

Press Cuttings

from Broad Street Associates

OBSERVER

31 JUL 1988

NEWSWATCH

'TUMBLEDOWN' FILM SALE

The BBC plans to sell the controversial TV drama 'Tumbledown' to the cinema, writes Richard Brooks. The film, based on the personal account of the Falklands conflict by the wounded Scots Guards captain Robert Lawrence (right), attracted a 10 million audience when shown on BBC1 two months ago. It is likely to be taken up by Cannon, the film distributors, and could become a forerunner for a series of other films made by the BBC for both television and the cinema. But the cinema release could run into trouble over negotiations for extra payments to the 50 actors appearing in the drama, whose agreement was to work for TV, not cinema. If just one actor refuses, the deal would be blocked. (Media Matters, page 34.)



Pilkington through the glass brightly

SHREWD institutional investors note the trading performance of Pilkington and the bullish remarks of chairman Antony Pilkington to shareholders last week, writes **David Simpson**.

International demand for Pilkington's traditional glass products continues to grow apace; growth which has established a more stable and profitable pricing regime.

The St Helens-based group will soon decide on a location for a new £70 million floatglass plant, with the balance finely poised between a low-cost Merseyside site and a more expensive location in the South-East which would allow Pilkington easier access to its perceived market-places.

Pilkington holds great hopes for another techno-

logical breakthrough with a new heat-saving glass, which should make an impact on the double-glazing market.

Pilkington can also look to increasing contributions from its vision care activities, where it is fast establishing itself as the world's premier ophthalmic concern.

At present, only Pilkington's Brazilian and Argentinian operations are failing to meet targets. Elsewhere, demand and earnings are growing.

In the year to end-March last, Pilkington reported pre-tax profits growth of 18 per cent to £302 million.

BTR's continued 3.8 per cent interest adds a speculative dimension, but the main attraction of Pilkington's shares, at 213p, and on a modest 7.6 times historic p/e, lies in the group's earnings potential.

Clearing the red from the books

David Barchard looks at the signs of recovery in the four big banks

FEW SATISFACTIONS can be as great as that experienced by a banker when moving back into the black. In their interim results announced this week, the big four clearing banks have seen the red ink caused by defaults on Third World debts, disappearing from their balance sheets, hopefully never to return.

This has been good news for shareholders. Even at Midland, which has been the most gravely affected by problems with Third World debt, shareholders got their first dividend increase in three years.

However the banks' performance this summer has not been entirely heroic.

At NatWest, the largest clearer, domestic profits of £477m were down a puzzling 11 per cent, while operating costs rose by an alarming 25 per cent.

Most of the profit figures contained small but helpful exceptional items, such as Barclays' sale of its Californian subsidiary. This would not have been necessary if the picture, projected by the banks last year, of surging profitabil-

ity at home offsetting losses in Latin America, was still entirely true.

Banking activities in the UK have returned to their traditional role of being the major source of income for the banks, but the market is becoming steadily more crowded. Banks still affect to race with each other for market share although their estimates of it are often at variance.

However the suspicion must be that they have come under some pressure from building societies offering financial services - such as credit cards and cheque book current accounts - which until very recently were the exclusive preserve of the banks. If so, the squeeze on their domestic profits is likely to grow.

Concern with market share marked out Barclays' results from the others. Its personal lending is growing at the extraordinary annual rate of 42 per cent, having speeded up from 37 per cent since early April. This was when it announced a £921m rights issue to strengthen its capital base in readiness for the struggle to overtake NatWest.

Barclays expects that its lending will slow down in the second half of the year, but this week, Mr John Quinton, Barclays' chairman, was able to announce that in some sections of the personal market, Barclays is now number one.

The other banks accuse Barclays of being preoccupied with market share and warn that no good can come out of such a fast increase in lending, a suggestion that Barclays firmly rejects.

"This is not a mad dash for growth. Our increase in market share has not been bought by undercutting others," said Mr Quinton. He pointed out that the average margin on lending by Barclays over the base rate has actually gone up by 0.2 percentage points since the start of the year.

One of the surprises of the results was in the four banks' investment arms. None of them has looked entirely happy over the last year, with several being forced to withdraw from loss-making operations, even without last October's stock market crash being taken into account. Yet all four did reasonably well.

Only County NatWest declared a loss - at £10m, much less than the market had feared - while Midland Montagu converted a hair's breadth profit of £2m a year ago into a healthy £63m. This was of course partly made possible by closing much of its subsidiary Greenwell Montagu Securities.

The most impressive performance was that of Barclays de Zoete Wedd where an £11m loss at the year-end turned into a half-year profit of £27m. Midland Montagu and Lloyds Merchant Banks have retrieved their situations by cutting

their losses and concentrating on areas of strength.

By not doing the same, County NatWest has committed itself to a much longer but - if its strategy succeeds - ultimately more profitable path.

The question that none of the banks was eager to answer directly was whether the spectre of Third World debt has now gone away for good. Some analysts felt that this summer's figures would have been more, rather than less, encouraging.

Eager to show that the crisis was over, none of the banks made any exceptional provisions this year. However, all of them have large amounts of debt still outstanding and must pin part of their hopes for future profitability on such matters as negotiations with the new government in Brazil (looking hopeful) and Argentinian payments of interest (not so hopeful.)

NatWest and Barclays have less LDC exposure and much larger balance sheets, and are better placed to ride out any further upsets in Latin America. Lloyds' ratio of LDC debt exposure to equity is dropping and its strong profitability at home gives cause for optimism.

Midland's problems however look as if they will take longer to go away, despite courageous and entrepreneurial leadership from Sir Kit McMahon, its chairman. It has already had to make automatic provision this summer against overdue interest payments from Argentina.

It is counting on strengthened ratios, particularly a risk/asset ratio which Sir Kit identifies as being around 11 per cent, to signal to the market that it too is out of the woods.

CLEARING BANK RESULTS JUNE 1988

	Assets £bn	Pre-tax profit £m	Domestic profit £m	LDC exposure £bn	Equity/ assets %
Barclays	98.5	618	382†	2.93	5.6
NatWest	102.4	702	477	2.57	4.9
Midland	53.9	313	228	4.5	5.2
Lloyds	47.8	452	393	4.15	5.4

† Including Central Retail Services and Mercantile Group

Pre-tax performance of Merchant Banks

	June 88 £m	June 87 £m	Dec 87 £m
BZW	27	(11)	25
County NatWest	(10)	(116)	2
Midland Montagu	63	19	2
Lloyds Merchant	5	(28)	(32)

Navy review 'by stealth' denied

THE GOVERNMENT has answered MPs who say that the Royal Navy is being run down because of a shortage of funds. A Ministry of Defence paper published yesterday says there is "no need for or question of a defence review by 'stealth' or otherwise".

The Government has accepted the view in a recent report from the all-party Commons defence committee that two or three ships must be ordered each year to maintain a modern force of about 50 destroyers and frigates.

In the last three years the Ministry of Defence has not managed this ordering rate, but this was due to the run-down from 58 to "about 50" frigates and destroyers, says the department.

Now that the fleet has been reduced to this level orders will be stepped up to replace the Lean-

By Mark Urban
Defence Correspondent

der class vessels which make up half of the escort force and are becoming obsolete, sources said. The surface fleet was going to be cut back further in line with the 1981 Defence White Paper, but the Government agreed to keep it at 50 frigates and destroyers following the Falklands War. This was subsequently amended to "about 50".

An investigation by *The Independent* last month showed that only 31 of these vessels were ready for action. Others were in repair or refit.

The document says: "The important measure is how many ships are at any one time either available for operational deploy-

ment immediately or within a short period if required: on this basis 40-43 destroyers and frigates have been available in recent months."

The way in which the ministry calculates its ship figures has been criticised for including ships which have not been completed or are on refit and could not be available in a short period.

The Armilla patrol in the Gulf has taken ships away from Nato training. A solution to the war will allow vessels to return to exercises, and sources insist that it would not prompt cuts.

■ Babcock Thorn, the commercial managers of Rosyth dockyard, said yesterday that suspected sabotage to the diesel engines of the submarine *Ocelot* is "very serious" and will delay completion of her refit.



Lloyds moves into the black with £452m

By Robert Peston
Banking Correspondent

SIR JEREMY Morse, chairman of Lloyds Bank, said yesterday that he would "love" to rebuild his bank's investment banking and international lending operations.

His comments were significant coming the day after widespread speculation in the stock market that Lloyds would make a renewed offer for Standard Chartered, the international banking group which it failed by the narrowest of margins to acquire in a hotly contested bid.

Sir Jeremy was speaking after the publication of the bank's pre-tax profits for the year to 30 June, which were £452m, compared with a £607m loss in 1987. The previous year's debit was caused by £1.1bn provisions against loans to less developed countries.

All Lloyds' divisions pushed up



Sir Jeremy Morse and Brian Pitman, chief executive, signalling their confidence yesterday

their profits, with the exception of international banking which dropped from £78m to £38m, hit by a jump from £35m to £48m in provisions against interest overdue from sovereign borrowers, notably Brazil.

Lloyds has received £19m from Brazil, but has not yet credited this to profits. Brazil owes interest of £105m to Lloyds, which the bank is hopeful it will have received in time to take into profits in the second half of the year.

Unlike Midland Bank, Lloyds does not regard Argentina as being overdue in its interest payments.

Lloyds increased its dividend by 20 per cent to 5.5p

Outlook, page 25

Galtieri puts blame on British 'provocation'

BUENOS AIRES (UPI) — Britain provoked Argentina's military junta into invading the Falklands prematurely and landing troops with inadequate preparation, an attorney for the former president, Leopoldo Galtieri, said yesterday.

Alberto de Vitta said Britain surprised Argentina when it sent Royal Marines on an ice-patrol ship in March 1982 to expel a group of civilian Argentine scrap dealers on South Georgia, 800 miles west of the Falklands. "Great Britain chose the path of violence from the very first moment," Mr de Vitta said. "It was in Britain's interest to provoke a chain of events."

Galtieri's lawyers are asking a four-judge federal appeals panel to throw out a 12-year prison sentence against him, which was imposed by a court martial that convicted the former army commander of negligence in conducting the war.

Mr De Vitta said Britain threw off the junta's timetable by forcing its hand. He said the junta, led by Galtieri, had planned more diplomatic negotiations on the islands and a possible armed incursion later in 1982, when its troops would have been better prepared, and bad weather might have harmed the chances of a British counter-attack.

Midland bounces back to £313m.

A STRONGER performance in the U.K. helped Midland Bank bounce back from its Third World debt problems yesterday and turn in a half-year pre-tax profit of £313 million.

That compared with a loss of £665 million in the first half of 1987, when the bank set aside more than £900 million to cover "sour loans," particularly in Latin America.

This time the profit has been struck after bad and doubtful debt provisions amounting to £127 million—of which £90 million relates to debtor countries, especially Argentina.

Shareholders see their interim dividend rise from 8.6p to 9.5p, the first increase for three years.

For the first time they will be offered the choice of taking all

or part of their dividend in shares rather than cash.

The figures were broadly in line with City forecasts, with one analyst commenting, "They

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are OK, but nothing to set the world alight."

Midland shares closed 7p down at 430p.

However, Midland chairman Sir Kit McMahon said, "I regard as very satisfactory the strong improvement in the underlying

profit trend which has been achieved right across the group, but particularly in our home markets in highly competitive and volatile conditions."

The Midland is the second of the "Big Four" High Street banks to report half-year results to the end of June, following Tuesday's announcement by the National Westminster of a £702 million interim profit.

Along with Lloyds, Midland is the U.K. bank most heavily-exposed in the problem countries of Latin America.

Fluctuating exchange rates have pushed up its total Third World debt from £4.1 billion at the end of last year to £4.5 billion now, and all but £700 million of that is accounted for by Latin America.

US drug patents row spreads

By Nancy Dunne in Washington

THE US Pharmaceutical Manufacturers Association, the trade group which recently filed a complaint against Brazil for its failure to protect patents, is preparing a similar case against Argentina.

Mr Mark Grayson, for the group, said patent infringements in Argentina were costing US companies almost as much in potential sales as they cost in Brazil. The group estimates its Brazilian losses at \$150m a year.

The group is aggressively

pursuing intellectual property rights violators. Earlier this year, it filed a complaint against Chile. It was withdrawn after Chile began to reform its patent law.

Last week President Reagan ordered trade retaliation against Brazil for its failure to honour patents. The Administration is thought to be considering imposing 100 per cent tariffs, as it did last year in the dispute with Japan over semiconductors.

The US Trade Representative

has compiled an eight-page list of products which may face higher import duties. Included on the list are: chemicals, wood and paper products, air conditioners, elevators, lifting and loading machinery, metal-working machine tools, housewares, television cameras, oven, hair dryers and curlers, electrical parts, tape recorders, and firearms.

The Trade Representative has scheduled hearings on September 8 to decide which goods will be targeted.

Argentina resumes loan talks

By Gary Mead in Buenos Aires

TWO senior Argentine government officials have arrived in Washington to resume discussions on the country's foreign debt interest payments, which this year will be almost \$5bn.

Mr Mario Brodersohn, the Treasury Secretary, and Mr Luis Machinea, the central bank president, hope to reach agreement with the International Monetary Fund for a new stand-by loan of \$1.6bn, including \$400m outstanding from a previous loan.

According to the Argentine officials they would regard a new loan as sufficient to cover interest payments and fiscal deficit requirements up to the

end of 1989, when President Raul Alfonsín's administration leaves office. The two sides have already met twice this month and, according to Mr Machinea are "very close" to an agreement.

However, 65 per cent of Argentina's \$56bn foreign debt is in the hands of 320 commercial banks. The Argentine delegation intends talking to them too, with the hope of obtaining by September \$2bn more.

While the IMF will be considering Argentina's failure to adhere to its year-old agreement to hold its fiscal deficit to 2 per cent of GDP for the second half of 1987 and cut inflation, commercial banks are

pondering Argentina's increasing tendency to fall into arrears on its interest payments. In June, Argentina came within six days of missing the 90-day deadline imposed by US banks for interest payments. After the deadline, US banks must place debt on a non-performing basis.

A similar deadline will arrive on August 6, when \$400m of interest in arrears from May ought to be paid.

Argentina's foreign currency reserves are officially described as "very low". The talks therefore have a degree of urgency if bankers are to avoid another nervous day on August 6.

Galtieri's lawyer justifies invasion

BUENOS AIRES: A lawyer for former military president Leopoldo Galtieri, defending him against charges of negligence in the 1982 Falklands conflict, has called the Argentine invasion of the islands legitimate.

"The (military) junta (headed by Galtieri) acted correctly throughout the war," Luis Berkman said as he began his defence of the general in a civil court. Galtieri has already been sentenced to 12 years in jail by a military tribunal.

Galtieri, Admiral Jorge Anaya and Air Force Brigadier Basilio Lami Dozo are facing retrial in civil court after a federal prosecutor appealed for harsher

sentences. Mr Berkman, 82, said the invasion ordered by the junta was in "legitimate right of defence of the principle of authority...the aggression was solely British."

Mr Berkman, addressing a panel of four judges and a packed gallery, asked for acquittal of his client, who sat stone-faced by his side. Mr Berkman said the decision to invade the Falklands was not in question, but rather the subsequent actions, including a failure to anticipate possible British reactions.

Galtieri, Anaya and Lami Dozo are accused of lack of observance of military duty, ineptitude and lack of foresight.—Reuter.

Falkland invasion legitimate act, judges are told

A LAWYER for former military president Leopoldo Galtieri, defending the general against charges of negligence in the 1982 Falklands conflict, has called the Argentine invasion of the islands legitimate.

"The (military) junta (headed by Galtieri) acted correctly throughout the war," Luis Berkman said on Wednesday as he began his defence of the general in a civil court.

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Mr Berkman, 82, said the invasion ordered by the junta was in "legitimate right of defence of the principle of authority ... The aggression was solely British."

The invasion sparked a war with Britain, whose forces defeated Argentinian troops occupying the South Atlantic archipelago and regained the

islands Britain has held since 1833.

Argentina claims the islands, known in Spanish as Las Malvinas, as part of its national territory.

Mr Berkman, addressing a panel of four judges and a packed gallery, asked for acquittal of his client, who sat stone-faced by his side.

The trial opened on Monday with federal prosecutor Luis Moreno Ocampo accusing Galtieri, Anaya and Lami Dozo of lack of observance of military duty, ineptitude and lack of foresight.

Anaya is serving 14 years in prison and Lami Dozo eight.

They were found guilty with Galtieri of negligence and gross incompetence in the 10-week war, in which at least 1,000 people died on both sides. A military tribunal sentenced the three in May 1986.

Mr Berkman said the decision to invade the Falklands was not in question, but rather the subsequent actions, including a failure to anticipate possible British reactions.

The court will call 136 witnesses, all officers who served on the Falklands during the war

Press Cuttings

from Broad Street Associates **THE ~~ABC~~ TIMES**

29 JUL 1988

Argentina 'provoked'

Buenos Aires — Defence counsel for ex-president Leopoldo Galtieri in the Falklands hearings said yesterday that Britain provoked Argentina into taking "defensive action" to occupy the islands in April 1982 (Michael Llanos writes).

But Senôr Alberto de Vitta did not answer the prosecution's charges that the way the islands were taken and defended constituted negligence. The prosecution has also claimed that the occupation was "defensive". The civilian court has accused General Galtieri and five other commanders during the Falklands war of negligence.



Galtieri pleads Falklands innocence

From Daniel Drosdoff
of United Press International

BUENOS AIRES — The lawyer representing the former Argentine President, General Leopoldo Galtieri, says British "aggression" was responsible for Argentina's defeat in the Falklands war in 1982.

General Galtieri is asking an appeals panel to overturn a court-martial conviction for mis-managing the Falkland Islands war. His attorney, Luis Berkman, opened his defence case by saying, "All aggression was exclusively the work of Great Britain. You cannot punish somebody who acts in self-defence."

General Galtieri was sentenced to 12 years in jail by a military court in 1986 for negligence and misconduct after a secret hearing. Two other members of the former ruling junta, ex-navy commander Jorge Anaya and ex-air force commander Basilio Lami Dozo, are appealing against jail sentences for blunders during the war.

The prosecution wants tougher jail sentences a reversal of court-martial acquittals for three officers: General Mario Benjamin Menendez, who was military governor of the Falkland Islands; Vice-Admiral Juan Jose Lombardo, and General Omar Parada.

Mr Berkman did not go into the details of his "self-defence" doctrine, argument but in his earlier arguments before the military court he accused Britain of "aggression" because it seized the Falkland Islands from Argentina by force in the last century.

The Joke About Argentina's Gray Trio

By Jacobo Timerman

BUENOS AIRES — Argentine democracy has just buried the last corpse of the past: Peronist violence. For the first time in its 40-year history, the Peronist movement, the largest political party in Latin America, has peacefully and respectfully elected its presidential candidate.

Argentina has completed choosing the troika from which, next year, it will elect a man to govern through 1995: Eduardo Angeloz of the Radical Civic Union, the party presently in power; Carlos Saúl Menem of the Justice Party (Peronist); Alvaro Alsogaray of the Union of the Democratic Center (rightist).

The three candidates are gray and unexciting. And no one believes anymore that a presidential election can turn into a magical act that will resolve the nation's problems.

The charismatic magicians who were a recurrent presence in Argentine politics, with their promises of wealth and happiness, have been replaced by an idea key to democratic life: Politics is not essential nor can it correct years of economic stagnation and disorganization.

The three candidates owe more than an explanation to the public.

Mr. Angeloz was overly friendly with the military during the recent dictatorship and carries on his shoulders the failure of the government's economic policy, though he has been successful as governor in developing Cordoba, his province.

Mr. Alsogaray was a high official

during most of the dictatorships, imposed always by military coups and crowned always by failure. He will be the third in the competition, offering his votes, no doubt, to the highest bidder in the Electoral College if neither of the others achieves an absolute majority.

Mr. Menem signifies the return to old Peronism: close ties with the Paraguayan dictator, General Alfredo Stroessner, inability to formulate a national plan, confusion on an electoral platform, participation of Nazi organizations in the innermost circle, collaboration with ex-terrorists of the left, a powerful influence of union mafias.

Though there was order and mutual respect in the Peronist primary election, the political image of Peronism and, hence, the image of the party's candidate continues to be associated with a sense of chaos.

But if one moves away from politics and observes Argentine society as a whole, the five years of democracy have not transpired in vain.

This society, most importantly, no longer expects or requires a magical man on horseback; it will not accept changing its system even with the promise of economic gain; it would rather choose among three mediocrities than accept the messianism it was so fond of.

The prospect is a boring electoral

campaign, at the end of which the Argentines will go on record as being motivated by an attitude frequent among democracies: preference for the lesser evil. It is the strongest weapon Mr. Angeloz has.

The candidates' foreign policy positions may play an important role in the election.

Economic difficulties will be used by the Peronists as an argument in their favor. Mr. Angeloz will claim that though the economic problem is real, the solution must hinge on support from the United States, Italy and France, with whom President Raúl Alfonsín, who is not seeking re-election, has knitted together strong arguments. François Mitterrand's recent triumph and Michael Dukakis's possible victory will give Mr. Angeloz a line of reasoning that the far right used to employ with great success: Trust in the economic Great Powers. As for Peronism, it will find it hard to accuse these democratic leaders of imperialistic inclinations.

There is a joke currently circulating in Argentina: The best electoral result would be the defeat of the three candidates. But even this joke improves the possibility of the lesser evil. That is, Eduardo Angeloz.

The writer, former publisher of a newspaper in Argentina, is author of a recent book on Chile. This article was translated from the Spanish for The New York Times by Toby Talbot.

Press Cuttings

from Broad Street Associates **THE GUARDIAN**

29 JUL 1988

Invasion 'legitimate'

A lawyer for the former Argentine military president, Leopoldo Galtieri, defending him against charges of negligence in the Falklands war, has called his invasion of the islands legitimate. Galtieri, who has already been sentenced to 12 years' gaol by a military tribunal, faces retrial in civil court.

Foreign debt fears still loom large for slimmed-down high street bank

City snubs Midland's £1bn recovery

A TURNROUND of almost £1 billion in the profits fortunes of the Midland Bank left investors unmoved yesterday.

The figures were below most expectations and the bank did little to dispel fears over the future of its still huge borrowings to the Third World.

The slimmed-down Midland, now bereft of the Clydesdale and Ireland's Northern Bank, turned in a pre-tax profit of £313 million in the first half of 1988 compared with a loss of £665 million last year when the group suffered a £916 million write-off on third world debt.

But that was below the expectations of a market which had looked for higher operating profits and a lower provision for bad and doubtful debts, mostly overseas, than the £127 million the bank reported. The shares fell 7p to 430p, despite an unexpected 10 per cent half time dividend increase.

Banking in the UK proved to be the powerhouse of the group which has embarked on a wide-ranging marketing campaign to further its appeal.

Although margins were left unchanged, with the increase in the spread between the average rate at which the bank lent money and the average rate at

which it borrowed money being wiped out by an increase in costs, the spending boom has worked through to its high street branches. UK banking profits rose from £183 million to £228 million.

But profits at the Midland's hire purchase offshoot, Forward Trust, were just £1 million ahead at £29 million, suggesting that consumers were moving towards less expensive forms of borrowing.

Mortgage lending was ahead although in common with other banks, Midland has lost market share to the building societies. The Midland says that it has

adopted a far more conservative lending policy than the societies.

Analysts admit, however, that they find the Midland's results hard to fathom. The half year results benefit from the huge cash injection towards the end of last year when the Hongkong & Shanghai Banking Corp moved in to take a new 14.9 per cent stake, and from the sale of the Scottish and Irish subsidiaries.

But equally, the bank left out more than £40 million of profits from interest receivable from Brazil and Argentina which its new accounting policies allow it

to defer until the full year figures in early 1989. "There is a certain discretionary element in their profit figures" was the view of the stockbrokers Phillips & Drew.

This ability to move profits around will only add to the volatility of earnings at the bank which, due to the large exposure to debt from less developed countries, is already subject to major ups and downs.

But despite all the reservations, Midland shares have been the best performer among the major high street banks, thanks to the built-in bid interest of the Hongkong & Shanghai stake.

One school of thought, epitomised by Banque Paribas Capital Markets, suggests that the Far East bank will stand behind the Midland in the event of further upsets in third world lending.

Others say that the Hongkong & Shanghai could not afford to pick up a major disaster nor could it afford the cash for a full bid, rumoured for 1990.

The doubters suggest that UK institutions would not want Hongkong shares nor would the Bank of England want them on high streets so close to the Peking absorption of Britain's colony.

Midland Bank returns profit of £313 million

MIDLAND Bank returned pre-tax profits of £313 million for the first six months of the current year ending June, compared with a pre-tax loss for the comparable 1987 period of £665 million.

Commenting on the figures, chairman Sir Kit McMahon said: "I regard as very satisfactory the strong improvement in the underlying profit trend which has been achieved right across the group but particularly in our home markets in highly volatile and competitive conditions.

However, profits have been struck after provisions for bad and doubtful debts of £127 million. Total provisions by the bank now stand at £1.9 billion. Much of the increase in provisions comes from fears about loans to countries in payment difficulties, mainly South America where borrowings outstanding increased in Argentina, Brazil and Mexico by £0.3 billion in total.

Summer show

THE pensioned-off frigate HMS Plymouth, which survived heavy bombing in the Falklands war of 1981, will be opened to the public at Plymouth's Millbay Docks today for the duration of the summer.

Midland weathers debt problems

A STRONGER performance at home helped Midland Bank bounce back from its Third World debt problems yesterday and turn in a half-year pre-tax profit of £313m.

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Frigate's debut

The pensioned-off frigate, HMS Plymouth, which survived heavy bombing in the Falklands war, opens to the public at Plymouth's Millbay Docks tomorrow

Dividend again at Midland Bank

MIDLAND Bank bounced back with a £313m profit in the first half with chairman Sir Kit McMahon enthusiastically unveiling the first increase in dividend for three years.

Sir Kit is offering an interim dividend of 9.5p, an increase of 10 per cent over the 8.6p last time.

Pre-tax profits, less burdened with provisioning for foreign debt, rose from last year's £665m loss to £313m.

Sir Kit emphasised that a more direct indicator of underlying growth of 25 per cent is found by stripping out last year's £916m extraordinary item, which compares this year's £313m with a 'profit' of £251m last time.

Midland's profit has been struck after charging provisions for bad and doubtful debts of £127m which compared with £131m last time — again once last year's £916m extraordinary item is discounted.

Of that £127m, £90m covers those countries with payment difficulties, of which £49m relates to increases in rates of provisioning against loans to the borrowers concerned, with most of the remaining £41m accounted for by reserved interest.

Sir Kit said that the £49m relates to the underlying situation in countries where Midland has loans.

He said that there has been a deterioration in the loan position, particularly in Argentina which failed to meet its 90 day deadline in paying interest, so the bank has decided to provide more against it.

However, balanced against this deterioration with Argentina, is the promise of better times for the Brazilian debt. As Brazil owes twice as much as its South American neighbour, the debt problem is likely this year to cancel out the Argentinian problem, and swing overall in the bank's favour.

Argentina's debt to Midland grew from £600m to £700m while Brazil's grew from £1,200m to £1,300m.

Midland Bank had much better news on the home front. Its investment bank, Midland Montagu saw its investment banking profits rocket from £2m to £63m, profits which arose across the spread of its activities, including foreign exchange dealing, gilts, and mergers and acquisitions.

Global banking however saw profits fall from £12m to £3m.

Consumer lending grew by around 20 per cent, and the bank has been working hard to strengthen its domestic lending book.

The bank's mortgages amount to around £4 billion and it represents around a quarter of total domestic lending. The head of UK banking, Brian Goldthorp, said that with minimal loss on the mortgage book domestic provisioning of 1.4 per cent effectively related to non-mortgage lending.

Press Cuttings

from Broad Street Associates

SCOTLAND'S NEWSPAPER

GLASGOW HERALD

28 JUL 1988

higher dividend. Adjusting for last year's discounted rights issue, the interim is effectively being raised from 8.6p to 9.5p a share.

This is a sign that the directors are better pleased with progress than the market where the shares fell 7p to 430p. Because of the exceptional provisions that all the banks made last year in respect of problem country debts, it is best to compare profits before these exceptional items and tax.

This suggests that Midland's profits were 25% higher at £313m.

Chairman, Sir Kit McMahon, contends that this is a fair comparison. Midland earned extra money from the rights issue proceeds and from the new cash subscribed by Hong Kong and Shanghai Bank.

The profit also includes a fortuitous £20m in respect of its share in 3i which made a windfall profit by selling its stake in British Caledonian to British Airways. But he feels that this was almost offset by the fact that profits were £33m down because of the sale of Clydesdale and Northern Bank and because the £313m figure is struck after bad and doubtful debts of £127m.

These included £90m in respect of loans to problem countries. In accordance with its policy, Midland provided £41m against interest payments more than 90 days overdue.

It also provided an extra £49m against problem country debt taking the view that the situation in Argentina, particularly, is worsening. It was this latter item that probably threw the analysts who had been assuming little change in problem country debt and who had been looking for profits about £50m more than those announced.

By and large, although of a much different order of magnitude the figures are better than those produced by Natwest on Monday. Domestic banking profits were 24% higher at £228m and the investment banking side produced a profit of £63m which compares with the Natwest loss of £10m from its investment banking side.

Like the Natwest, Midlands's accounts indicate the pressure on margins caused by intense competition but Midland is keeping a much tighter control over costs than the Natwest and its capital ratios all look much healthier.

The market was a bit unkind in failing to acknowledge the extent of Midland's recovery. It also ignored a gross profit boost of up to \$125m (£70m) that might be received in the current six months if Brazil makes good all its arrears of interest. In net terms the effect will be smaller because Midland will have to put up new money against which it will have to make a loss provision.

Midland boost

For the first time in three years Midland Bank has announced a

Midland looks a realistic buy

If you draw a polite veil over the comparisons arising from the dreadful provisions against Third World loans that drove the Midland Bank £665 million into the red for the first half of 1987, while National Westminster was able to report a profit, two intriguing differences emerge between the numbers published by the two for the first six months of this year.

First, Midland managed a £83 million profit from its investment banking, after £2 million a year ago, while NatWest showed a £10 million loss.

Secondly, the Midland has taken a much sterner view of the failure of Argentina to pay interest on its loans.

So while NatWest left its dodgy-country provisions virtually unchanged, the Midland added £90 million to its total — £60 million of it against loans to Argentina.

This is because the Midland provided for the missing interest and having done so took an unforgiving look at the value of the underlying capital in view of the non-payment.

Most of the remaining £30 million of new provisions is against Brazil. Although it has started paying interest again £10 million was still overdue on June 30.

Overall, the Midland's chairman, Sir Kit McMahon, reckons that his bank's £313 million half-time profit represents an underlying improvement of 25 per cent.

He is underlining that with the first dividend increase for three years, raising the interim pay-out by 10 per cent to 9.5p.

The stock market, though had been taking this for granted and the shares slipped 7p to 430p.

Supposing Sir Kit applies the same treatment to his final dividend, the shares are heading for a yield of 6.8 per cent. With the horrors out of the way and a board with no ambitions to chase size at the expense of profits, that must be tempting.

Press Cuttings

from Broad Street Associates **YORKSHIRE POST**

28 JUL 1988

Frigate on view

The pensioned-off frigate HMS Plymouth, which survived heavy bombing in the Falklands war, opens to the public at Plymouth's Millbay Docks today for the summer.

Midland set to head profits growth league

MIDLAND Bank is set to emerge as the bank among the Big Four which has shown the most improved performance. Its half year profit of £313m compares with a staggering £665m loss reported this time last year.

Stripping out the provisions, the latest half year figures suggest the banking profits are up 25 per cent. That is supported by the figure for UK banking which turned in £228m against £183m. This trend has been helped by a 20 per cent surge in consumer lending and determined cost cutting which has seen the staff drop 2,000 to 36,000 in 18 months.

The half year profit was after bad debt provisions of £127m, including £90m for problem countries. Of this, Argentina accounted for £36m as its problems are getting worse. There is another £26m due from Argentina for unpaid interest. Midland's total problem country provisions now stand at £1.4bn, or 31 per cent of the amount lent.

Midland tackled the first half loss last year by following it with a capital injection from Hongkong Bank (which owns 14.9 per cent now) and a rights issue which between them doubled shareholders funds. As a result, chairman Sir Kit McMahon was able to say yesterday that the bank could take pride in a truly strong financial position.

The capital base which banks have to back their business has become a focus for great emphasis recently. The new crucial test now being debated is known as the Basle risk-weighted asset ratio (Basle because that is where the Bank for International Settlements resides). The final details have not been decided, but Sir Kit yesterday said that in the Midland's case a broad brush figure indicated it would be over 11 per cent.

This is well above the 8 per cent figure which is the trigger point for a bank to take action to step up its capital base. The odds are that Midland will come out top among the British banks on this ratio.

Midland recently lost a valued client when Ranks Hovis McDougall broke off its banking connection when it found that Midland's merchant bank subsidiary, Samuel Montagu, was acting for

the Australian company making a £2bn bid for Ranks.

Pressed on this subject yesterday, Sir Kit said: "I think it is inappropriate to discuss in public one's affairs with a customer." That said, he went on to admit that with ever more complex links between banks the question of which side a bank had to settle on in a case like this had become a complicated subject and that the Midland attached extreme importance to Chinese walls (the principle that the merchant bank part of a bank does not let another part know what it is doing).

Sir Kit's message was that this incident was the exception that proved the rule and that the relationship with the customer, be it giant company like Ranks or anyone of Midland's four million current account customers, is of crucial importance to it.

Midland is driving hard to increase its corporate relationships and has added 500 clients in the £5m to £250m range. It has a 19 per cent share of the corporate banking market and aims to increase this to 23 per cent in two years.

The sure and relaxed handling of the half year results yesterday by Sir Kit reflects his in-depth experience in the banking world. Now 61, he was previously deputy Governor for six years of the Bank of England, which he entered in 1964 after first academic then Government posts.

On the future, his emphasis was on Europe, building on existing interests in Germany, France and Switzerland. A top member of Midland's management team, Herve de Camoys, has resigned to head the Societe Generale in Brussels. This is a prestige appointment.

Mr de Camoys was previously chairman of Thomas Cook and Sir Kit hinted that on the retail side in Europe Midland may use the Thomas Cook name as well as developing a credit card strategy.

Interim dividend goes up 10 per cent to 9.5p. The guess in the market is that the final will bring the total to 22p, which means the shares will yield 6.9 per cent. Profit forecasts for the full year range around £675m or 72p a share giving the shares at 430p (down 7p) a p/e ratio of 6.9 and a bargain level.

Avión británico hacia Malvinas, en Carrasco

Un avión de pasajeros de la Real Fuerza Aérea británica se encuentra desde la noche del martes en el Aeropuerto de Carrasco, que debió utilizar como alternativa al de Puerto Stanley por las malas condiciones meteorológicas que imperan en el área de islas Malvinas. El aterrizaje fue autorizado por las autoridades

uruguayas ante las seguridades dadas por las británicas que la máquina, un Lockheed Tristar, no transportaba material bélico. Los 9 tripulantes y 83 pasajeros, casi todos ellos civiles, recibieron visas de tránsito y fueron alojados en hoteles de la zona del aeropuerto.



Un avión británico recaló en Montevideo

Un avión de la Fuerza Aérea británica con destino a las islas Malvinas debió aterrizar el martes en Carrasco ante el mal tiempo imperante sobre el archipiélago y aguardaba anoche el cambio de condiciones para seguir hacia su destino en Puerto Stanley, según confirmó a EL DIA el embajador británico en Montevideo, Eric Victor Vines.

El aterrizaje en Carrasco como aeropuerto de alternativa fue autorizado por las autoridades uruguayas y el aterrizaje se produjo a las 18.40 horas, en lo que fuentes de Aviación Civil calificaron como "un trámite normal, similar al que efectúan aerolíneas comerciales cuando, por ejemplo, está cerrado Ezeiza".

El avión, un Lockheed Tristar de tres turbinas, tiene a bordo a 9 tripulantes y 83 pasajeros, la mayoría civiles. El embajador Vines señaló que los militares que viajan en la máquina "no lo hacen en un grupo organizado sino en forma individual" y entre los civiles figuran mujeres, dos adolescentes varones de 14 y 16 años, técnicos, habitantes de las islas y un grupo de nueve albañiles, procedentes de Londres y Ascensión, su punto de escala.

La determinación de pedir autorización para aterrizar a las autoridades uruguayas fue tomada por el comandante de la máquina, teniente de vuelo Ralph To-

wey, aproximadamente a las 14 horas del martes (17 horas GMT) tras más de una hora de sobrevuelo en el área.

De acuerdo al Servicio Meteorológico Nacional argentino, un frente de baja presión permanecía estacionado en la zona, con vientos arrachados de fuerte intensidad procedentes del Oeste y precipitaciones aisladas, en un cuadro general de mala visibilidad.

La distancia de vuelo hasta Montevideo fue de cuatro horas y 22 minutos para el Lockheed 1011 y la alternativa al Aeropuerto de Carrasco era el de Porto Alegre, lo que implicaba al menos una hora suplementaria de vuelo. La autorización uruguaya fue concedida ante la seguridad ofrecida por las autoridades británicas de que no había material bélico a bordo. La máquina procedía de la isla de Ascensión y el avión carecía de combustible para recorrer los 13.000 kilómetros que la separaban de su punto de partida.

Los pasajeros fueron alojados con visa de tránsito en tres hoteles de la zona de Carrasco y el avión cargado de combustible y suplido del "catering" de PLUNA, a la espera de un cambio en las condiciones meteorológicas.

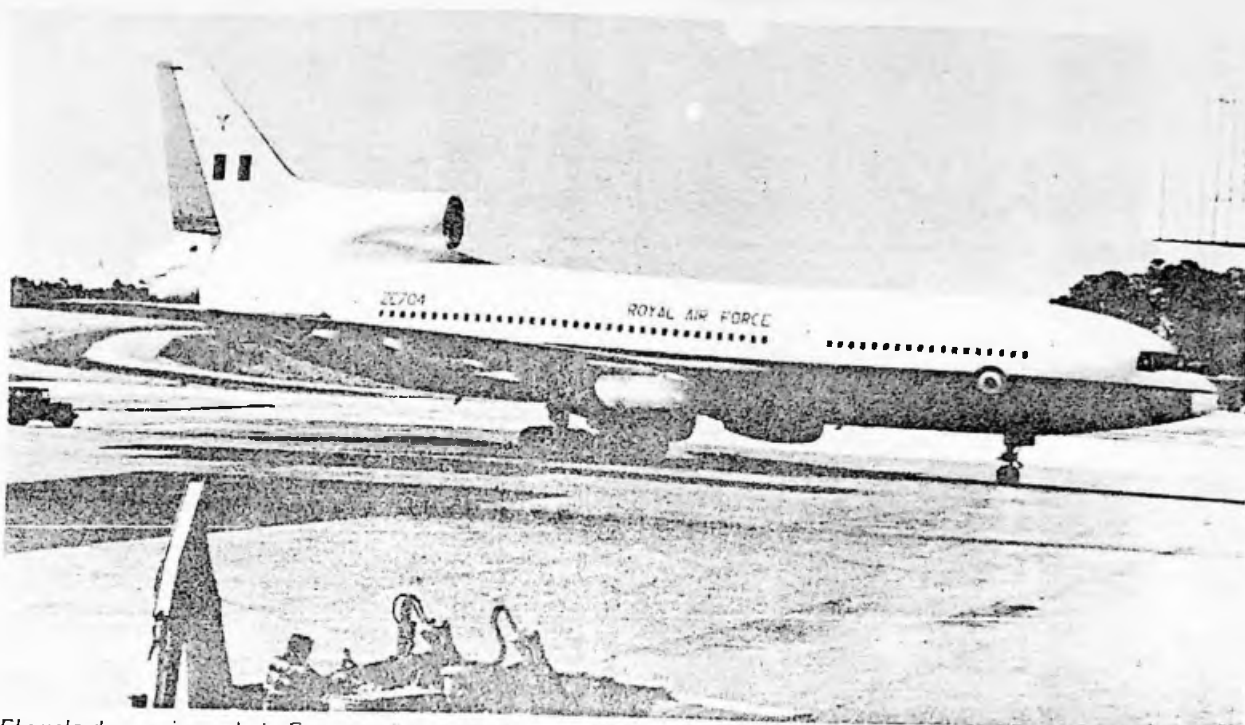
La máquina que debió buscar Carrasco como aeropuerto de alternativa forma parte de un vuelo regular de la Fuerza Aérea británica que conecta el archipiélago con Londres por lo menos tres veces por quincena, con un cuarto vuelo con carácter suplementario. Vines señaló a EL DIA que parte de los pasajeros habían pagado su pasaje.

Ese carácter "civil" fue también el criterio seguido por las autoridades de Carrasco, que determinaron que se le cobrara tasa de aeropuerto, lo que no se hace con vuelos militares.

