the ability that is needed, with the funds available in the ministry budget. The following may be said about the budget of the ministry: if we measure with Franciscan standards, the Franciscans are affluent in comparison with the actual conditions of the Labor Ministry.

[Question] What explanation is there to the fact that the Labor Ministry has neglected the informal sector, the workers on farms, the native communities?

[Answer] I would not say they have been neglected. It is a problem which has worsened rapidly and as usual the real Peru prevails over the official and formal Peru, it dominates it. The official and formal Peru is always one step behind in the development of events. And in the labor field I would say that it is incredibly behind regarding the reality and the social and economic developments.

[Question] This will be a challenge for you as labor minister....

[Answer] This is the main thing. I would be very satisfied if I could achieve the aforementioned goals: to update and, at least, contribute to efforts--which are not only of the state but also national--to create the necessary structure and ministry which the workers require and the legislation which the other aforementioned sectors deserve.

[Question] Do you have any definite idea on how the problem of the peasants and native communities, to mention two of the sectors you referred to, will be tackled?

[Answer] I have a very definite idea: all these problems have to be tackled based on serious studies not just improvisations. The first thing I will advocate is that in each case the cooperation and integration of the many elements of great value which the country has be sought for this effort (which the ministry's small staff cannot cope with). Consultation with these elements is indispensable and a precondition to drawing up policies....

CSO: 3348/567

## BOUTERSE ON FOUNDING, ROLE OF PEOPLE'S MILITIA

Paramaribo DE WARE TIJD in Dutch 23 May 83 p 1

[Article: "Commander: 'Not National Guard but People's Militia'; Training of Volunteers Starts 30 May"]

[Text] Paramaribo, 22/5 (SNA) - At a meeting of some hundreds of volunteers Saturday noon in the Memre Boekoe barracks, Commander Bouterse announced the official start of the people's militia.

Members of the council of ministers were also present at the meeting, which was preceded by a film-show of the mercenary invasion at the Bay of Pigs (Cuba) in 1961 and by an appearance of the theatergroup Mofo and the poet Dobru.

500 a Week

The training of the many thousand volunteers who have already enlisted themselves, starts 30 May and will be carried out at the rate of 500 persons a week. The final realisation of the people's militia, asked for by various strata of the population, were greeted with enthusiasm by those present.

Throughout our whole history since Kaikusi we have known different kinds of people's militia, according to the commander's speech. But, while in the case of Kaikusi and the maroons it concerned the organization and armament of the people against the oppression, the Home Guard and National Guard established by the colonial government were merely instruments to defend the interests of colonialism and the privileged groups.

## Vaillant's Resolution

The leader of the revolution cited a resolution from 1816 of the Dutch governor Vaillant, in which a home guard of whites, colored and free blacks was established. Not only the racist character of the Dutch colonialism was expressed in this resolution, but it also appeared that the National Guard had to defend the colonial interests.

The people's militia is the armed people who defend their own revolution, their own independence and sovereignty, according to the commander. And a big difference with the Home Guard and the National Guard is, he said, that the militia is voluntary.

## Political Character

The commander stressed the political character of the people's militia. Members of the people's militia can only be those who actually dedicate themselves to the people's interests, wherever they live, work or are organized. The people's militia is nothing mysterious, nothing which has to be hidden, but something for which one openly comes out and of which one is proud, according to Commander Bouterse. He who does not consistently fight for the rights of the poor, who is not an exemplary revolutionary, cannot belong to the militia. The leader of the revolution made clear that the militia knows no political tendencies and organizations. The militia is one and indivisible and is the concrete liaison between the people and its army. Finally, according to the commander, besides the military preparation the political schooling is of essential importance to the whole purpose of the militia.