Estos elementos hacen diferir este caso del ocurrido el 8 de marzo último, según señaló Vines a EL DIA, cuando un avión Hércules C-130 de la Real Fuerza Aérea debió efectuar un aterrizaje de emergencia en Carrasco debido a condiciones climáticas adversas en el Atlántico sur y a fallas en uno de sus motores.

En ese caso, las autoridades uruguayas determinaron que la máquina podía permanecer en suelo uruguayo hasta solucionar sus desperfectos, pero luego debía volver a su punto de origen la isla de Ascensión.

El cuatrimotor estaba tripulado por cuatro oficiales y tres suboficiales, no había pasajeros a bordo y su carga era de naturaleza militar.



El vuelo de pasajeros de la Fuerza Aérea británica seguía anoche en Carrasco, esperando el mejoramiento del tiempo sobre Puerto Stanley para emprender viaje.

“Invariable e inflexible” la posición por Malvinas

Uruguay mantiene “invariable e inflexible” su apoyo a Argentina por la soberanía de las islas Malvinas, aseguró ayer a EL DIA el ministro interino de Relaciones Exteriores, Ope Pasquet, al comentar el aterrizaje de un avión militar británico en el Aeropuerto Internacional de Carrasco.

El avión, un Lockheed 1011, solicitó ayer autorización para aterrizar en nuestro país debido a que adversas condiciones meteorológicas de las islas Malvinas —hacia donde se dirigía— impedían que así lo hiciera, explicó Pasquet.

Señaló que la aeronave transporta 83 civiles —entre ellos varios niños— y que el único objetivo del viaje es el de trasladar esas personas, así como equipaje y correspondencia, lo cual fue constatado por personal de la Fuerza Aérea Uruguaya.

Pasquet dijo que la Embajada británica en Montevideo informó a la Cancillería uruguaya de las dificultades que enfrentaba el avión, horas antes de que se autorizara su aterrizaje en Carrasco, lo que ocurrió próximo a la hora 18.40 del martes.

Destacó que el avión partirá en cuanto las condiciones meteorológicas lo hagan posible.

Asimismo precisó que la Embajada argentina en nuestro país fue informada al detalle de los hechos y de la decisión uruguaya, destacando que no se modifica la posición sustentada internacionalmente por nuestro país de apoyo a la República Argentina en sus pretensiones reivindicatorias sobre el archipiélago.

Argentina y Gran Bretaña mantuvieron un enfrentamiento bélico por la posesión de las islas Malvinas que se inició el 2 de abril de 1982 y se extendió hasta el mes de junio de ese año.

En el mes de marzo pasado horas antes de asumir el actual ministro de Relaciones Exteriores, Luis Barrios Tassano, un avión militar británico, Hércules C-130, aterrizó en el Aeropuerto Internacional de Carrasco forzado por las mismas circunstancias climáticas.

Entonces, las autoridades autorizaron el despegue de la aeronave pero con destino a la isla de Ascensión, en lugar de hacerlo hacia las islas Malvinas.



Ope Pasquet

Avión Británico Partió Ayer Hacia Ascensión

Mal Tiempo en Malvinas Motivó Aterrizaje de Emergencia en Carrasco

Un avión británico de la Real Fuerza Aérea con 83 pasajeros y 9 tripulantes, realizó ayer un aterrizaje de emergencia en el Aeropuerto Internacional de Carrasco al no poder descender en las Islas Malvinas, su destino, por razones climáticas. Anoche, el aparato despegó de Carrasco con destino a la isla Ascensión.

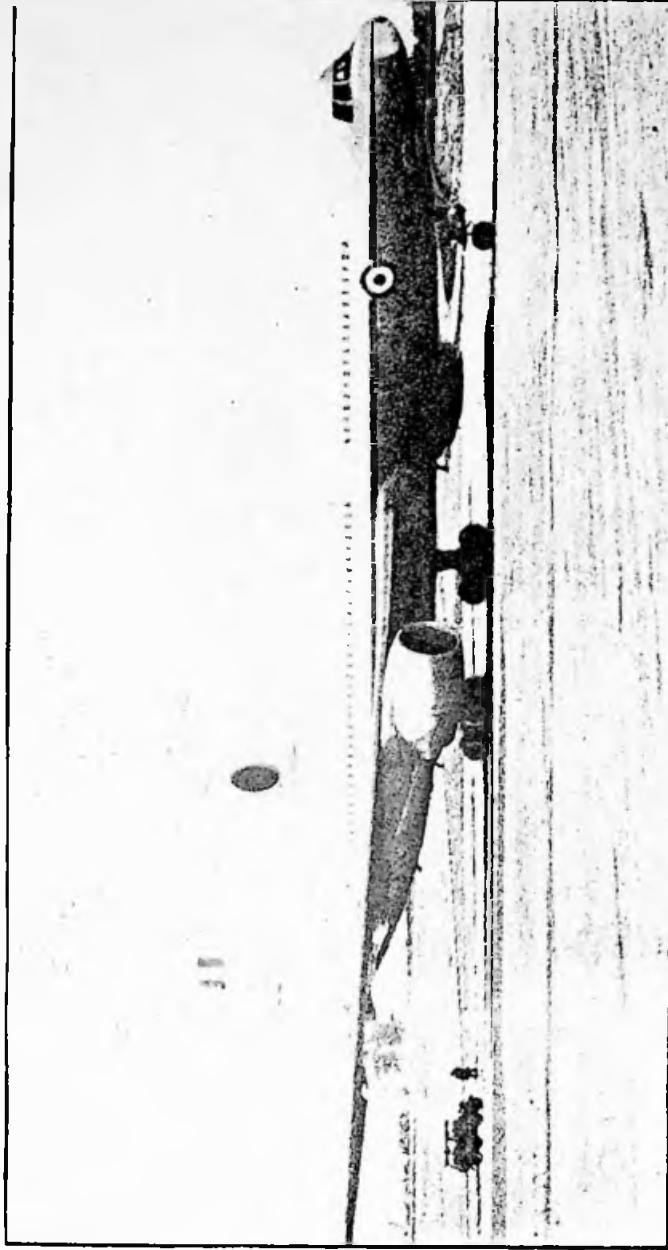
La aeronave, un Tri Star (versión inglesa del DC-10) con capacidad para 200 pasajeros, efectuaba uno de los seis vuelos mensuales entre Londres y las Islas Malvinas. Al llegar al archipiélago, el mal tiempo le impidió aterrizar y utilizó Carrasco como aeropuerto de alternativa.

A bordo, viajaban algunas mujeres y niños y hombres en su mayoría, militares que retornaban a las Malvinas después de hacer uso de sus períodos de licencia.

El aterrizaje del Tri Star es el segundo de un avión británico con destino a Malvinas en

este año. En marzo en efecto, otro aparato de la misma nacionalidad utilizó el aeropuerto de Carrasco como alternativa al sufrir un desperfecto en un motor. En el caso anterior, el gobierno uruguayo no autorizó que la aeronave prosiguiera vuelo hacia el sur, y su plan de vuelo cuando partió de territorio nacional indicaba a la isla Ascensión como escala siguiente.

Con respecto al Tri Star, y luego de afirmar el inflexible e indeclinable apoyo uruguayo a la reclamación argentina sobre las Malvinas, el Ministro Interino de Relaciones Exteriores, Dr. Ope Pasquet dijo que si al avión se le permitía continuar su periplo hacia su destino en el archipiélago (posteriormente su supo haber partido con destino a la isla Ascensión), "era porque su misión era pacífica, no transportaba armas ni material de guerra, y si pasajeros civiles con sus familiares y equipajes".



El Tri Star de la Real Fuerza Aérea británica (versión inglesa del DC-10), con 83 pasajeros y 9 tripulantes, que ayer utilizó Carrasco como aeropuerto de emergencia al impedir el mal tiempo que descendiera en las Islas Malvinas, su destino. Anoche, el aparato prosiguió vuelo pero con destino a la isla Ascensión. (Información en página 9)

cont...

AVION BRITANICO ATERRIZO AYER EN EMERGENCIA

No Pudo Bajar en Malvinas por mal Tiempo, Anoche Partió Hacia la Isla Ascensión

A las 21.09 de ayer, partió del Aeropuerto Internacional de Carrasco con destino a la isla Ascension, el avión británico que aterrizara en emergencia por mal tiempo en las Islas Malvinas. El aparato de la Real Fuerza Aérea, un Tri Star con 83 pasajeros, 9 tripulantes, equipaje y correo, es parte del servicio regular en Londres y las Malvinas, con periodicidad de seis viajes mensuales.

Al no poder bajar en el archipiélago por razones climáticas, la aeronave utilizó Carrasco como aeropuerto de alternativa, y anoche partió con destino a la isla Ascension.

El avión británico fue permitido continuar su periplo porque su misión era pacífica, no transportaba armas ni material de guerra y si pasajeros civiles con sus familias y niños. Así lo expresó ayer en el Edificio Libertad el Ministro Interino de Relaciones Exteriores, Dr. Ope Pasquet.

Al preguntarse sobre la resolución del problema planteado por el aterrizaje de un avión británico en Montevideo que se dirigía a las Islas Malvinas, el Ministro Interino expresó "el elemento decisivo al respecto es uno solo: el estado del tiempo en las Islas Malvinas que es el destino de este avión, y donde debiera aterrizar".

Interrogado en torno a si esta actividad del Gobierno uruguayo de permitir que la aeronave prosiguiera viaje hacia las Islas Malvinas no significaba un cambio en la política seguida hasta el momento, el entrevistado lo negó. "No hay absolutamente ningún cambio. Tal como dijo hace poco el Canciller Barrios Tassano, nuestro apoyo a las reivindicaciones argentinas sobre las Islas Malvinas es invariable e inflexible".

En este sentido "no hemos opuesto reparos a que el avión continuara su camino rumbo a las Islas en virtud de que la misión que esta aeronave cumple es de carácter estrictamente civil. Lleva a bordo pasajeros entre los cuales hay varias familias con numerosos niños, sus equipajes y correspondencia. Pero no lleva armas ni ningún equipamiento militar y no hay motivo para que nos opongamos a que continúe su ruta habitual".



Ministro Interino de Relaciones Exteriores, Dr. Ope Pasquet

SITUACION DE FUERZA MAYOR

Frente a una pregunta respecto a que el no haber un cese de hostilidades formalmente aceptado por ambas naciones en el conflicto por las Islas, por lo que esa zona es de beligerancia, cómo puede explicarse que un avión haga escala en un país neutral como Uruguay y luego prosiga hacia la zona en conflicto, el Dr. Ope Pasquet respondió "en primer lugar porque la escala es una situación de fuerza mayor. El avión llegó originariamente hasta las Islas Malvinas y no pudo descender allí debido a las condiciones climáticas".

Por razones humanitarias que han inspirado invariablemente nuestra política correspondía permitirles aterrizar aquí visto que no había alternativas. Es decir, era el Océano Atlántico, el territorio argentino o el aterrizaje en nuestro país. En cuanto a la continuación del viaje hacia las Islas no nos hemos opuesto, reitero, visto el carácter absolutamente pacífico

de esta misión, que lo hace ajeno a las hostilidades que existen como situación jurídica, pero no felizmente como situación de hecho".

El Gobierno argentino fue informado permanentemente del episodio a través de la Embajada en Montevideo "a la que" le consta que la posición uruguaya de apoyo a su país se mantiene, como dije, invariable e inflexiblemente y no hay conocimiento de comentarios que esta actitud pueda haber merecido. También, "naturalmente, nosotros no recabamos aprobaciones o desaprobaciones antes de realizar los actos que, a nuestro juicio, deben realizarse".

Por último, el Subsecretario del Ministerio de Relaciones Exteriores señaló que el Uruguay ejerció los derechos de inspección cumpliéndose "con todos los actos y procedimientos previstos por las normas vigentes".

"NO HUBO OBJECIONES", DIJO EMBAJADOR INGLES

"El gobierno uruguayo no puso ningún tipo de reparo al aterrizaje de emergencia", dijo el Embajador de Gran Bretaña en el Uruguay, Eric Vine. "Estamos cumpliendo todas las formalidades que ocasiona una situación como esta. Bajo las normas internacionales, un avión en emergencia tiene que buscar un aeropuerto de alternativa, ya se trate de un vuelo de línea o un vuelo especial", agregó.

El avión de la Real Fuerza Aérea es del tipo Tri Star (versión inglesa del DC-10) para viajes trasatlánticos, y tiene una capacidad superior a los 200 pasajeros. En esta ocasión, lleva a bordo 83 pasajeros y 9 tripulantes.

"Exceptuando algunas mujeres y niños, la mayoría de los pasajeros son hombres y militares que retornan a las islas después de hacer uso de sus licencias", señaló el Embajador.

Al puntualizar que en invierno empeora la situación meteorológica en el sur, Vine dijo que las situaciones de emergencia son imprevisibles y que por este motivo las formalidades ante las autoridades uruguayas solo pueden realizarse una vez que la emergencia se produce.

Avión inglés: "misión civil" Siguió rumbo a Malvinas, previa escala en Ascensión

■ El avión ZA-704 Lockheed de la Royal Air Force (Fuerza Aérea Británica -RAF), que aterrizó en escala técnica, a las 18.40 del martes en el Aeropuerto Internacional de Carrasco por factores climáticos que le impidieron arribar a las islas Malvinas, fue autorizado ayer por la tarde a partir a su destino original por la Cancillería uruguaya.

Esta es la primera vez en el actual período de gobierno que una aeronave inglesa puede despegar rumbo a las islas desde nuestro país, en tanto éstas son objeto de un conflicto territorial entre la República Argentina y el Reino Unido.

El canciller interino, doctor Ope Pasquet, dijo respecto de las razones que motivaron esta decisión del gobierno, "es resultado de una situación de fuerza mayor", y que "por razones humanitarias no correspondía prohibir el aterrizaje aquí, puesto que no había alternativa: era el Océano Atlántico, el territorio argentino o Carrasco". No obstante, destacó que "nuestro apoyo a las reivindicaciones argentinas sobre las islas Malvinas es invariable e inflexible", y señaló que desde que tuvo conocimiento de la llegada del avión, la Cancillería mantuvo con la Embajada argentina contactos permanentes, en los que se informó detalladamente de los acontecimientos.

"No tenemos conocimiento sobre los comentarios que nuestra actitud pueda haber merecido al gobierno argentino o a la prensa", dijo Pasquet.

Si bien el gobierno uruguayo otorgó el permiso para continuar el vuelo hacia las Malvinas, el embajador inglés Eric Vines dijo a LA REPUBLICA que "el capitán de la aeronave ha decidido regresar a Ascensión" por

persistir en el Atlántico Sur los factores climáticos adversos que motivaron la escala técnica. Según fuentes reservadas del Aeropuerto, el avión había solicitado permiso para aterrizar en Carrasco puesto que el arribo a las Malvinas era imposible, por causa de los fuertes vientos cruzados de hasta 70 kilómetros por hora que se cernían sobre la conflictiva zona. El procedimiento utilizado fue calificado por funcionarios del aeropuerto como "de rutina".

Pasquet indicó que para la inspección del avión "se cumplieron todos los actos y procedimientos previstos por las normas vigentes". "No hemos puesto reparos en que el avión continúe su camino en virtud de que la misión que cumple es estrictamente civil: lleva a bordo pasajeros, equipaje y correspondencia", afirmó, y agregó que "no lleva armas ni ningún tipo de equipamiento militar". Una alta fuente del Edificio Libertad reafirmó estos conceptos a LA REPUBLICA: "Se hizo lo que correspondía, ya que se trataba de civiles y se comprobó que la aeronave no llevaba armamento".

Viajaban en el ZA-704, 83 pasajeros y nueve tripulantes, según confirmó el embajador Vines. Pasaron la noche del martes en los hoteles Carrasco y Cottage, y mientras estuvieron ayer en el aeropuerto, rehusaron, amablemente, ser fotografiados por LA REPUBLICA.

El avión cumplía un vuelo desde Londres hacia las islas Malvinas, con escala en la isla Ascensión. Puesto que no hay líneas aéreas privadas que cubran en forma regular el servicio entre Inglaterra y las islas, los servicios son cubiertos, generalmente, por aviones militares de la RAF.



Argentina accuses war chiefs of underestimating Britain

A FEDERAL prosecutor yesterday accused the military chiefs who led Argentina to defeat in the Falklands war with Britain of failing in their military duties, showing ineptitude and lacking foresight.

Prosecutor Luis Moreno Ocampo said at the start of a civil trial against ex-President Leopoldo Galtieri and fellow-members of the former military junta that they committed "an extremely grave lack of observance of military duties."

He said, "Ineptitude is the very grave responsibility of which the ex-commanders are accused."

"The final battle was lost on the first day and that is the charge against General Galtieri, Admiral Jorge Anaya and Air Force Brigadier Basilio Lami Dozo," he added.

Moreno Ocampo will seek stiffer sentences for the three than those handed down by a military tribunal in May 1986, court sources said.

Galtieri is currently serving 12 years in gaol, while Anaya

was sentenced to 14 years and Lami Dozo to eight. They were found guilty of negligence and gross incompetence.

British forces defeated Argentine invasion troops on the Falklands after 10 weeks of bloody fighting, regaining the islands held by Britain since 1833.

Moreno Ocampo said the accused failed to foresee possible British responses to Argentina's April 2, 1982, invasion of the disputed islands.

He also asked for a retrial of three of the 11 officers absolved by the military tribunal.



● The accused . . . (from right) Argentinian war leaders Leopoldo Galtieri, Basilio Lami Dozo and Jorge Anaya.

Fears over LDC debt cloud results that leap back into the black Midland's £313m 'best for years'

By David Barchard

MIDLAND BANK, the third largest of the four major British clearers, yesterday announced pre-tax profits of £313m for the six months to the end of June, compared with losses of £665m in the same period of 1987.

The results were hailed in the City as the best reported by Midland for several years. However it is difficult to compare them directly with last year's figures as Midland has had a £700m rights issue and has sold two subsidiaries - Clydesdale and Northern Bank - in the meantime.

Sir Kit McMahon, Midland chairman and chief executive, described the results as "very satisfactory".

However, there were also fears about Midland's continuing burden of LDC (less devel-

oped country) debt. Mr Patrick Frazer, an analyst at Morgan Grenfell, said: "The results show that Midland still has millstones of LDC debt that will not go away hanging around its neck."

Total debt provisions were £127m compared to £131m a year ago, when Midland also had to make exceptional provisions of £916m. However Midland's total LDC debt exposure has risen from £4.1bn to £4.5bn over the past 12 months, as a result of currency movements.

There were new specific provisions of £90m, of which £26m were automatically triggered under the 9-day rule by the failure of Argentina to make interest payments due on June 30 this year.

The position of Midland's £1.3bn outstandings in Brazil is

currently thought to be improving and the bank hopes that some interest payments will be resumed during the year.

Profits on domestic banking were £228m compared to £183m a year ago, and there was a further £29m (£28m) profit from Forward Trust Group, Midland Group's finance house.

There was a spectacular increase in the earnings of Midland Montagu, the bank's investment arm, which earned £63m (£2m), helped by the elimination of £16m of losses from the closure of equity market making. International banking operations made a profit of £3m (£12m).

Thomas Cook made losses of £10m (losses £7m), which Sir Kit put down to spending on improved management and the opening of new outlets for trading.

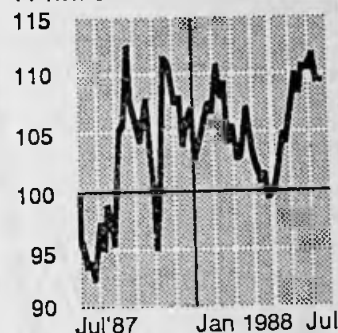
The bank's operating expenses fell to £944m (£951m) and its cost/income ratio dropped from 75 per cent in the second half of last year to 69.5 per cent, though this was partly attributable to the increase in its capital.

Total group assets rose by 5.5 per cent to £53.9bn (£51.1bn) and total advances rose to £37.8bn (£37.3bn).

Ratios announced by the group confirmed that it had become stronger over the past year, but suggested that it was not quite as strong as it had been at the start of the year.

Midland Bank

Share price relative to the FT-A All-Share index



Its equity/total assets ratio is now 5.2 per cent compared with 3 a year ago and 5.5 per cent on December 31 1987.

The post-tax return on average total assets was 1.21 (0.89) per cent.

Sir Kit indicated that Midland was planning to publish its risk/assets ratio, as soon as Bank of England guidelines had been published. He said that these would be around 11 per cent.

There was a retained profit of £179m (loss of £521m). Earnings per share were 32.8p (losses of 166.8p, after adjustment for 1987's rights issue) and an interim dividend of 9.5p per share was declared, 10 per cent ahead of last time. This is the first time in three years that Midland has increased its dividend.

See Lex

ANALYSIS OF PRE-TAX PROFIT/LOSS

	6 months ended June 30 1988 (£m)	6 months ended June 30 1987 (£m)
UK Banking Sector		
UK Banking	228	183
Forward Trust Group	29	28
	257	211
Midland Montagu		
Investment Banking	63	2
Global Banking (inc LDC)	3	12
	66	14
Thomas Cook Group	(10)	(7)
Clydesdale Bank, Northern Bank and Northern Bank (Ireland)	-	33
Pre-tax profit before exceptional item	313	251
Exceptional item	-	(916)
Pre-tax profit/(loss)	313	(665)

Midland back in profit and dividend goes up

By John Morgan

MIDLAND Bank chairman Sir Kit McMahon happily unveiled the first increase in dividend for three years on the back of a £313m pre-tax profit for the first half.

The interim dividend of 9.5p is an increase of 10 pc over last time's 8.6p.

The £313m profit compares with last year's £665m loss.

Sir Kit emphasised that a more direct indicator of underlying growth of 25 pc is to be found by stripping out last year's £916m extraordinary item, which compares this year's £313m with a 'profit' of £251m last time.

Midland's profit has been struck after charging provisions for bad and doubtful debts of £127m compared with £131m last time—again once last year's £916m extraordinary item is discounted.

Of that £127m, £90m covers those countries with payment difficulties, of which £49m related to increases in rates of provisioning against loans to the borrowers concerned, with most of the remaining £41m accounted for by reserved interest.

Sir Kit said there has been a deterioration in the loan position, particularly in the case of Argentina, which had failed to meet its 90-day deadline in paying interest. So the bank had decided to provide more against it.

However, balanced against this was a better situation over the Brazilian debt. As Brazil owed twice as much as its South American neighbour then, the debt problem was likely this year to cancel out the Argentinian problem and swing overall in the bank's favour.

Argentina's debt to Midland grew from £600 to £700m while Brazil's grew from £1,200m to £1,300m.

The Midland had much better news on the home front. Its investment bank, Midland Montagu, saw its investment banking profits rocket from £2m to £63m across the spread of its activities, which include foreign exchange dealing, gilts and mergers and acquisitions.

Its global banking, however, saw profits fall from £12m to £3m.

Consumer lending grew by around 20 pc and the bank has been working hard to strengthen its domestic lending book.

The bank's mortgages amount to around £4 bn and represent around a quarter of total domestic lending. The head of UK banking, Brian Goldthorp, said that with minimal loss on the mortgage book, domestic provisioning of 1.4 pc effectively related to non-mortgage lending.

Goldthorp also pointed out that Midland had a net increase of around 500 new major corporate clients over the period.

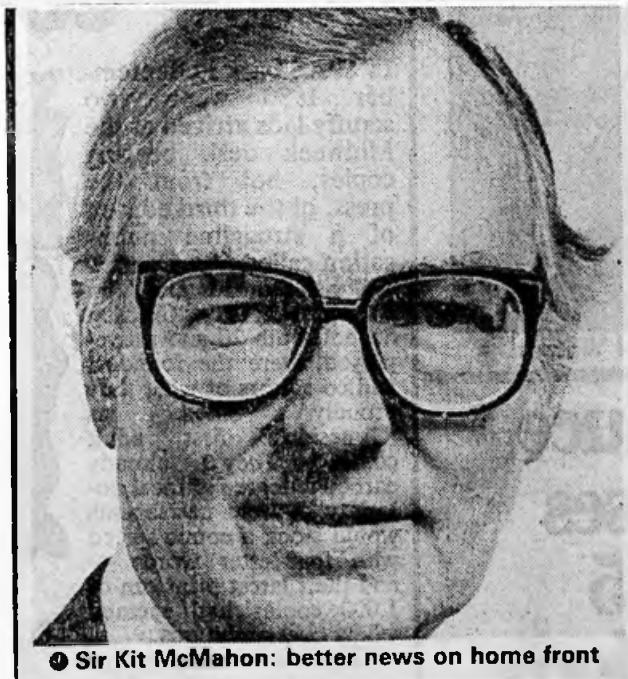
On the growing relationship with the Hong Kong & Shanghai Bank, which has just under 15 pc of Midland, Sir Kit said the two banks had now completed the transfer of sales of various branches, subsidiaries and operations.

Sir Kit said both banks would benefit from opportunities created by swapping businesses and cited the recent acquisition of Concord Leasing, which will become part of the Forward Trust group, as one example. He said that abroad, Midland would be able to concentrate on European business and "was well down the way" in developing its strategy.

That strategy involved developing the bank's investment banking arm rather than buying bank branches, which was notoriously expensive. Rather Midland is to develop through cars and its Thomas Cook travel business.

Despite a worsening at Thomas Cook, where losses rose from £7m to £10m, Sir Kit said: "We regard them as an integral part of our European strategy, and our current strategy as well."

Midland shares fell 7p to close at 430p.



● Sir Kit McMahon: better news on home front

Low-flying exercises essential, says RAF

RAF chiefs yesterday defended low flying as essential training for fighter pilots who may need to use their skills "for real" as they did in the Falklands.

On the second day of this year's second Mallet Blow exercise over the Otterburn ranges, Wing-Cmdr Nick Hamilton, of RAF Strike Command, said it was not possible to train pilots at 1,000ft and expect them to switch to 100ft in war.

"The only way to reach targets is by coming in fast and low. You cannot just turn it on," he said.

Strike Command says aircraft do not fly below 250ft outside range areas and under 1pc fly as low as 100ft and only in specially-designated, sparsely-populated areas.

Tornados from the RAF, including the famous Dambusters' 617 squadron, yesterday dropped dummy 1,000lb bombs over a mock runway from 100ft at 500 mph.

Their targets were derelict aircraft, anti-aircraft guns and vehicles adapted to



Wing-Cmdr Hamilton

resemble surface-to-air missiles.

Sqdn-Ldr Mike Bell, officer in charge of the exercise, said the aim was to give pilots practice in delivering their bombs and flying low to avoid radar detection from RAF Spadeadam, Cumbria.

He defended the dropping of aluminium-coated "chaff" over RAF land at Spadeadam as "a very important part of our training."

"To ensure you get through radar, you fly fast and low and use electronic counter-measures to jam radar. We use infra-red decoys and chaff on the range area to confuse the radar," he said.

Wing-Cmdr Hamilton said it would not be practical to practice low-flying over built-up areas, as demanded by critics who claim rural areas have more than their share.

"It would be unwise because we are very conscious that low-flying is noisy and we try to minimise the nuisance," he said.

"Built-up areas get their share of nuisance from motorways and airfields. Many of our pilots live in the country and are affected by low flying."

Sqdn-Ldr Bell said: "We do not fly unless we have three miles' visibility. We are not at war, so safety comes first."

The exercise, which lost a full day on Monday because of high winds, ends tomorrow.

First dividend rise since 1985 Midland revives with £313m interim profit

Midland Bank yesterday announced its first dividend increase since 1985 after racing back into the black with interim pretax profits of £313 million compared with a £665 million loss after special bad debt provisions last year.

The result to June 30 was in the middle of City expectations, but still proved to be a 25 per cent increase on last year's figure if the special provisions are excluded. The interim dividend rises by 10 per cent, from 8.6p to 9.5p.

The profit advance was mainly due to strong growth in domestic banking where profits rose 21 per cent from £211 million to £257 million.

Since launching its specialized corporate banking service six months ago it had attracted 500 clients from competitors. Net interest margins remained unchanged from last year at 5.1 per cent despite increasingly competitive conditions, while provisions against bad debts in Britain fell sharply to 1.4 per cent of British lending.

Profits from Midland Montagu, the investment banking and treasury division, shot up from £2 million to £63 million, reflecting lower losses from the closure last year of the equity broking and market-making operation.

Sir Kit McMahon, chairman and chief executive, said the results were very satisfactory and that the bank's capital ratios were strong. Under new international capital requirements, Midland's risk asset ratio is about 11 per cent, against the 8 per cent minimum.

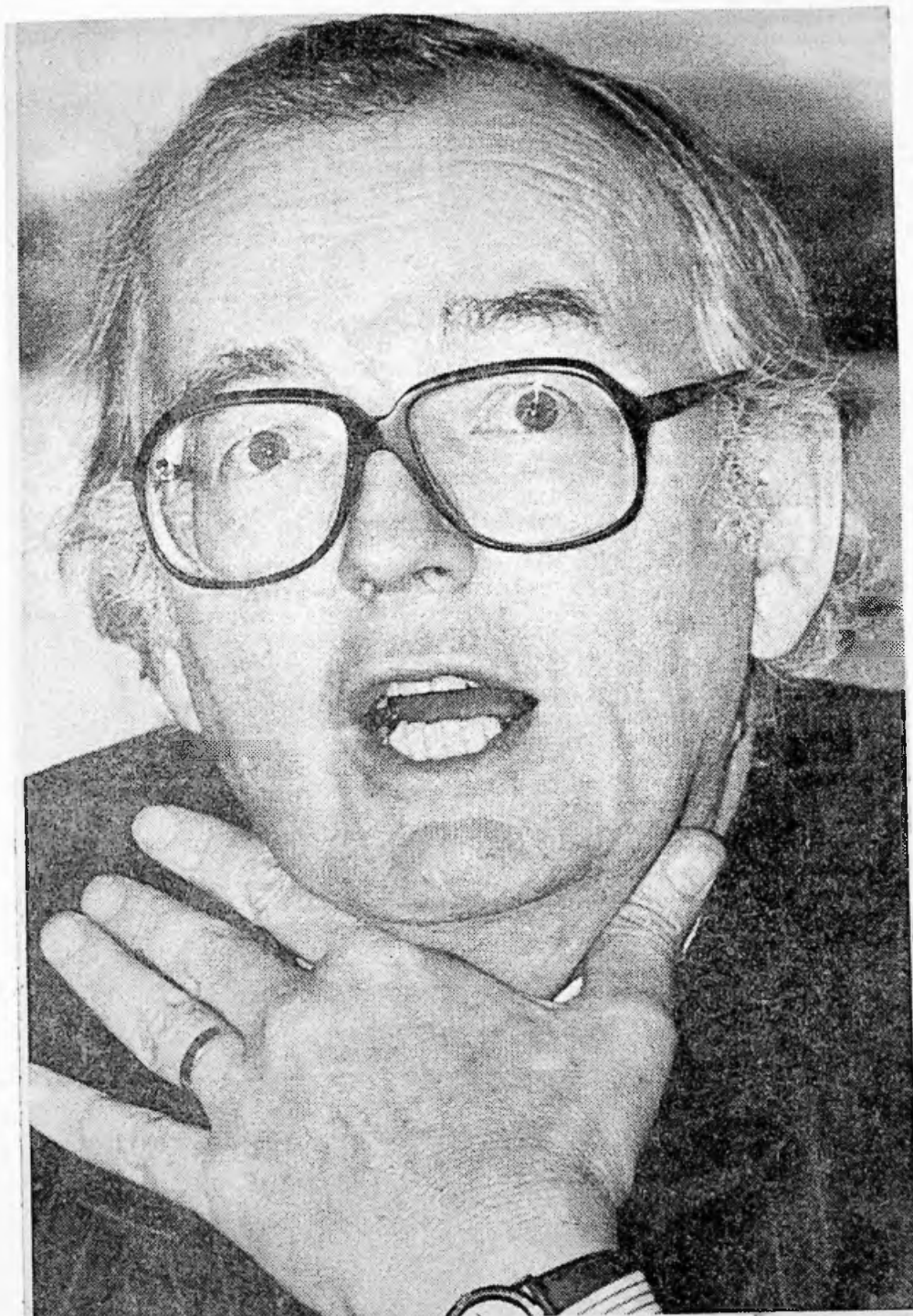
Provisions against Third World debt increased only slightly to a total of 31 per cent of loans, which Sir Kit said was adequate. More than £40 million in interest still owed by Brazil and Argentina could be paid back before the end of this year, although the improving situation with Brazil was offset by a worsening position in Argentina. "We will certainly be supporting the new Brazilian debt re-scheduling package," he said.

Press Cuttings

from Broad Street Associates THE ~~ABC~~ TIMES

28 JUN 1988

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Strong ratios: Sir Kit announcing the good news yesterday (Photograph: Peter Trievnor)

Press Cuttings
from Broad Street Associates

28 JUL 1988



THE INDEPENDENT

Junta humiliated

The three members of the military junta which led Argentina to defeat in the Falklands war were denounced in a court for poor judgement, lack of foresight and neglect..... Page 9

Friend to the world's enemies

Javier Pérez de Cuéllar is a bland, elegant six-footer who likes stamp collecting, writing poetry and playing classical piano. After nearly seven unspectacular years as Secretary-General of the United Nations, this quiet, unassuming Peruvian suddenly finds himself at the centre of world attention as he guides two of the world's most fanatical enemies towards peace. If he succeeds, it will be the outstanding pinnacle of an otherwise competent career. And he will have done much to restore the UN's battered credibility as a global peacemaker.

Colleagues say he is likeable and unpretentious but without dynamism or a cutting edge. He lacks charisma or strong political beliefs — a qualification that has certainly endeared him to the big powers. When, two years ago, he was eased without fuss into a second five-year term, Margaret Thatcher supposedly remarked that he had not caused any trouble first time around. Another observer was more withering in his assessment: "He wouldn't make waves if he fell out of a boat."

But the steady hand at the helm is producing tangible results. Under his gentle stewardship the UN arranged details of the Soviet withdrawal from Afghanistan. It is being courted to carry out a huge peacekeeping operation in Cambodia and Namibia if current peace negotiations are successful. The success in Afghanistan paved the way for the Secretary-General's role in the Gulf, particularly as he was one of the few international figures that Iran would trust.

Early next month Pérez de Cuéllar is due to present Morocco, Algeria and the Polisario guerrilla movement with an ambitious plan for the UN to administer the Western Sahara until a referendum is held on the fate of the disputed territory. Later next month he plays host to leaders of the Greek and Turkish communities in Cyprus, relaunching negotiations after a three year hiatus.

"The Reagan-Gorbachov meeting provided the international community with an example of voluntary dialogue," the Secretary-General said. "Suddenly governments have discovered the UN is a good place for dialogue, for solving problems." The change of pace at the UN has been remarkably sudden. Until the recent success in Afghanistan, no UN mediation effort had succeeded since the end of the 1973 Arab-Israeli war.

When Kurt Waldheim stepped down as Secretary-General in 1981, Pérez de Cuéllar did not campaign for his job. The contest over his appointment carried all the suspense and intrigue of a papal election. After 16 ballots in five weeks, the Security Council was locked in a stalemate. Finally he was selected as a compromise. The news was telephoned to him at a beach house outside Lima and he was dumbfounded.

Today he can give the impression of being a reluctant incumbent. He did not actively seek reappointment for another term, having originally declared that he would serve only for the initial five years. He was still recovering at the time of his reappointment from quadruple by-pass surgery but decided, as he put it, that he had a moral obligation to continue.

The job of Secretary-General is largely defined by the person who occupies it. Any incumbent has to function in the historical shadow of Dag Hammarskjöld, the Swede who held the post from 1953 until he died in an air crash in Africa in 1961. He developed and expanded the position with his extraordinary energy and lobbying skills.

By contrast Pérez de Cuéllar is frequently accused of not being forceful enough. Certainly, he has never had a major conflict with a member. However, he did upset Israel by calling persistently for the removal of Israeli troops from Lebanon and for convening an international conference under UN auspices to resolve the Middle East conflict. And he annoyed the Soviet Union by despatching a team of experts to investigate charges that Iraq had used chemical weapons against Iran.

Until recently Pérez de Cuéllar had chalked up no measurable achievements, other than negotiating a short-lived partial truce in the Iran-Iraq war in 1984 and coming close to settlements in the 1982 Falklands conflict and the Cyprus problem. That is why his propulsion into the international spotlight is so important to him: after seven years of patient mediation, in the Gulf War he senses his first big breakthrough.

As a lifelong career diplomat, he has always insisted on "the need for quiet diplomacy. If I want to be effective, I have to be discreet. I am not running for a Nobel Prize." He is not fond of the social whirl that goes with the job, preferring whenever he can to retreat to his official Sutton Place house in Manhattan to listen to music and read. He is a model of old-world cultivation and charm. His manner is courtly, his humour dry. He likes quiet dinners at home with friends. It is his wife, Marcela, who adds lustre to the social side of his obligations.

Pérez de Cuéllar is descended from Spanish nobility. His father, a prosperous businessman, died when he was four. He learnt French from his governess, and has a particular fondness for French literature. He has written two books, *Recognition of States and Governments and Diplomatic Law*, which are texts at Peru's Diplomatic Academy, where he has served as a professor.

He knows the UN from the inside, having first encountered it as head of his country's delegation in 1971. Waldheim entrusted him with several delicate missions. In 1975 he became the Secretary-General's special representative in Cyprus and four years later Waldheim appointed him Under-Secretary-General for Special Political Affairs.

As a Latin American he was considered a bona fide representative of the Third World but at the same time was culturally of Western orientation. "I am a Third World man," he declared, "but first of all I am a representative of 157 countries."

Press Cuttings

from Broad Street Associates THE ~~1988~~ TIMES

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"He is low-keyed all right," one senior UN official remarked. "But maybe that's the way it should be. Maybe he is the right man for the times. The mystique and prestige of the UN in the Dag Hammarskjöld era no longer exists." It is in that context, his advocates argue, that he should be judged. A more forceful or ideologically motivated chief might already have found himself presiding over the disintegration of the organization.

"The Secretary-General cannot be compared to the president of a country," Pérez de Cuéllar declared in defence of his low-key approach. "The Secretary-General has to respond to the demands of 157 countries. Governments and people want concrete results. They don't appreciate 'drop-of-water' progress. I don't complain. This is normal. The Secretary-General should be a constant inspirer."

"Inspiring" is not a word most colleagues would use to describe him. He is often compared to U Thant, the self-effacing Burmese who held the post from 1961 to 1971.

Although once regarded as a source of inspiration, the job has become widely regarded as an overpaid sinecure. The salary is \$200,000 a year, plus expenses.

A senior observer mockingly suggested that the job description could read: "Wanted: A faceless innocuous, uninspiring and non-activist bureaucrat." That way the big powers could be assured of minimal trouble.

Of late, though, such belittling comments have sounded unjustified. General Vernon Walters, the US ambassador to the UN, has been heaping praise on his mediation efforts, claiming that they have renewed the UN's relevance.

Suddenly a flood of journalists has descended on the UN complex on the East River — a sight rarely witnessed in the past decade. The superpowers are watching from the distance. Israel and the Arab world are holding their breath. And as the foreign ministers of Iran and Iraq shuttle in and out of Pérez de Cuéllar's 38th floor office, there seems every chance that, after years of torpor and drift, the United Nations may be rediscovering its true role.

Christopher Thomas

BIOGRAPHY

- 1920:** Born in Lima, Peru.
- 1940:** Studied law at the Catholic University; became a foreign ministry clerk.
- 1944:** First diplomatic posting — first secretary of the Peruvian Embassy in Paris. Later posted to Britain, Bolivia and Brazil.
- 1964:** Ambassador to Switzerland.
- 1969:** Peru's first Ambassador to Moscow.
- 1971:** Peru's permanent representative to the United Nations.
- 1975:** UN Secretary-General's special representative to Cyprus. Divorced his first wife and remarried.
- 1977:** Peru's Ambassador to Venezuela.
- 1979:** Returned to UN as Under-Secretary-General for special political affairs.
- 1981:** Elected as Secretary-General of UN.

Press Cuttings

from Broad Street Associates **THE TIMES**

28 JUL 1988

③



Press Cuttings

from Broad Street Associates

Herald INTERNATIONAL Tribune 28 JUL 1988

Midland Bank Reports a £313 Million

Profit for First Half

Reuters

LONDON — Midland Bank PLC, Britain's third-biggest bank, reported Wednesday a swing back into profit in the first half of 1988, after last year becoming the first major British commercial bank to show a loss this century.

It posted pretax profit for the first six months of £313 million (\$536.6 million) after a loss of £665 million in the same period of 1987.

Midland lost £505 million for all of 1987.

The bank said it was able to move back into the black because it

had to make smaller provisions than in 1987 against doubtful Third World debt and because of a buoyant economy and the closure of an unprofitable securities trading unit.

Provision against loans to borrowers in nations with debt payment problems shrank to £90 million in the first half, against an exceptional item of £916 million in the same 1987 period.