12451

CSO: 3214/37

## PRIVATE FOREIGN DEBT FOR ESSENTIAL GOODS RECOGNIZED

Caracas EL UNIVERSAL in Spanish 29 Jun 83 p 2-2

[Article by Fanny Perez]

[Text] The director of the Differential Exchange System Office (RECADI), Miguel Rodriguez Molina, stated that the legal recognition of the private foreign debt contracted before 18 February by Venezuelan businesses is very clear and definite in his mind.

"The commercial debt is recognized in the decrees that have been promulgated to date, as well as those that have been drafted by the National Executive. In that regard, no modifications are foreseen in current legal regulations," stated Rodriguez Molina.

It will be recalled that yesterday afternoon, after the private sector representatives of Fedecamaras, Consecomercio and Conindustria met with the minister of finance, they announced that the government had recognized the payment of their commercial debt at the preferential rate of 4.30 to the dollar.

The director of RECADI did not, however, confirm the private sector's assertions, but rather indicated that he was unaware of any modification of current decrees, particularly number 1,930, which defines the portions of the private foreign debt that would be recognized by the Executive at 4.30 to the dollar.

Miguel Rodriguez Molina confirmed the provisions of Decree 1,930, according to which the Executive will recognize the payment of the private foreign debt.

The categories defined in the decree are set forth in the following terms: In Article 2, the financial debt of the financial sector is defined as the debt contracted by national banks, finance companies, credit institutions, insurance and reinsurance companies, with similar businesses abroad.

In Article 3 the financial debt of the non-financial sector is defined as that which has been contracted by agricultural, construction, industrial, transportation, and commercial services firms, and any other kind of business not included in the private financial sector.

Article 3 also defines the commercial debt of the non-financial sector as that which is contracted with exporters or foreign suppliers of capital goods, inputs, services and products deemed essential by the National Executive.

This article also is the source of the disagreement between the government and business, since the latter want the term "essential product" to be replaced with the term "finished good." This concept is very compromising, because it would cover the debt of sectors that RECADI considers luxury (such as sound equipment, various kinds of jewelry, etc.).

Unofficially, it was learned that the Executive does not have enough foreign reserves available to cover the payment of all those goods, which would be paid at the preferential dollar rate if the wording of the decree were to be changed.

If the Executive persists in keeping the word "essential" in the text of the decree, then it will limit the recognition of this payment obligation for debts contracted before 18 February, to a list of basic goods that has already been drawn up.

The director of RECADI explained that his office does not intend to modify the decrees already promulgated by the National Executive.

#### Rationalize Student Dollars

Touching on other issues related to RECADI, we asked how dollars are being paid to students overseas.

In this regard it was announced that RECADI has planned a study and analysis of all the information processed to date concerning the registration of Venezuelan students abroad, in view of the large numbers that are joining this group.

"We think that it is necessary to rationalize the distribution of preferential dollars to Venezuelan students in foreign educational institutions."

This rationalization program will begin next September, when a new term begins in educational institutions.

The rationalization involves the elimination of a series of educational disciplines that are not included in the wording of the decrees.

8926

CSO: 3348/544

## TREASURY RESERVES EXPECTED TO REACH 8.1 BILLION BOLIVARS

Caracas EL NACIONAL in Spanish 1 Jul 83 p D-7

[Text] In the explanation of the budget for 1984 a comparison is made between fiscal activity in the 1974-78 period and that of the 1979-83 period.

In this regard, it is noted that during the first period, the National Treasury took in ordinary revenues of 202,223,600,000 bolivars, of which 74 percent corresponded to revenues generated by petroleum, and 26 percent to the yield of the internal activities of the economy.

The report indicates that for the 1979-83 period, ordinary revenues taken in by the Treasury amounted to 347,351,100,000, of which 68 percent came from the petroleum sector, and the remaining 32 percent from internal activity. "This points out the declining role played by petroleum revenues in the financing of the budget."

The report comments that this has happened "despite the obvious drop in the economy's growth rate during this period, seeking to restore the balance of the economic magnitudes that had been disturbed earlier, due principally to the highly expansive effect of fiscal spending."