Of the £90 million, £49 million was due primarily to the bank's £700 million exposure to Argentina, Midland said. The rest, it add-

ed, was to cover non-receipt of interest from Argentina and, to a lesser extent, Brazil.

The British economy helped profits. The domestic banking sector was the largest contributor, accounting for £257 million against £211 million in the same 1987 period. The bank said losses at its travel agency business, Thomas Cook Group Ltd., rose to £10 million from £3 million in the comparable period.

The bank said its earnings per share, as adjusted by a recent rights issue of stock, were 32.8 pence for the half.

It reported net interest income of £823 million, up 20 percent from £686 million, and operating income of £1.35 billion, an increase of 15.4 percent from £1.17 billion.

The bank's investment-banking arm, Midland Montagu, was helped by the closure of the unprofitable Greenwell Montagu Securities Ltd.

Midland Montagu reported that pretax profit soared to £63 million from £2 million.

Midland Bank shares fell 7 pence on the London Stock Exchange on Wednesday, to close at 430 pence.

Happy talk from listening bank

THE Midland Bank did the talking, rather than listening, yesterday when it announced a bounce back to profits at the interim stage to £313m, compared with a loss of £665m for the six months to June last year.

A happy Listening Bank chairman, Sir Kit McMahon, said he was confident of the underlying strength of the business and rewarded patient shareholders by increasing the dividend

for the first time in three years to 9.5p.

The UK banking market is booming, although tough competition is eroding margins.

But fears of a deterioration in the Latin American debt situation, forced the shares down 10p to 427p.

Its £4.5bn exposure to Latin American debtor countries, continues to play havoc with profits. Provisions for these countries were increased by an unexpected £90m.

HARD

The improving picture in Brazil was countered by a deterioration in Argentina for which an extra £51m was provided.

One-off factors like the exceptional provision of £916m, and the sale of the Clydesdale and Northern Banks, makes it hard to compare these much better interim figures sensibly with the last set.

But Sir Kit said that like-for-like profits were up 25%, helped by a 22% rise in UK banking profits, and an electrifying jump in investment bank Midland Montagu's profits from £2m to £65m.

Keith Brown, banks guru at Morgan Stanley, is sticking to his full-year forecast of £706m. But he thinks NatWest is in healthier shape and says its shares look a better buy. **Sarah Rutherford**



from £960 million to £90 million left it with profits of £313 million for the half-year to June, compared with a loss of £665 million a year ago.

Chairman Sir Kit McMahon, who has shaken-up Midland and shed 2,000 staff in the past 18 months, has raised the half-year dividend by 10 per cent to 9.5p and points to a 25 per cent rise in earnings after stripping out foreign debts.

He is also hinting at a slightly better performance in the second half of this year, thanks to the way South American countries are starting to toe the debt line.

Although Argentina is proving a problem, and the bank made £60 million provisions against its debts in the first half, Midland could claw back £40 million into profits from Brazil by the end of this year.

Sir Kit admits that High Street margins are under pressure, but all the banks will gain from the benefit of rising interest rates on business funded by fixed-cost cheque accounts.

Stockbroker's Hoare Govett's analyst Rod Barrett forecasts record profits of £700 million for Midland.

This means that its shares at 428p—down 9p yesterday—are selling for only six years' earnings.

But he believes domestic profits are slowing and Midland's £4.5 billion of Third World debts are a big burden. He prefers NatWest at 566p, where they pay for only five years' earnings and assets of 720p far exceed Third World debts of £1.9 billion.

MIDLAND Bank followed National Westminster yesterday in signalling that the Big Four High Street banks are on course for record profits this year—thanks to a sharp fall in their provisions for Third World debts.

A dramatic fall in Midland's provisions

Midland may buy back US Thos Cook

Peter Rodgers
City Editor

MIDLAND Bank is examining whether it can buy back the Thomas Cook travel agency subsidiary in the United States which it was forced to sell to Dun & Bradstreet three years ago.

This would be part of a major attempt to exploit the under-used Thomas Cook more thoroughly as one of the few brand names which could rival American Express in international prestige.

This emerged as the group unveiled pretax profits of £313 million for the first half of the year, a £1 billion turnaround from the £665 million pre-tax loss declared 12 months earlier because of bad Third World debts.

However, Argentina continued to take its toll, because a deterioration in the country's economic prospects cost Midland another £60 million. The City was unimpressed by the turnaround, marking the shares down 7p to 430p despite a 10 per cent dividend rise.

An offer to buy back into the US travel agency would help Midland plans for an upmarket business traveller's credit card.

Options under consideration include using a Thomas Cook version of the Visa credit card

or the rival Mastercard grouping to which Midland's Access card belongs. The Thomas Cook name could also become the vehicle for Midland's expansion in Europe, using plastic cards instead of investing in bricks and mortar branches.

Midland's new interest in buying back the Thomas Cook name in the US was aroused this week when Dun and Bradstreet, which bought the travel business in 1985 for about \$20 million, put it back on the market with its airline guide and ticket reservation service.

The sale of the US travel business was imposed as a condition of Midland's purchase of Crocker National, which has now been sold.

US banking restrictions are still a serious obstacle and may require Midland to look for a partner or some other special arrangement in order to take an interest in a travel agency again. Midland retained Thomas Cook's US traveller's cheques and took a four-year option to re-acquire 20 per cent of the travel firm.

The Midland results show the effects of a booming UK market with an increase of over a quarter in profits from UK banking. Midland has stemmed the loss of current accounts to building societies and claims to have pinched 500 important corporate clients from rivals.

Brian Goldthorpe, head of UK



Sir Kit McMahon: optimism on Argentine debts

banking, said that Barclays and NatWest had a reputation for going for market share at the expense of price and quality, and Midland was "not being dragged down that path".

Investment banking made £63 million profit compared with a loss of £17 million in the second half of last year.

But international banking made a tiny £3 million after bad debt provisions. Of the £60 million cost of Argentina, £26 million was unpaid interest and

the rest a bad debt provision based on a downgrading of the country's credit rating within Bank of England guidelines.

In total, the Third World cost £90 million in bad debt charges, but Midland chairman Sir Kit McMahon said that in the case of Argentina in particular there had been an "unambiguous" deterioration.

Brazil had also cost Midland £10 million in overdue interest but he believed that the situation there was improving.

Midland bounces back with £313m

MIDLAND BANK returned to profit and increased its interim dividend for the first time in three years yesterday but the bank continues to be haunted by its lending to the third world.

Profits for the first half of the year were £313m against a loss of £665m a year ago struck after providing £916m against third world debts.

This year Midland has added another £49m to its debt provisions, £34m of which relate directly to Argentine debt, and set aside £41m against suspended interest payments, again mainly from Argentina.

Because Midland has provided against all payments not made within three months of their due date it could get a \$125m (£73m) boost in the second half of the year if Brazil starts paying interest again, as is expected.

Earnings per share were 32.8p against a loss of 167p and the interim dividend, payable on October 10, is to be raised 10 p.c. to 9.5p, the first increase since 1985.

The figures were boosted by new capital raised both in last year's rights issue and from Hongkong and Shanghai Banking taking a 14.9 p.c. stake in November; by the proceeds from the sale of Clydesdale and Northern banks; and, as with National Westminster, by a £20m share in venture capital company 3i's profit on the sale of its stake in British Caledonian.

The investment banking side Midland Montagu recovered from its poor performance last year, when it was forced to close Greenwell Montagu Securities, to make £63m.

Much of this came from trading fixed-interest and foreign exchange instruments but Ernst Brutsche, chief executive of Midland Montagu, said mergers and acquisitions activity was much better than expected after October's crash.

All this could not disguise a slowing of growth in domestic business—the backbone of Midland's survival through recent troubles.

"The competition is tough and getting tougher," said Sir Kit McMahon, chairman and chief executive, adding some competitor banks attached a higher emphasis on gaining market share than maintaining return on equity.

Trading profits increased just over a tenth, but much of this was due to an exceptional reduction in Midland's cost-income ratio—which came down from 75 p.c. to under 70 p.c.—and Sir Kit admitted this rate of cost reduction was unsustainable for the year.

The City remains uncertain about Midland's prospects, predicting profits of up to £700m for the year but this could be thrown off course by the Brazilian and Argentine governments.

The shares eased 7p to 430p.

Press Cuttings

from Broad Street Associates **The Daily Telegraph** 28 JUL 1988 ②



Midland chairman Sir Kit McMahon: Competition getting tougher



Argentine junta are pilloried in first public trial

BUENOS AIRES — The members of the military junta which led Argentina to defeat in the Falklands war have been attacked in a public trial for poor judgement, lack of foresight and neglect.

Luis Moreno Ocampo, the State Prosecutor, told the hearing on Tuesday that Argentina lost the war "from the day it started. This is the responsibility of the accused."

In the first public hearing on the military management of the war, three former junta members are accused of violating the military code: Leopoldo Fortunato Galtieri, 62, the former President and army commander, Jorge Isaac Anaya, 61, the former chief of the navy and Brigadier Basilio Lami Dozo, 59, former head of the air force.

Also charged with misconduct, neglect and poor judgement are General Mario Benjamin Menendez, the former military governor of the occupied Falklands; Vice Admiral Juan Jose Lombardo, former chief of naval operations, and General Omar Parada, former head of military operations in the South Atlantic. The four judges of the civilian federal appeals panel set the first defence hearing for later in the day.

The three former junta members have already been sentenced to prison in a secret military trial

**From Daniel Drosdoff
of United Press International**

for violating the military code. Galtieri was sentenced to 12 years, Anaya to 14 years and Lami Dozo to eight years. This week's public hearing constitutes an appeal process for the defence. But under Argentine law, the state can also appeal against the sentence of a lower court, and the prosecution will try to persuade the court to give stiffer jail terms to the junta members and to convict General Menendez, Admiral Lombardo, and General Parada, who were acquitted by a military court.

Mr Moreno Ocampo said the Argentine Navy left ground forces without a supply line when the junta ordered it to withdraw after the sinking of the General Belgrano. "The retreat of the navy condemned to death those [Argentine] troops who remained on the island," the prosecutor said. He said the defendants had no military or diplomatic plan to react to "the eventuality of a massive British assault", blaming them for "a lack of foresight".

The defendants sat motionless while the prosecutor detailed the charges in a courtroom packed with about 500 spectators. A 15ft map of the Falklands was raised next to the bench at the request of the defence.



JONATHAN WEAVER

Sir Kit McMahon: making the biggest provision against loans to Argentina.

Midland profits recover

BIG PROVISIONS against loans to Argentina were unveiled yesterday by Midland Bank, when the large British banking group reported first-half profits of £313m before tax.

In 1987, Midland made an interim loss of £665m before tax, because it was forced to make a charge of £916m to increase the capital set aside to cover losses on loans to less developed countries. So profits recovered sharply in the six months to June 1988, despite an additional £90m of costs from sovereign debt provisions.

The biggest provision, totalling £60m, was made against loans to Argentina. Midland deducted £26m from profits in respect of overdue interest from the South American country. A further £34m debit was the result of a downgrading of Argentina's

By Robert Peston
Banking Correspondent

credit score, as measured by Midland using a matrix drawn up by the Bank of England.

"We believe in the case of Argentina there has been a deterioration in its situation," said Sir Kit McMahon, chairman of Midland.

The non-payment of interest by Brazil was responsible for another debit of £10m. However, the banks have recently come to an agreement with Brazil on the re-scheduling of its loans.

So Sir Kit is hopeful that the second half's profits will be boosted by the recrediting of overdue Brazilian interest, which in the case of Midland amounts to \$125m (£72.9m) in total.

Midland's optimism is reflected in a 10 per cent increase in its interim dividend to 9.5p, the first time the payout to shareholders has been raised in three years.

The investment bank, Midland Montagu, produced particularly good results, pushing up pre-tax profits from £2m to £63m, at a time of difficult trading conditions for most City firms.

Much of the progress was because of last year's closure of Greenwell, Midland's loss-making stockbroker. Sir Kit also singled out gilts trading and corporate finance departments as having made progress, along with treasury operations, which made big profits from correctly predicting the movement of UK interest rates and the pound.

View from City Road, page 31

PAYOUT TO LOYAL PUNTERS



LOYAL shareholders of the Listening Bank were rewarded yesterday as chairman Sir Kit McMahon increased their dividend to 9.5p, a rise of ten per cent.

It was the first increase for **TWO** years.

Midland has been hard hit by Latin American countries not paying their massive debts.



It lost £665million in the first half of last year, after writing off nearly **£1BILLION** to culprits like Brazil and Argentina.

Now Midland is convincing debt-crippled Latin America to listen—and cough up.

It still had to put aside £127million, but the first half of this year saw an increase in profits to £313million.

● Travel firm Thomas Cook, owned by Midland, made a loss of £10million in the first half of the year, but money from summer holidays is yet to come.

Press Cuttings

from Broad Street Associates **LLOYD'S LIST** 28 JUL 1988

Fleet addition

HMS *Sheffield*, one of the Royal Navy's new Type 22 frigates, has been commissioned into the fleet at Hull — only the second time ever that a warship has been commissioned away from her home port.

The Swan Hunter built ship is a replacement for the destroyer bearing the same name which was lost during the Falklands war. Hull was chosen for the ceremony because it is the nearest suitable port to the city of Sheffield.

NUS to appeal against High Court delay in releasing assets**Keith Harper**
Labour Editor

THE National Union of Seamen is to go to the Appeal Court this week over a High Court ruling on Monday that what remains of its £2.8 million assets will not be returned for three weeks.

The decision was announced yesterday by the NUS general secretary, Mr Sam McCluskie, who described the ruling as "very unfair". Union officials are worried that if the legal action drags on into next month, they may not get their money until the autumn.

Mr John Prescott, Labour's shadow energy spokesman and a member of the NUS, visited picket lines at Dover yesterday,

where the union is still in dispute over the treatment of members by P&O European Ferries. He passed on the best wishes of Mr McCluskie, who is not allowed to visit the picket line.

The NUS has publicly disowned the hundreds of demonstrators at the port's Eastern Docks, but yesterday still continued to mount its official picket of six, the limit permitted under employment legislation guidelines. The union will be forced to sell off some of its smaller offices to pay for the fines and expenses of the sequestrator.

Paul Brown writes: Mr John Ball, a P&O employee who put out a fire in the engine room of the passenger ferry European Clearway 10 days ago, is to take

out a private prosecution against the company for failing to ensure passenger and crew safety.

His action was raised in the House of Commons last night by the shadow transport spokesman, Mr Bob Hughes, who challenged the Government to take a more serious view of safety on Channel ferries.

Mr Ball, a Falklands veteran who has won the Shell Tanker (UK) Ltd Safety Sailor of the Year Award, was working as a motorman on the ship when the fire broke out. He claims it was a direct result of a leak in a hydraulic pipe that had been reported three weeks before but not repaired.

A plastic bucket placed to catch the drips of oil had over-

flowed and caught fire. Mr Ball also claims that the fire alarm in the engine room had been switched off because an alarm sensor was faulty and had not been repaired.

Two weeks before, on the same ship, the port engines were shut down because of severe overheating, and the ship operated for a week on its starboard engines.

Mr Ball made a full statement to the Department of Transport, and went to the House of Commons last night to hear Mr Hughes challenge the Transport Secretary, Mr Paul Channon, to meet P&O employees.

A P&O spokesman said it was a minor incident involving a weep in the pipe. "Those with a vested interest will seek to make capital out of it."

Military chiefs inept trial told

The military chiefs who led Argentina to defeat in the Falklands war with Britain have been accused of failing in their military duties, showing ineptitude and lacking foresight.

Prosecutor Luis Moreno Ocampo said at the start of a civil trial against ex-President Leopoldo Galtieri and fellow-members of the former military junta that they committed "an extremely grave lack of observance of military duties".

Stiffer

"The final battle was lost on the first day and that is the charge" against General Galtieri, Admiral Jorge Anaya and Air Force Brigadier Basilio Lami Dozo, he said.

Moreno Ocampo will seek stiffer sentences for the three than those handed down by a military tribunal in May 1986.

Galtieri is currently serving 12 years in jail, while Anaya was sentenced to 14 years and Lami Dozo to eight.

Midland Bank under best

High street bankers Midland today reported slightly lower profits than expected for the half year of £313 million.

City dealers marked the shares down 2p to 435p on the news.

At the same stage a year ago the Midland made losses of £665 million before tax due to heavy provisions for losses in third world countries.

A stronger performance in the UK helped the Midland bounce back from its Third World debt problems.

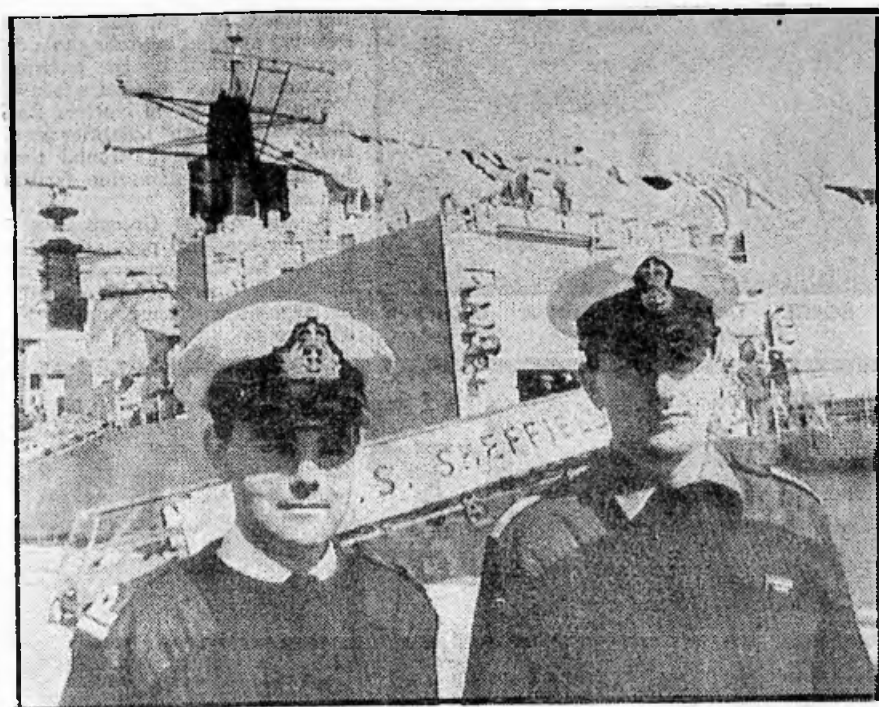
In the first half of 1987 the bank set aside more than £900 million to cover "sour loans", particularly in Latin America.

This time the profit has been struck after bad and doubtful debt provisions amounting to £127 million — of which £90 million relates to debtor countries, especially Argentina.

Shareholders see their interim dividend rise from 8.6p to 9.5p, the first increase for three years.

For the first time they will be offered the choice of taking all or part of their dividend in shares rather than cash.

Midland chairman Sir Kit McMahon said: "I regard as very satisfactory the strong improvement in the underlying profit trend which has been achieved."



SAD MEMORIES: The commissioning of the new HMS Sheffield yesterday was tinged with sadness for Lt. Colin Haley (left) and Chief Petty Officer Terry Turnell, survivors of the ship destroyed by an Exocet missile in the Falklands conflict.

A SURVIVOR of the warship, HMS Sheffield, lost during the Falklands conflict, yesterday joined the crew of its £150-m Plymouth based replacement.

Lt. Colin Haley, 30, led the guard at yesterday's commissioning of the Seawolf and Exocet-armed HMS Sheffield at Hull, Humberside.

About 800 guests, including relatives of the ship's crew and of those who died when the last Sheffield was sunk by an Exocet missile in 1982, saw the replacement being handed over to its captain.

Lt. Haley, one of the 250 crew who will be on board when the ship starts sea trials next week, said: "Today is a very emotional day."

"I can't help thinking of my 20 colleagues who died on the fateful day."

"But this wonderful new vessel is an honour to their memory. It is a fitting tribute to those who died."

Lt. Haley also recalled the day when the Sheffield was lost.

"The whole thing lasted only two minutes. We knew an Exocet was on the

way, but in a few seconds it hit us and we were engulfed in flames."

Lt. Haley's wife, Rachel, who is a second officer in the Wrens, said: "We are all very proud of Colin and his colleagues."

Sheffield's new commander, Capt. Tony Morton, of Newton Ferrers, Devon, paid tribute to those who died when the Sheffield was sunk.

"Today is a tribute to them as much as it is to the current crew and their families," he said.

Captain Morton, 46, won the Distinguished Service Cross when he commanded the frigate HMS Yarmouth in the Falklands conflict.

The ceremony was held in Hull because it is the nearest port to Sheffield which could accommodate the frigate.

Civic dignitaries from Sheffield were among the guests at yesterday's ceremony for the ship known as 'Shiny Sheff' because of the stainless steel the city provided for her construction.

The new 4,900-tonnes Type 22 anti-submarine frigate leaves Hull today to continue her sea trials.

Sheffield — In which we serve

TWO survivors from the sinking of HMS Sheffield during the Falklands war yesterday joined the crew of its £100m replacement.

Lt Colin Haley, 30, led the guard at the commissioning of the new, stainless steel-covered, Tyneside-built, HMS Sheffield at Hull and Chief PO Terry Turnell also took part in the ceremony.

About 800 guests, including relatives of the ship's crew and of those who died when the last ship was sunk by an Exocet missile in 1982, saw the replacement being handed over to its captain.

Lt Haley, one of 250 crew

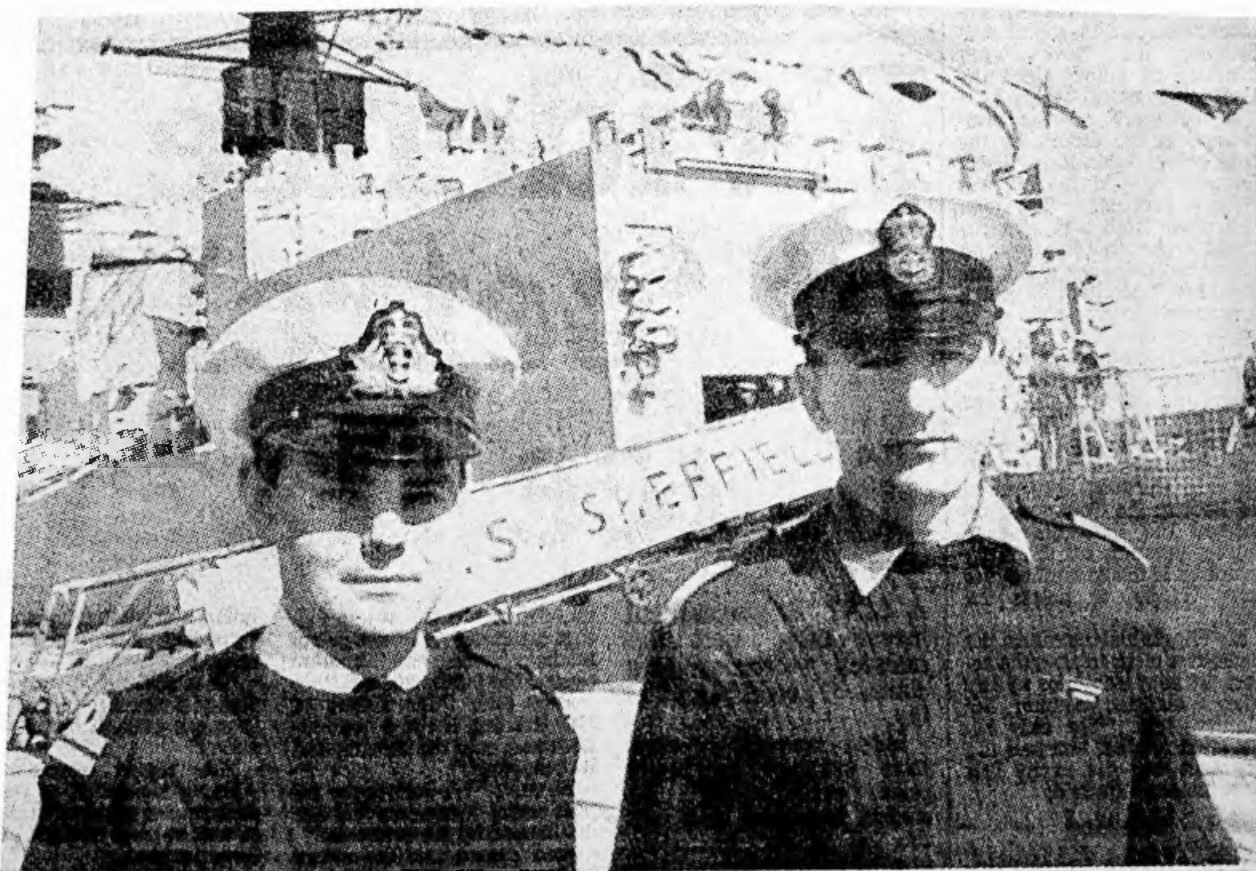
who will be on board when the ship starts sea trials next week, said: "Today is a very emotional day.

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Lt Haley also recalled the day when the Sheffield was lost.

"The whole thing lasted only two minutes. We knew an Exocet was on the way, but in a few seconds it hit us and we were engulfed in flames."



Survivors from the sinking of HMS Sheffield at the commissioning of her replacement in Hull yesterday
Lt Haley, left, and Chief PO Terry Turnell who joined the new ship.

'Inept' Galtieri on trial again

MILITARY chiefs who led Argentina to defeat in the Falklands war were accused in Buenos Aires of failing in their military duties, ineptitude and lack of foresight.

Prosecutor Luis Moreno Ocampo said at the start of a civil trial that ex-president Leo-

poldo Galtieri and fellow-members of the former military junta were guilty of "an extremely grave lack of observance of military duties."

"The final battle was lost on the first day" and that was the charge against General Galtieri, Admiral Jorge Anaya and Air Force Brigadier Basilio Lami Dozo, he added.

The prosecution is seeking stiffer sentences for the three than those imposed by a military tribunal in May 1986.

Galtieri is serving 12 years in jail, Anaya was sentenced to 14 years and Lami Dozo to eight for "negligence and gross incompetence."



Leopoldo Galtieri

27 JUL 1988

'Hercules' ruling may spur Gulf actions

OWNERS of more than 300 neutral ships attacked during the Gulf War are anxiously awaiting the US Supreme Court decision on the Liberian registered tanker *Hercules* which was lost during the Falklands war of 1982.

The court will review the *Hercules* case during its term due to begin in October and its decision could pave the way for attempts to seek legal compensation over Gulf attacks.

Clarification of the rights of the shipping industry under US jurisdiction, which might be the favourite vehicle for redress against Iran and Iraq, is the key issue.

Although it is seen by some as the province of the owner to sue, it is feared that underwriters — who, internationally, have faced claims totalling \$2 billion from the Gulf war — could withhold payments where court cases are pending.

Supreme Court judges must decide whether a suit can be brought against Argentina for the attack by its aircraft on the 220,117 tonnes deadweight turbine tanker *Hercules*, while in international waters some

By James Brewer,
Shipping Reporter

500 miles from the Falkland Islands.

Argentina is said to have been the first belligerent not to carry out its obligation under international law to provide compensation, or at least a forum for innocent shipowners to present their claims.

Owners fear that the Gulf participants have imitated the example said to be set by Argentina.

It has been viewed as pointless to take action against Iran or Iraq in the International Court of Justice and there is clearly hesitation over initiating moves in New York.

So far, there are no moves to file suit for Gulf war damage in any jurisdiction.

A Supreme Court verdict, applauded by shipowners, may allow only a limited number of war victims to set out their case in the US.

The *Hercules* case is of such interest, nevertheless, that a number of parties, including the International Association of Independent Tanker Owners

(Intertanko) intend to file an *amicus curiae* (friend of the court) brief.

Intertanko has, in recent times, had consultations with underwriters to urge them to proceed with claims against attacking parties in the Gulf.

The owners' body is particularly anxious not to do anything which would prejudice the delicate ceasefire negotiations which are about to begin. It says its main aim is to restore a stable shipping environment to the region.

Its latest report on the effects of the war: "Iran/Iraq Conflict, 1984-88" draws up a balance sheet of the shipping toll.

Of some 200 Iraqi attacks, 56 are said to have been against Iranian-flag vessels, with flags of many other maritime nations represented among the other casualties.

The 182 Iranian attacks have also covered most leading maritime flags.

Damage to commercial shipping up to July 21 is said to have involved vessels totalling 69.6m tonnes, of which 62 tankers, amounting to 10.9m tonnes, were declared constructive total losses.

Since early 1984, 250 seafarers died in such attacks.

Press Cuttings

from Broad Street Associates

SCOTLAND'S NEWSPAPER
GLASGOW HERALD

27 JUL 1988

Church union

THE Baptist Church's 11th World Youth Conference opens in Glasgow today with a gesture of reconciliation between Britain and Argentina, where the last of the five-yearly conferences was held, shortly after the Falklands War. Argentinian and British delegates will exchange a torch in the opening ceremony at the Scottish Exhibition and Conference Centre this morning to symbolise the link between this conference and the last. It is thought to be the largest international conference ever to take place in Scotland, with more than 7000 delegates so far registering.

Alfonsin steps up pressure on creditors

By Gary Mead in
Buenos Aires

PRESIDENT Raul Alfonsin of Argentina has delivered a fresh warning to the country's foreign creditors, describing his nation's economy as similar to that of Western Europe after the First World War.

In a speech with both political and economic overtones, delivered at the University of Buenos Aires, he said: "The economic reprisals were very difficult for the defeated; the result was the appearance of Hitler and Mussolini."

The President referred to the post-1945 Marshall Plan, describing it as creative and imaginative in its consolidation of democracy. He added: "Today, Latin America faces a similar set of situations, but the Versailles Plan is applied to us. That can no longer be."

The fact that he used the forum of a seminar on human rights and justice for minors to speak on Argentina's debt reflects the considerable pressure being exerted by Argentina on its creditors to come up with a re-financing deal for the country's \$56bn debt.

Last week an Argentine delegation returned from Washington empty-handed after seeking fresh money from the International Monetary Fund and commercial banks to finance this year's interest payments, expected to reach \$5bn, and to cover 1989.

According to official reports those discussions will be resumed soon.

President Alfonsin did not make explicit reference to previous statements in which he called for a fixing of interest rate payments to what he has termed their "historic" level of 4 per cent. Nor did he give any hint that Argentina may be considering the repudiation of its debts. But it is widely believed that the country has very low foreign currency reserves, and this year's trade surplus is most unlikely to be sufficient to meet the interest payments.

● The value of the austral, Argentina's currency, is ten times less than when introduced in 1985, according to the latest report from the Institute of Economics at the Argentine Business School.



TWO survivors of the warship HMS *Sheffield*, lost during the Falklands conflict, Lt Colin Haley (30) (left) and CPO Terry Turnell, prepare to join the crew of her £100 million replacement yesterday. Lt Haley led the guard at the commissioning of the stainless steel-covered HMS *Sheffield* at Hull. About 800 guests, including relatives of the ship's crew and of those who died when the

last ship was sunk by an Exocet missile in 1982, saw the replacement, a 4,900-tonne Type 22 anti-submarine frigate, being handed over to her captain.

Lt Haley, one of 250 crew who will be on board when the ship starts sea trials next week, said: "Today is a very emotional day. I can't help thinking of my 20 colleagues who died on the fateful day. But this

wonderful new vessel is an honour to their memory. It is a fitting tribute."

Sheffield's new commander, Capt Tony Morton, also paid tribute to those who died when the *Sheffield* was sunk. The ceremony was held at Hull because it is the nearest port to *Sheffield* which could accommodate the frigate. Civic dignitaries from *Sheffield* were amongst the guests.

Press Cuttings

from Broad Street Associates **DAILY POST**

27 JUL 1988

Survivor relives Exocet horror

by Robert Taylor

A SURVIVOR of the warship HMS Sheffield, lost during the Falklands conflict, yesterday joined the crew of its £100m replacement.

Lt Colin Haley, 30, led the guard at yesterday's commissioning of the stainless steel-covered HMS Sheffield at Hull, Humberside.

About 800 guests, including relatives of the ship's crew and of those who died when the last ship was sunk by an Exocet missile in 1982, saw the replacement being handed over.

Lt Haley, one of 250 crew who will be on board when the ship starts sea trials next week, said: "Today is a very emotional day."

Honour

"I can't help thinking of my 20 colleagues who died."

"But this wonderful new vessel is an honour to their memory. It is a fitting tribute to those who died."

Lt Haley also recalled the day when the Sheffield was lost.

"The whole thing lasted only two minutes. We knew an Exocet was on the way, but in a few seconds it hit us and we were engulfed in flames."

Lt Haley's wife, Rachel, who is a second officer in the Wrens, said: "We are all very proud of Colin and his colleagues."

Sheffield's new command-



Falklands veterans Lt Haley (left) and CPO Terry Turnell join the new ship

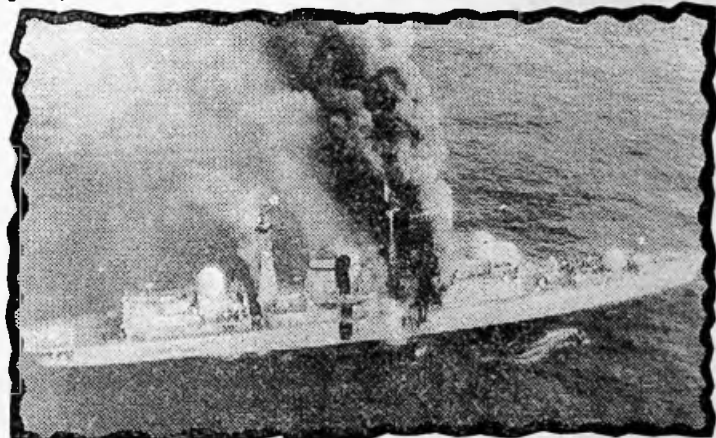
er, Captain Tony Morton, paid tribute to those who died when the Sheffield sank.

"Today is a tribute to them as much as it is to the current crew and their families."

The ceremony was held in Hull because it is the nearest port to Sheffield which could accommodate the frigate.

Civic dignitaries from Sheffield were among the guests at the ceremony for the ship known as 'Shiny Sheff' because of the stainless steel the city provided for her construction.

The new 4900-tonnes Type 22 anti-submarine frigate leaves Hull today to continue her sea trials.



Painful memory - the Sheffield ablaze after the hit.

Press Cuttings

from Broad Street Associates **YORKSHIRE POST** 27 JUL 1988



CPO Terry Turnell, above left, and Lt Colin Haley, with the new HMS Sheffield at King George V Dock, Hull, yesterday. Below: The Lord Mayor of Sheffield, Coun Phyllis Smith, right, and the Lady Mayoress, Mrs Diane Stanley, among the guests at the commissioning ceremony.

Emotional welcome for 'Shiny Sheff'

THE families of men killed when the destroyer, HMS Sheffield, was sunk in the Falklands War, yesterday took pride of place at the commissioning ceremony for her £100m replacement.

There were tears of pride and sadness on the King George V Dock, Hull, as the frigate's new commander, Capt Tony Morton, paid tribute to the 20 men who perished in the South Atlantic on May 4, 1982.

He told the gathering of relatives, crew and civic dignitaries from Hull and Sheffield: "This is indeed a proud day for all. The new vessel is a tribute as much to those who died as it is to the current crew and their families.

"Your presence today is proof of the family spirit there is with the ship and I hope you will all feel closely associated with us in future."

The Sheffield sank after being struck by an Argentinian Exocet missile. Her replacement, the first new Type 22 frigate, has been

nicknamed Shiny Sheff because of the stainless steel the city provided for her construction.

Built at Swan Hunter's Tyne-side yard, the 4,900-tonne anti-submarine vessel cost about £100m to build and is only the second ship ever to be commissioned outside its home port.

The ceremony was held in Hull rather than Portsmouth because it is the nearest port to Sheffield which could accommodate the frigate.

Afterwards Mrs Joyce Osborne, who lost her son David, 22, a cook aboard the Sheffield during the Falklands conflict, said: "It has been a day of mixed emotions. We still feel the tragedy very deeply because it changed our lives. But we are so proud to see the new Sheffield."

Among the crew welcomed to the new vessel were two survivors of the South Atlantic tragedy, Lt Colin Haley, who led yesterday's guard of honour, and CPO Terry Turnell.



CPO Turnell said: "It has been a very emotional day. I had a great many friends who were lost when the ship went down. It is just a pity they cannot be here today. I think they would be very proud."

Lt Haley recalled the day the Sheffield was sunk. He said: "The whole thing lasted only two minutes. We knew an Exocet was on the way but in a few seconds it

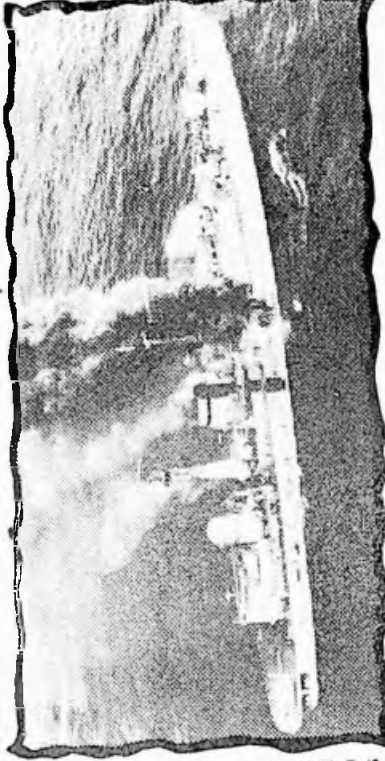
hit us and we were engulfed in flames."

The colourful ceremony was conducted by three Royal Navy chaplains to the strains of the Royal Marines Band and was attended by the Lord Mayors of Sheffield and Hull, Coun Phyllis Smith and Coun Marjorie Smelt.

The Shiny Sheff will leave Hull today to continue her sea trials.

Now a new HMS Sheffield rules the waves

THE SHIP THAT CAME BACK FROM THE DEAD



DAY OF TRAGEDY:
The Sheffield blazes in the Falklands

HMS Sheffield, one of the warships destroyed in the Falklands conflict, has come back to life.

A new ship bearing her name was commissioned in Hull yesterday — and the sad but proud families of the 20 sailors who died were there to watch.

Comfort

As the White Ensign fluttered, they wept to the prayers of a red-robed chaplain and the martial music of the Royal Marines.

Among the families were three mothers, Joyce Osborne, Joan Chapel and Paula Ives, who all lost sons.

They were comforted

By MIRROR REPORTER

by two survivors from the destroyed warship — Lieutenant Colin Haley and Chief Petty Officer Terry Turnell — who will serve on the new ship.

CPO Turnell said: "Today's ceremony was tinged with sadness for me after seeing the families of my dead friends. "It has brought it all back."

Lieutenant Haley said: "It is a proud moment for us, but it is also a constant reminder of the day we were sunk by an Exocet missile."

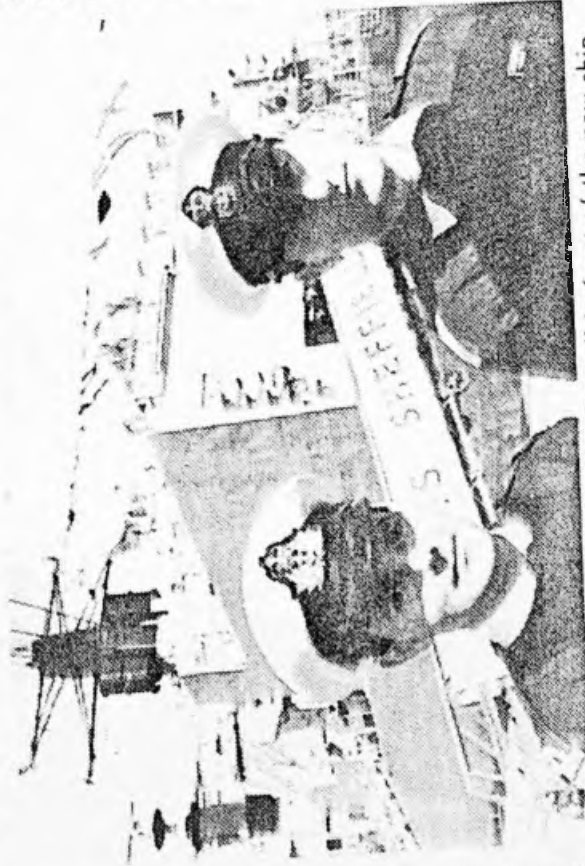
"Ironically, the new ship will carry Exocets. But the commissioning was missed by another survivor, Admiral Sam Salt, who captained the Sheffield as she went down."

He said at his home in West Sussex:

"I wish I could have been at the ceremony. She's a marvellous ship with a special name. I wish her every success."

The admiral, now working at the Royal College of Defence Studies, added: "I went aboard her about four weeks ago and I was very impressed."

'A proud day tinged with sad memories'



SURVIVORS: Lt. Haley and CPO Turnell in front of the new ship

Unseen shooting stars

The Parachute Regiment and the elite forces of other lands, including foreign marines, are not bound to agree with Britain's amphibious infantry who claim that their rightful position is on the top rung. But the doubting of outsiders will not detract from the opinion of any "Royal", who considers the green beret to be the ultimate in martial headgear.