The explanation observes that current spending for the 1974-78 period, including interest payments, reached 109,361,400,000 bolivars, with the following details:

"The average annual growth rate of current spending was 16.8 percent. If we exclude interest payments, which amounted to 6,259,600,000 bolivars, or 6 percent of all current spending, the growth rate falls to 14.9 percent."

These figures are compared with those of the 1979-83 period, and it is observed that while current spending reached a cumulative total of 235,964,800,000 bolivars, the annual growth rate was only 11.6 percent.

"Considering, however, that during the 1979-83 period interest payments totaling 35.572 billion bolivars were paid out of the National Budget (15 percent of the total) as a consequence of the level of the public debt that had accumulated as of 12-31-82, the growth rate of current spending devoted to government functions is even lower, only 8.7 percent."



The report indicates that by 1979 a policy of subsidizing consumption was underway, which represented an annual disbursement in the order of 5.5 billion bolivars. That amount was not included in the spending budgets, and was financed through short-term financial transactions.

"That subsidy policy, implemented in order to minimize the effects of inflation on consumption, was gradually eliminated during this period, even though prices in nearly all consumer sectors had been maintained artificially low despite inflationary pressure at the end of 1978."

In comparing the growth rate of current spending with the average inflation rates of both periods, the report states that during the 1974-78 period that rate was substantially above the inflation rate, while in 1979-83 the growth rate of current spending has been consistently the same as inflation.

"These facts cannot be analyzed without considering the fact that in 1979-83 new collective bargaining contracts were signed with the labor federations, a new wage scale was applied to civil servants, and a new set of contracts was agreed to with teachers, resulting in a growth in benefits of more than 100 percent over the 1978 level."

Comparing savings in the current account for both periods, it is observed that the savings/current income ratio in 1974-78 was 46 percent, while in 1979-83 it has been 32 percent. If in both cases the aforementioned interest rates are excluded, those ratios would be 49 and 42 percent, respectively.

"Analyzing and comparing the financial results for the two periods, it can be seen that while capital spending yielded a cumulative total of 52 percent of current income in 1974-78, there was a cumulative financial deficit of 11,985,400,000 bolivars."

The report indicates that for 1979-83 this figure is 32 percent, "but with a financial surplus of 232 million bolivars."

"The reason for these figures is that during the 1974-78 period a program for investing in large projects was initiated, involving an intensive use of capital. By the end of 1978 those projects had not been completed yet, despite the volume of resources allocated to them."

It adds in this regard that these projects have been carried on by the present administration, and some of them have been completed. "They have imposed a great deal of rigidity on the orientation of public investment, especially since 1982, when additional restrictive factors have emerged in the form of the decline in fiscal revenues from petroleum (which plummeted from 70.885 billion bolivars in 1981 to a projected 39.393 billion in 1983, a 44 percent decline), and principal payments of the public debt, which have had a significant impact on the configuration of budgeted spending, and have therefore translated into a major factor of rigidity."

The budget explanation states that during the 1974-78 period some 16,691,600,000 bolivars was spent on principal loan payments, and that figure together with the 6,259,200,000 bolivars paid out in interest during the same

period yields a total debt service of 23,950,800,000 bolivars, which represents 12 percent of total current revenues for that period.

"Comparing these figures with those of the 1979-83 period, one can see a significant contrast. In effect, the principal payments on the debt amounted to 31.676 billion bolivars, and adding interest payments of 35,572,200,000 bolivars yields a total of 67.428 billion, 19.4 percent of current revenues. When these sums are compared to fiscal revenues from the petroleum industry in the two cases, however, it can be seen that for the 1974-78 period they represented 16 percent of oil income, while in the present period they constitute 28 percent of that income."

The report states that there is no doubt that the accelerated growth of current spending is one of the major factors in orienting public spending through the National Budget.