The CTCRM course, lasting 30 weeks, is the longest infantry test in the country, producing hardened, skilled troops capable

They are invisible, they are deadly. DEREK HUDSON reports on the Royal Marine snipers whose greatest asset is their ability to bring terror with a 27p bullet

of the kind of courageous foot-slogging and fighting which got men across East Falkland to dislodge Argentine trespassers six years ago.

According to Warrant Officer Tommy Sands, of the Commando Training Centre's Platoon Weapons Troop: "At a time when infantry forces are being issued with a weapon designed to fire rapid single and burst fire (the SA 80), when a firefight may result in the spraying of unaimed shots that do little more than force the enemy to keep their heads down, the sniper demonstrates the deadly value of a single, well-aimed bullet."

Snipers, mostly youngsters in their teens or early 20s, are trained during a course lasting five weeks and four days, to bring down artillery and mortar fire as well as to be expert marksmen.

"He can observe, interpret and accurately report enemy movements and can locate the enemy no matter how well concealed

— once found he will stalk him or lie in wait and then kill with a single shot. He has the ability to see without being seen and kill without being killed."

Royal Marine snipers use the highly-accurate L96 A1 general-purpose sniper rifle fitted with a 6 by 42mm telescopic sight, and are expected to be capable of a 250mm (10in) group on a target 1,000m away.

"Snipers work in pairs — one handles and fires the rifle while the other observes, selects targets and spots the fall of shot.

"They will support an attack, hunt in no-man's land or conceal themselves on the fringes of a defensive position covering likely enemy approaches, and there they will wait, hour after hour, day after day, camouflaged to invisibility, always on the alert for the slightest movement," said Warrant Officer Sands.

He added: "To become a sniper you either have to have a natural aptitude or work extremely hard to reach the qualifying standard."

Warrant Officer Sands listed the tests which Royal Marine snipers had to pass for their "finals." They included: hit a target at 600m with a single shot; stalk two instructors over varying ground at distances up to 1,100m; occupy a position within 200m of a firing post and fire a shot without being seen; remain camouflaged and concealed even when being checked by experienced instructors; navigate across country by day and night and work from air photographs as well as maps.

In the observation test he has to locate 12 military items — for example, part of a Soviet bloc AK47 rifle — which have been placed out in an arc to his front, all partially concealed and invisible to the naked eye but distinguishable through binoculars. Then, he must identify and accurately plot as many as possible in 40 minutes. Eight out of 12 are needed to pass.

Trainee snipers face a tough time.

But then, as the Marines are quite likely to tell you, all things are possible to those amphibious warriors who are trained to fight from water, if not walk on it.

Press Cuttings

from Broad Street Associates **YORKSHIRE POST**

26 JUL 1988

SNIPERS do not grow on trees. They just look that way, camouflage being as important an asset of the sneaky-beaky marksman's trade as is being able to hit a uniform button hundreds of metres away.

The sniper's art is not all about bulls-eyes. It concerns ground-floor, cut-price warfare of a kind which can inflict psychological damage on the enemy. Accurate long-range fire is a demoralising, terrifying ordeal, especially when it hits troops who believe they are well hidden themselves.

And even though true professionals among their number do not gloat, those who handle this skilled military chore — which requires the prowess of Bisley, the patience of the hungry, hunting polar bear which stalks a seal for days and the chameleon's ability to become part of the scenery — are taught to consider themselves as an excellent return on investment.

In the words of a senior Royal Marine sniping instructor: "If casualties can ever be considered a bargain, the sniper surely is the most cost-effective bargain-collector of any war — the ammunition he uses costs 27p a round."

As well as being trained to locate the most important human target and destroy it — there really are good reasons for hiding the insignia of rank in the field because officers obviously are considered primary targets — snipers, with a well-placed single shot, can put a sophisticated £10m aircraft out of action if they can catch it parked on the ground.

Sniping is one of the skills taught at the CTCRM (Commando Training Centre Royal Marines), Lympstone, Exmouth, Devon, which is in effect the Royal Marines' depot where officers, non-commissioned officers and recruits are trained in all stages of their infantry and commando qualifications.

"No extroverts need apply," said another instructor. "When we look for snipers we only consider level-headed men."

But before a man can aim to become one of the small band of qualified snipers in the Royal Marines with a badge to prove it, he has a succession of major hurdles to clear. First of all he must earn his green beret.

Press Cuttings

from Broad Street Associates THE  TIMES 26 JUL 1988

Falklands war crimes

Argentine civil court sits in judgement on military

From Mike Llanos, Buenos Aires

An appeals court today begins the first civil hearing into Argentine war crimes, in which former President Leopoldo Galtieri and five other officers were accused of professional negligence in the Falklands War.

The proceedings, the first such case open to the public, have been welcomed by some people as a chance to debate the role of the armed forces. Others, especially some officers, feel the trial should never have left the military courts.

The state prosecutor handling the case said it marked an important step towards improving military-civilian relations. "Their human rights trials of officers never offered that possibility," Señor Luis Moreno Ocampo said. "But this trial does, since civilians do have a say in what the military's role should be."

Some officers agree that the appeal opens a necessary de-

bate on the military's role. "What is on trial is the system of selecting military leaders, not the officers themselves," said Lieutenant-Colonel Néstor Cruces who, in a book *Towards A Viable Army*, has called for promotions based strictly on merit. But others refuse to accept civilian judges for war crimes. "A civilian prosecutor does not know the first thing about war," one colonel said.

Three of the six officers were sentenced by a military tribunal in May, 1986, but under a reform of the military code of justice the appeals process was transferred to civilian jurisdiction. The appeal was delayed until human rights trials were completed.

The three found guilty tacitly accepted the civilian system by appealing against their sentences. General Galtieri was given 12 years, Admiral Jorge Anaya 14 years, and Air


Force General Basilio Lami Dozo eight years.

Señor Moreno Ocampo, who also appealed against the tribunal's verdict, said that he would seek stiffer sentences, possibly life. He will also seek three to six year terms for General Mario Benjamín Menéndez, Vice-Admiral Juan Lombardo and General Omar Parada, who were acquitted by the tribunal.

Like the three sentenced officers, General Menéndez and Vice-Admiral Lombardo are accused of not having planned for a British attack. General Parada is accused of sending out soldiers who were low on rations and poorly clothed. Señor Moreno Ocampo said he would show that General Parada was in charge of defending Goose Green but appeared at the front only once.

The appeal is expected to last two months.

Press Cuttings

from Broad Street Associates THE  TIMES

26 JUL 1988

Economy's prospects set tone for political agenda

By Walter Little

The opening today of the civil appeal by former President Galtieri *et al* over their handling of the Falklands War represents almost the end of the court actions against the Argentine military by President Alfonsín. Trials are still pending against those involved in last January's and Easter's military uprisings, but this is small beer and unlikely to attract much attention.

The reason for this is partly because the "due obedience" law has effectively amnestied those guilty of dirty-war crimes. More importantly, it is because the political agenda has moved on. President Alfonsín's Government is drawing to a close and Argentina is already well into the presidential election campaign due to culminate in May next year.

The President has been, and will be, criticized for his gentle handling of the military, but there is little evidence that the average voter attaches much importance to the matter.

What does concern them is the state of the economy and the fact that the opposition Peronist Party has selected a presidential candidate which most pundits had written off. On July 9, in the first free internal elections ever held by the Peronists in their 45-year history, Señor Carlos Menem convincingly beat the until then frontrunner, Señor Antonio Cafiero.

If the latter represented the respectable, modernizing face of Peronism, Señor Menem is quite a different proposition and will have already caused a *frisson* in bank headquarters

and foreign ministries around the world. Diminutive, heavily side-burned, a flashy dresser given to showbusiness company, Señor Menem is being portrayed as a throwback to the populist and demagogic Peronist tradition which many thought had been eclipsed.

There is enough to this for it to be taken seriously. Señor Menem is backed by some of the most reactionary trade union bosses, reputedly has friendly relations with General Stroessner of Paraguay, and has ruled his own province of La Rioja like a *caudillo* of old. But there is more to him than this.

A member of the successful provincial Lebanese community (known in Argentina as "*Los Turcos*"), Señor Menem is a skilled party operator, a good rhetorician and a man of considerable personal courage with a record of imprisonment by the military. He speaks not just for the working class but also for provincial élites who have long resented domination by the liberal cosmopolitans of Buenos Aires. In no real sense a radical, he represents a creole, nationalistic and corporatist tradition.

His Radical Party opponent, Señor Eduardo Angeloz, could not be more different. Cautious, pragmatic, and clearly respectable, he has been a successful governor of the important province of Córdoba.

Hand-picked by President Alfonsín, he is scathing about Señor Menem's attitude towards the foreign debt, enthusiastic about technological modernization, and insistent

that Argentina cannot return to discredited protectionist models. He has already sought to identify the Radicals with the cause of democracy and, by implication, his opponent with economic mismanagement, political disorder and military intervention.

The likelihood is that the election will be close. The Peronists have done well in recent congressional races but next year will be different. Two groups in the electorate will be critical: the sometime apathetic lower-class voter who has suffered so much in recent years and whom Señor Menem must mobilize, and the well organized right wing (some 15 per cent of the electorate) whom Señor Angeloz has to capture.

In 1983, Señor Alfonsín won his plurality because the latter, terrified of Peronism, split their tickets and Señor Angeloz must perform the same trick. Much will depend upon the campaign, which is certain to be hard fought. Señor Angeloz will be lampooned as the banker's friend, Señor Menem as a throwback to the gangster tradition.

If President Alfonsín succeeds in placing his man, Señor Angeloz, at the helm, it will be business much as usual. If Señor Menem wins, a much harder line on debt is likely. He is also likely to restrain the halting efforts at public sector reform, while revenue sharing with the provinces is likely to be given a much higher priority.

Walter Little teaches Latin American politics at Liverpool University.

Falklands war chiefs go to court

Buenos Aires (AFP) — The Argentine military commanders who planned the Falklands War will appear in a civilian court tomorrow on charges connected with the way they handled the war.

The federal prosecutor, Luis Moreno Ocampo, is expected to argue that the commanders did not analyse the feasibility and acceptability of maintaining the occupation. The Supreme Council of the Armed Forces, which first tried the officers, sentenced General Galtieri, army chief and president in 1982, to 12 years in prison, Admiral Jorge Anaya, the former naval commander, to 14 years, and Brigadier Basilio Lami Dozo, the former Air Force chief, to eight years. The court will also examine the decisions of General Mario Mendez, the military governor who was cleared by the military tribunal, and Vice-Admiral Juan Jose Lombardo, the commander for strategic operations.

HARE AND THE TORTOISE

Taken for a ride on the inside track

'SEEN *Wall Street* yet?' asked Hare. 'Fine film, if you ask me.'

'Nice to see the financial community getting some recognition on the big screen, too.'

'And the small one,' said Tortoise. 'LWT had that *Moneymen* thing last week. I thought the plots were a bit silly.'

'How do you mean?' asked Hare. 'Insider traders getting their comeuppance — seems pretty realistic to me.'

'That,' said Tortoise, 'is why you will never be rich. You rush round seeking inside information believing it the sure route to a fortune. Yet you have never come close to it.'

'Why? Because there is no such thing as inside information that guarantees you a profit.'

'Think of this past week. Two major events you would have lost money on — each time the market went the opposite way to what you might have expected.'

Terrible

'First, the possible end of the Gulf War — not to mention Red Adair dealing with Piper Alpha. More oil on the market means lower prices. So you sell oil. But the oil price rose.'

'Then there were the terrible banking figures and the interest rate rises. They should have clobbered the market — yet shares went up.'

'In the *Moneymen* play, the idea was to sell sterling short because we were going to war with Spain over Gibraltar. But I would have treated that as a buy signal. It demonstrated national pride and so on. Sterling rose on the Falklands, remember.'

'It's one thing to have inside information — quite another to know how to use it.'

Richard Milner

Galtieri appeal hearing

GENERAL Leopoldo Fortunato Galtieri is due back in the dock on Tuesday in the last chapter of his long trial for "negligence" in the Falklands war, writes Maria Laura Avignolo in Buenos Aires.

Six judges will hear an appeal by the prosecution against the 12-year sentence imposed three years ago by a military court.

The federal appeal court, which also sentenced the military leaders responsible for Argentina's internal "dirty war" against subversion, has to decide whether Galtieri's punishment is severe enough.

In a hearing that is expected to last a month, Galtieri will be flanked by his fellow Falklands war leaders: Admiral Jorge Anaya, who launched the invasion and is serving 14 years, and Brigadier Basilio Lami Dozo, the air force chief, who is serving eight years.

The prosecution is also appealing against the acquittal in a military court of charges against the military governor of the Falkland Islands during the occupation, General Mario Benjamin Menendez.

The Alfonsin government, which introduced an amnesty acquitting Galtieri of human rights charges, is nervous that the new court hearing may affect its improved relations with the military if the sentences are increased.

Military chiefs are furious. "How can civilian judges with no military background try officers for their conduct in war?" said one general.

"Facing these charges, I don't know whether to laugh or cry," said Menendez. "I have already been tried and acquitted."

Press Cuttings
from Broad Street Associates

The Mail
ON SUNDAY

24 JUL 1988

Polo breakthrough

THE first polo match on English soil between Argentina and Britain since the Falklands War has been played at Cirencester.

Nostalgia for a succulent slab of beef

I WAS ploughing my way through the rather simple-minded bucolic food of Austria last week and was struck by a huge burst of culinary nostalgia. In Austria as in the rest of *Mitteleuropa* there are two cuisines, the basic and the sophisticated, and I was stuck in the basic *bauerlich*. Suddenly I wanted no more nasty thin soups with gizzards floating about like tadpoles in a stagnant pond, salads consisting of cucumbers, unripe tomatoes and grated carrots, or pork dressed up as veal.

I wanted, yes, to be in Argentina, going to the flicks late at night (Buenos Aires is second only to Paris as a cinematic paradise), and strolling along the Calle Florida and wandering off into a side street for a slab of what must be, bar none, the tastiest beef in the world.

As a cosmopolitan, and therefore not constrained by spurious patriotism, I confess that during the absurd Falklands incident I did sometimes root for the other side. Civilisation and food go hand in hand and, gastronomically, I have no doubt the islanders would be better off eating Argentine food than a style of

Keith Botsford hankers after the meaty flavours of Argentina

English cooking that is now remote from the healthy influences that have improved our lot in the past decade. I admit, though, that this may not be sufficient reason for a political choice.

As eaters and drinkers the Argentines are in a special class. When I first visited the country I was startled by the amount that an average *portenô* could put away. Without exaggeration, a

A normal snack was double the size of our Sunday lunch

normal snack — forget the main meal of the day — was roughly double the size of our Sunday lunch and I recall distinctly, one hungry evening, trying to put away an *asado* (a roast or grilled slab of beef, with a few chops, a half-dozen sausages, blood puddings and offal thrown in) for which no adequate plate had ever been invented. The rib steak as centrepiece was some two inches thick, flopped over the sides and

weighed between four and five pounds. I did it justice, but only thanks to copious imbibings of red wine, good company and a powerful constitution.

If hospitality in Argentina, whether in the city or at an *estancia* in the country, can be murderous, it is always heartfelt and splendidly prodigal. A strange race, marooned in a vast space, the locals will tell you that their eating traditions stem from three sources. An entry in a long-ago diary reads: "The meat we learn to eat from the English [we were, all too briefly, in occupation back in the beginning of the last century, hence the Harrods and the Anglo-names], our cooking and our rice from Spain and our vegetables and spices from the Italians".

Well, fashions in eating have changed. Castrated trenchermen is what we are now, munching salads, watching our figures, worrying about carcinogens and cholesterol. Our teeth and our jawbones are in equal decline: we have forgotten how to chew. If beef we still eat, we prize Kobe

beef, tender as a steak tartare, Charolais, which falls back on either side of the knife, or America's "tenderised" (watered and softened) steaks.

Argentine beef stands up and fights back and, as all good beef-eaters know, it is in the grain of the meat that the flavour resides and in the coarse texture that dwells a particular and nostalgic pleasure. With that kind of beef,

We have forgotten how to chew: our teeth are in decline

one knows what one is eating; it is not a simulacrum.

I would not want anyone to think that beef is all there is to Argentine food. The river fish is excellent; in the Andean provinces it is superb. The vegetables (like most Latins, the Argentines do not favour greens of any kind) are sun-blessed and thoroughly Italianate. Any country sophisticated enough to invent Peronism and survive hyper-inflation also

has to have a variety of classy restaurants, many of them of the old-fashioned lugubriousness that seems fresher than today's trendy-designer stage-sets.

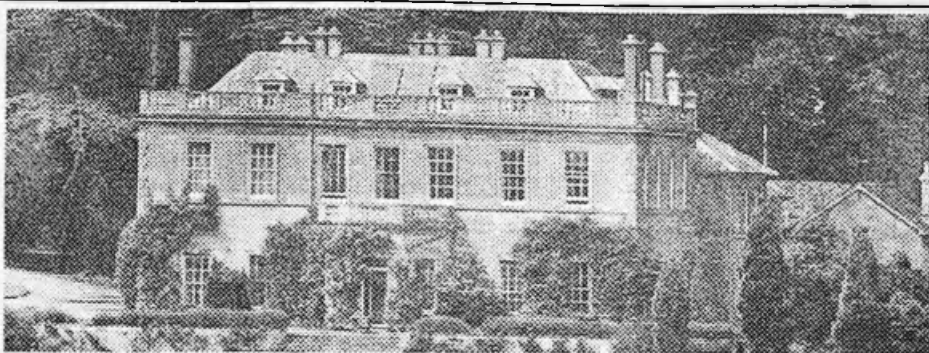
Not everyone wants to eat under plate glass, on chrome, off lacquer, and there is something to be said for the stolid late-night weariness of the Argentine waiter who is burly, unshaven again by 7pm, and carrying on his mournful face the unmistakable mark of the large family he is supporting by his modest job.

To return briefly to the subject of beef, we should none of us forget that if we retained any carnivorous tradition at all through the war and the dour immediate post-war years, it is thanks to Argentine beef. At that time we were poor; they became rich because of our straitened circumstances.

Peter, my excellent ex-butcher in Barons Court, once murmured that Argentine beef went out of fashion because it was of poor quality. For once he was wrong. It is — as Scottish beef is different from American and Japanese from French — simply different in cut and feel, and hence in texture and taste.

WIDOW'S DOUBLE TRAGEDY FORCES

HER TO SELL OFF ESTATE



Glympton Park: A nine-bedroom Georgian mansion with 167 acres

By GLYN MIDDLETON

IT NESTLES in the heart of the English countryside, seemingly untouched by the 20th century.

But the people living in the village of Glympton in Oxfordshire fear that time is about to catch up with them and destroy their idyllic life.

The entire village has been put up for sale for £11million by the lady of the manor, Mrs Stella Towler.

Behind her decision lies a double tragedy — the deaths of her husband and teenage son within nine months of each other.

Millionaires

Mrs Towler, 57, has now decided that she can no longer bear to live on the estate that her family has run since 1953 and which she expected her son to take over.

Now several tycoons, including, it is said, Virgin boss Richard Branson, are queuing up to buy themselves a slice of old England.

The village comes complete with an impressive Georgian mansion house, 23 farmworkers' cottages, a tiny post office, 2,000 acres of forestry and farmland — and 26 estate workers, including farmhands, gardeners and domestic staff.

But villagers fear the sale could sound the death knell for their close-knit community.

Sub-postmistress Frances Dunne said: 'It would be such a disaster if the wrong person took it over and spoiled it.'

'We have had Richard Branson down here and he seems to be a good choice, because he owns another estate not far from here and is very good to local people.

'There is no shortage of

takers and I am told there is even a German trying to buy.

'But we just want the village kept as it is.

Estate manager John Dixon, said all efforts were being made to keep

the village's character intact.

Prospective buyers were being told it would have to be sold as a whole and conditions were imposed in the contract to ensure no ugly development

work could go ahead.

'That is because the Towlers are trying to look after their employees,' he said.

Mrs Towler was said not to be at home last night at the nine-bed-

Up for sale at £11m, the village that time passed by



Slice of old England: Glympton

roomed mansion, overlooking a lake and 167 acres of parkland.

And Mr Dixon was fiercely protective of his employer.

'She has gone through too much already,' he said. She must not in any circumstances be disturbed.'

Sealed

Her tragedy began when her husband, Eric, a mining tycoon died last December. This left their son Stephen, 18 and Eton-educated, to take charge after going up to Oxford.

But last May, while playing polo in Argentina as the guest of the Duchess of York's mother, Susan Barrantes, he fell from his horse and sustained fatal injuries.

That proved too much for his mother — and sealed Glympton's fate.



Father: Eric Towler



Son: Stephen Towler

MP Dalyell is banned for Commons attack

MAVERICK Labour MP Tam Dalyell was ordered out of the Commons yesterday for calling Mrs Thatcher a liar.

Later a Minister criticised Labour chiefs for making no attempt to disown their colleague.

The MP for Linlithgow attacked the Premier during a debate on the Government's proposals to reform the Official Secrets Act.

He claimed the Act was being changed to allow Ministers to lie to the Commons. Mr Dalyell, who has claimed that the Prime Minister attempted to mislead MPs

over the Westland affair and the sinking of the Belgrano in the Falklands war, said Mrs Thatcher drafted the White Paper to protect her own position.

'Because a particular Prime Minister is an habitual liar to Parliament there is no reason why we should have this White Paper foisted upon us,' he added.

Later Home Office Minister John Patten described Mr Dalyell's attack as monstrous. 'To call the Prime Minister an habitual liar without any signs of protest from those around him is an utter disgrace. It's time he was stopped.'

Argentine debt talks hope

By Gary Mead in Buenos Aires

AN ARGENTINE delegation returned from Washington this week without an agreement on re-financing interest payments on its \$56bn debt but optimistic that a deal could be reached by the end of the month.

Mr Mario Brodersohn, Treasury Secretary, and Mr Jose Machinea, central bank president, held four days of talks with the International Monetary Fund, the World Bank, the US Federal Reserve and commercial bankers. They requested a new standby loan of \$1.5bn from the IMF and another \$2bn in private bank loans. They also sought the release of \$400m outstanding

from a previous IMF standby arrangement.

Mr Brodersohn said negotiations were in the final stages and an agreement would be reached on a re-financing package up to the end of 1989.

Higher grain export prices are likely to boost Argentina's balance of payments surplus this year to up to \$3bn, while interest payments may reach \$5bn. Commercial banks want to see some of the surplus used for interest payments. Mr Brodersohn said: "We told the banks, as a basic principle of the negotiations, that we are not in a condition to pay the total of the interest payments."

Press Cuttings

from Broad Street Associates **THE  TIMES**

22 JUL 1988

Many peers are forsaking the car for two wheels to get through Westminster's traffic jams, their machines ranging from the flamboyant Viscount Falkland's giant BMW to Lord Bruce-Gardyne's pedal bike. But there is a problem when they arrive: nowhere to park. Lord Falkland has now written to Black Rod, Air Chief Marshal Sir John Gingell, asking if he can provide a spot.

Press Cuttings

from Broad Street Associates THE  TIMES

22 JUL 1988

Talks with Argentina

Buenos Aires — The most senior US military officer to officially visit here since the Falklands war yesterday began two days of talks aimed at improving Argentinian military education and training (Michael Lanos writes).

US Embassy and Argentine defence sources said the visit by General Carl Vuono, the US Army chief of staff, was also expected to discuss Argentine interest in purchasing spare parts for Huey Helicopters and M-113 personnel carriers. The US was willing to sell the parts, a US diplomat said, but the question was whether Argentina could pay for them.

Plea for more science cash

A DESPERATE plea for more money to fund scientific research has gone to the Government from its advisers on science policy.

The alternative is a decline in the science upon which British industry will depend for future competitiveness, the Advisory Board for the Research Councils warned Kenneth Baker, Secretary of State for Education and Science, yesterday.

The science budget should be increased by £379m over the next three years, otherwise Britain will miss out on dozens of research projects that could be commercially exploitable, it said.

The board also criticised the Government for earmarking money for politically popular projects, such as Aids research and the British Antarctic Survey (which became very popular with ministers after the Falklands War). Earmarking funds for political rather than scientific reasons will mean less cash for im-

By Tom Wilkie
Science Correspondent

portant but less glamorous programmes of research, the board warned.

The board warned Mr Baker that "there are increasing worries about the supply of scientific manpower the country needs; this at a time of burgeoning worldwide scientific advance."

The Government's spending plans imply a reduction of more than 3 per cent by 1991 in the science budget, even though, the board points out, Britain already spends a smaller proportion of its national wealth on publicly-funded civil research than other major European countries.

The science budget last year was £699m and an immediate injection of £97m is needed, the advisory board recommends.

It says that Britain's "share of world scientific output and its in-

fluence are declining," while some countries — notably France, West Germany and the USA — have increased their scientific output.

Most of its report is a closely argued analysis of how science has been reorganised and restructured to ensure that money is being better spent and that more potentially exploitable science is now being done. It warns that without more money, it will not be possible to set up planned research centres on lasers, biotechnology and high-performance materials.

■ Parliament is to get independent technical advice on issues such as the risks of genetic engineering or the greenhouse effect, following the announcement yesterday of the formation of a Parliamentary Science Foundation.

The foundation will be modelled on the US Office of Technology Assessment, an independent adviser to the US Congress.

Airlines in stake move

SWISSAIR said said yesterday that it and Alitalia of Italy might want to buy an interest in the Argentine flag carrier Aerolineas Argentinas. Scandinavian Airline Systems has already tentatively agreed to acquire a 40 pc stake in the state-owned Aerolineas.

Under the Ice: A Careful Accord on Mining Antarctica

WELLINGTON, New Zealand — Antarctica is a special place that warrants special protection. As the last continent virtually untouched by human activity, it is a unique laboratory for science. And it is vitally important for monitoring changes in the global environment. Significant shifts in the climate and temperature of the Antarctic could have serious consequences for all nations, not only those in the Southern Hemisphere.

The 20 countries that recently adopted a convention here to regulate future exploration and mining in Antarctica recognized their responsibilities. These countries were the United States, the Soviet Union, France, Britain, Italy, Belgium, West Germany, East Germany, Poland, Norway, Japan, China, India, South Africa, Australia, New Zealand, Chile, Argentina, Brazil and Uruguay. Sixteen of the 20 must ratify the convention before it takes effect.

The object of the six years of negotiations that led to adoption of the new convention on June 2 was not to open Antarctica for mining.

The convention fills a gap in the Antarctic Treaty; it puts in place binding legal rules where before there were none. And by doing so, it establishes a system to control future activities before they become a problem. Ratification of the convention will strengthen the Antarctic Treaty, which has proved an effective form of international cooperation for three decades.

When the treaty was drawn up in 1959, it did not attempt to deal with mining. No one really knew whether Antarctica had substantial reserves of oil, gas and minerals. The general belief was that even if it did, they probably could not be exploited because of the harsh climate and extensive ice in the territory and seas surrounding the South Pole.

We still do not know much about Antarctica's petroleum and mineral reserves, and views of how difficult it would be to extract commercially valuable resources have changed little.

Nonetheless, in the 1970s, as pressure on available world resources increased, the Antarctic Treaty countries realized that serious interest in the potential wealth of the frozen

continent could develop. They decided that an unregulated scramble could undermine the stability of the treaty, through which an accommodation had been reached between signatories that claim sovereignty over portions of Antarctica and those that make no such claims and refuse to recognize the claims of others.

They also recognized the serious threat that would be posed to the fragile environment of Antarctica by unregulated exploration and mining.

The central political issue in the negotiations was how to accommodate conflicting claims by various countries. Like the Antarctic Treaty itself, the minerals convention does not try to resolve disputes over sovereignty. Instead, it seeks compromise by providing for a balance of power within and between the various institutions that it establishes. The Minerals Commission, on which all 20 voting members of the treaty are to be represented, will be responsible for identifying any zones for

exploration and development. Separate regulatory committees will be set up for each of these. Any state that claims sovereignty for an identified zone will be represented on the relevant regulatory committee.

Protection of the Antarctic is a fundamental concern of the convention. It sets strict environmental standards. At every major stage of an approved operation, a comprehensive environmental evaluation must be undertaken and a public report provided by an advisory committee. This body is to be made up of scientists and technical experts and will consider the advice of other international organizations with environmental expertise.

Exploration and development activities, if approved, will be subject to strict monitoring and must be suspended or even canceled if major environmental problems arise. Operations can be inspected at any time by any state involved or by observers named by the Minerals Commission.

An operator will be under an unqualified obligation to clean up any damage to Antarctica. And he will be strictly liable to pay compensation if the environment is not restored to its original condition. The protection standards laid down in the new convention are the most stringent negotiated in an international agreement.

Press Cuttings

from Broad Street Associates

DAILY POST

20 JUL 1988

With honour

FALKLANDS War veteran HMS Plymouth left Portsmouth on her last voyage yesterday - back to Plymouth dockyard, where she was built, to be put on permanent display instead of being sunk in missile tests.

Press Cuttings

from Broad Street Associates

The Courier and Advertiser.

20 JUL 1988

Final voyage for warship

THE VETERAN Falklands warship H.M.S. Plymouth left Portsmouth on her final voyage yesterday after being saved from a watery grave as a missile test target.

Reprieved by the Warship Preservation Trust, the frigate is being towed to Plymouth—where she was built 30 years ago—to be put on public display.

Argentina seeks \$4.7bn to cover fiscal deficit

By Gary Mead in Buenos Aires

AN Argentine delegation now in Washington is seeking a total of \$4.7bn from the International Monetary Fund, the commercial banks, the World Bank and the Inter-American Development Bank.

It hopes that this will be sufficient to cover its fiscal deficit for 1988, and interest payments for this and the whole of next year.

Within that total, the IMF is being asked for \$1.5bn, in the form of a standby loan, as well as releasing \$400m from a similar loan negotiated in 1987. Commercial creditors are to be asked for about \$2bn, and the remaining funds are being sought from the World Bank and the Inter-American Development Bank.

Discussions with the IMF

and the other international agencies are likely to be easier than those with the 320 commercial banks that have lent money to Argentina.

Those banks account for 65 per cent of the country's \$56bn foreign debt, interest on which will amount to nearly \$5bn.

In 1987 Argentina's fiscal deficit was more than 7 per cent, despite an agreement of intent signed with the IMF that it would be held to less than 3 per cent.

The previous IMF package also included an undertaking that inflation would be cut to 4 per cent a month. Both on the fiscal deficit and inflation fronts - which last month was 18 per cent - the Argentine Government is now falling behind.

Aerolineas faces fresh buyer

By Gary Mead in Buenos Aires

A NEW consortium of Alitalia, Swissair and Austral, a private commercial Argentine airline, has put in a 55 per cent bid for Aerolineas Argentinas, Argentina's state-controlled airline.

The company fronting the bid is Cielos del Sur, an Argentine company which bought Austral from the Argentine Government in December 1987. The group indicated its interest in Aerolineas via an offer published by Lazard Brothers in Washington. Aerolineas has

an estimated debt of US\$1.07bn.

SAS, the Scandinavian airline, has been involved in protracted negotiations to purchase Aerolineas since February. The SAS plans involved the purchase of 40 per cent of Aerolineas, with 51 per cent being retained by the Argentine Government and the remaining 9 per cent being offered to the 10,300 employees of Aerolineas.


According to statements

made last week by Mr Rodolfo Terragno, Minister of Public Works and Transport, the SAS negotiations were due to be concluded by the end of this month.

It is understood that part of that deal would involve SAS taking on board a substantial part of Aerolineas's debts.

According to Argentine government officials, the proposal from Cielos de Sur will only be considered if the SAS negotiations do not result in a sale.

Press Cuttings

from Broad Street Associates THE  TIMES 20 JUL 1988

Falklands chief killed himself

The soldier who masterminded Army communications in the Falklands conflict shot himself after worrying about losing his command, an inquest was told yesterday.

Brigadier Michael Marples, aged 49, was suffering from depression. He locked himself in his office at Deysbrook Barracks, Liverpool, and shot himself with his shotgun.

Major Alistair Harrison, his second in command, said the brigadier had been worried about pains in his legs which were affecting his concentration. Mrs Marples, the brigadier's wife, said in a statement that the pains had been diagnosed two years before as symptoms of clinical depression. Her husband told her in February he had considered taking his own life.

Mr Roy Barter, the Liverpool coroner, recorded that he killed himself.

Press Cuttings

from Broad Street Associates **THE GUARDIAN**

20 JUL 1988

TAM Dalyell's obsessive grip on Belgrano matters may now be slipping. It was left to the Press rather than the Labour Old Etonian backbencher to ferret from the MoD the reluctant confirmation that an Army yacht, the 32 ft Dalraida, sank off the Ulster coast on July 2 after being struck by the periscope of a submarine. The MoD admission came only on Monday, 16 days after the incident. And why should Mr Dalyell have heard about it before anyone? Why, because the sub

involved was none other than HMS Conqueror which sank the Belgrano in 1982.

Bishop hits back over blessings on gays

By STEVE DOUGHTY

Home Affairs Reporter

THE AMERICAN bishop who believes the Church should bless homosexuals hit back at his critics last night.

Bishop John Spong said priests had no right to order homosexuals to be celibate.

And he added: 'If the Church of England clergy can bless the British armada before it sails to kill Argentinians in the Falklands, it should be able to bless a relationship between homosexual people.'

The 57-year-old Bishop of Newark, New Jersey, was singled out in the Daily Mail by Dr Graham Leonard, Bishop of London and a leading traditionalist, as an embodiment of the trends leading Anglicans astray.

Slavery

Yesterday, Bishop Spong, who is attending the ten-yearly Lambeth Conference of Anglican bishops, told why he rejects some of the teachings of the Bible and why he condemns the Church of England, which has ruled that homosexuality falls short of Christian ideals.

The bishop, a radio sports announcer before he was ordained, said: 'The Bible was written between 950BC and 150AD. It was written by people who believed in slavery and in killing people who were not Jews, and I do not believe Dr Leonard supports that.'

'The Ten Commandments make women seem to be property like oxen or asses.'

He explained why the Church must accept homosexuals. 'Homosexuality is created by neurochemical processes,' he said. 'It is nothing to do with choice.'

'I had never run a ceremony to bless a homosexual union, but I call upon the Church to look at the possibility. We can bless houses and battleships and I do not see why we cannot bless people who love each other.'

The Only Sure Way Is to Keep the Miners Out

WELLINGTON, New Zealand — Round one in the battle for control of the mineral resources of Antarctica has been lost by the environment, the Third World and future generations. The rich industrialized nations, notably the United States, West Germany, Japan, Britain and France, emerged victorious. But environmentalists, scientists and others who oppose the recently signed Minerals Convention are now squaring up for round two.

The first round was conducted by diplomats behind closed doors. The second round will be fought on the open ground of public opinion as nations consider whether to ratify the proposed convention.

Although purporting to protect the environment of Antarctica, the convention is designed to encourage exploration and mining by erecting an agreed legal and political framework. This will remove uncertainties deterring investment for minerals work in a hostile climate. Without the convention, the large sums of capital required to tap potential commercial deposits could be jeopardized by claim-jumpers and disputes on sovereignty.

Oil is the likely first target of explo-

By Catherine Wallace

ration in Antarctica. Damage to the environment from any spillage could be severe. By interrupting algae growth in the sea, it might cause catastrophic failures in the marine system. On shore, competition with science and wildlife for the 2 percent of

Make the continent an Antarctic Treaty Park.

the continent that is ice-free could place severe stress on the delicate ecology of this narrow zone.

The environmental provisions of the convention are deeply flawed; they were designed for political ends, not to protect Antarctica. Important safeguards were rejected.

It is true that the Antarctic Treaty says nothing about minerals activity. The dispute is over whether to fill that gap with a convention that provides for mining, or to ban mining and instead give priority to conservation by designating the continent a World Park or Antarctic Treaty Park.

Such a status would recognize and safeguard Antarctica's unique importance in shaping the world's climate and ocean currents. It also would protect the area's wilderness, wildlife and sheer beauty, as well as its scientific importance as a baseline for measuring global pollution.

Both the Scientific Advisory Committee and the Minerals Commission proposed by the convention are denied authority to vet management schemes that would result from deals between vested interests in the regulatory committees. Simple checks and balances to ensure environmental protection were rejected.

The convention provides for liability for damage caused to the Antarctic environment. But these sections were weakened to allow miners to defend their action. And the definition of damage to the environment has been distorted to allow avoidance of liability for much of the destruction that could occur.

The writer, a prominent conservationist in New Zealand, lectures in economics at Victoria University, Wellington. She contributed this comment to the International Herald Tribune.

Gotcha! Royal Navy's og

HMS Conqueror, the British submarine that torpedoed the Argentinian cruiser Belgrano has notched up another sinking — a British Army yacht.

A Royal Navy spokesman disclosed yesterday that the nuclear submarine had collided with Dalriada — used by troops in Northern Ireland — in the North Channel on July 2. The yacht sank within minutes but its crew of 20 was picked up unhurt.

A HIT ON THE CONK

HMS CONQUEROR, the nuclear submarine that sank the Argentinian cruiser Belgrano, has notched another "kill"—a British Army yacht. The partly submerged sub's periscope holed the sail training craft Dalriada in the Irish Sea. The yacht's four crew were picked up by the frigate Battleaxe.



Sub sinks a yacht

THE submarine Conqueror, which sank the Belgrano in the Falklands war, has been in collision with an Army yacht in the North Sea.

The Navy yesterday disclosed that the Dairiada sank within five minutes of striking the nuclear-powered sub's periscope.

We shall still chukka 'em out

WHEN the Stewards of the Hurlingham Polo Association, the sport's ruling body, meet next month, the vexed question of whether Argentine players should be allowed to return for official tournaments will be raised again — yet on Thursday a team from the South American country, which is still

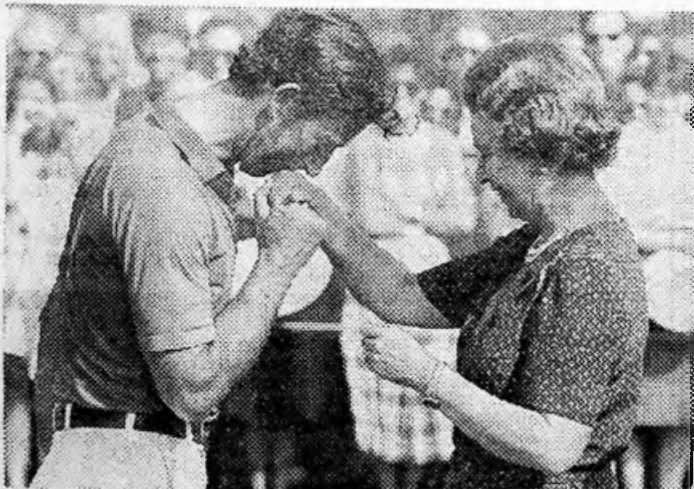
officially at war with Britain, will be playing here.

And their opponents will be the England foursome, selected to contest the Cartier International against North America, in front of the Queen and the Prince of Wales, whose wishes have led to the ban being maintained — Charles is Colonel of the Welsh Guards, who suffered the greatest casualties in the Falklands conflict.

The Argentinians, calling themselves the Tortugas Polo Club, are flying over at their own expense for the 'friendly' match at the Cirencester Polo Club, a few miles from Highgrove. It will give the England team a rare opportunity to practise together, before Sunday's contest in front of 20,000 at Windsor.

Among the Argies are former 10-goal player Francisco Dorignac and Gonzalo Pieres, considered the best poloist in the world. They hope that the encounter will help relationships between our once-friendly nations, although there has been no move to exchange ambassadors, following the diplomatic withdrawal when the Falklands were invaded in 1982.

The Prince's polo manager Major Ron Ferguson tells me: 'The Stewards have the ongoing Argentine situation on the agenda, but the situation hasn't changed. They are not allowed to play in official tournaments, but they may play unofficially and in club chukkas.'



HRH and HM at the polo: Maintaining the ban

Press Cuttings

from Broad Street Associates **The Daily Telegraph** 19 JUL 1988

Belgrano sub sinks Army training yacht

By John Harlow

CONQUEROR, the submarine which sank the Argentine cruiser Belgrano during the 1982 Falklands War, collided with and sank an Army yacht in the Irish Sea, it was disclosed yesterday.

The training yacht Dalriada was gashed by the nuclear-powered submarine's periscope between Stranraer and Larne in the early hours of July 2 and went down five minutes later, said the Ministry of Defence.

All four people on board were picked up within 30 minutes.

The yacht was on its way back to Northern Ireland with both military and civil personnel on board after a training operation in Scotland.

Damage to the hunter killer submarine was said to be slight. The MoD has set up a board of inquiry to investigate the incident.


Earlier this month Conqueror was damaged when a dummy torpedo was dropped on her during an exercise off Northern Scotland.