"Various factors contribute to this growth: inflation, employment policy, and pressure on the government for greater coverage of basic services such as public health, education, social security and national defense. Pressure exerted by professional and labor organizations is also a key variable in the make-up of public spending."

Finally, the report explains that as a consequence of economic policies, particularly fiscal and monetary policy, there has been an impact on domestic aggregate demand, through public spending, the maintenance of a reasonable amount of monetary liquidity, in accordance with price and inflation level objectives.

"During this period, government revenues stayed at an average level of 75 billion bolivars per year, while payments remained at a similar level. Thus, treasury holdings, which as of 1 January totaled 8.779 billion bolivars, are expected to have dropped by a slight 7.5 percent to 8.114 billion by the end of 1983."

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## LATEST ECONOMIC INDICATORS ANALYZED

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[Article by Antonio Briceno Parilli]

[Excerpts] In recent times there has been a lot of talk of monetary liquidity; this concept has been used for political purposes through the mass media to illustrate the present state of economic malaise, which is often exaggerated, to the detriment of the country's economy.

For this purpose, I would like to show here that the liquidity problems that have been bandied about so are totally unfounded, as can be seen by analyzing them carefully in light of the statistics provided by the Central Bank of Venezuela.

For example, as for the money supply (M), which is the indicator most often cited to show the economic ills the country is now undergoing because of a lack of cash: Between 1978 and 1979 [as published] there was a constant increase of 21, 6, 7 and 13.7 percent, respectively, which indicates in absolute terms that from a total of 41.134 billion bolivars in circulation in 1978, the money supply grew to 53.482 billion bolivars in 1981. While in December 1982 that figure had dropped by 8.4 percent from the previous year, to 49.013 billion bolivars, the money supply had recovered enough to yield a total of more than 50 billion bolivars by May, and by the first week of June it had reached 52.518 billion, almost the same level as in December 1981, and even higher than in prior years.

Despite the declines, savings and term deposits (quasi-money) have risen steadily. The latter grew from 10.881 billion bolivars in 1978 to 51.515 billion in December 1981. Savings deposits rose from 21.165 billion in 1978 to 28.608 billion in December 1982. Both items, that is quasi-money, went from 32.046 billion bolivars in December 1978 to 80.123 billion in December 1982, and by the first week of June of this year, had reached 84.593 billion bolivars (Central Bank figures).

All the above analyzed data reveal that monetary liquidity (M2) grew from 73.18 billion bolivars in December 1978 to 129.136 billion in December 1982.

To give a better idea of these figures and their variations, let us look at the chart below, obtained from the Central Bank of Venezuela:

MONEY SUPPLY AND MONETARY LIQUIDITY  
(IN BILLIONS OF BOLIVARS)

| Balance at<br>end of | Money Supply<br>(M1) | Savings<br>Deposits | Term<br>Deposits | Monetary Li-<br>quidity (M2) | Percentage Varia-<br>tion in Monetary<br>Liquidity |
|----------------------|----------------------|---------------------|------------------|------------------------------|----------------------------------------------------|
| 1978                 | 41.134               | 21.165              | 10.881           | 73.180                       | 15.2                                               |
| 1979                 | 43.886               | 22.901              | 17.256           | 84.043                       | 14.8                                               |
| 1980                 | 49.915               | 26.070              | 27.759           | 103.744                      | 23.4                                               |
| 1981                 | 53.482               | 28.889              | 42.320           | 124.691                      | 20.2                                               |
| 1982                 | 49.013               | 28.608              | 51.515           | 129.136                      | 3.6                                                |

Although in the first 3 months of this year the money supply and monetary liquidity shrank somewhat, they declined by only 2.3 percent with respect to December 1982.

The reasons for this restriction are well known to all: the flight of capital between the end of 1982 and February of this year, and the resulting exchange control measures. The need for these measures, their belated implementation and their defects will be the subject of another analysis in the future.

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