Disclosure of the incident comes just two days after the North Channel collision between the Oberon-class submarine Otus and the pleasure yacht Drum, formerly owned by Simon Le Bon, the pop singer, and now owned by Mr Arnold Clark, a Glasgow businessman.

The MoD, which is also investigating this accident, said the £1.2 million yacht received a 20 foot gash, again after colliding with the submarine's periscope.

Otus has returned to Faslane for repairs.

Press Cuttings

from Broad Street Associates THE  TIMES

19 JUL 1988

Feeling the pinch

From Mr P. D. Graham

Sir, The week has been full of comment aimed at reflecting the success or otherwise of the National Health Service. I would like to point out a particular oversight in health service provision – chiropody services are not available to every citizen of this country.

Ironically, they are least available to those who fund the health service through their taxes. The service is mainly limited to the elderly and at best only one in four of these can expect to receive any treatment via the health service.

All this contrasts markedly with the Government attitude in times

of crisis. In both the first and second world wars it was thought very necessary to form a “chiropody corps”. Indeed this need for skilled foot-care became apparent once again during the Falklands war.

As a chiropodist I have the option to work either in the private or public sector. However, as a citizen I wish feet were allowed the same status as eyes, ears, and teeth within the nation's health-care system. It would appear feet can only look forward to another 40 years out in the cold.

Yours sincerely,
P. D. GRAHAM,
53c North Street,
Carshalton, Surrey.
July 5.

Falklands governor

WILLIAM Fullerton, aged 49, is to be the next Governor of the Falkland Islands. Mr Fullerton worked for Shell International before joining the Foreign Office more than 20 years ago.

'A most upsetting experience'

THE injured Falklands veteran, Mr Robert Lawrence, whose story formed the basis for the controversial BBC television play, "Tumbledown," has refused to comment on a report he was insulted by the British Prime Minister's husband. Mr Denis Thatcher (73), is alleged to have called him a "left-wing subversive" at a Tory garden party in Chelsea.

Mr Lawrence, who received

severe injuries during the Falklands War, also refused to comment on claims that Mr Thatcher prodded him with a finger while attacking BBC executives for their production of the film.

A report in yesterday's *Sun* newspaper claimed that Mr Lawrence's wife, Tina, pinned Mr Thatcher against a wall and demanded an apology.

The 27-year-old Falklands veteran answered questions about the incident at his home in

Oxfordshire with a simple "no comment."

Mrs Lawrence explained that her husband was a member of the Falklands task force and Mr Thatcher apologised, allegedly saying: "Bless your golden heart, old boy."

Mr Lawrence was reported as saying: "It was a most upsetting experience. I accept that he regretted what happened. He apologised to me and we parted amicably." — (PA)



Mr Lawrence

Global debt crisis grows

THE GLOBAL debt crisis, ignited almost six years when Mexico ran into deep financial difficulties, is sending out fresh economic and political tremors.

With debt a major domestic political issue in Mexico, the loss by the ruling party there earlier this month of its virtual electoral hammerlock on the country stunned Latin American experts.

Harvard University debt expert Jeffrey Sachs told a congressional subcommittee in Washington that the current debt strategy, including the US initiative providing incentives for countries to seek market-oriented solutions, "is causing a radicalisation and polarisation of Latin American politics".

Sachs and others believe the economic reality of Latin America is that several states, including Argentina, Bolivia, Peru, and Ecuador, will never pay a large portion of their debt.

This is again raising the spectre that has stalked the debt crisis since it began — the formation of a debtors' cartel.

Former Venezuelan president Carlos Andres Perez last week urged Latin American debtor nations to take a common stand in seeking easier debt repayment terms.

"We should do what the industrialised nations do: Agree upon a policy that strengthens our negotiating power, and that's what we are going to do," he said.

Such statements, which experts take increasingly seriously, seem to reject Reagan administration beliefs that a payments moratorium or unified action by the debtors are highly unlikely.

US officials maintain Brazil's decision to stop making interest payments last year failed as a debt policy, prompting it to resume paying interest and to swallow economic reforms hammered out with the International Monetary Fund.

Since 1982, the economic fortunes of the whole of Latin America, although ebbing and flowing, have drifted lower and countries have found it harder to manage their debt-bloated economies.

18 JUL 1988

Press Cuttings
from Broad Street Associates

THE IRISH PRESS

Falklands hero harangued by Denis Thatcher

MRS. THATCHER'S husband, Dennis, was at the centre of a row last night over allegations that he verbally insulted Scots Guardsman, Robert Lawrence, star of the BBC play "Tumbledown".

A report in tomorrow's Sun newspaper claims Mr. Lawrence's wife, Tina, physically tackled Mr. Denis Thatcher and pinned him against a wall. Last night, the 27-year-old Falklands veteran was answering questions at his home in Oxfordshire with a simple "no comment".

Mr. Thatcher (73) is alleged to have called him a "left-wing subversive". Mr. Lawrence, who received horrific injuries during the Falklands war, also refused to comment on claims that the Prime Minister's husband prodded him with a finger while attacking BBC chiefs for their production of "Tumbledown".

It is understood that Mr. Thatcher mistakenly believed that Mr. Lawrence was working for the BBC and had been involved in the production of the film.

The reports said that only when a furious Mrs. Lawrence explained that her husband was a member of the Falklands task force, did Mr. Thatcher realise his error and apologise, allegedly saying: "Bless your golden heart, old boy".

Mr. Lawrence is reported as saying: "It was a most upsetting experience. I accept that he regretted what happened. He apologised to me and we parted amicably".

Telephones make Spanish tempers flare

A once-efficient system has all but collapsed, writes Peter Bruce

As the Spanish summer gets hotter, so do Spanish tempers. And with good reason.

In the space of just a few months, it seems that Spain's telephone system, once one of the most efficient in Europe, has all but collapsed. Spaniards lucky enough to have telephones find themselves unable to make calls or are frequently cut off when they do.

On average last week, it was taking nine or 10 attempts to call London from Madrid. Getting through is only half the problem - domestic and international lines crackle and rasp constantly.

Some 350,000 people in Spain are waiting for Telefonica, the once-vaunted telephone monopoly, to instal telephones. Most will wait at least six months. About 25,000 Spanish villages do not yet have a public telephone, according to some reports.

A European consumers group in Brussels, in a recent study, said Telefonica was now taking roughly 10 times as long as its French, Dutch or Danish counterparts to instal telephones.

Other than Greece, Ireland and Portugal, the study said, Telefonica appeared most frequently at the bottom of its ratings.

The Spanish service costs double the French and even

the West German ones, the Brussels report said, and its rate of wrong connections was the highest in the EC. Last week, it emerged that the Government had appointed a commission to study Telefonica's investment plans for next year - an extraordinary move, considering that Telefonica is a private company.

There seems little doubt that the head of Telefonica's affable chairman, Mr Luis Solana, is on the block. Although a member of the governing Socialist party, a friend of the Prime Minister and the brother of the Education Minister, Mr Solana has seemed desperately short of support as the public outcry over Telefonica's service has risen.

Opposition politicians have had great fun with a retort attributed to him, to the effect that "perfection is fascist".

A colleague recently arrived in Madrid and trying to order a home telephone from his office failed to find anything democratic in being told by the Telefonica functionary at the other end of the line: "Sorry, I can't hear a thing you're saying."

"So whose fault is that?" he wailed.

Mr Solana, confronted with failure, has not tried to disguise the scale of the problem. The waiting list for tele-

phones will probably grow, he has said, to 430,000 this year.

He has promised that more new lines will be in place by September. Spain has about 15.5m telephones and 10m lines. Telefonica plans to instal 1.5m new lines this year and 2.5m more next year. But there is no saying whether that will improve matters.

Telefonica has been caught wholly unawares by the explosion in telephone demand in Spain. In the past two years, applications for telephones have grown by close to 8 per cent a year, a huge leap on the average 2 per cent growth a year since 1970.

Mr Solana has said things, will be more normal next year but some Telefonica officials suggest it could take five years.

Appearing on Spanish television this weekend, Mr Solana said: "My main mistake was not having believed that the Spanish economy would be going as well as it is now. I did not believe statistics forecasting Spain's economic boom." The service was not a catastrophe, he insisted, but it was "improvable".

What irks Spanish consumers - and in Barcelona, business groups are warning that the state of the telephones is damaging competitiveness -

is that this trouble has arrived along with record Ptas 53.2bn (£260m) profits for Telefonica last year and higher-than-ever investment - Ptas 350bn this year and Ptas 500bn next year.

What hurts even more is that Mr Solana is about to spend some \$450m of that in Argentina, where Telefonica wants to buy 40 per cent of a new PTT being created there. The Russians have also just signed a deal with Telefonica under which the Spanish are to instal a rural telephone network 600 miles from Moscow, and a public phone system in the Soviet capital itself.

Mr Solana's comfort in the short term at least, is that even worse trouble at the Post Office diverts some frustration away from Telefonica. The Spanish postal service estimates that up to 2m letters and parcels are, effectively, stuck at post offices around the country.

The postal unions say this is nonsense - there are at least 11m pieces stuck in Madrid alone.

As Spain approaches its first presidency of the European Community next January, the chaos in many of its institutions is going to become embarrassing. Europeans who want to complain about it may, however, have to fly or drive to Madrid to do so.

Argentine mission in US to discuss new financing

By Our Financial Staff

AN Argentine mission, led by Mr Mario Brodersohn, Treasury Secretary, and Mr Jose Luis Machinea, central bank president, has arrived in the US to discuss new financing, including an International Monetary Fund package.

The country, which faces a shortfall in foreign exchange to service its \$59bn (£34.7bn) foreign debt, is understood to be on track to secure an agreement in principle on a new IMF package by the end of the month.

The team hopes the new IMF package, including fresh funding, will cover the remaining term of the present Government, which is to end in late 1989.

A bridging loan from Western governments, led by the US, is thought likely to be on the agenda.

A current letter of intent between the Argentine Government and the IMF, signed in February this year, includes

measures aimed at controlling the economy, but has already gone off course.

Interest payments for 1988 were estimated earlier this year to be about \$4.5bn, although higher US interest rates will have added to that burden.

Argentine grain and soybean export prospects have dramatically improved in the last month, because of the drought in the US.

This has enabled estimates of the country's 1988 trade surplus to be revised upwards to as much as \$4bn. Some forecasts suggest next year's surplus may be as high as \$6bn, as the effect of higher beef prices feeds through.

However, those benefits have yet to flow in, as Argentine farmers hold back export sales in anticipation of further price gains.

Payments for the second half of April, due last week, are still awaited by banks.

Admirals join forces for Armada Cup

Six admirals will be ignoring Gilbert & Sullivan's advice to "stick close to their desks and never go to sea" when they take part in the Armada Cup race from San Sebastian in Spain to Plymouth.

The admirals will sail the 55 ft training rig HMSTC Racer with the help of two commanders and three captains.

The skipper is Admiral Sir John Woodward, Commander-in-Chief, Naval Home Command, whose crew includes Vice Admiral Sir Robert Gerken and the four Rear Admirals Geoffrey Marsh, Charles Williams, Robert Hill and Michael Livesay.

Another 60 yachts are taking part in the 400-mile race to commemorate the four-hundredth anniversary of the Spanish Armada but no other is thought to have such a distinguished crew.

A sister yacht of the HMSTC Racer will be

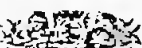
crewed by men from HMS Fearless who are understood to be on their mettle to cross the finishing line before their masters.

In spite of their seniority, the admirals do not expect to win, and pressure of commitments has meant that they have had barely one day for sea preparation before the race, organized by The Royal Western Yacht Club of England and the Real Club Nautico De San Sebastian.

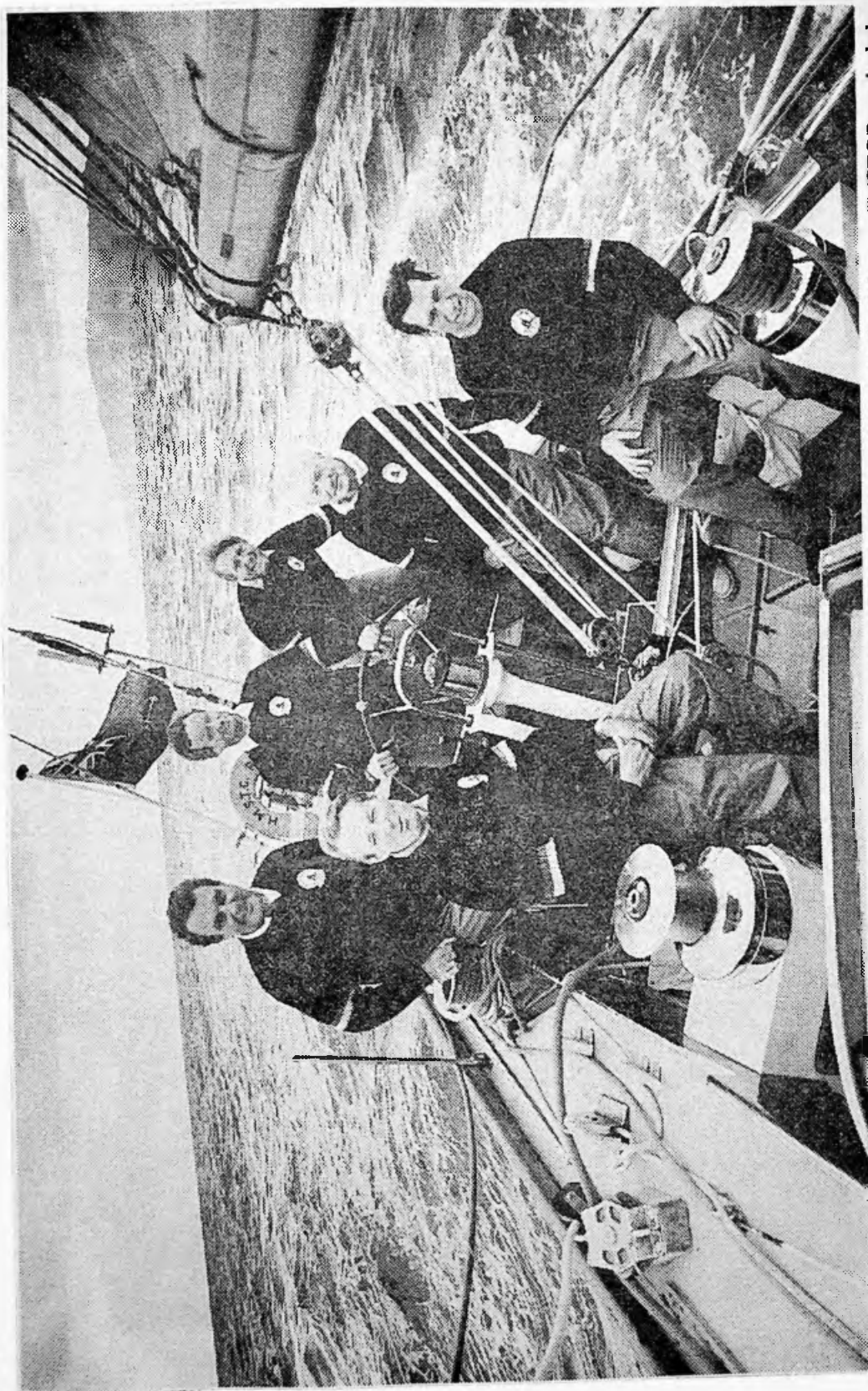
However, Sir John, who is best known as commander of the Falklands Task Force, does aim to reach Plymouth by the deadline of July 21.

● Senor José J Puig de la Bellacasa, the Spanish ambassador, will light a beacon on the Lizard, Cornwall, the first in a chain of 461, tomorrow to mark the anniversary of the sighting of the Armada in 1588. It will herald the start of a series of events.

Press Cuttings

from Broad Street Associates THE  TIMES

18 JUL 1988



Sir John Woodward, at the helm, with fellow admirals off Spain on Friday preparing for the Armada Cup. The crew of training rig HMSTC Racer includes (back, left to right) Charles Williams, Sir Robert Gerken and Robert Hill; and (front) Michael Livesay and Geoffrey Marsh (Photograph: Graham Wood).

Press Cuttings

from Broad Street Associates LLOYD'S LIST

18 JUL 1988

Helping Latin Democracy

Two months ago, President Vinicio Cerezo of Guatemala survived a coup attempt, solidifying his support among the military high command. Mr. Cerezo, well into his third year in office, is within sight of a key goal: to be the first democratically elected civilian to complete a presidential term since the U.S.-sponsored coup in 1954. That may seem a modest goal. But reaching it would be an achievement.

Like El Salvador, Honduras, Suriname, Brazil, Uruguay and Argentina, Guatemala is only part way to democratic governance. All have civilian leaders, but their armies retain veto power over important questions. Independent institutions remain underdeveloped; disgruntled groups still bring political wish lists to the barracks door. Washington, in its search for policies capable of fostering these tender democratic shoots, would do well to heed the Guatemalan experience.

Beyond simple survival, Mr. Cerezo has some significant accomplishments to his credit. He has improved Guatemala's abysmal image abroad. He has bravely pressed for fairer taxation and labor union rights in a society scarred by extremes of privilege.

At the same time, he has not sought to hold the military accountable for decades of human rights abuse, including the uprooting of Guatemala's Indian population and tens of thousands of deaths. Nor has he attempted significant land redistribution,

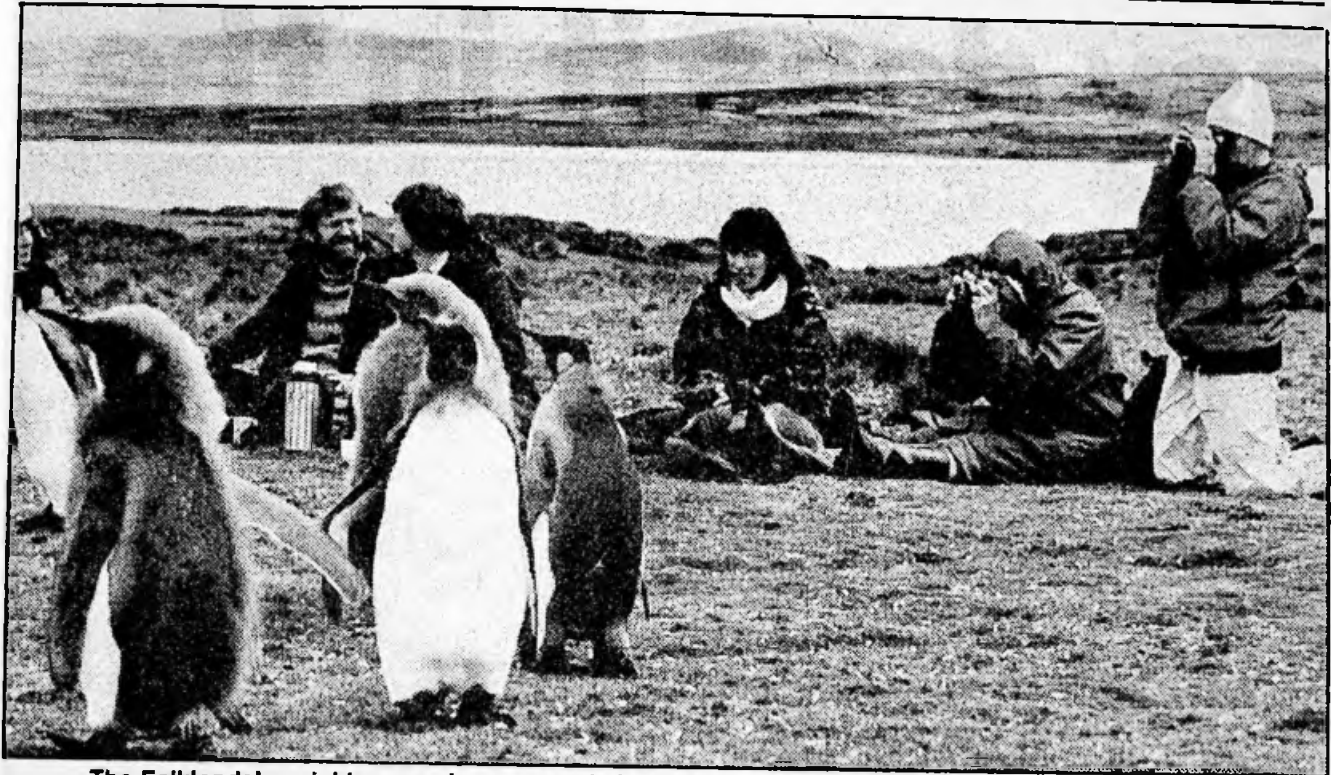
even though this seems essential to ending the cycle of unrest and repression. And he has neglected his duty under the Arias peace plan to open a dialogue with leftist guerrillas. These omissions reflect neither reticence nor cowardice. Arguments can be made over particulars, but Mr. Cerezo's overall performance reflects a realistic recognition that his power, like that of other Latin civil leaders, remains limited.

Continued democratic evolution in much of Latin America depends chiefly on two factors: subordination of the military to civilian control, and the evolution of a civilian consensus that political and economic disputes must be resolved within a strictly democratic framework. Washington can help on both counts. The United States provides equipment and training, giving it leverage with many Latin military establishments; it can be used to tilt in favor of civilian authority and control. Further, most Latin governments are deeply indebted to U.S. banks. Debt relief is already linked to economic reforms. Further consideration could usefully be given to rewarding political progress as well.

The Reagan administration likes to boast about Latin America's newly "democratic" states. The harder task is to help the best among the new generation of Latin leaders to consolidate their still-fragile gains.

— THE NEW YORK TIMES.

TRAVEL: THE FALKLANDS



The Falklands' sociable penguins on parade in territory where human beings are a rare commodity

Wide open spaces with your pick of the penguins

Eight thousand miles from
home, BILL CATER finds a
wild and woolly landscape
complete with perfect English
walking weather

BY POPULAR slander, the Falklands for a holiday deserves that old joke originally cracked about Manchester: first prize a week's holiday there, second prize a fortnight's. Everybody knows the Falkland Islands are cold, wet, dour as a Wee Free's Sunday, with nothing to see but sheep looming out of Antarctic Scotch mists. There are penguins, too, and we all know penguins thrive on snow. Don't they?

I tried it. The twice-weekly RAF TriStar was an ordinary civil airliner with Pan Am badges on the seat-belts and RAF roundels on the wings; RAF pilots, WRAF stewardesses, a handful of civilian passengers among 200-odd squaddies. As it turned for final approach, the newcomers prepared for the worst.

First disillusion; brilliant sunshine. A brisk wind rolled small white clouds across a high, wide blue sky. This was the Falklands autumn, but even after the 18-hour flight, including a refuelling stop at tropical Ascension Island, it didn't strike cold on the new Mount Pleasant airfield. It was, and continued all week to be, bright, windy, pullover-under-anorak weather. Typical British summer walk-in-the-country wear, in fact, with walking shoes instead of wellies.

Second disillusion; records show the islands have less rain than Britain, and only marginally cooler summers. It is windy, but rarely has the damp, heart-lowering grey chill that can make Britain great to get out of.

For a holiday spot, the Falklands have the misfortune to be best known for the weather during The Conflict, as the islanders call it; but that was fought in mid-winter and much in the mountains. It is as if British weather were to be judged after yomping along the Pennine Way in November.

I came back after a week with the beginnings of a tan. In high summer, take sun-barrier cream; that brisk wind can let you get uncomfortably burnt without realising it until too late. Out of the wind, sunbathing is possible — about as possible as in Britain.

It is a place for wide-open spaces, wild life, tranquillity, the cleanest air you'll ever breathe, fine scenery, and — when you do come across them — some of the friendliest people.

Isolation is a fact and a charm of Falklands life; apart from the little-seen garrison at Mount Pleasant there are only 2,000 people on the islands, and half of those live in Stanley — a cathedral city but a village by any other measure. So the remaining thousand Falklanders are spread thin; the two big and dozens of small islands have the area of Kent, Sussex, Surrey and Hampshire put together, but scattered over so much sea and with their coasts so indented by creeks and sea-lochs that almost every farmstead is a long way from every other.

Robin Pitaluga's Salvador settlement, by no means the largest farm on the islands, has a population of 15, plus at peak times a dozen visitors, and 17,000 sheep, with about 80 square miles in which to roam. You can walk nine miles to cross the farm, and something like the same distance again before you'll catch sight of the roofs of the next farm.

And that's small beside Port Howard, peak population 40, worked by the Lee family for generations and extending to roughly 200,000 acres, say 300 square miles — nobody has yet made an accurate survey.

In contrast, Sealion Island is only five miles long and has just five people. It is so inaccessible that the little hotel (five double rooms, two bars) had to be hoisted in by Chinook helicopter.

Such isolation makes people valued. Even amid the urban haste of Stanley, if you loiter to take the morning sunshine outside the Upland Goose, every passer-by is likely to bid you "good morning". And three visitors taking a stroll from their miles-from-anywhere farmhouse hotel returned to breakfast full of information about Falklands life.

Well, they'd seen this girl bumping across a paddock on her Bond-style moon trike, and she had at once switched off the engine and stopped to talk, explaining that she was the farm's milkmaid. They were strangers, you see, and so, naturally, people to talk to.

The milk — scalded but not otherwise interfered with — would appear that day in the coffee, or churned into butter, or maybe later as cheese. The Falklands are a place for home-grown food. The trout will come fresh from the nearest river, the mullet and crab from unpolluted sea.

The lamb, mutton, veal or beef will be reared on the farm; no hormone treatment or fall-out. You'll never taste such lamb chops. The eggs and the chicken will be barn-door specimens, the bread of necessity home-baked, like the cakes (and we all ate too many of those). All the

British vegetables come out of the garden, and if you are lucky you may get jam made from diddle-dee berries, which grow nowhere else.

With all this food, it's as well that you'll feel like walking a long way. It may be the air, or the landscape — Scotland with penguins — or the knowledge that however far you walk you'll not hear a trannie or see any litter. Or it may be there's enough wildlife to keep everyone interested.

Five different kinds of penguin, for a start, including one that digs a burrow and lurks in it eyeing you with unnerving bright red eyes. Others parade in squabbling, sociable hordes, their full evening dress in broad daylight against downland grass making them look like a crowd of chaps at Glyndebourne waiting for the girls to unpack the picnics. No ice, no snow.

Something a bit bigger? Try a beach littered with 60 bull elephant seals, some 20 feet long and weighing four tons, an unforgettable sight — especially when they rear taller than a man and hurl themselves into battle. Or sealions. Lion is no exaggeration; the males have a mane like a lion, fearsome teeth, are the size of a horse and can move very fast. Magnificent — to admire from a distance.

Falkland birds make life too easy for birdwatchers; unperturbed by people, they are, I suspect, all members of people-watching clubs, ticking us off on their lists. Rare caracaras — something between a crow and a falcon — came in so close we ducked; then stared us out while we photographed them from six feet away. Turkey buzzards wheeled above us, upland geese grazed unbothered, oyster-catchers bashed limpets off rocks, flightless steamer ducks paddled furiously towards us, a red-backed hawk looked down its nose, and a young night heron went on fishing with melancholy dignity while I changed lenses close enough to touch it.

Whatever the season, holidaying in the Falklands never means being in a crowd. Last year there were about 150 overseas holidays to the islands; next year the tourist board reckons maybe 250. After that, numbers can't increase much without building more hotels, and that's uncertain while every brick, doorknob, towel and teacup has to come 8,000 expensive miles from the UK.

Meanwhile, Falklands holidays don't come cheap. Passenger air fares, fixed by Ministry of Defence monopoly, are far above the rate for that distance, say travel agents; when ferry services begin again to Chile and Uruguay that could drop.

Reckon on £2,400 to £2,800 for 16 to 18 days there. For that you get simple but comfortable accommodation in one or more of the five "lodges" on farms or in the famous Upland Goose. You get about the islands by the red-white-and-blue Islander planes which are a mixture of taxi and village bus, linking isolated farms with Stanley and with one another.

You get Land Rover travel around the farms with expert guides showing you where to see which birds, seals, sealions, penguins or battlefields; where to fish ("well worth going, and I'd go again," said one keen Scotland-every-year fisherman after his first visit) or dive on Victorian wrecks, or windsurf or ride.

Several British tour operators now offer Falklands holidays. Details from Falkland Islands Tourism Information Service, 294 Tadcaster Road, York, YO2 2ET.

Press Cuttings

from Broad Street Associates *The Daily Telegraph* 14 JUL 1988

FALKLANDS GOVERNOR

Mr W H Fullerton has been appointed Governor, Falkland Islands, High Commissioner, British Antarctic Territory, and Commissioner for South Georgia and the South Sandwich Islands in succession to Mr G W Jewkes, who will be taking up a further Diplomatic Service appointment.

Press Cuttings


from Broad Street Associates *The Daily Telegraph*

14 JUL 1988

Falklands post

Mr William Fullerton, 49, is to be Governor of the Falkland Islands, succeeding Mr Gordon Jewkes who took over from Sir Rex Hunt in 1985.

Press Cuttings

from Broad Street Associates THE  TIMES

14 JUL 1988

Falkland post

Mr William Fullerton, aged 49, a former British Ambassador to Somalia, is to be the next Governor of the Falkland Islands, succeeding Mr Gordon Jewkes. Mr Fullerton worked for Shell International before joining the Foreign Office.

Press Cuttings

from Broad Street Associates **THE GUARDIAN** 14 JUL 1988

New Falklands governor

Mr William Fullerton, aged 49, has been appointed Governor of the Falkland Islands, replacing Mr Gordon Jewkes, who becomes consul-general in the British Embassy in New York.

BBC crackdown on Tumbledown-style drama

By Richard Evans
Media Editor

The BBC is to crack down on TV drama that mixes fact with fiction after the controversy surrounding *Tumbledown*, the play based on the experiences of a Scots Guardsman seriously injured during the Falklands conflict.

Mr Marmaduke Hussey, the corporation chairman, has signalled his concern at the hurt and suffering which can be caused to friends and relatives of people portrayed in such programmes, known as faction. He is known to have been particularly affected by a letter published in *The Times* last month from Mrs Rosemary Calder-Smith, whose daughter was the girl friend of Lieutenant

Robert Lawrence, the injured officer at the centre of the *Tumbledown* story. Mrs Calder-Smith complained that her daughter, Victoria, had been "portrayed as nothing more than a feelingless sex kitten".

Victoria, aged 24, whose character in the play was called Sophie, was outraged at the way she was presented as "an uncaring, loose woman" and

added her voice to complaints that the drama distorted facts with fiction. After concerted pressure from ministers, the commanding officer of the Scots Guards and lawyers, the BBC cut a 12-second scene which showed another officer urging Lieutenant Lawrence to abandon an assault. Army chiefs insisted it was fiction.

Mr George Younger, Secretary of State for Defence, condemned *Tumbledown*, saying it would cause "grave offence to some individuals who would consider themselves portrayed and who had no way of defending themselves or their reputations".

Although Mr Hussey believes *Tumbledown* to have been a powerful, well-written, well-acted play, he says it "raised issues about drama based on real life which the BBC will have to consider seriously".

His reference to the issue is contained in a BBC mid-year review published yesterday, which is being distributed to MPs, senior Civil Servants involved with broadcasting policy, the chief executives of the top 100 companies and heads of voluntary organizations. Factional drama will be discussed in detail at a BBC seminar planned for November.

Although BBC chiefs are not saying that faction will be banned, Mr Hussey is determined that programme makers responsible for such works are acutely aware of the great problems they cause. He is keen that people should be fairly represented when fact is mixed with fiction.

THE FOLLOWING truths are, I believe, self-evident:

- elections are lost more than they are won, because most voters, especially floating voters, think of themselves as voting against rather than for;

- the last British general election was lost by Labour and by the then Alliance;

- the single most damaging issue for both was defence, the popular perception being that Labour would leave Britain undefended while the Alliance was unable to agree whether Britain needed defending and if so how.

From the third of the above propositions it follows that defence is, or was in 1987, the most favourable major political issue for the Conservative Party now in power; and many people could regard that truth, too, as self-evident and virtually immutable.

Some interest therefore attaches to a pamphlet* arguing that defence is one of the weakest points in the government's record and warning that it may no longer be a favourable issue for the Tories in the next general election - especially when the pamphlet comes in a royal blue cover from a right-wing think tank, the Institute for European Defence and Strategic Studies.

The author, Mr Christopher Coker, a lecturer in international relations at the London School of Economics, sets about his target with remarkable vigour. Or rather targets, for after mowing down Conservative MPs almost indiscriminately for their ignorance and complacency about defence issues he goes on to take out successive Conservative Defence Secretaries with a series of surgical strikes (only Mr John Nott surviving with even the shreds of his reputation), and finally mounts a frontal attack on the Prime Minister herself.

Conservative Central Office, should it find itself obliged to take any notice of Mr Coker's onslaught, may be tempted to denounce him as an enemy agent sailing under false colours. On internal evidence he is not only a regular reader of the Guardian but has a higher opinion of the Labour Party and its defence thinking than one often finds even among its supporters.

He compliments Labour MPs for being better informed than their Conservative colleagues, and castigates the latter for their "failure to understand that there can, at least, be legitimate and honourable disagreements between themselves and Labour on nuclear deterrence." The Conservative Party, he says, has

Edward Mortimer examines an attack on British defence policy

A potential vote-loser for the Tories

"become far more introspective than Labour, far less aware of the new trends in conventional defence, and far less appreciative of new opportunities, such as those presented by the Strategic Defence Initiative."

Yet he is dismissive of the Anglo-American "special relationship," suggesting that "here too... the future may well belong to the Labour Party, which openly wishes to break the umbilical cord, and has found more support for its anti-American posture than for almost any other aspect of its defence policy."

Conservatives, even if they are not quite as ignorant as Mr Coker makes out, may have some difficulty working out exactly which quarter he is attacking them from. His main accusation seems to be that they have forgotten Adam Smith's dictum that defence "is of much more importance than opulence," and have adopted a crude "market" approach to it, spending as little as they can get away with and selling off crucial strategic assets such as the Royal Dockyards and the Royal Ordnance to the private sector.

He accuses successive Defence Secretaries (including the present one) of believing that fundamental choices can be avoided by seeking "better value for money" through simplified requirements and more stringent commercial contracts. He even warns that defence may not be safe in the hands of the Conservative Party under its present leadership "since Thatcherism, if it means anything, means looking at every state subsidy and subvention in the light not of what is desirable, but of what is affordable," and he appears to deplore the party's acceptance of "the monetarist argument that external power was the reward rather than the precondition of economic prosperity."

Yet at the same time he describes the Ministry of Defence as "desperately in need" of "a little more monetarist thinking," and deplores the fact that both that ministry and the Foreign and Commonwealth Office have been left in the hands of "Whigs" or "shire" Tories and so shielded (he alleges) from the full effects of Thatcherite radicalism - his criticism of Mrs Thatcher herself being, precisely, that she has not carried her radicalism through into the areas of defence and foreign policy.

Similarly he sneers at the anti-Americanism of many Tory MPs, even accusing them of "conformity with the chic radicalism which support for the Sandinistas still seems to convey," yet displays an anti-American streak of his own, especially when he asserts that the US has "entered into a Faustian pact with the Soviet Union, under which it seemed ready to give more and more away in the deluded hope of getting something in return"; and while he clearly favours a much greater emphasis on European defence co-operation, he lambastes the only major example of such co-operation in which Britain is currently involved, "the ludicrously expensive European Fighter Aircraft."

Yet the basic thrust of Mr Coker's criticism is clear, and damaging. The Conservatives in power, whether monetarist, "Whig" or "shire," have neither matched the ends of their defence policy to the means nor vice versa. A very similar analysis was published a year ago by Robin Laird and David Robertson in the American journal *Orbis*. They too stressed the cost of Trident, and of the European Fighter Aircraft, and the fact that these programmes have not been funded either by increases in Britain's overall defence spend-

ing (which, after just keeping pace with Nato's 3 per cent annual increase up to 1986, is now falling rapidly back again) or by the sacrifice of any of Britain's other major military commitments. "The military budget would be in trouble even without Trident or the EFA," they wrote; "with these two programs, there is no possibility of reaching the United Kingdom's stated defence goals."

Only Mr Nott in 1981 came close to facing the bleak fact that Britain cannot afford to carry out all the defence tasks it has assigned itself without an increase in the share of resources devoted to defence which in present circumstances is politically unimaginable.

As is well known, he opted for a drastic cut in Britain's naval strength, only to be blown off course by the outbreak of the Falklands war. Yet Mr Coker deduced from the 1987 Defence Estimates that the navy would by the mid-1990s be down to 45 operational frigates and destroyers - very close to the 42 which Mr Nott proposed. Yesterday's announcement that the MOD is ordering three new advanced frigates, clearly rushed out to pre-empt today's report from the Commons Select Committee on Defence, shows that some lingering puffs of wind from the South Atlantic still ruffle the surface of British politics. But that will only aggravate the financial squeeze on other items of defence expenditure.

It is not at all certain that Britain can continue simultaneously to fulfil even the four central tasks to which, according to Laird and Robertson, its defence posture has now been reduced: to defend itself and its airspace against conventional attack, to maintain an anti-submarine capacity in the eastern Atlantic and the Channel, to contribute significantly to Nato's central front in Germany, and to retain a credible independent nuclear deterrent. In fact even the dropping of the last, as Labour proposes, would hardly solve the problem, especially now the main capital expenditure on Trident has already been made. Scrapping it would not buy much conventional force - 220 main battle tanks, according to one estimate - and the latter would be much more expensive to man and maintain.

Something, somewhere is going to give. Almost the only hope, it seems, is that Mr Gorbachev will feel the pinch even tighter than we do. Of that there is some sign in his arms control proposals, but none as yet in the production rate of his arms industry.

Argentina's new Peron

■ In less than a year Argentina will have a new president, and it is now a fair bet that he will be the new Peronist Messiah, Carlos Saul Menem.

Menem is referred to by detractors as "El Groncho," which means roughly "vulgarian" or "rich, but no taste". His chances of gaining the Presidency rose dramatically at the weekend when he hammered the main – and highly favoured – rival, Antonio Cafiero, in the internal Peronist elections.

Cafiero represents what might be called the acceptable face of Peronism; relatively well-mannered, with a fierce desire to modernise one of the last great political myths of our time. He lost.

Why do crowds adore short men with unusual dress sense? Menem is scarcely 5½ feet tall and generally sports a white leather jacket. His trademarks are his enormous sideboards, streaked with grey, along with a gigantic Rolex wristwatch. He governs one of the poorest and by some accounts worst-run provinces in Argentina, La Rioja.

The Peronist party machine looks down on a man who was born into a Moslem family in a nation where not to be Catholic remains a distinct disadvantage. Thus he became a Catholic, but announced last year that he was separating from his wife – only to reunite with her just before his campaign for the presidential nomination.

The sophisticates of Buenos Aires regard him as a political throwback to a past they would rather forget. His views range from calling for the return of capital punishment to a belief that one of the world's longest-reigning dictators, Alfredo Stroessner of neighbouring Paraguay, was elected by "the people". Stroessner once gave sanctuary to General Peron; ergo, Stroessner is good.

None of that matters for the less advantaged in Argentina.

Menem has that most valuable political asset of all, street credibility. It derives not only from his time in jail under a previous military regime for his Peronist affiliations: his rhetoric is pure Peronism. Suffering Argentina, he says, must rid itself of alien forces which undermine its potential strength. That means foreign capital, the International Monetary Fund, commercial banks, the élite currently in government.

US and Iran prepare for confrontation at UN

BY OUR UN CORRESPONDENT IN NEW YORK
AND ANDREW GOWERS, MIDDLE EAST CORRESPONDENT

THE US and Iran will be toe to toe in the UN Security Council today as the latter seeks condemnation of the shooting-down this month of an Iran Air passenger aircraft by the American cruiser Vincennes, with the loss of all 290 lives on board.

Although Iran called for an "urgent" meeting of the 15-nation council, Tehran was evidently prepared to wait for the UN Secretary-General, Mr Javier Perez de Cuellar, to return to New York yesterday from visits to Geneva, Stockholm and Oslo.

The delay also gave Iran time for intense private consultations with UN members and for the Foreign Minister, Mr Ali Akbar Velayati, to prepare the case against the US that he will present in person to the council.

Iran is adept at using the UN as a public relations grandstand and there is little doubt that Mr Velayati will be seen often on American television during his stay.

Ignoring the risks of a US veto, officials in Iran's mission have said they will call for formal condemnation by the Security Council of the American action.

Iran also wants the Security Council to press for withdrawal of the US naval task force from the Gulf and for the launch of an international investigation into the incident.

There is widespread dismay that such a tragedy could have occurred and the American delegation, led by Lieutenant-General Vernon Walters, may prove to be more temperate than usual in its response to Iranian charges.

For their part, the Americans are likely to try to shift the focus of discussion to the UN's failed efforts to end the Gulf war through Security Council resolution 598, which was passed a year ago but has still not been accepted by Iran.

The US and its close allies see a risk that Tehran may try to use

the Airbus tragedy to split the Security Council.

Replying to President Reagan's assertion that the airliner case is already closed, Mr Perez de Cuellar observed somewhat tartly in Stockholm last week that this was not for one side to decide.

Iran, which has been boycotting council debates on the Gulf War since October 1981, had not asked for a council meeting since December, 1953 - at the time of the nationalisation of Iranian oil-fields, which brought about an angry confrontation with Britain and the US.

The council members at present are Algeria, Argentina, Brazil, Britain, China, France, West Germany, Italy, Japan, Nepal, Senegal, the Soviet Union, the US, Yugoslavia and Zambia.

At least nine affirmative votes are needed to pass council resolutions, if none of the five big permanent members vetoes.

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THE TIMES

Peronists
choose
Menem as
candidate

11/07/88

By Tony Blair
in Buenos Aires

Mr Carlos Menem, 53, was elected
Governor of the province of La Rioja
in 1983. He is a member of the
Peronist party and has been
elected to the Argentine Congress.

Peronists pick populist leader in primary upset

From Michael Llanos, Buenos Aires

A rural party leader yesterday upset a city-bred economist to win the first presidential primary ever held by Argentina's Peronist movement.

Final figures released yesterday showed that Señor Carlos Menem, the underdog and Governor of the small province of La Rioja, polled 53 per cent of the Saturday vote. Señor Antonio Cafiero, the Governor of Buenos Aires, got 46 per cent of the two million votes.

Defeating the party machine

controlled by Señor Cafiero, Señor Menem, who draws most of his support from the grass-roots of the party and trade unions, won in 19 of the 24 electoral districts, including Señor Cafiero's own province. Less than 40 per cent of the 4.1 million members of the Peronist party voted.

Some analysts had predicted a party split regardless of the outcome, but a victorious Señor Menem, aged 53, told supporters: "There are no defeated here." And Señor

Cafiero, aged 65, said after acknowledging defeat that he would work to "get Carlos Menem into the presidency" in 1989.

No incidents were reported during the nationwide primary, marking a break from Peronism's bloody in-fighting and candidates being picked directly by political and union leaders.

Perón's death in 1974 sparked a long internal battle between unionists, politicians and left-wing revolutionaries.

The unionists were dominant until 1983, when Peronism suffered its first national electoral defeat and the Radical Party's Señor Raul Alfonsín was elected President.

But many of those traditional union bosses now support Señor Menem, who like Señor Cafiero considers himself a "renewal" Peronist.

Señor Menem, a self-styled political chieftain, will run against the Radical candidate, Señor Eduardo Angeloz, the Governor of Córdoba, in the

presidential elections that are set for May 28, 1989.

The two governors are friends, having studied law together, but the contrasts between them are stark.

Señor Menem, with his rugged complexion and lamb-chop sideburns, emphasizes past glories and slogans made famous by Perón. Señor Angeloz, who looks more the traditional statesman, talks about leading Argentina into the 21st century through a technological revolution.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

11 JUL 1988

Peronists choose Menem as candidate

By Gary Mead
in Buenos Aires

MR CARLOS MENEM, 56, governor of La Rioja province, has narrowly defeated his main rival, Mr Antonio Cafiero, 65, for the Peronist Party candidacy in next year's presidential elections in Argentina.

Mr Menem's success comes as something of a surprise to many local pundits who, up to the day of the ballot, were predicting a narrow victory for Mr Cafiero. Mr Menem's grass-roots popularity has gathered strength and vitality in the last few weeks.

With more than 80 per cent of the vote counted over the weekend, Mr Menem's support outstripped that for Mr Cafiero by 8 per cent. The ballot also supports Mr Eduardo Duhalde as Mr Menem's running mate for the vice-presidency.

Mr Cafiero, a former Economy Minister, conceded defeat just before midnight on Saturday, saying he would offer his services to Mr Menem's presidential campaign.

Mr Menem said he owed his triumph to "the poorest, the neediest, and the most humble" people of Argentina. He has said there was little difference between Mr Cafiero's politics and those of President Raul Alfonsin, of the Radical party. He described both men as social democrats.

In contrast, he has described his own stance as "anti-system" - against the establishment and for what he describes as revolutionary changes in government.

During his campaign, Mr Menem promised social reforms, including a halt to the Government's privatisation programme and wage increases for trade unions. He has also promised a moratorium on service of Argentina's \$56bn (£33bn) foreign debt.

He has consistently identified himself with Peronist mythology, conducting a campaign of quasi-religious fervour and promising to place more power in the hands of Argentina's working class.

Falklands housing dispute puts future of contract labour at risk

Port Stanley (AP) — A dispute over accommodation for migrant workers in the Falkland Islands has put future contract labour from the island of St Helena at risk, say officials.

The dispute is crucial for St Helena, the Atlantic island where Napoleon was exiled and whose inhabitants of mixed European, Asian and African origin are known as Saints.

Like the Falklands, St Helena is a British colony, but work there is scarce and poorly paid, whereas the Falklands, now enjoying a fishing boom, is suffering from a labour shortage. The 14 workers from St Helena refused last Tuesday to move from temporary accommodation on the edge of Port Stanley, to other accommodation in a warehouse on a floating dock about three miles from the town. They have been given until 10am today to accept.

The men ignored the instructions to move from Mr Charles Carter, superintendent of public works, and were suspended from work on half pay pending a resolution of the problem.

Mr Gavin Short, chairman of the General Employees' Union, backed the 14 by calling a support meeting on Thursday, which was well attended. In contrast to the past, when Falklanders opposed recruitment from St Helena, the meeting expressed unanimous support for the workers, who on arrival had joined the union, the only one in the Falklands.

Mr John Crowie, a spokesman for the St Helena workers, said they were troubled by what they alleged was a fire risk in portable cabins placed inside the warehouse, which formed the accommodation prepared for them by the Falklands Government. "Also,

it's so isolated and dark. We wouldn't know if it's daylight or evening. Besides that, it's noisy — ships bang against the side of the dock and generators are going all the time. We've never had such bad accommodation before, even when we worked on Ascension island," Mr Crowie said.

Ascension, 3,500 miles north of the Falklands and 700 miles north-west of St Helena, is a staging post for flights to the Falklands and an important communications point and earth-satellite monitoring base. Most of St Helena's migrant workers are employed there and living conditions are cramped.

"Up to now I've been happy here," said another of the 14 workers, Mr Fred Duncan. "But now I'd be happy if the Government shipped us back home," he said. The other men in the group said they felt the same way.

Mr Colin Redston, the Falklands acting chief executive, denied that there was a fire risk in the new accommodation. He said the government fire officer had produced a list of recommendations which had been implemented.

St Helena's social services officer, Mrs Ivy Ellick, arrived in Stanley the day the 14 workers were suspended, bringing the names of 117 more Saints applying for work in the Falklands.

"I'm very worried about this," Mrs Ellick said after talking to officials in Stanley. "Our economy on St Helena depends on whatever people we can get away to find work — our unemployment rate is very high."

There are 130 Saints working in the Falklands at present, mostly in the public works department, the hospital and in catering and stores at the Mount Pleasant military

airfield. The 14 workers have been allowed to stay where they are for the time being, provided they pay an extra £12 a week for electricity and cleaning, which the Government had met until the dispute. The men already pay £25.20 a week for their food.

Mr Carter said he was surprised that the 14 men preferred their present accommodation, which required them to travel three miles to the floating dock for their meals. If the Saints' contracts were terminated it would be a serious blow to his department because of the labour shortage.

Peronist populist

Jeremy Morgan in
Buenos Aires

THE opposition Peronist movement has chosen Mr Carlos Menem, a colourful populist backed by autocratic rightwing labour leaders, as its presidential candidate next year.

Mr Menem's triumph in the first internal elections held by Peronists to find a presidential candidate came at the expense of Mr Antonio Cafiero, governor of Buenos Aires province, who has identified himself with efforts to make the mass movement more democratic.

About 1.7 million Peronists voted in the unprecedented poll on Saturday, Independence Day. With 80 per cent of the vote counted, officials gave Mr Menem 53 per cent against just under 46 per cent for Mr Cafiero.

Mr Menem's victory is not entirely due to the unions' ability to get out the voters. He is the governor of La Rioja, an impoverished province in the interior, and as such benefited from resentment against the power of Buenos Aires.

He has hinted at a full moratorium on interest due on the \$55 billion foreign debt. So did Mr Cafiero, but Mr Menem has added that he will let Congress control at least part of the issue. He also favours heavy state spending and other economic policies that are deemed to be inflationary. Critics point to high inflation and a large budget deficit in La Rioja.

The ruling Radical Party picked its presidential contender a week ago, Mr Eduardo Angeloz, the governor of Cordoba province. He has already said a debt moratorium is out and is campaigning as a pragmatic conservative able to administer Argentina through what promises to be a difficult six-year term after the 1989 poll.

A tribe under fire

Opinion

Louis Heren

COVERING wars is an odd way of making a living, and few journalists have become full-time war correspondents. William Howard Russell of the Times was the first, and his colleague, Ferdinand Eber, the most enthusiastic. He was with Garibaldi in Sicily, and to the distress of his editor led a cavalry brigade into action between filing reports to the paper.

The second world war produced great war correspondents such as Alan Moorehead of the Daily Express, but since then wars have been mainly covered by foreign correspondents. There used to be a sub-tribe who hated working in capitals such as Washington and Paris, saw no fun in covering politics, and preferred to roam the world covering wars and other crises.

They were like a bunch of vultures flying in for the kill. They travelled light, adjusted quickly to different

countries, climates and languages, and always found the bar which for some mysterious reason became the press bar while hostilities lasted.

A few rarely left the bar, but the majority were good professionals prepared to be exposed to shot and shell to get the story. Among them was the late James Cameron, who eventually joined the Guardian.

It was great while it lasted, but most of the popular newspapers had lost interest by the end of the sixties, although there was no lack of wars. The serious press reported them competently, but the sub-tribe was disbanded and most of them had retired or joined the chaps in that great press bar in the sky when the task force sailed for the Falklands in 1982.

Apart from Max Hastings, then with the London Evening Standard, most of the men who were allowed to join the force were new to war; and they soon discovered that the enemy was not the Argentines but British officialdom. Their adventures, or rather misadventures, are told in a new book, *Journalists At War*, by David E Morrison and Howard Tumber (Sage Publications).



James Cameron . . . where are his successors?

The Ministry of Defence was as usual reluctant to cooperate, and waited until the afternoon of Sunday, April 4, before requesting John le Page of the Newspaper Publishers' Association to choose four correspondents in two hours.

It was a typical attempt to avoid the press in that the NPA arranged newspaper trains and not war coverage. Downing Street increased the number to 29, but the MoD almost got away with it.

Gareth Parry of the Guardian was phoned at home and had only 20 minutes to get ready. "The train was going from Waterloo to Ports-

mouth — the last train on a Sunday night. . . I packed very hurriedly, ridiculous things like a swimming costume. . ."

John Witherow of the Times recalls: "About nine o'clock that Sunday night (the office) called back and said 'OK? We've got a place for you.' They didn't say which ship. I think all they said was 'Make sure you bring a dark suit', which sounded bizarre."

The dark suit was of course required dress in the wardroom of the *Invincible*, which did not have any suitable kit aboard for the correspondents when they landed in the Falklands. There must have been some snide chuckles when the five went ashore in the freezing cold with a suitcase and a packet of cheese and pickle sandwiches.

Aboard the *Hermes* the patriotism of correspondents was questioned when they were compared with Argentinian intelligence officers. The atmosphere did not improve even after Bernard Hesketh, the BBC cameraman, showed the scars of wounds suffered when he fought at Arnhem.

It was not much better ashore. Correspondents were

shepherded by minders although they were completely dependent upon the forces for sending their stories back to London.

News and pictures were delayed, censored by public relations officers, or conveniently lost. Admittedly, transmitting stories and pictures must have been difficult occasionally; but these reminiscences once again prove that Whitehall and its military minions regard press freedom, even when the requirements of security are observed, as somehow un-British.

It was ever so. When Russell reported the terrible conditions suffered by the troops in the Crimea, he was forbidden to camp within the army lines and despite intense cold his tent was pulled down.

His reports brought down the government, but the authors of the book question, rightly in my opinion, the belief that the mass media have a tremendous effect on people's attitudes and behaviour.

The basic problem is that government, Conservative or Labour, does not believe that the public has the right to know.

● Louis Heren was formerly deputy editor of the Times.

Menem, in Upset, Gets Peronist Vote

BUENOS AIRES (WP) — Carlos Saul Menem, a charismatic populist who closely follows the style of the late President Juan Perón, won the Peronist movement's first presidential primary Saturday in an upset.

Mr. Menem, 53, governor of the province of La Rioja, obtained about 53 percent of the vote in the primary of the Justicialist Party, as the Peronist movement is formally known. He defeated Antonio Cafiero, governor of Buenos Aires Province and head of the party apparatus. About 1.7 million of more than 4 million party members cast ballots, according to election officials.

Polls show that the party is poised to win the presidency next year and wrest power from the Radical Civic Union of President Raúl Alfonsín. Foreign creditors worried that Mr. Menem would be more likely than Mr. Cafiero to take seriously the Peronist promise to suspend payments on Argentina's \$54 billion external debt.

Argentine inflation up

BY GARY MEAD IN BUENOS AIRES

INFLATION CONTINUES to overshadow President Raul Alfonsin's attempt to correct the imbalances in Argentina's economy, according to the latest government figures published yesterday.

Retail prices grew by 18 per cent in June, while wholesale prices climbed by 22.3 per cent. Totals for the last 12 months are 321.7 per cent and 429.3 per cent respectively.

The comparable figures for May were 15.7 per cent for retail and 23.2 per cent for wholesale. The one-point drop in the June inflation rate for wholesale prices cuts less ice with the Argentine general public than the more politically sensitive figure relating to consumer prices.

The greatest contribution to retail price inflation in June came from increases in the costs of transport, communications and public sector services, which grew by 23.5 per cent. July's inflation figures are unlikely to improve.

In what must be presumed an ironic coincidence, President Alfonsin delivered a speech to the Argentine stock exchange the day the latest inflation figures were published.

He claimed inflation would drop to single figures in the final quarter of 1988, adding that he had full confidence in his Economy Minister, Mr Juan Sourouille, and that the economy was being managed in the best manner to combat inflation.

FALKLAND SHIP: UK CREW SACKED

THE crew of the freezer trawler *Mount Challenger* are incensed by what they say is their unjustified sacking by the vessel's owners, Seaboard Offshore of Aberdeen. They claim they are going to be replaced by 'cheap' foreign labour, probably from Spain.

The freezer is due to fish at the Falklands in a joint venture between Seaboard, and Stanley Fisheries, the company set up by the Falklands government. The crew say that after having done all the work to get her ready for fishing they are now going to be replaced by a foreign crew who will be "cheap labour."

Mount Challenger is the former German wet

fish stern trawler *Wien*, and is one of two vessels converted for Falklands fishing by Seaboard. The other, *Mount Kent*, was the former Hull freezer *St. Jason*, and she is now said to be in Chile, after suffering severe winch problems following her refit.

A deckhand on *Mount Challenger*, John Briggs from Grimsby, told *Fishing News* that the vessel had put into Vigo in Spain following a problem with the net drum after fishing trials. After two weeks she was brought back to South Shields, where her refit and conversion had been carried out, because repairs in Spain would take too long.

They then received a letter from Seaboard saying that they were being given a month's notice because of "current uncertainties" con-

cerning completion of repairs.

Seaboard then however sailed the vessel back to Vigo with a skeleton crew. The skipper, mate, second mate and four engineers were not given notice but the skipper Eddie Wooldridge of Hull, has resigned in protest at the treatment of the crew, according to Mr. Briggs. Mr. Wooldridge was still in Spain as *Fishing News* went to press.

Mr. Briggs told *Fishing News*: "We could have accepted the notice if there was going to be a genuine delay because of repairs, but there isn't — there's nothing wrong with her. She steamed to Vigo at 13.5 knots, and we've done all the fishing trials, and the only problem was the net drums."

"We believe they want to run her with a foreign crew — probably Spaniards, because there has been a Spanish adviser aboard *Mount Kent* — who will work for 24 hours a day for seven days a week for £50 or £60 a week."

Report by Tim Oliver

Rough deal

Mr. Briggs said that the crewmen — made up of ex Grimsby and Hull trawlermen, who had worked "brilliantly" together — felt that they had had a very rough deal from the company.

"We did everything to get that ship ready for sea — she was absolutely a bare ship when we went aboard in February — and now they have kicked us in the teeth like this. They have got the ship to Spain, and now they don't want to know. They're treating us like muck."

Mr. Briggs said that the crew had spent large amounts on gear in anticipation of a long spell in the Falklands, which was now a waste of money. The gear bills had all been deducted from the wages in one amount.

Mount Challenger had been sailed back to Spain with all the crew's gear on board, and the company's response had been "they shouldn't leave their gear on board," said Mr. Briggs adding that the company had been "totally unco-operative."

"Seaboard are saying that she is staying in Spain for alterations to the factory, but why would they want to alter it — it's a brand new modern factory."

"They've never given us a chance to try out the factory. I think they intended to do

this to us all along. The four engineers are very worried about what their future will be when they get to the Falklands," said Mr. Briggs.

He and other crewmen have approached their MPs and will be taking their case to an industrial tribunal claiming wrongful dismissal.

The legal situation is complicated by the fact that the operation is a joint venture.

No-one at Seaboard was available for comment as *Fishing News* went to press.

Grimsby MP Austin Mitchell has written to Seaboard Offshore asking for an explanation of the way the men have been treated. "Some of these men had given up other jobs to join this ship, with the promise of work in the Falklands. They are short of money now and they feel badly let down," he told *Fishing News*.

"Seaboard has not fulfilled its obligations to these men and there are rumours that Spanish and Chilean crews are going to take their places."

He queried whether the Falkland Island would wish to be associated with a company acting in this way towards its employees. "I want to know what the Falkland Islands Development Corporation, which is financed by the government, is going to do about Seaboard," said Mr. Mitchell.

**Deutsche Bank Acquires
BofA Units in Argentina**

Reuters

FRANKFURT — Deutsche Bank AG said Wednesday that it had acquired 29 Bank of America branches in Buenos Aires for an undisclosed price. The acquisition will expand to 43 the number of Deutsche Bank branches in the city and suburbs.

DB's management board chairman, Alfred Herrhausen, told shareholders in May that the bank was seeking to acquire additional branches in Latin America.

Argentina in move on state purchasing

By Gary Mead in Buenos Aires

MR Juan Sourouille, Argentina's Economy Minister, has announced decrees on public sector purchasing from private companies aimed at boosting the economy.

The modifications are aimed at extending control over state spending in the private sector and encouraging more efficient private sector competition for state business.

The most politically sensitive of the proposed changes concern rules for purchase of imported goods.

Henceforth, if a public sector enterprise wishes to buy imported goods it must indicate this to a state-appointed commission which will consider the request and adjudicate within 10 days.

If a domestic manufacturer wishes to compete for the tender it must establish that it can provide equally appropriate products within the required period and at a cheaper price.

World grain forecast cut by 40m tonnes

BY RICHARD MOONEY

THE LONDON-based International Wheat Council has sharply reduced its forecasts for world 1988-89 wheat and coarse grain production in response to the continuing North American drought.

Its wheat crop forecast, as at July 5, is down by 10.3m tonnes from a month earlier at 509.3m tonnes, while the coarse grains figure has been cut by 31.5m tonnes to 768.7m tonnes. Actual production figures for 1987/88 were 513m tonnes and 800m tonnes respectively.

The reduced forecasts are entirely due to the American drought. US wheat production is now projected at 50m tonnes, down from 59.1m in the June

report, while Canada's forecast is 2m tonnes lower at 20m tonnes.

The drought has severely curtailed US spring wheat yields, the report says. In most years they account for about a quarter of the harvest but this year the proportion could be down to 15 per cent.

For coarse grain's the cut is entirely attributable to the US, which is now expected to produce only 185m tonnes, 32.5m tonnes down from the June projection. "The outturn could well be lower still if heavy rains fail to arrive soon," the report warns.

The IWC says weather problems have also affected wheat production in China and India, but it leaves the forecasts for

those countries unchanged at 88m tonnes and 43m tonnes respectively.

"In other major producing areas," the report says, "prospects are more favourable, with larger crops expected in Western Europe, Eastern Europe, the USSR, Argentina and Australia."

The Soviet Union is expected to produce another large harvest, although the IWC's projection of 218m tonnes remains below the official target of 235m tonnes. If that is achieved imports are likely to fall from 1987-88's 34m tonnes to 26m tonnes, but the reports warns that "the Soviet crop is still extremely sensitive to sudden changes in the weather."

● South Africa will have to rene-

gotiate some of its long-term export contracts for maize and reduce exports because of drought damage to this year's harvest, the official Maize Board said, reports Reuter from Johannesburg.

"The implications are that we have to reduce our export quantities, we have to roll some of our export volumes forward, and we also have to renegotiate the volumes of the crop to be exported this year," said Mr Hennie Davel, the Maize Board's general manager.

"In order to secure our supply position, we will have to negotiate some of our long-term contracts and our export quantities," Mr Davel told state-run radio news in an interview.

Historical truth shrouded in myths of national pride

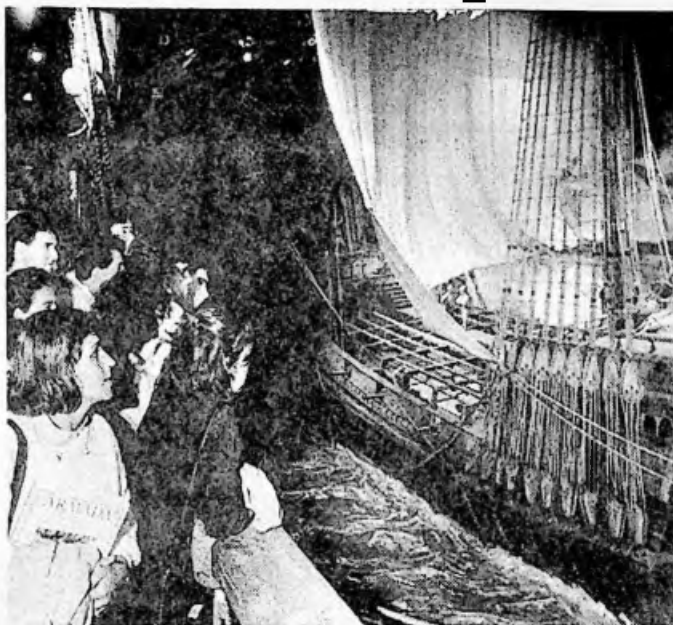
THE National Maritime Museum exhibition on the Armada's 400th anniversary sailed into trouble right from the start. The museum made it clear that it would take a dispassionate look at this event and even at Sir Francis Drake, who emerges as something of an adventurer.

A certain section of the press was outraged by what it saw as an attack on one of English history's sacred cows. "Historical pageants, national anniversary festivities should properly be concerned with projecting myths not recording facts," *The Times* said in a leading article last September. In the *Daily Mail*, A N Wilson, the novelist, called for more pride in national achievements and suggested the museum move its headquarters to Madrid.

On Monday, 20 teenagers from San Fernando, near Cadiz, visited the exhibition with a group of young Londoners studying Spanish A-level. The trip could have been delicate had the museum indulged in an orgy of jingoism. Instead it was intent on stressing that the mighty Spanish fleet was defeated by the weather — not the English cannon. This came as no surprise to the Spanish party. They had known it all along.

Pablo Rojas, 17, said: "We say the English didn't win the war, the storms won the war." And he added that Spanish children are taught a quote made by Philip II: "I sent my ships to fight against the English army, not against the English weather." In clear support of this theory, torrents of rain beat down on Greenwich throughout the visit.

The English side of the party



Weather-beaten or a victory for Britain? The Armada exhibition explains

was given photocopies of A N Wilson's article, but his views did not meet with much sympathy. "I think it's totally untrue that we play down our victories. Look at the Falklands," said 17-year-old Dan Lewenstein, of William Ellis School, Highgate. "I think it's about time they started telling the truth," said Suzie Asher, 17, a student at Holland Park School.

The exhibition, although lacking myth, has plenty to enthrall, with original paintings and artefacts taken from shipwrecked galleons. Its centrepiece is a fighting ship, one-quarter original size. The party attended a lecture given by the museum's education officer, David Anderson, whose

mission in life is to change the perception of the Armada in the English classroom. "A good story is always worth having, but a myth can be harmful and will condition our views of other countries," he explained. Schools have rallied to the call, with parties having to be staggered at 15-minute intervals, and an enormous response to the offer of a teaching pack.

History is water under the bridge when it comes to Anglo-Spanish relations. "There are no hard feelings," said Selena Merrett of Acland Burghley School, Kentish Town. "It's all 400 years ago."

Alison Fisher

Press Cuttings

from Broad Street Associates THE ~~AGE~~ TIMES

6 JUL 1988

Galtieri date

Buenos Aires (Reuter) — A civil court will begin hearings on July 26 in the trial of three military leaders, including Leopoldo Galtieri, the former president who plunged Argentina into the Falklands war.



Court to hear junta appeal

Buenos Aires (Reuter) — An Argentine civil court will begin hearings on 26 July in the trial of the former military leaders, including ex-President Leopoldo Galtieri, in power at the time of the Falklands war with Britain.

Sources at the court said that both the federal prosecutor and the lawyers for the defence will present their appeals against sentences handed down by a military tribunal.

General Galtieri, Brigadier Basilio Lami Dozo and Admiral Jorge Anaya, members of the military junta that ordered Argentina's April 1982 invasion of the Falklands, must attend the hearings.

The Supreme Council of the Armed Forces in 1986 condemned Galtieri to 14 years in prison, Anaya to 12 and former Air Force chief Lami Dozo to eight for their part in Argentina's defeat in the 10 week war.

Alfonsín's party elects a Dukakis of Argentina

BUENOS AIRES — Eduardo Angeloz, governor of Córdoba Province, has been chosen by an overwhelming margin to be the candidate of President Alfonsín's Radical Party in next year's presidential election in Argentina.

The victory means that Mr Angeloz will face a Peronist candidate, to be selected at a convention on Saturday, in elections to choose a successor to President Alfonsín, expected to be held in May or June 1989.

Mr Angeloz, 56, captured all but one of Argentina's 22 provinces, as well as the federal capital of Buenos Aires. The governor of a prosperous industrial and farming region, he is regarded as an efficient and respected local administrator, the Radical Party's Michael Dukakis. Mr Angeloz was not a member of Mr Alfonsín's inner circle, but after a crushing election defeat of the Radical party in 1987 legislative elections, the Córdoba governor shot to prominence as one of the few bright spots on an otherwise grim political landscape for the incumbents.

Backed by the party's moderate and conservative sectors and enjoying strong support among the business establishment, Mr Angeloz based his campaign on the need to modernise the nation's debt and inflation-plagued economy, encourage technological advancement and continue programmes of privatisation and economic deregulation begun by Mr Alfonsín. As a sign of his independence, Mr Angeloz is critical of the present high rate of inflation and government controls, such as price- and wage-fixing. He calls the present Argentine bureaucracy a "red tape curtain" that is strangling private initiative.

If the presidential election is held as planned next year and a succession takes place, it will be the first time since 1928 that one elected civilian president has replaced another in Argentina without a coup preventing it. President Alfonsín is not allowed to succeed himself because of a ban on re-elections in the Argentine constitution.

The Peronists beat the Radicals soundly in last year's parliamentary and provincial elections, in which Mr Angeloz was one of only two Radical provincial governors to retain his seat. But the opposition party is now badly divided between its two rivals, the orthodox Carlos Menem and the reformist Antonio Cafiero, for nomination as presidential candidate. The extent to which the party is able to rally round the man chosen next weekend will largely determine the Peronists' chances of toppling the Radicals from the presidency next year.

Buenos Aires to hold further IMF talks

BY GARY MEAD

AN Argentine delegation is to have further discussions with the International Monetary Fund this week on a vital new financial package.

Argentina is seeking IMF assistance to cover interest payments on its \$56bn (£33bn) foreign debt for the rest of the year and through to the end of 1989.

An IMF delegation returned last Thursday to Washington after spending two weeks in Buenos Aires in talks with senior Argentine government officials.

Unofficial estimates suggest that Argentina requires \$2.7bn this year for debt service. According to Mr Daniel Marx, director of Argentina's central bank, 92 per cent of that debt is held by commercial banks.

In the last two weeks Argentina has run very close to interest payments deadlines which, if exceeded, would under US accounting rules put the loans on a non-accruing basis.

Mr Marx said Argentina had made payments on June 24 -

six days before deadline - covering payments due up to April 7. He added that further payments would be made this week, covering interest due up to April 14.

He denied that these late payments were a negotiating ploy by the Argentine Government. The cause of the delay, he added, was simply that Argentina had "very low foreign currency reserves".

President Raul Alfonsin's Government would like to see interest rates on Argentina's foreign debt cut to 4 per cent, a level which the Government regards as "historically appropriate".

The current IMF package for Argentina involves a disbursement of \$1.253bn, of which \$400m has yet to be released.

The targets set by the IMF for Argentina in 1987 included a fiscal deficit of 2 per cent. Conservative estimates suggest that 1987's fiscal deficit was at least 3 per cent and the Government's official figure for 1988, of 4 per cent, is widely regarded as optimistic.

Robert Graham reports on Chile, where political repression
has gone hand in hand with economic success

The Pinochet recipe for growth

CHILE today presents an uncomfortably challenging instance of the old debate about economic progress and political freedom.

For almost 15 years, under the dictatorship of General Augusto Pinochet, political life has been stifled and human rights abused, making the regime an international pariah. Yet the Chilean free market is out-performing all other Latin American economies and is close to breaking through the barrier of under-development, attracting unprecedented foreign investment amid plaudits from bankers and businessmen.

Gen Pinochet is convinced he is constructing a new society, creating what his apologists call the "quiet revolution". The precondition for success, he claims, has been the disciplining hand of the military. "What you have to have first of all is order . . . an ordered society which permits jobs and prosperity," he said in a recent speech.

The idea that military control of the political process is the precondition for economic progress and the subsequent modernisation of society has been well tested in Latin America - and found wanting. The recent experience of Argentina, Brazil and Uruguay has shown that military rule emasculates political development, divides societies, fails to legitimise the rulers and in turn compromises economic progress. So why should Chile prove an exception?

The Pinochet regime answers that an efficiently managed policy of deregulation, encouraging private enterprise and stimulating non-traditional exports has sown the basis for genuine prosperity, and already sufficient Chileans have acquired a stake in the status quo to permit a stable transition towards democracy.

Obviously such an argument is unpalatable to the new democratic regimes in the region. Argentina and Brazil, struggling with fledgling democracies, can scarcely endorse the policies of a military dictatorship. More to the point, Chile has not passed the crucial hurdle faced by all authoritarian regimes: how does Gen Pinochet, now aged 73, arrange the succession and a stable transfer of power?

Later this year Chile will be holding a plebiscite on this issue. The outcome could well cause Gen Pinochet to trip at the final fence, unleashing a Pandora's box of imponderables that will breed uncertainty and undo economic achievements.

The date for the plebiscite has not been fixed; nor is it clear whether Gen Pinochet will present himself as the single candidate permitted under Chile's 1980 constitution. However, the regime is already campaigning for a continuation of "pinochetismo", deploying economic success and fear of undermining it as one of the principal propaganda weapons.

Chile was among the countries worst affected by the onset of the debt crisis because the Pinochet Government had over-borrowed abroad and was caught by high interest rates at a time when copper prices plummeted. The situation was compounded by the authorities' disastrous policy of fixing the exchange rate and allowing a free market philosophy to spawn a highly speculative financial system - which was virtually bankrupted when gross domestic product fell 14.5 per cent in 1982. From this nadir, for which the Government must take a good deal of the blame, the recovery has been remarkable.

"We can't let Pinochet get away with the financial crash of 1982 as if it were blameless," says a prominent opposition figure. "The Chicago Boys were allowed to run wild with their ideas in Chile - we shouldn't have borrowed so

much, the financial system was too loosely monitored, and sticking with the exchange rate policy cost four per cent of the GDP fall in 1982 . . . But if we are honest, no Latin American country has staged such a recovery except perhaps Uruguay, which incidentally is a democracy."

The economy has enjoyed four consecutive years of growth, and inflation has been brought down to below 15 per cent. The most suggestive indicator of recovery is falling unemployment - the more telling in a country which has broken trade union power and created the most liberal hire and fire laws on the continent.

"In the worst days of 1982/3, unemployment was almost 25 per cent," says Mr Andres Fontaine, one of the leading economists at the Central Bank. "Unemployment has fallen even more rapidly than we expected. It is now down to between 8 and 9 per cent. A further 1 per cent are occupied in make work programmes but the number of persons in the latter category is being constantly reduced," he adds.

Job creation has been almost exclusively the result of private sector action. Free enterprise and privatisation have become the ideological cult words of a regime the enemies of

which, seen and imagined, are Marxism and central planning. In Chile today even rubbish collection is being privatised. The health service and pensions have been handed over to the private sector to a degree beyond anything Mrs Thatcher's Government has conceived.

The Government has plans to privatise several services, from port and airport operation to water treatment and sewage. The British company, Biwater, is in an advanced stage of negotiating a water treatment construction and management contract for Santiago. World Bank finance being considered too lengthy a process.

Chile's enterprise culture has spawned a multitude of small and medium-sized export orientated companies and these have been the catalyst in reducing unemployment. In less than 15 years the number of export companies has swelled from barely 200 to 2,800, exporting items inconceivable only a decade ago: from toys, computer software and defence equipment to exotic fruits.

Salmon farming is the newest industry. Local investors and multinationals, such as Unilever, have woken up to the potential of southern Chile's fjord-like coast and salmon exports are set to jump from \$40m to \$400m by the mid-1990s. This will make Chile the world's

largest Pacific salmon producer; and it exemplifies the rapid movement away from a one-commodity economy, centred on copper.

Large-scale investment in forestry, agriculture – especially apples, grapes and kiwi fruit – and new mining ventures has transformed Chile's external trade. Copper now accounts for little more than 40 per cent of all export earnings, down from three quarters in the past.

The copper industry itself is poised for unprecedented expansion. High in the Atacama Desert in northern Chile, the world's third largest copper mine, La Escondida, is about to be exploited. La Escondida is exclusively foreign-owned (60 per cent by Australia's BHP, 30 per cent by Britain's RTZ and 10 per cent by Japan's Mitsubishi) and its \$1.1bn finance package is almost in place.

"This is the new Australia," says a visiting Australian businessman whose fellow countrymen – such as Alan Bond – have committed themselves to more than \$1bn of investments in Chile in the last 18 months. The climate, geography, resource base, distance from markets and size of population invite such a comparison. (Australia has a population of 16m, compared with Chile's 13m.)

Gen Pinochet's supporters prefer to compare Chile's achievements with those of its neighbour, Peru, which has a similar resource potential. In the early 1970s Chile's exports totalled \$1.3bn, only \$200m more than those of Peru. Both countries ran almost identical trade deficits of \$270m. Since then, Chile's exports have increased fourfold and last year produced a trade surplus of more than \$1.2bn. Peruvian exports, in contrast, have little more than doubled and the trade balance remains in deficit.

Chile is up to date with its annual debt service payments of \$1.8bn on foreign debt of \$19bn. Since 1985, medium and long term debt has been reduced by \$3.8bn through a series of imaginative conversion and swap arrangements. The authorities hope they can shortly return to voluntary borrowing. Peru, on the other hand, is restricting debt service payments to approximately 20 per cent of exports and has accumulated arrears of \$6.7bn. To international bankers, the contrast is between Beauty and the Beast.

Why is the Chilean economy performing so well? Economists such as Mr Fontaine at the Central Bank say that one fundamental element distinguishes Chile from the rest of Latin America. "We began structural reforms and tackling the fiscal deficit in the mid-1970s – this was 10 years before other countries in the region." The 1975 Economic Recovery Programme initiated a drastic cut in state spending, large-scale privatisation, devaluation and a near-uniform 10 per cent import tariff.

The effects of this adjustment were brutal and mistakes were made. But the fiscal deficit is now down to 0.8 per cent of GDP. The small deficit also reflects an imaginative tax reform and good tax collection. State spending has been further cut through decentralisation and changes in managing the civil service which have attracted the surreptitious interest of other Latin American countries. In short, Chile is a tightly run ship with a high quality of administration – one which is, by Latin American standards, corruption free.

These are not the only distinguishing features. Chile has experimented first and farthest with a market economy. The Government has been quick to learn from mistakes and the results

have won over a sceptical and traditionally protectionist business community. The results have also caught the eye of foreign investors, who find the lack of red tape and conscious cultivation of foreign capital a welcome departure in the region. And the huge strides in telecommunications in the past decade have broken one of the great traditional barriers to Chile's development: its geographical remoteness.

Chile's pariah status as a dictatorship has also had the unexpected effect of creating a spirit of self-help. The need to avoid dependence upon the vagaries of the copper price has stimulated the export drive. Nevertheless, improvements in the trade balance have not obviated the need for external finance to service debt. On average during the past three years, Chile has borrowed \$1bn a year.

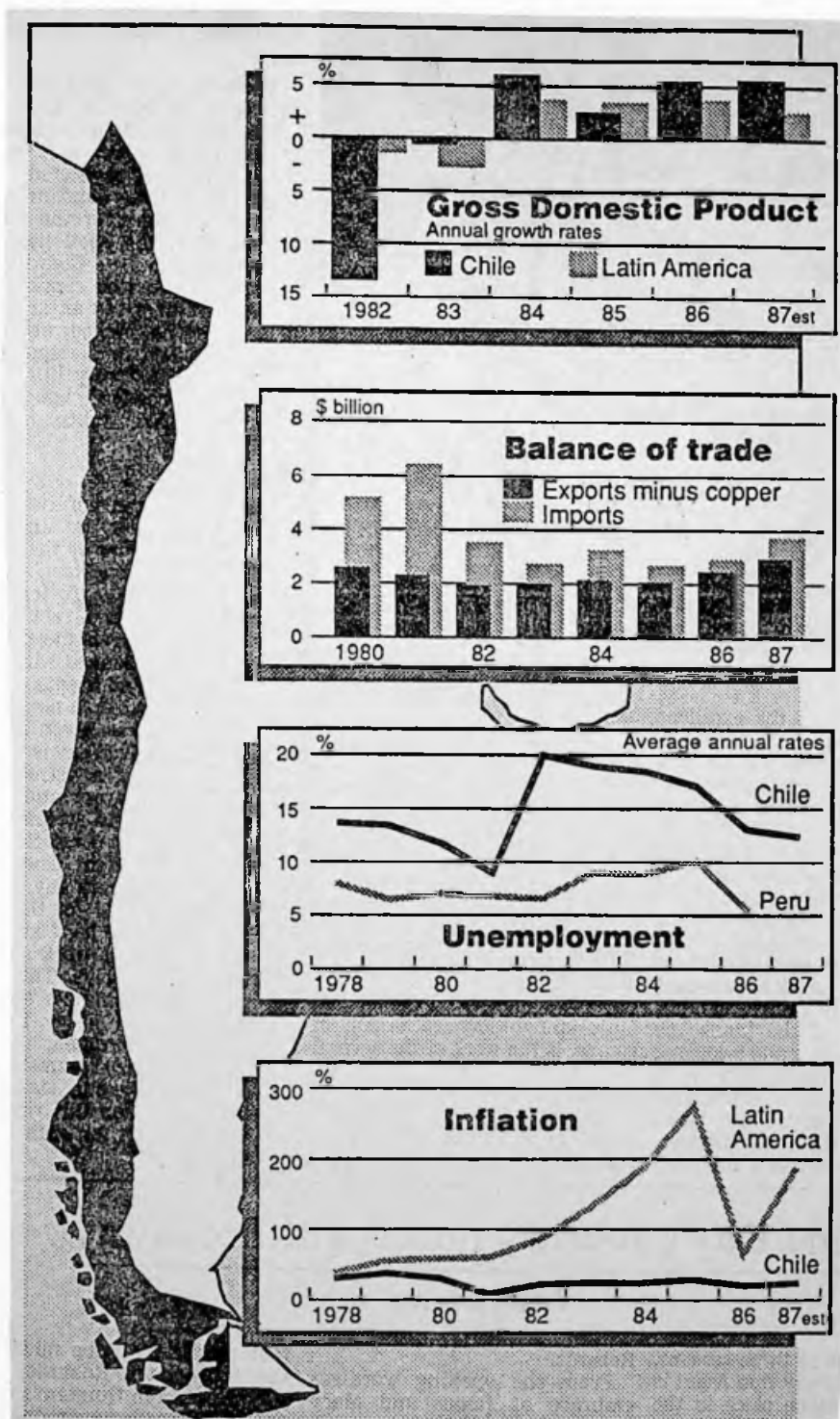
But, in the last resort, one cannot ignore the fact that an essential component of the current economic success story has been military rule. Decisions have never been subject to parliamentary debate: rather there is government by decree. The privatisation programme, such as the sale of the domestic telephone network to the Bond Corporation International, has occurred without public scrutiny. The military occupy not only senior jobs in the civilian administration, but can be found in the lower echelons, right down to the rank of major and captain. The privatisation programme, for instance, is administered by a colonel.

Military rule, through brute force and new laws, has destroyed the power of organised labour. The weakness of labour has permitted Gen Pinochet to impose a level of austerity which governments like Argentina could never sustain. At the onset of the debt crisis, for instance, Chilean unemployment was five times that of Argentina. Wages have remained low for six years in Chile and have not clawed back pre-1982 purchasing power. The various employee share owning schemes, which the Government trumpets as marking a new era bridging the divide between capital and labour, are small attempts to appease discontent with income levels.

Most of the opposition parties direct their venom against Gen Pinochet personally, rather than against his economic development policy (so long as it is seen to be working). Their criticisms are of degree – they want more emphasis on wages and social spending, closer monitoring of foreign investment, privatisation and debt conversion deals.

On a broader level, the opposition is at one in maintaining that Gen Pinochet has created a repressed stability which cannot evaporate like steam from a kettle. The overthrow of Allende in 1973, the scores of "disappeared", the cases of torture and the nagging interference of a police state in people's lives has created a legacy of bitterness which economic progress has yet to erase. Spain's transition from authoritarianism to democracy, much studied in Chile, took place against a very different background. The memory of the Spanish Civil War was almost 40 years old when Franco died, and Spain had enjoyed steady growth for 20 years.

Since so much of the opposition is highly personalised against Gen Pinochet, it is quite possible that his refusal to stand in the forthcoming plebiscite would produce a catharsis. He would then probably be remembered in the history books for the modernisation of the economy rather than for stifling the political life of what was Latin America's proudest democracy. But the general has given no hint of wanting to leave office and he is a fighter by nature.



Party names choice to follow Alfonsín

BY GARY MEAD IN BUENOS AIRES

ARGENTINA'S ruling Radical Party (UCR) has chosen its candidate for the presidential elections scheduled for June next year.

The vote in favour of Mr Eduardo Angeloz, the 56-year-old governor of the province of Córdoba, also secures the candidacy of his running mate for the vice-presidency, Mr Juan Casella. The Angeloz-Casella campaign had the endorsement of the party machine and its success was widely predicted.

In a nationwide poll of all party members, Mr Angeloz gained 88 per cent of the vote and thus defeated the only other candidate, Mr Luis Leon. The party has almost 2.8m card-carrying members and 30 per cent turned out to vote.

Mr Angeloz has publicly committed himself to following the general policy of Mr Raul Alfonsín, the current Argentine president. President Alfonsín has held office for the Radicals since a general election in November 1983, following a military junta. The terms of Argentina's constitution prohibit him from standing for the presidency next year.

Mr Angeloz recently said he

believed the Radical Party had exactly the same chance of success in June 1989 as in November 1983, when the Radicals captured 52 per cent of the vote, against the main opposition Peronist party, which took 40 per cent.

However, the Radicals did badly in mid-term elections last September, losing all but two of Argentina's 22 provincial governments. In those elections Mr Casella failed to hold for the Radicals the key province of Buenos Aires, where almost 40 per cent of Argentina's 30m people live. It is held that the political party successful there stands the greatest chance of winning the presidential elections.

Victory in the province instead went to a Peronist, Mr Antonio Cafiero. He is now one of two candidates for selection by the Peronist movement for the presidential election. On Thursday the Peronists will stage their own internal election for presidential candidate. The result is less predictable than with the Radicals, as Mr Cafiero faces considerable opposition from another provincial governor, Mr Carlos Menem.



Angeloz, above, and Casella: committed to present policies



Berth of a tourist attraction

THE Plymouth, Britain's oldest frigate and a veteran of the Falklands campaign, is to become our newest tourist attraction.

The 28-year-old warship will take pride of place in Millbay dock in Plymouth from the end of the month and has a year to prove herself.

Saved from a watery

grave — she was to become a Royal Navy target — the Plymouth is now in the hands of the Warship Preservation Trust and local MP David Owen, who campaigned for the ship to be returned to Plymouth.

The Rothesay Class Frigate F126 is on loan

from the Navy for a peppercorn rent of £1 a year with the proviso that the ship be returned if the venture does not break even within 12 months.

Bob Wall, secretary of the local branch of the Royal Naval Association, said: 'The cost of keeping a vessel like this in

dry dock is tremendous. We are just lucky that the berth has been donated and volunteers have come forward quickly.'

Until recently, the ship has been used for naval duties and according to Mr Wall is in A1 condition. 'Even though she was commissioned in 1960, she's no rust bucket. It's nice to have her home.'

Press Cuttings

from Broad Street Associates

THE WALL STREET JOURNAL. 5 JUL 1988
EUROPE

Argentina's ruling Radical Party picked Eduardo Angeloz as its candidate for next year's presidential election. The liberal governor of Cordoba province will run against the candidate for the main opposition Peronist party, whose primary election is scheduled for Saturday.

TELLEX

THE BROADCAST REPORTING SERVICE

REPORT

FALKLANDS FISHING ZONE HAS NO LEGALITY

For : BROAD STREET ASSOCIATES

ADRIAN KING

Prog: TODAY

Service : RAD 4

Serial: 070201/PP

Date: 5.7.88

Time: 0630

Duration: 3mins40secs

JOHN HUMPHRYS:

The Royal Institute of International Affairs is holding a lunchtime meeting in London to discuss the subject of fishing and allied topics in Falkland waters and indeed the need for multilateral co-operation rather than British exclusive rights in that area. The key speaker, Dr Peter Willets, is a lecturer in international relations at the City University and he argues in a booklet that it's wrong of the British government to insist on a 200 mile exclusive fishing zone. He's with me now. Dr Willets, have I got your argument absolutely right? You reckon it should be a multilateral, multilaterally-controlled zone, not exclusively British.

DR PETER WILLETS:

Yes, I think there is a need for a multilateral zone. It is still officially British government policy that that is their preference but I do think that they should pursue it more vigorously. There are three major reasons: one is that the conservation within the current 150 mile circle of the Falkland Islands fishing zone is not practical, the fish don't recognise frontiers, they move in and out of the zone, and the most valuable stock is a highly unstable stock with massive fishing in the high seas to the north of the Falklands, so you need to bring this all under one international regime. Secondly, it doesn't seem to have been recognised in the political debate in this country while Britain can claim, and that is contested, the sovereignty of the territory of the Falklands what they cannot claim unilaterally is sovereignty over the waters around the Falklands. It does not seem to be appreciated that there is such a short distance between Argentina and the islands.

J.H.:

How much?

DR P.W.:

Well we were used during the war to the aircraft taking

500 miles from the air bases to Falkland Sound, but if you take the two nearest points in nautical miles, which matters in law, it's only 186 nautical miles, so 200 miles from the islands takes you to the Argentine mainland.

J.H.:

So there's a bit of Argentina which is effectively now in the British-controlled zone you're suggesting?

DR P.W.:

Oh no, no, we've got to separate the two claims, one is a theoretical claim to a full 200 miles round the coast, which is so impractical that the Government recognise they couldn't police that area, they simply took a much smaller circle of 150 miles.

J.H.:

But wouldn't it be fair to say - and I'm not seeking to be rude - is that you're taking a very academic view of something where the Government would say in political and practical terms look, we've fought a war to keep the Falklands free, we're talking about sovereignty and we're talking about the independence of the people on those islands, we will do what is necessary to protect that?

DR P.W.:

The question is short run or long run. In the long run future those islanders need not only political security but economic security, there is no economic security from a unilateral fishing regime. Certainly there is no long run military security unless you have good relations with Argentina, and thirdly we do not have legal rights, as is recognised by the official title of the fishing zone is the interim conservation and management zone, and the word interim there means until there is an agreement with Argentina on the border. That is in the British government declaration and it doesn't seem to have been recognised that a sea border between the Falklands and Argentina requires Argentine agreement.

J.H.:

Dr Peter Willets, thank you.

TELLEX

THE BROADCAST REPORTING SERVICE

REPORT

MARTIN BORELEY:

Grimsby's MP Austin Mitchell is calling on an Aberdeen Company to give back jobs to more than 20 local fishermen who are laid off in favour of cheaper foreign labour. The men were promised work in the Falklands by Sea Board Offshore Fishing company, but when their ships broke down in Spain and Chile, the men were told they could no longer be employed. Mr Mitchell says the firm has a moral obligation to give the men their jobs back.

AUSTIN MITCHELL:

It's wrong that it should be exploited simply by fly-by-night foreign vessels coming in under licence and looting the stocks and going out again. It's better that it's developed by a Falklands based fishery, so there is a source of employment, hopefully, for British fishermen and that's the point of principle that those jobs should go to British fishermen rather than to Spanish or Chilean because the British will settle and will build up the industry.

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For: BROAD STREET ASSOCIATES

ADRIAN KING

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47 Gray's Inn Road, London WC1X 8PR Telephone: 01-405 7151

Argentina Pays Down Some Interest on Debt In Move That Eases Pressure on U.S. Banks

By MICHAEL R. SESIT

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—In a move that will ease pressures on U.S. banks, Argentina in the past week has paid between \$50 million and \$70 million interest on \$35 billion of medium-term and long-term bank debt.

The payments, along with others planned for this week, could reduce the need for the banks to immediately place their Argentine loans on a non-accrual, or cash, basis and could keep the debt from damaging bank earnings.

William R. Rhodes, a Citibank executive, said Daniel Marx, foreign director of Argentina's central bank, told him that "payments covering from March 25 to April 7 have been made, and that payments covering April 7 to 14 will be made" this week. Mr. Rhodes is also chairman of the international banking committee advising Argentina on its foreign bank debt.

U.S. Regulations

Under regulations in the U.S. and some other nations, banks are required to put a loan on non-accrual 90 days after an interest payment is missed. Placing loans on such a basis means that income from the loan is recognized only when payments are received.

If Argentina hadn't made the recent payments or fails to make this week's, most U.S. banks automatically would have had to place the loans on non-accrual.

However, Argentina still would have to pay its bank creditors between \$500 million and \$700 million to become fully current on its bank debt through June, bankers said. The country, which is severely short of foreign-exchange reserves, has several times this year fallen behind on its interest payments.

Some bankers questioned whether the recent payments would keep their Argentine loans on an accrual basis. "Payments being brought current to April would mean that automatic non-accrual would fall to the next quarter, and banks and their accounting firms will have to grapple with whether that's sufficient to keep them from putting Argentine loans on non-accrual status," said the spokesman for one big U.S. bank.

Last month, according to bankers familiar with the foreign-debt situation, Wells Fargo & Co. started to put its approximately \$125 million Argentine loans on non-accrual. The move raised concern in the banking community over whether other institutions might also have to follow suit.

A spokeswoman for San Francisco-based Wells Fargo wouldn't say last week whether Argentina had made interest payments recently, nor would she comment on the status of the Argentine loans on the bank's books.

Argentina's five largest U.S. creditors as of Dec. 31 were Manufacturers Hanover Corp., with a \$1.54 billion exposure; Citicorp with \$1.4 billion; Chase Manhattan Corp., \$1 billion; J.P. Morgan & Co., \$879 million; and BankAmerica Corp., \$710 million, according to IBCA Inc., a New York-based bank analysis firm.

Last year, after Brazil declared a moratorium on its medium-term bank debt, many banks finished in the red because they made large additions to loan-loss reserves for Third World debt.

A senior Canadian banker predicted that negotiations with Argentina concerning its requests for new loans would be very

difficult. He said it was hard to rationalize putting up fresh cash for a country that wasn't generating much hard currency.

Citibank's Mr. Rhodes said that Argentina, in making the recent payments, "wants to retain its creditworthiness and position itself better for the upcoming talks."

Some bankers were hopeful that situation soon might improve. They noted that Argentina, a big grain exporter, would be able to take advantage of the current drought in the midwestern U.S. and sell more agricultural products abroad. One banker said that the country's trade surplus could grow to \$3.3 billion this year, up from earlier projections of \$2 billion and from only \$500 million in 1987.

Visit of IMF Team

In addition, bankers said that a team from the International Monetary Fund had returned from Argentina last week. If the IMF approves of steps the country has taken to improve its economy, it could order the disbursement of \$250 million in loans.

Moreover, the World Bank is scheduled to disburse \$200 million to the country this year, and \$80 million might be released immediately, said a banker. Argentina is also set to receive \$270 million from Japan's Export-Import Bank.

Meanwhile, Citibank said that Brazil, as expected, paid about \$1 billion to its commercial-bank creditors last week to cover interest arrears on medium-term and long-term debt for April and May 1988. The payment follows one of about \$350 million made earlier last month to cover interest arrears for March.

Antonio Seixas, director of external debt management at Brazil's central bank, said that his country should be able to begin regular interest payments to commercial banks within the next few months and, thus, formally terminate Brazil's suspension of interest that began Feb. 20, 1987.

BANKERS questioned whether the recent payments would keep the U.S. banks' Argentine loans on an accrual basis.

Press Cuttings

from Broad Street Associates THE  TIMES 4 JUL 1988

Galtieri attacked

Buenos Aires — Señor José Horacio Jaunarena, the Argentine Defence Minister, tried yesterday to reconcile differences between the Army and Señor Eduardo Angeloz, the ruling party's presidential candidate, who called ex-President Leopoldo Galtieri the "drunken general" who started the Falklands War (Michael Llanos writes).

He said Señor Angeloz had clearly separated his views on ex-President Galtieri from "heroic acts" by the men who fought the war. He added that these acts "merit our thanks to the armed forces".

Meanwhile, an Argentine Air Force report which was leaked yesterday proposed an air-based military strategy reducing the role of the Army and Navy.

The U-Turn truckers gunning for success

THREE years ago they were rattling down the road to nowhere.

Now the truckmakers Stonefield can look forward with confidence to going public in a couple of years.

Seeing their latest vehicle at the British Army Equipment Exhibition at Aldershot last week, one reflected that there's nothing like armour plating, a couple of heavy machine guns and a few grenade launching tubes to help one make an apparently impossible U-turn.

Wreckage

But what turned Stonefield round was the management buy-out led by Michael Hendrie from the wreckage of the Abdul Shamji empire.

In 1985 it was losing £2½ million a year.

But lawyer-businessman Hendrie, on Shamji's staff

By RICHARD MILNER

after selling him his property company, told me: 'We were unable to accept revival was impossible.'

Turnover at the time was less than £1 million a year.

'Next year, starting in August, we should turn over £8 million and show a profit of about £1 million,' added chairman Hendrie, 35.

Such figures will enable Stonefield, still cash-strapped after the £3 million buy-out, to raise the £1½ million they want for expansion.

Hendrie said: 'Forward orders are now £10 million — make that £14 million from next week when another order is formally concluded.'

Sam Toy, who became a director of Stonefield after retiring as head of Ford UK, said: 'Exports are a small percentage of our business now but I wouldn't be surprised if they accounted for



AIMING HIGH: Toy and Hendrie in personnel carrier

85% to 90% of sales in two years' time.'

Toy's enthusiasm and the military expertise of fellow director, Falklands supremo Sir Jeremy Moore, are all part of Stonefield's success.

Sales could double in

1988/9 and profits perhaps treble as export orders work through for various versions of Stonefield's new £85,000, 80 mph Armoured Personnel Carrier which attracted so much interest at the equipment show.

Warship beats a broadside

A FRIGATE which survived Argentinian bombs in the Falklands has been saved from being sunk by British missiles in target practice. The Warship Preservation Trust has a year to prove 30-year-old HMS Plymouth as a tourist attraction at Millbay Dock, Plymouth.

3 JUL 1988

YEAR'S GRACE

Britain's oldest warship, HMS Plymouth, which survived bombs in the Falklands only to face the prospect of being sunk in target practice by the Royal Navy, has been reprieved. The Warship Preservation Trust will get the mothballed frigate for a peppercorn rent of £1 — and volunteers will have 12 months in which to prove her as a tourist attraction.

Fall of a Falklands veteran

By Ian Smith

The self-styled general leading a gang of vicious soccer hooligans was a veteran of the Falklands conflict who risked enemy fire to rescue a wounded comrade.

In the Falklands, 2 Para medical orderly David Brown cowered with other soldiers for nine hours under an intense barrage at Goose Green.

After spotting two men lying mortally wounded in exposed no man's land, Brown crawled on his stomach avoiding enemy snipers to reach them. One soldier was dying, his arms and legs blown off, the other was screaming in agony with part of his leg severed by a mortar shell.

Unknown to Brown or senior officers of his regiment, he was already suffering the first symptoms of post traumatic stress disorder caused by the appalling mayhem he had already experienced.

It was when Brown resigned from 2 Para and lost the *esprit*

de corps which had grown up during service in Northern Ireland and the South Atlantic that he suffered a grieving reaction over the sudden loss of close friends.

Tragically, by then, violence had become an accepted, almost necessary, part of life, and it was in an attempt to find emotional comfort that he became a member and eventual leader of the gang of soccer thugs. The story of Brown's past was disclosed to Leeds Crown Court by Mr David Barker QC, for the defence, who spoke of a boy raised in an eminently respectable family.

Both parents were members of the Salvation Army and encouraged their son to join the corps band in which he played the cornet.

Life changed fatefully in August, 1979, when the teenager joined the Parachute Regiment, played in their band, became a medical orderly and was posted to 2

Para. He arrived in the Falklands on May 21, 1982.

"Enough that it should be said that this young man conducted himself with bravery and valour", Mr Barker said.

Mr Stephen Hughes, a consultant registrar at Hammersmith Hospital who served in the Falklands, said Brown's post-traumatic stress disorder was one doctors now believe he shared with at least 20 per cent of all servicemen in the Falklands.

It was because of his experiences in the South Atlantic that Brown turned from a young man of whom his family could be justifiably proud to a blood transfusion service attendant who caused pandemonium on soccer terraces.

However, it was only after the making of the *Tumble-down* television film that senior Army medical officers became fully aware of post-traumatic stress disorder.

Press Cuttings

from Broad Street Associates - The Western Morning News 2 JUL 1988

Frigate as Falklands centrepiece

FALKLANDS veteran frigate HMS Plymouth could become the centrepiece of an ambitious exhibition on the South Atlantic conflict if talks with Cornish millionaire Peter de Savary succeed.

This was disclosed last night by Sir Philip Goodhart, chairman of the Warship Preservation Trust, as news broke that the Task Force heroine, twice bombed during the conflict, was definitely coming to her namesake city. She will arrive possibly in ten days' time.

"We hope to put proposals for such a development to the Ministry of Defence in the autumn," said Sir Philip.

Associated British Ports has offered her a year's free berthing at Trinity Pier and she will be open to the public for two months as a big Armada Year attraction.

Plymouth City Council, which was offered the ship for a floating museum, backed off in alarm over the costs involved, put at £100,000 a year.

But undeterred, Sir Philip and two trust members — Devonport MP Dr. David Owen and Liskeard book publisher Mike Critchley, a retired lieutenant commander — launched a three-man crusade, and won.

"She is here for the next two months as an experiment to see if people come to look at her in large enough numbers, as I suspect they will," Lt. Cdr. Critchley told a Press conference at the docks yesterday.

After that, she would probably go away for what he called "cosmetic work" while her future was decided.

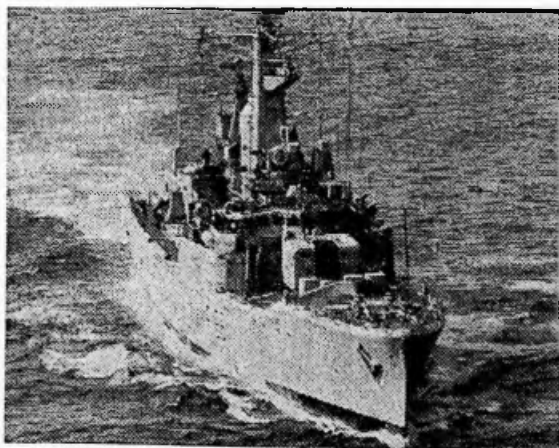
Port manager Edward Chapman pledged his full support. He prophesied a bright future for the frigate as a major tourist attraction, with a museum complex slotted into Associated British Ports plans for luxury flats and a marina — part of massive new expansions at Millbay.

The announcement came 30 years to the day since the ship was laid down for building at Devonport Dockyard.

Mr. de Savary's company is towing the ship from Portsmouth free, and has contributed to the cost of putting her on show up to mid-September, said Lt. Cdr. Critchley.

A project manager had to be recruited, and voluntary help had been pledged. People who wanted to put in cash could send donations to the Warship Preservation Trust at Millbay Docks.

Although finances had not been worked out, he estimated that £20,000 would be needed to cover the summer experiment.



HMS Plymouth ... coming home

Falklands warship's 11th hour reprieve

By Paul Stokes

SIR Francis Drake's home port received an unexpected fillip yesterday as celebrations began to mark the 400th anniversary of the defeat of the Spanish Armada.

The frigate Plymouth, recently decommissioned as the oldest ship in the fleet, was given an 11th hour reprieve from the breaker's yard and a berth in her namesake city.

The news broke as officials raised the Armada flag and a cannon fired over Plymouth Sound to signal the start of a month of pageantry and re-enactments.

An earlier move to preserve the ship as a floating museum failed when city councillors decided that maintenance costs would be too high.

The Warship Preservation Trust has pressed on regardless in its campaign to retain the ship for the city, which has no museum to its illustrious naval history.

Mr Michael Critchley, spokesman for the trust, said yesterday: "There are a lot of problems to be ironed out, but basically we have been given a berth by the port authority and accepted Plymouth on a free lease for an experimental 12 months.

"If it doesn't work out at the end of that time the Navy will take her back and sink her, but we hope that will not happen."

Mr Roger Freeman, Under-Secretary in the Ministry of Defence, has expressed a desire to see a warship which served in the Falklands preserved.

Plymouth, a type 12 frigate, was bombed in the South Atlantic before the surrender of South Georgia was signed aboard her.

Construction work on Plymouth began at Devonport Dockyard 30 years ago to the day yesterday. She was due to have been scrapped and used as a missile target after being taken out of operational service in April.

Mr Eddie Chapman, port manager at Plymouth's Millbay docks, said the ship's arrival would complement the multi-million redevelopment taking place there.

The businessman Mr Peter de Savary has agreed to have the frigate towed to Plymouth from Portsmouth within the next week and is making an undisclosed donation towards putting her on display for an initial two months.

FISHING NEWS

1 JULY 1988

New controls in South Atlantic?

THE Falkland Islands Association believes "there is now an extreme urgency" to establish a 200-mile fisheries limit around South Georgia with the British government in control.

In the Association's latest newsletter it alleges that the "Russians are fishing South Georgia to destruction" and that some form of management needs to be implemented before fish are totally exterminated.

The freezer trawler *Lord Shackleton*, owned by SWB Fishing, was fishing for ice fish around South Georgia earlier this year and her crew were "horrified" to find a large fleet of Russian vessels towing on the juvenile ice fish stock and turning it into fish meal.

Destruction

The Russian method of harvesting the resources at South Georgia and Kerguelen (a nearby island under French administration) has been to fish the stock almost to destruction and then leave the area alone for five to six years while the stock recuperates claims the Falklands newsletter.

It goes on: "In the 1970s the Russians caught some 500,000 tonnes of

fish annually in South Georgia. A lot of this was ice fish."

The French recently established a fishery regime at Kerguelen and a number of freezer trawlers now fish there.

The newsletter also suggests that a properly controlled regime at South Georgia, some four to five days steam from the Falklands, would provide additional grounds for the international fleet to exploit.

Squid

Such an arrangement would relieve the "hard pressed Falklands squid . . . and would maintain viable fishing for 290 to 300 days a year. It is essential to the industry to avoid building or licensing a fleet which relies on a one ground, one species, operation," says the newsletter.

It stresses that stocks at South Georgia must first be allowed to recover. "If the maximum sustainable yield of South Georgia is only 10,000 tonnes a year of fin fish and possibly 100,000 tonnes a year of 'flying squid', it would produce outstanding commercial opportunities for our vessels compared with our annual North East Arctic cod quota of only 7,500 tonnes," says the Falklands Association.

IN A MOVE THAT SHOWS the increased resources available, South Korea said Wednesday it would reduce grain purchases from the U.S. in favor of Argentine and Australian wheat, tapioca from Southeast Asia and rapeseed and corn from Canada and Argentina.

Such cuts in consumption of drought-stricken U.S. crops, coupled with sharp reductions in U.S. livestock herds, should help prevent shortages. Typically, leftover supplies of drought-stricken crops "turn out to be higher than people forecast," says Martin Abel, president of Abel, Daft & Early Inc., an Alexandria, Virginia, consulting company.

So far, the drought's principal victims seem certain to be those who can least afford it: troubled individual U.S. farmers who can't harvest a crop, and poor food-importing nations. "There is almost certain to be some human suffering attached to the kind of high prices" the drought is causing, says Richard Pottorff, director of U.S. agricultural forecasting for WEFA Group, a Bala Cynwyd, Pennsylvania, concern.

Press Cuttings

from Broad Street Associates

THE WALL STREET JOURNAL.
EUROPE

1 JUL 1988

* * *

ARGENTINE PARTIES PREPARE to select candidates for the May presidential election, marking the first time in almost 40 years that a democratic government in the nation has lasted its full six-year term. Cordoba provincial Gov. Eduardo Angeloz is expected to win the nomination of Alfonsin's Radical Party on Sunday. In the Peronists' voting July 9, a close contest is likely between Antonio Cafiero, de facto party leader and Buenos Aires provincial governor, and challenger Carlos Menem. Though Menem is an outsider who entered the race late, he has won strong support from the unemployed and trade unions.

* * *

Press Cuttings

from Broad Street Associates **LLOYD'S LIST**

1 JUL 1988

Officers jailed

AN Argentine military court has sentenced nine army officers to prison sentences ranging from 30 to 90 days for their roles earlier this year in an uprising against the government of President Raul Alfonsin.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

1 JUL 1988

Argentina pays interest in time

By Stephen Fidler

ARGENTINA has made interest payments on its commercial bank debt for the last week of March and the first week of April, Citicorp's chief debt negotiator Mr William Rhodes said last night.

A further payment is expected next week for interest covering the second week of April. The payments stave off the necessity for US banks to place their Argentine loans on a non-accrual basis.

US net international debt rises \$99bn to \$368bn

BY LIONEL BARBER IN WASHINGTON

THE US, already the biggest debtor nation, owed the rest of the world \$368.2bn at the end of 1987, the Commerce Department said yesterday.

The new net debt burden - representing a \$99bn increase on 1986 - is likely to be made into a big presidential election issue by the Democrats since it further underlines US dependence on foreign countries to service its debt.

Simply put, the US debt means that foreigners now own more in US assets than Americans own abroad.

The debt cannot be directly compared with debt owed by developing countries such as Brazil, Mexico or Argentina which largely stems from commercial bank loans. It reflects the US current account deficit - the broadest measure of the trade deficit -

which last year reached \$154bn.

The trade deficit - though showing signs of shrinking recently - has forced foreigners to repatriate the dollars they earned abroad in US stocks, bonds, land and companies, a buying spree which has led to calls in Congress for restrictions and anguished articles in the press about the decline of America.

President Ronald Reagan has maintained that the country's debtor status is a sign of strength, showing foreigners' eagerness to invest in the US. But in a report on Wednesday, the Congressional Office of Technology Assessment, warned that the US faced a "time of reckoning" when foreigners would no longer be willing to lend more

money.

The \$99bn increase in fact is smaller than last year's current account deficit because of changes in price rates and dollar exchange rates.

The Commerce Department noted that the mismatch between US assets abroad and foreign assets in the US had grown since 1986. At the end of December 1987, US assets abroad had risen by 9 per cent to \$1.17trillion (thousand billion). Over the same period, foreign assets in the US rose by 15 per cent, to nearly \$1.54trillion.

In a separate economic report, new orders received by US manufacturers fell 0.6 per cent in May because of a sharp drop in the volatile category of transport equipment.

Philippines calls on banks for debt reshuffle and \$2bn more

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINES has asked for a meeting with a committee of creditor banks next month to discuss making changes to a \$13.2bn (£7.8bn) debt rescheduling agreement signed last December and a request for new money.

Mr Vicente Jayme, finance secretary, and Mr Jose Fernandez, Central Bank governor, said in a letter to Manufacturers Hanover, the lead creditor bank, that they intended to discuss plans to lower the burden of debt servicing. They have asked for meetings on July 12-13.

The finance chiefs said they wanted to discuss a bonds-for-debt programme, similar to that launched with limited success by Mexico in March. Creditors exchanged Mexican loans, at a discount, for bonds secured on 20-year zero coupon US Treasury bonds.

Such a deal would be followed by a request for a new money facility, which bankers in Manila say could total \$2bn.

The request for new money comes as no surprise. While the \$13.2bn of commercial short and

medium-term debt was being renegotiated it was clear there would be a financing gap towards the end of 1988.

The talks signal an abrupt change of heart by the two finance chiefs who had previously argued that new money was unnecessary while so much available official development aid was unused.

Observers say the officials are bowing to pressure from politicians led by Senator Alberto Romulo who has been calling for a renegotiation of the terms of the deal and a unilateral moratorium on some of the country's \$28bn debt.

He wants the five-year deal renegotiated to boost foreign reserves above the current level of \$1.8bn - or three months' imports - and to release funds for national development.

The 1987 debt sparked angry debate in the Philippines. The then finance minister, Mr Jaime Ongpin, issued a veiled threat to close Citibank which was seen as blocking the talks. In July, President Corazon Aquino accused the

banks of "coercing" the country into a deal.

When the interest margin on Mr Ongpin's deal turned out to be 10 per cent higher than the subsequently negotiated bank deal with Argentina, vehement criticism from cabinet colleagues forced him to resign and soon after he killed himself.

The creditor committee representing 483 banks is likely to want to tie fresh money to a new International Monetary Fund programme.

The programme expiring in August at the time of the next IMF review set targets for reserves, public sector borrowing, money supply and inflation and was put in place when the last new money - \$925m - was negotiated in 1985.

The Philippine request comes in a year when banks are having to fund large new money demands for Brazil and for Argentina, which is also believed to require \$2bn.

Nigeria wins 90-day repayment roll-over, Page 4

Falklands fishing

Joint venture

rule changes

FISHING companies will no longer be required to form joint ventures with the Falkland Islands' Stanley Fisheries Co after next year, according to the Falkland Islands office in London.

Fourteen joint venture companies, involving fishing organisations from Taiwan, the Falkland Islands, Britain, Spain and New Zealand, had been formed with Stanley Fisheries by the end of last year and they generated an income in premiums of £7.2 million for the islands.

A normal feature of the joint ventures was that the shareholding was fixed at 49 per cent for the fishing company initiating the venture and 51 per cent for Stanley Fisheries, a wholly-owned subsidiary of the Falkland Islands Development Corporation.

In effect, the Falkland Islands were being paid by overseas fishing companies to establish a local fishing industry in return for preference on the allocation of fishing licences.

The requirement of the Falkland Islands Govern-

ment that squid catchers had to enter into joint ventures will run out next year, when a single licence fee will be collected by the government and not Stanley Fisheries.

Lewis Clifton, the Falkland Islands representative in London, said that a lot of thought would be put into the financial arrangements of Stanley Fisheries and he could not forecast if the existing joint venture companies would split away.

Policy to decide on the cost of licences for 1989 will be decided in August, when a number of factors will be weighed up — including catching performance and fish prices.

The latest annual report of Stanley Fisheries Ltd. states: "Six trawlers have been purchased by Stanley Fisheries subsidiaries and will start fishing in the 1988 seasons.

"The vessels, with an average cost of £2 million and an average GRT of 1500

tonnes, are concentrating on the squid fisheries, but will be fishing all year round.

"Stanley Fisheries is keen to ensure that the fishery achieves its full potential by becoming a 12-month business.

"The six vessels are: the *Lord Shackleton* (SWB Fishing); *Hill Cove* (Stanmarr); *Mount Challenger* and *Mount Kent* (Seamount); *Kastor* (Castor); and *Albatross* (Malabar).

Brian Cummings, chairman of Stanley Fisheries,

said: "While, to some extent, money has tended to chase projects, a number of worthwhile schemes were approved by the board during the year which will bring a good return to the company and to the Islands' economy."

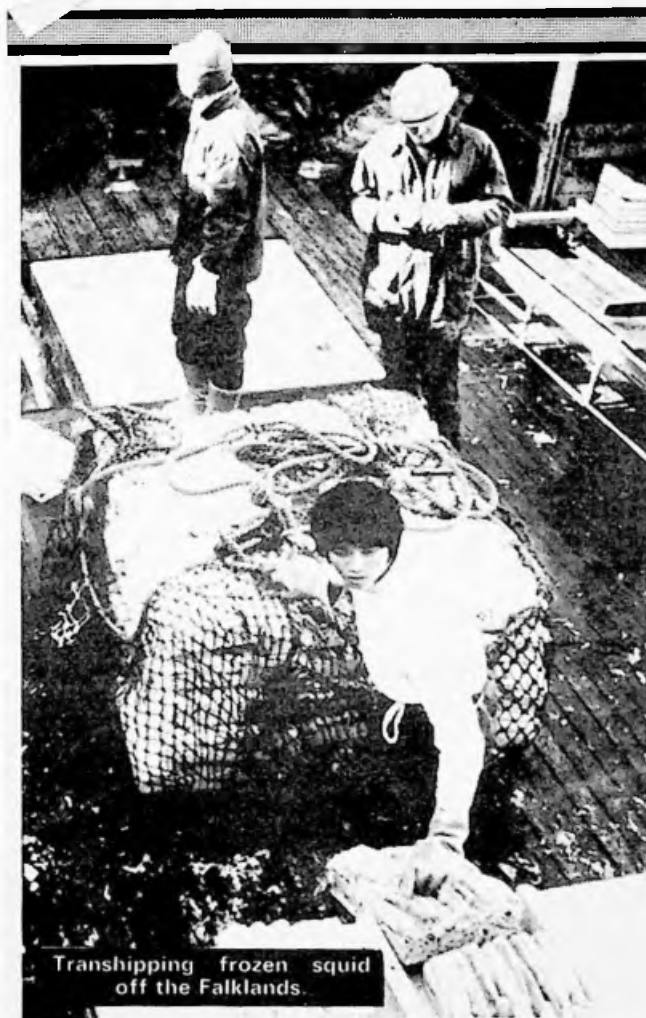
"I recognise that, at times, the company could have done more to communicate with its partners and, more especially, with the people of the Falkland Islands.

"I hope this can be remedied in the future and a positive effort will be made in 1988 to improve the company's performance in this area," said Mr. Cummings.

Press Cuttings

from Broad Street Associates

FISHING NEWS INTERNATIONAL July 1988
Page 2



Barge system waits

DURING 1987, Stanley Fisheries Ltd began an extensive investigation into the future potential of FIPASS (Falklands Intermediate Port and Storage System) as the centre of commercial development of the fishery.

FIPASS is a complex of six floating barges giving a wharfage of approximately 300 metres. Four of the barges have large warehouses and one carries an accommodation and office block. The complex, to the east of Stanley, is connected to the shore by a 190-metre causeway.

The draft on the seaward side of the system is six metres and, although deep enough for many of the smaller fishing vessels, it is not suitable for the larger trawlers and reefer vessels.



FIPASS — recently bought by the Falkland Islands government — could be a centre of commercial development.

SFL says it commissioned consulting and design engineers Rendel, Parmer and Tritton to prepare both an economic study of FIPASS and a detailed sur-

vey and tender for the dredging of Stanley Harbour. Following both studies, says the company, it has been decided that, because of uncertainty about

the commercial development of FIPASS, dredging of the harbour and the conversion should not be undertaken at this time, although some letting seems possible.

EURO-MP WARNS ON DANGER TO RESOURCES

EXCESSIVE licence fees for fishing in Falkland waters — and failure to manage the whole fishery efficiently — are encouraging fishermen to seek opportunities in Argentinian waters and threatening an over exploitation of stock, says James Provan, a UK member of the European Parliament.

"Short term thinking could put the stable long term development of the Falklands fisheries at risk," warns Mr Provan. He points out that Eastern European countries which have an agreement with Argentina are increasing their fishing effort.

He said that a typical UK distant water trawler has to pay £188,000 in licence and joint venture fees just to participate in the Falklands fishery for one season. The joint venture system will be scrapped from next year.

"On the other hand, over-fishing by Eastern bloc ves-

sels in the south-west Atlantic has driven down the price of squid from \$900 to \$400 a metric ton, bringing the viability of distant water operations into doubt," said Mr Provan, presenting a report on the future of the south-west Atlantic fisheries.

He said it now appears that Spanish fisheries organisations are discussing new joint venture arrangements and the building of a fishing port with ship repair facilities in the Patagonian town of Puerto Madrin.

There is also the likelihood of Japanese fishing in Argentinian waters in return for loan finance from Japan, said Mr. Provan.

Lewis Clifton, the Falklands government's London-based representative, said he is aware that a number of Taiwanese and Japanese companies have formed joint venture agreements with Argentinians to fish in their waters.

He said that there is a point where squid migrates within the Falklands

management zone and, while there is a temptation to poach, he believes the Falklands government controls the area adequately.

He said the stock is well monitored and there is no indication within the Falkland conservation zone that stocks are being over exploited.

Mr Clifton acknowledges that licence costs are high, but said this was something discussed at the seminar held in March (a report of which should be published soon).

James Provan wants the European community to take action to obtain an agreement on the overall management of the Falklands resources. He also wants talks with the UK and Argentina to secure long-term access to the waters.

"European Community involvement is essential to ensure the sensible long-term management of these vital fishery resources," said Mr Provan.

Blue whiting parasite investigated

THE FALKLAND Islands is carrying out a research project into the southern blue whiting (*Micromesistius australis*, one of the cod family *Gadidae*), which is its major finfish species.

"This resource is heavily infected with a muxozoan tissue parasite (*Kudoa alliaris*) which forms large cysts, up to two centimetres long, within the muscle of the fish," says the annual report of Stanley Fisheries Ltd.

Although the parasite is neither pathogenic nor infectious to humans, the cysts within the flesh of the fish are highly visible and render the fish unacceptable to most consumers.

"In addition, the cysts of the parasite release proteolytic enzymes into the surrounding muscle which lead (once the fish are dead) to a rapid degradation of the flesh. This results in the fish being more difficult to process and also less attractive to consumers.

Parasite cysts can be cut out of fillets, but there is a substantial additional cost for this labour-intensive process.

"The fish does produce a high quality fish meal, but this product has a far lower conversion rate from whole fresh fish than does fillets and represents a substantially lower market value per tonne of fish caught.

"The research project into the relationship between the

parasite and southern blue whiting is based upon a field sampling programme of blue whiting around the Falkland Islands. This is conducted in collaboration with the Falkland Islands Fisheries Department and the Polish fishing fleet.

"Thorough examination of the fish samples collected is conducted at the Renewable Resources Assessment Group, Imperial College of Science and Technology in London, where analyses of the results are also carried out.

Detailed

"This is providing information on the size of the problem with regard to the exploitation of the fish stock and a detailed understanding of the dynamics of the infection process of the parasite.

"Areas of research that are of particular interest include the prevalence of the infection, the average number of parasites per fish and how these vary with the age, length, weight, sex and sexual maturity of the fish and, also, with the geographical location where the fish occur.

"Seasonal and yearly trends will also be examined."

Catches into Vigo plant

FISH caught on grounds off the Falkland Islands to Canada are now being landed at the Marfrio Marin SA cold store and fish processing factory near Vigo, Spain.

The plant was opened last year (see *FNI*, November 1987) at the port of Marin and it has been attracting landings of 500 to 1400 tons from between three and five freezer ships a month.

They operate on grounds from the Falklands, Namibia, South Africa, Senegal, Mauretania and Morocco, to Newfoundland, Argentina, Chile and the USA.

The vessels are mainly owned by Spanish fishing companies.

The cold store can hold stocks at -30 deg C and the fish is then sold on the national market, as well as to the EEC countries of Italy, France, Greece and UK. Australia and Japan also buy product from the Marfrio Marin SA plant.

PER MARE

So That was Antarctica

by CSgt P. Rees

During our period down in the Antarctic we were tasked to 'investigate' an island called South Thule. There had been a radar contact a couple of weeks previous, believed to be an Argentinian aircraft, so the 'buzz' was that they may have dropped some men on the island. (What for, God knows — it is one of the most bleak and inhospitable places that I have ever been). However, six of us were tasked to check it out, being inserted by Lynx, after an initial air recce of the whole island. The only thing there was thousands of penguins (straight out of the helicopter door into six inches of penguin dung was a good start!).



Mnes Scruff McGough, Jim Greaves and Andy Ellison on the ski slope above Dorian Bay. HMS Endurance is in the background.

The recce went ahead with no sight or trace of anything that resembled a human form, only more penguin chicks, dung and fur seals (the ones that bite). Once back on board we were ushered downwind of everybody and told to clean ourselves up, something to do with a strange smell lurking around us! Since no contact had been made, one of the hydrographers and a marine were put ashore to carry out survey tasks for 48 hours.

We proceeded up the islands and came to rest at Grytviken, South Georgia where the detachment were introduced to Sgt 'Mac' McLemmon ML1, Chief Instructor SG, who got Mne Jim Greaves, our barber to give him a much need haircut prior to flying back to UK. We were also fortunate that the ship was allowed to shoot some deer, and so 'Snipes' Billingsley and the OCRM were inserted to carry out the task, successfully too, returning with two large stags as underslung load. We

played a football match against the outgoing Garrison, with a barbecue on completion. Farewells were on the agenda and so sailed for Stanley for the last time.

'When in Stanley, act manly'. So we did, as we were entertained by the ex RMs now residing on the island. (We had to pay though). It was a combination of a rather belated Corps birthday and an informal buffet.

We only had three weeks remaining down in the ice, what with surveying and whale spotting, so the CO suggested that the ship has eight days R&R at Dorian Bay. Here there was a hut owned by the British Antarctic Survey (BAS) which was lent to us after a little 'persuasion' from the OCRM, so we set this up as the R&R base. There was a ski slope directly behind the hut, about 250m in length, but no ski lifts! We split the period into two phases hoping to get as many of the ship's company ashore as possible to enjoy downhill and cross-country skiing, tobogganing, fishing or just get ashore for a 'loaf'. We also laid on a snow shelter demo including an igloo. Everything built up to the Endurance Mini Winter Olympics, with the

tobogganing being the most dangerous, especially at night! We had two head injuries (ten stitches in all) one fractured hand, one dislocated shoulder and many other 'minor' injuries. Not bad for eight days R&R!

We departed or shall I say 'limped' from the area and headed for an Argentinian survey base, where we anchored to wait for a



(Left) Mnes Bill Billingsley and Toobs Tooby rapid roping onto the flight deck during the Colombian demo.

(Right) Mnes Tooby and Billingsley absailing from the A. Frame. CSgt Rees is despatching.



mail drop by the C130 from Mount Pleasant. They had the Ship's company on a good bite, for when they sent the final drop off the tailgate, they also threw out a load of blank aerogrammes as well, making it appear that one of the mail sacks had split. Curses flew up from the flight deck and bridge until they realised that they were definitely 'dangling from the hook'. We also had a 'hands to bathe', so four of us jumped into the dry suits and went for a plunge, from the bridge roof!

We found an iceberg that needed climbing (or so the CO said) so armed with ice axes, crampons and rope we went to conquer. Dragging LS Alex McIndoe behind us, myself, Capt Mansell, LCpl Terry Hislop and Mne Andy Eliison managed to raise the Corps flag and the White Ensign for a photo then proceeded to get wet again as we slid down a near vertical ice face from the top into the water with photos being taken by Cpl Rick Wathen who was in the safety boat.

Now we did say goodbye to the Antarctic for the final time, weaving in and out of the growlers heading for open sea which would take us to the first run ashore (I mean 'courtesy visit'). We were going to berth at a place called Valparaiso, supposedly a good place — and it was. We went along to the Chilean Marine Base and were shown a few demos which included the parachute training school where Terry Hislop and 'Scotty' Scott tried their luck at the 'nutcracker', and their assault course. They're instructed in the martial arts and this demo was given to us by a former Korean Olympic champion, very impressive as well. 'Dits' were swopped and we found out they model themselves on the Royal Marines, although all their kit is American (the best of both worlds eh!).



Mne Scott tries the Chilean 'nutcracker'.

Once again we set sail, this time for the Panama Canal. We passed through and entered the Carribean, immediately turned right and headed for Cartagena in Colombia. This wasn't originally on the itinerary, but the Colombian Navy were interested in buying Lynx, and since *Endurance* had two on board, and we just happened to be passing that way. . . . The idea was to put on a flying display, including six of us rapid roping onto the flight deck. After rehearsals the demo took place very successfully — the Colombians were happy and so was the CO.

Next stop was Havana where we got

involved in a 'drug bust' operation with the US Coast Guard, which ended with *Endurance* playing a major part in the capture of six tons of cannabis. From there we headed to Florida, where we were looking forward to our R&R in Tampa. The OCRM and the divers among us went down to the Florida Keys for a diving exped accompanied by the two Para Officers and the 'Tom' from 2 Para Regt, who had just finished six months in Belize and had joined us in Chile.

On the passage home 'hands to bathe' was piped every so often accompanied by health warnings! For example! 'Hands to bathe will be piped in five minutes time, however you are warned that in the last half hour twelve sharks, three manta rays, man-of-war jellyfish and a number of other unidentified creatures have been sighted!'. However out of the whole trip only one shark warning was for real — either that or the shark sentries were in the 'Z' mode.

At the time of writing this we are just passing Bermuda, (what happened to the 'courtesy visit' there?) heading for Punta Delgada in the Azores. We're only there to refuel and then steam on to Portsmouth, having been away from the UK for seven months. It has been a very successful trip for us, largely made possible by the integration of the Detachment into the ship's company and I hope they all enjoyed the commission as much as I have.

'Scandal' of suffering Falklands heroes

By TIM MILES

THE MINISTRY OF Defence was yesterday accused of a "scandalous" lack of concern for the mental health of Falklands veterans.

Psychologist Roderick Orner claims the MoD obstructed a three-year project to measure stress among ex-servicemen.

The findings of the study, being presented to this week's British Psychological Society conference on traumatic stress at Lincoln, shows Falklands

veterans suffering the same "traumatic stress" reactions as Vietnam veterans.

Many suffer from emotional problems, poor sleep, poor concentration, and guilt at surviving the war.

According to Mr Orner, a psychologist with the North Lincolnshire Health Authority, their problems have been ignored "because they were victorious and returned as heroes".

He said yesterday, "It is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight, and when they come back — when it is known that many will have problems adjusting to civilian life — do so little to establish what their needs are."

Mr Orner said the MoD agreed to help with his study, but insisted on vetting his work.

His study, based on information from 37 Falklands

veterans, shows that:

- three out of four veterans are troubled by "upsetting incidents" from the war;
- nine out of 10 find it difficult to get close to people;
- three out of four feel "jumpy or hyped-up";
- seven out of 10 lose sleep;
- two in every three feel "guilty about surviving, and possibly not doing enough to help those who were killed";
- three in five cannot concentrate as well as they could before the war.

Mr Orner said he is surprised at the lack of investi-

gation into the mental state of the veterans.

"Maybe the lack of response is attributable to the fact that British troops were victorious, and returned home as heroes."

He added that the work of the Ex-servicemen's Mental Welfare Society and the Royal British Legion was "not geared to establishing the needs of servicemen returning from so recent a war, but more concerned with soldiers who fought 40 years ago".

Falklands veterans 'left to suffer'

THE Ministry of Defence was accused yesterday of a "scandalous" lack of concern for the mental health of Falklands veterans.

Mr Roderick Orner, a psychologist with North Lincolnshire Health Authority, claims that the MoD obstructed a three-year project to measure stress among ex-servicemen.

The study, being presented to this week's British Psychological Society conference on traumatic stress in Lincoln, shows them suffering the same "traumatic stress" reactions as American Vietnam veterans.

Many suffer from emotional problems, poor sleep, poor concentration and guilt at surviving the war.

But Mr Orner claims their problems have been ignored "because they were victorious and returned as heroes". People did not consider the troops "victims".

He said yesterday: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back — when it is known that many will have problems adjusting to civilian

life — do so little to establish what their needs are."

He said the MoD agreed to help him initially but insisted on vetting his work.

The study, based on information from 37 veterans, shows that three out of four veterans are troubled by "upsetting inci-

dents" from the war.

Nine out of ten complain they find it difficult to get close to people; three out of four feel "jumpy or hyped up"; and seven out of ten lose sleep.

Two in every three feel "guilty about surviving, and possibly not doing enough to help those

who were killed"; while three in five cannot concentrate as well as before the war.

An MoD spokeswoman said that suggestions it was unwilling to help were unfounded. It wrote to Mr Orner in July 1986 "offering every assistance".

The Navy and Army had both been running projects on the likely needs of Falkland veterans suffering from post traumatic stress disorder.

Many returned to civilian life before symptoms appeared and so were being treated by the NHS. Doctors could refer people back for military help if appropriate.

She said Mr Orner's findings were "factually limited" and related to "a minute element of the total number of veterans".

The MoD had asked to see the findings but there was never any question of suppressing them.

MR TERRY WAITE'S religious faith will be the key to his survival, an expert on hostage incidents, Dr John Potter, told the conference yesterday.

It would compensate for the uncertainty of his ordeal "like the end of a prison sentence". Mr Waite's commitment to the mission he was on and his understanding of the hostage issue would also be on his side.

Falklands exile returns to tell of 'paradise'

IAN STRANGE is spending much of his time in Suffolk trying to dispel media-induced images that the Falkland islands are dull, lifeless and under constant drizzle.

However, he is no public relations man for a package holiday firm.

Mr. Strange, 53, landed on the Falklands 27 years ago after the 8,000 mile journey from East Anglia.

He fell in love with the landscape and wildlife, decided to stay for good and is now a professional naturalist, author and artist, one of his regular jobs being to design the islands' stamps.

Mr. Strange is currently staying with his sister, Mrs. Marjorie Wake, and his mother, Mrs. Vera Strange, at their home, The Maltings, in New Street, Stradbroke.

He leaves in a few days for a lecture tour in the United States before returning to his beloved islands with his wife, Maria, and their daughter, Georgina, seven.

He has three children by his first wife who set out with him in 1961 for the South Atlantic.

His job, on a four-year contract, was to run an experimental farm for the Falkland Islands Company.

"They wanted to farm fur-bearing animals like mink to use unwanted meat from the sheep farming, and my job was to run the experiment.

"It proved to be uneconomical which was fortunate to say the least, because the introduction of mink would have had a disastrous effect on wildlife."

At the end of the contract he stayed on, and during the past quarter of a century has earned a living by becoming a freelance conservation and wildlife adviser and by painting and photographing the island and its animals, birds and insects.

For some years he has designed the islands' stamps, one of the latest of which is illustrated with a painting of seals.

Mr. and Mrs. Strange have two homes, one in Port Stanley, the capital, and the other on a remote, eight-mile-long western island, half of which they own and run as a nature reserve.

The family was staying in Port Stanley when the Falklands War broke out.

"I had been due to fly to our island but was ill at the time and the trip was cancelled. I was lucky because if I had gone I should have been stranded there with my wife and child in Stanley," said Mr. Strange.

He has vivid memories of the fighting and of the firing by the Argentinians of the Exocet missiles which caused damage and many casualties among the British naval fleet.

"We were shelled by the British who were trying to hit the Argentine gun emplacements scattered all around the town-ship," he said.

"I try not to dwell too much on the war. There were far worse situations elsewhere in the world than we experienced there."

Unlike the common media image of the Falklands, the islands are a naturalist's paradise and have breathtaking scenery, he said. "They are a much-maligned but beautiful set of islands."

Mr. Strange is the author of a book, *The Falkland Islands and their Natural History*, for which he also provided the photographs. It has a foreword by the

Duke of York who served with the Royal Navy during the war.

Mr. Strange helped Cindy Buxton and Annie Price — later stranded on South Georgia during the war — in the making of their much-acclaimed wildlife films

He works as a freelance conservation adviser for many organisations including the Falkland Islands Government, the Ministry of Defence, the Worldwide Fund for Nature, the Royal Society for the Promotion of Nature Conservation.

Press Cuttings

from Broad Street Associates EAST ANGLIAN 23 1 AUG 1988



Above, stamp designer
Ian Strange at
Stradbroke.

Falkland heroes left to suffer claims doctor

THE Ministry of Defence was yesterday accused of a "scandalous" lack of concern for the mental health of Falklands veterans.

Psychologist Roderick Orner claims the MoD obstructed a three-year project to measure stress among ex-servicemen.

The findings of the study, being presented to this week's British Psychological Society conference on traumatic stress at Lincoln, shows Falklands veterans suffering the same "traumatic stress" reactions as American Vietnam veterans.

Many suffer from emotional problems, poor sleep, poor concentration and guilt at surviving the war.

According to Mr. Orner, a psychologist with the North Lincolnshire Health Authority, their problems have been ignored "because they were victorious and returned as heroes".

Mr. Orner said the MoD agreed to help initially with his study, but insisted on vetting his work.

The MoD said suggestions it was unwilling to help were "unfounded".

A spokeswoman said the MoD wrote to Mr. Orner in July 1986 "offering every assistance".

She added, "The Navy were actively involved in a project to ascertain the likely needs of those Falkland veterans who were suffering from post

traumatic stress disorder a considerable time before Mr. Orner raised the issue with the Ministry of Defence.

"Likewise the Army has also been running its own project."

She said a large number of veterans returned to civilian life before the symptoms presented themselves and were consequently being treated by the NHS.

Doctors could refer people back for military help if appropriate.

The conference was also told that physical victims of the King's Cross fire are outnumbered many times over by those with remaining psychological scars.

Many who were merely by-

standers on the fateful night are still suffering trauma sufficient to keep them off work, psychiatrist Dr. Stuart Turner, from London's Middlesex Hospital, told the British Psychological Society.

Plight of Falkland veterans 'ignored'

By SARAH WOMACK

A former Midland seaman, awarded the Distinguished Service Medal for his part in the Falkland conflict, yesterday endorsed a report which accuses the Ministry of Defence of a "scandalous" lack of concern for the mental health of Falklands veterans.

The study by Mr Roderick Orner, a psychologist with the North Lincolnshire Health Authority, shows that Falkland veterans suffer the same "traumatic stress" reactions as Vietnam veterans, which includes feelings of guilt, depression and sleeplessness.

But Mr Orner said their problems had been ignored because they were victorious and returned as heroes.

The findings of his report, based on the experiences of 37 Falkland veterans, are being presented to this week's British Psychological Society conference on traumatic stress at Lincoln.

The report has been dismissed by the Ministry of Defence as "biased" and of "limited value".

But Mr Jeffrey Fox-Warren, aged 31, a leading seaman aboard HMS Antelope, which was sunk by Argentinian bombers, said he agreed with some of the findings and spoke out about a lack of concern shown to him and some of his colleagues after the conflict ended in 1982.

Mr Fox-Warren, formerly of Abbey Road in Smethwick, Birmingham, who was decorated after he shot down the bomber which attacked his ship and saved a wounded colleague, said he had since been

troubled by feelings of guilt, anger, depression, violence towards others and appalling nightmares.

He was "unwillingly discharged" from the Navy in 1982 when a medical showed he had suffered a 40 per cent hearing loss in both ears. He believes his changed behaviour since the conflict has made him unable to settle in work and he has had a string of jobs.

Finally unable to find employment in his home town he moved with his wife and two teenage children to Chippenham, Wiltshire, where he now works as a warehouseman.

He said: "There was never any offer of counselling or anything."

"It was just a pat on the back and goodbye. I felt bitter towards the Navy for their apparent disregard towards me, but now I just try and remember the Navy for the good times."

He said many of his colleagues in the Falklands had felt that the Royal Navy had forgotten them.

Mr Fox-Warren was awarded a £4,500 gratuity payment, a lump sum of £3,000 from the South Atlantic Fund and receives a monthly pension of about £150.

However, raising his family and meeting mortgage payments without a steady salary from the Navy was a constant struggle.

Mr Orner said yesterday: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back — when it is known that many will have problems adjusting to civilian life — do so little to establish what their needs are."

"Maybe the lack of response is attributable to the fact that British troops were victorious and returned home as heroes."

However, a spokesman for the Ministry of Defence said last night: "Scientifically, Mr

Orner's findings are factually limited in value as they contain a double bias.

"Information presented relates to a minute section of the total number of veterans involved."

"There has been a huge turnover of servicemen in the last six years and a large number returned to civilian life before the symptoms presented themselves."

He said ex-servicemen who had sought medical advice since the Falkland conflict, were helped within the National Health Service by their own GPs or referred to military facilities if doctors considered the Army's medical staff better equipped to understand the nature of the condition.

The Ministry of Defence denied Mr Orner's claims that it had wanted to vet his report.

The spokesman said: "The MoD had a material interest in Mr Orner's findings. There is no question of suppression of information."

● Physical victims of the King's Cross fire are outnumbered many times over by those with remaining psychological scars, Dr Stuart Turner, a psychiatrist from the Middlesex Hospital, London, told the conference.

Many who were merely bystanders on the fateful night are still suffering trauma sufficient to keep them off work, he said.

Dr Turner said 31 people had died in the disaster, and 14 required admission to hospital, but the number suffering psychological disturbances, such as pathological fears of Underground stations, was much greater.

Dr Turner said greater attention needed to be paid to the lasting psychological damage in such disasters.



Mr Jeffrey Fox-Warren, a leading seaman who fought in the Falklands, and his wife Carol, after being decorated in 1982.

The Polar areas are 'heating up'

Polar temperatures are expected to rise by ten degrees Celsius (18F) in 60 years, but there is no danger of instant melting of the ice caps, Mr Ronald Smith, head of terrestrial ecology at the British Antarctic Survey, said yesterday at a conference on Antarctica in Hobart, Australia.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

31 AUG 1988

Poppy

HALF MOON

Six years after an RSC premiere that left its author far from happy, Peter Nichols' musical pantomime about the opium wars resurfaces revamped and revitalised at the sort of venue it is made for - although the stark concrete expanse of Stepney's Half Moon Theatre is rendered almost unrecognisable by a set by Ellen Cairns of cardboard cut-out opulence, scarlet-swathed boxes flanking a proscenium arch overlooked on one side by a warrior queen Britannia astride the globe, and on the other by a loosely draped wanton balanced on a poppy head.

It is not hard to see how the piece would have found itself in alien territory at the Barbican: Chris Bond's revival is, on the evidence of its first night, undeniably scruffy around the edges but it harnesses the

corny inventiveness of good old-fashioned pantomime in a way that could certainly not be written off as coy or pretentious, allowing Nichols to lure his audience with spectacle, amuse them with an outrageous humour and finally buffet them with the unacceptable face of imperialism in general and international drugs trafficking in particular.

Fairy godmother of the piece is Tina Marian's Queen Victoria, who announces in Thatcherite tones that she reserves the right to transform herself at will. This she does as her tale unfolds on Dick Whittington (Josie Lawrence) whose yuppie go-getting and "British ingenuity" takes him into partnership with Obadiah Upward, personification of the small tradesman made good (and master of a formidable grocer's shop quartet).

Monty Norman's music ranges from jolly singalong with shades of London pub to cod-Dietrich - this last delivered by David Ross's outrageous Lady Dodo shortly after she has dismounted from a vice-regal elephant with (we later learn in one of a myriad throwaway gags) a wandering proboscis. Nichols' use - and eventual subversion - of pantomime allows us a godlike Chinese overlord, who descends godlike in a cloud; a collection of half-masked natives and a pantomime horse which lives well and truly up to its name, Randy.

But the exuberance disguises a real enough anger in what emerges as an impassioned condemnation of imperialism from the Falklands conquest backwards.



Alastair Muir

Claire Armitstead David Ross

Stephen Fidler reports on bankers' growing unwillingness to contribute to new financing

Debt fatigue in Latin America

In August 1982, the Latin American debt crisis burst into the open when Mexico declared that it could not meet its foreign debt repayments. Six years later, masked by an outward calm, the crisis is entering a new and critical phase.

Agitation and fatigue grows in debtor countries about the sacrifices needed to repay the debts in full. With elections due in a number of Latin America countries, opposition politicians are seizing on the debt issue in support of their cause. There is increasing scepticism about the ability of debtor countries to dig themselves out of the crisis without debt relief (Argentina is the current focus of concern). The willingness of banks to contribute to new financing shrinks.

Meanwhile, there are other factors at work that could threaten the ability of countries to service their debts. Rising US interest rates threaten to erase the benefits to debtor countries of higher commodity prices and doubts grow about the sustainability of six years of growth in the industrial world. In Mexico and Venezuela, lower oil prices pose a further difficulty.

The current accepted approach to the crisis - outlined almost three years ago by US Treasury Secretary James Baker - envisages the eventual return of debtor countries to creditworthiness through growth-oriented economic policies. The policies would be supported by new loans from commercial banks and agencies such as the International Monetary Fund and the World Bank.

Doubts about the Baker Plan are now being expressed in distinctly unradical quarters. Mr Barber Conable, the president

of the World Bank, said in a memorandum in March: "It will be extremely difficult, perhaps impossible, to generate aggregate net flows for the heavily indebted countries in the necessary amounts exclusively through the concerted new money approach."

The "new money" approach calls for the periodic shaking down of all a country's bank lenders to provide new loans, followed by financing from the IMF and World Bank. Banks back the new money approach in principle, but increasingly show their distaste for it in practice.

Banks are criticised for not lending enough and taking too long to do it. "The record is plain," Mr Michel Camdessus, the managing director of the IMF, said earlier this year. "Last year, net bank lending to countries with debt-servicing problems was negligible at best; the two years before, it was negative."

To tempt in banks whose interests increasingly diverge, every fresh new money package contains more and more financing options. If a new money programme is agreed this year for Argentina, the deal will include for the first time an option which allows banks to capitalise interest, instead of putting up new money.

Banks participating in new money packages are increasingly angry about "free riders", banks which never put up new money but benefit from the interest payments. They make it harder and harder to raise new loans. (A recent rescheduling agreement for the Ivory Coast, written under French law but yet to go into effect, attempts to address this problem by punishing free riders, stopping servicing on the debt for banks which do not put up new money.)

Yet, while he criticises the banks for not lending enough, Mr Camdessus's own organisation is itself receiving net repayments from many rescheduling countries. Commercial banks put up \$5.2bn in new money for Brazil in 1988 and 1989; the IMF takes \$400m out this year and contributes nothing next.

Conscious of the IMF's limited role, the World Bank has moved to bridge some of the gap. Its stamp has been needed to attract banks into new-money financings such as Brazil's. In future, says Mr Conable, the World Bank should increasingly be "facilitating other forms of financial relief, including debt reduction schemes." But it is severely constrained by conservative accounting and the need it per-

The danger lessens that the crisis could trigger international financial collapse

ceives to maintain a top credit rating.

The conclusion of many bankers is that even with these efforts, sufficient resources cannot be transferred to the debtors. On this view, the next step should be a more formal approach to debt relief; the debate now centres on whether debt relief and new money packages are mutually exclusive, or can be run successfully side-by-side.

The view that debt relief could provide a way out of the problem now gets a hearing at the highest levels in international banks and western governments. Mr Baker himself earlier this year supported an approach recognising that the poorest debtor countries, mostly in Africa, do not have the means to pay their debts in full.

For banks, the large increases which many of them made last year in provisions on Third World loans paved the way to start selling the loans at discounts on the secondary market, thereby recognising

losses. Debtor countries have seized on this. Some have been attempting to capture this discount for their own benefit through, for example, debt-for-equity programmes and bonds-for-loans swaps.

Bankers still voice strong objections to having debt relief forced on them. But this position has been weakened by the extent to which banks have already voluntarily recognised losses on their Third World loans.

According to Salomon Brothers, the 13 largest US lenders reduced their developing country loan portfolios by \$1.4bn in the first quarter, and by a further \$2.3bn in the second. In the year to June 30, Citicorp alone reduced its exposure to developing countries by \$1.88bn to \$9.45bn. The four big California banks have cut their exposure in the same period by \$1.4bn. In 1982, Brazil's foreign bank creditors numbered more than 700; six years later fewer than half of those banks are still creditors.

This fall in exposures, coupled with strengthening of bank capital, is reducing all the time the danger that the debt crisis could trigger international financial collapse. The possibility of default by two or more of the largest debtors still presents a risk, but the dangers are now very much concentrated on a handful of US banks. Soon, even they will be immune.

Bankers' long-stated objection to debt relief is that it is a slippery slope. They cite the "moral hazard" involved: the worse a country behaves, the greater advantage it can reap from the deeper discount on its loans.

The problem here is that moral hazard already operates: the "virtuous" are not rewarded. For example, Colombia, which has never rescheduled its debt, pays a higher interest rate on its loans than Brazil and faces problems this year in getting new loans from banks. Bolivia has already bought back nearly half of its bank debt, with a total face value of \$334m, at a mere 11 cents on the dollar.

An approach based solely on debt forgiveness has several undesirable implications, however. It would mean that countries which force debt write-downs will have to delay their return to the voluntary financial markets perhaps for a decade or more for all except short-term trade and very specific project financing.

More significantly, wholesale debt forgiveness will weaken creditors' hold over debtors. Once granted, debt relief cannot be ungranted. It therefore marks a sharp break with the principle of conditionality, the foundation-stone of the current approach which makes new financings contingent on achieving economic targets set by the IMF and World Bank.

The conditions laid down by western creditors are viewed as an arrogant imposition inside many debtor countries; discontent is fanned by domestic politicians throughout Latin America. The IMF is the *bête noir* of the debt populists: on developed country television screens, pictures of bankers at classy cocktail parties in Washington are juxtaposed with those of the poor in Rio's shanty towns. But it is not the IMF which ensures that the poorest 25 per cent of Brazil's people only receive 8 per cent of welfare payments and which insists that in Argentina, a country of 30m people, only 50,000 pay income tax.

Conditionality has had only limited success in improving the management of the economies of debt-distressed countries, and has made only a few inroads into the web of entrenched interests underlying many of their economic problems.

Achievements among debtor nations have been uneven and often disappointing. None the less, overall current account and trade positions have improved, economic growth has re-emerged in some countries, some key debt ratios have fallen and important steps have been taken to create more competitive economies.

However, large transfers of resources are still being made

from the developing countries to the developed world. With banks reducing their exposure dramatically and the IMF and the development banks constrained in the amounts they can contribute, there is little wonder that people have cast around for grander solutions to the crisis, such as schemes for wholesale debt forgiveness. Such heroic plans have been vetoed by western governments, mainly on the grounds of their cost to tax-payers and on what they say is the need for a case by case approach to the debt problem.

The case by case approach will almost certainly continue, but it is increasingly likely to include debt relief measures. The next clear western government move on the debt crisis is likely to come from Washington. The growing consensus that the current approach can offer no solution may combine with the arrival of a new President to ensure the next stage of the debt crisis is managed, rather than erupts.

The finance package now being raised for Brazil shows, indeed, that new money and debt reduction are not necessarily mutually exclusive. Brazil's debt servicing is being reduced, with \$5bn in low-interest "exit bonds" being exchanged for loans, while \$5.2bn in new funds are being raised. Mexico is likely soon to announce another bonds-for-

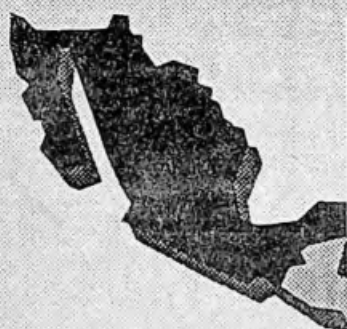
loans package to reduce its debt.

Even without fresh western government initiatives, Brazil's bank advisory committee believes debt reduction schemes can help reduce the country's long-term bank debt to \$47bn by the end of 1993, a fall of \$19bn from the level at the beginning of this year. Of this, more than \$7bn could be wiped off through debt-to-equity swaps, it estimates. The total interest savings could reach \$5bn by the end of the period.

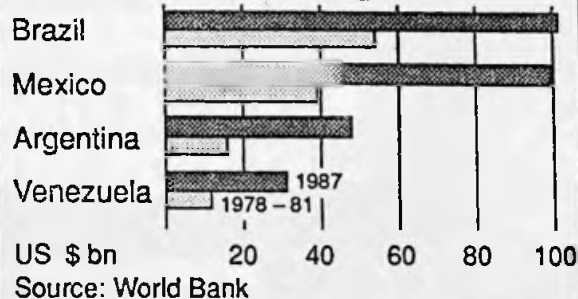
This view of debt reduction will be regarded as over-optimistic in many quarters. yet if banks do not seize these opportunities to evolve a debt forgiveness strategy, they will no doubt find debt relief forced upon upon them. Angel Gurria, Mexico's respected debt negotiator since 1982, has this to say in a contribution to a new book*: "If the system uses its resilience and greater strength

to avoid change and continue to allocate the brunt of the burden to debtor countries, the ghost of massive, even concerted, default may reappear, and uncertainty and confrontation will lay all our efforts to waste."

**Managing World Debt*. Ed. Stephany Griffiths-Jones. Published by Harvester-Wheatsheaf, London, and St Martin's Press, New York.



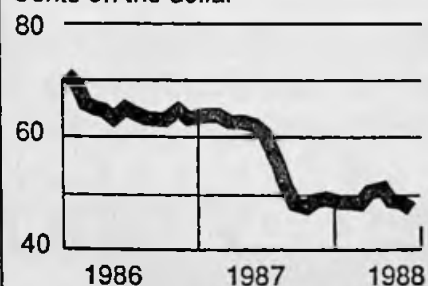
Medium- and long-term debt outstanding



LDC bank loans

Average price in the Secondary Market

Cents on the dollar



Latin America: net inflow of capital and transfer of resources

Source: Libra Bank

	1983	84	85	86	87
1. Net inflow of capital (\$bn)	3.0	9.3	3.3	8.7	14.1
2. Net payments of interest and profits (\$bn)	-34.4	-36.3	-34.8	-30.5	-30.1
3. Transfer of resources (\$bn)	-31.4	-27.0	-31.5	-21.8	-15.7
= (1) - (2)	102.4	114.1	108.9	94.2	105.9
4. Exports of goods and services (\$bn)	30.7	23.7	28.9	23.1	14.8
5. Transfer of resources as % of (4)					

Tragic plight of sick Falklands veterans

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The findings of the study, being presented to this week's British Psychological Society conference on traumatic stress at Lincoln, shows Falklands veterans suffering the same traumatic stress reactions as American Vietnam veterans.

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But, according to Mr Orner,

a psychologist with the North Lincolnshire Health Authority, their problems have been ignored "because they were victorious and returned as heroes".

He said yesterday: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back — when it is known that many will have problems adjusting to civilian life — do so little to establish what their needs are."

Mr Orner said the MoD agreed to help initially with

his study, but insisted on vetting his work.

The details of his study — based on information from 37 Falklands veterans — show

- Three out of four veterans are troubled by "upsetting incidents" from the war.

- Nine out of ten complain they find it difficult to get close to people.

- Three out of four complain of feeling "jumpy or hyped up".

- Seven out of ten lose sleep.

- Two in every three feel "guilty about surviving, and possibly not doing enough to

help those who were killed".

- Three in five cannot concentrate as well as before the war.

The MoD said suggestions it was unwilling to help were "unfounded".

A spokeswoman said the MoD wrote to Mr Orner in July 1986 "offering every assistance".

She added: "The Navy were actively involved in a project to ascertain the likely needs of those Falkland veterans who were suffering from post traumatic stress disorder a considerable time before Mr Orner raised the issue with the Ministry of Defence.

"Likewise the Army has also been running its own project."

By Tim Miles

Attack on MoD's treatment of Falklands veterans

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Mr Orner said the MoD agreed to help initially with his study, but insisted on vetting his work.

The details of his study, based on information from 37 Falklands veterans, show that:

- Three out of four veterans are troubled by "upsetting incidents" from the war.
- Nine out of ten complain they find it difficult to get close to people.
- Three out of four complain of feeling "jumpy or hyped up".
- Seven out of ten lose sleep.
- Two in every three feel "guilty about surviving, and possibly not doing enough to help those who were killed".
- Three in five cannot concentrate

as well as before the war.

Mr Orner said he is surprised at the lack of work conducted into the mental state of Falklands veterans.

"Maybe the lack of response is attributable to the fact that British troops were victorious and returned home as heroes," he said.

People in Britain do not consider the troops "victims".

He said the work of the Ex-servicemen's Mental Welfare Society and the Royal British Legion is "not geared to establishing the needs of servicemen returning from so recent a war, but more concerned with soldiers who fought 40 years ago".

However, the MoD said suggestions that it was unwilling to help were "unfounded".

A spokeswoman said the MoD wrote to Mr Orner in July 1986 "offering every assistance".

She added: "The Navy were actively involved in a project to ascertain the likely needs of those Falkland veterans who were suffering from post traumatic stress disorder a considerable time before Mr Orner raised the issue with the Ministry of Defence.

"Likewise the Army has also been running its own project."

She said a large number of veterans

returned to civilian life before the symptoms presented themselves and were consequently being treated by the NHS.

Doctors could refer people back for military help if appropriate.

She said Mr Orner's findings were "factually limited" and related to "a minute element of the total number of veterans involved".

Only 37pc of those contacted had been included in the statistics, she said.

The MoD had asked to see the findings but denied there was ever any question of suppressing them.

Trauma conference

Needs of Falkland veterans 'ignored'

The Ministry of Defence was accused yesterday of a scandalous lack of concern for the mental health of veterans of the Falklands conflict.

Mr Roderick Ormer, a psychologist with the North Lincolnshire Health Authority, told a Lincoln conference that the ministry obstructed a three-year project to measure stress among ex-servicemen.

The study showed Falklands veterans to be suffering the same "traumatic stress" reactions as American veterans of the Vietnamese War, losing sleep, suffering emotional problems and feeling guilt, he told the British Psychological Society's European conference on traumatic stress.

Many suffer from emotional problems, poor sleep, poor concentration and guilt at surviving the conflict. But their problems have been ignored "because they were victorious and returned as heroes", he said.

He added: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back - when it is known that many will have problems adjusting to civilian life - do so little to establish what their needs

are". Mr Ormer said the ministry agreed initially to help with his study, but insisted on vetting his work.

Dr John Potter, a leading hostage expert, told the conference that an international squad of psychological trouble-shooters should be set up to cope with hostage or kidnapping crises.

He said the increasing number of hostage situations made such a squad essential.

He said the increase in such incidents seemed due to a "copycat" effect.

That was most recently true in prison riots, where roof-stripping and damaging property was supplemented by taking hostages, usually prison officers.

A rapid response team of psychologists would help negotiators and hostages both during and after a hijack.

"It is vital that the crisis management team handling the negotiations remains as objective and unswayed by emotion as possible."

Dr Stuart Turner, a psychiatrist at the Middlesex Hospital, London, told the conference that physical victims of the King's Cross fire are far outnumbered by those with psychological scars. Many who were bystanders then still suffer trauma sufficient to keep them off work.

Challenger tests the waters

Off the coast of Yorkshire, a research vessel is measuring the pollution of the waters lapping at Britain's doorstep.

Andrew Lycett went to talk to the scientists of the North Sea Project

The North Sea is a murky pond, as the search for the cause of a disease which has laid waste to seal populations has highlighted. Into it we pour our industrial waste, our sewage sludge, oil, fertilizers and yet more waste incinerated on special ships.

Now another special vessel, the 1,050-ton Royal Research Ship Challenger, is at sea with the task of finding out just how foul are the waters which lap, figuratively, at the nation's doorstep.

The Challenger sports a black hull, yellow twin funnels, and garish green and red on-deck cranes. Three miles into the North Sea, off the coast of Whitby, she looks a cross between pirate vessel and boating-lake tub. On the bridge, Captain Philip Warne recalls how an earlier marine research ship he commanded, the Shackleton, was fired upon by the Argentines off the Falklands in February 1976. The nearest the Challenger will get to that excitement is the video *Falklands Task Force South*, beside the VCR in the ship's bar (officers and scientific staff only). Underneath a print of Constable's *Haywain*, the ship's Chief Scientific Officer, Professor John Simpson, of the University of North Wales, enthuses about a voyage which has been 10 years in the planning. For the first time the disparate disciplines in marine science, including physicists, chemists, biologists and geologists, are coming together in a five-year research effort, designed to determine definitively how the North Sea "works".

Simpson stresses: "We're not the fire brigade. We won't give an immediate verdict on how much pollution effects the seal population. But we are hoping to provide a framework for predicting all potential pollutants." He maintains a careful scientific objectivity. But at times his feelings, backed by a lifetime of research, have a habit of emerging. Al-

though the North Sea Project is technically part of a co-ordinated European initiative (West Germany and Holland are also contributing), Simpson says Britain scores "very low on the level of caring governments. Our tendency is to say there isn't a problem, to try to make the whole thing go away." Letting his guard slip a little more, he adds: "It is when and how remedial action should be taken, rather than if. There is an argument for stopping discharges into the North Sea now." But this option would cost £800 million. So, fearing his research project effort may be viewed as "a substitute for action", Simpson and his teams first have to collect the scientific data.


He says Britain has invested more resources in deep-sea than in shelf-sea (as in Continental Shelf) oceanography. He used to study what he calls blue seas. Then he realized how little was being done on the Cinderella of oceanography. Shelf-seas are those up to 200 metres in depth, in other words, all of the seas round Britain, including the North Sea. "We get our fish and oil and gas from them. We use them as an amenity for sailing and swim-

ming. And, most important, we use them as a waste disposal system." And yet we know very little about the damage we might be doing to them. Simpson is clear, however, that "there is strong evidence that our use of the North Sea threatens its long-term health".

The Challenger project is hardly the \$1 billion international campaign called for by Sir Richard Body, Conservative MP for Holland with Boston, to combat North Sea pollution. But the £10m North Sea Project will make it clear what is happening around our coasts. Managed by the Natural Environment Research Council (NERC), it brings together about 100 scientists from 14 research institutes, including 10 universities. For 15 months, start-

ing four weeks ago, the Challenger will be plying for 14 days a month a regular 2,000-mile course around the southern area of the North Sea. The area off Scotland is ignored — an inevitable result of inadequate resources, according to Simpson. The NERC is one of those government research bodies continually under threat of financial cuts. At the moment 160 jobs are in danger. Only this week it was announced that NERC's Deacon Laboratory of the Institute of Oceanographic Science in Wormley, Surrey, is to close. The laboratory specializes in wave research and its work on the physics of waves has assisted the engineers of North Sea oil platforms, saving an estimated

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"We're having to concentrate on nutrients and some of the better behaved metals which do not have exotic chemistry," Simpson says.

More sophisticated is the CTD (Conductivity, Temperature and Depth) measuring device, which transmits information back to the Challenger's computer room on such variables as surface temperature, fluorescence and dissolved oxygen. Dr Brian McCartney, head of the NERC's Proudman Oceanographic Laboratory at Birkenhead, which is managing the project, says: "Measures of pollution will show up in lack or abundance of dissolved oxygen."

On the other 14 days of every month, the Challenger's scientists £1 billion in construction costs.

On each 14-day voyage, the 12 Challenger scientists lower a series of contraptions into the water to obtain data on its physics, chemistry, biology and sedimentology. Samples are tested for trace metal, nutrient and biogenic trace gas. Simpson says: "It should be possible to get data on a whole range of pollutants." However, he admits that the project — again because of lack of resources — is unable to study some of the more complicated organic industrial chemicals, such as polychlorinated biphenyls (PCBs). Some scientists have suggested that it is these chemicals which are damaging the immune systems of seals, leaving them open to infection. conduct more specific tests, such as what happens around the sandbanks which cover much of the North Sea, and how river estuaries — in this case the "plumes" of the Humber, Wash and Thames — disperse. These studies get to the core of the project's usefulness. "After our study," Simpson says, "we should be able to tell, if an industry wants to put more cadmium from its plant into the Tees, how much of that cadmium goes into the sediment, how much stays in the water, how far it moves from the shoreline, even how much cadmium should be deposited."

On its current voyage the Challenger is studying what are known as tidal mixing fronts, where

warmer and cooler areas of water come together. To test how pollutants would be dispersed on these fronts, Challenger drops its orange drift buoys which then transmit their positions to a satellite every three hours. "We leave them there and pick them up after a few days," Simpson says.

He produces a satellite picture showing a clear division between the colder water in the south and along the shores, which is light, and the warmer water in the North, which is dark. He says that the light band acts like a pipe. Through it radioactive waste deposited into the water off Windscale, on the Cumbria coast, is carried round the northern tip of Scotland into the North Sea.

Interesting effects happen at the frontal boundaries. Conditions are ideal for the concentration of the plankton which, some scientists say, has now reached dangerous levels, as nutrients from fertilizers run off fields, into the rivers and out to sea.

This has both negative and positive effects. Nitrates in the fertilizers stimulate the growth of plant plankton, which release sulphurous compounds into the atmosphere, contributing to the problem of acid rain. As blooms of plankton flourish, they produce toxins which can be tolerated by shellfish but are fatal to humans if ingested at their favourite seafood restaurant. On the other hand, plankton absorbs atmospheric carbon dioxide, caused partly by burning of fossil fuels. When it dies, it takes this gas temporarily out of the carbon cycle by locking it into sediments in the seabed in innocuous carbon deposits.

There is considerable overseas interest in these and other phenomena in shelf-seas. China's Yellow Sea, India's Bay of Bengal and Argentina's Patagonia Shelf are all shelf-seas, with characteristics similar to the strong tides of the North Sea. More than 10 per cent of all tidal energy in the world comes from the waters around Britain. But first the data has to be collected. "Britain could write the North Sea off as a dumping ground," Simpson says. "Or it could take the Greenpeace option and stop all discharge into the sea altogether. We believe there is a middle way of practical management. But we need to take it soon, and it must be based on true scientific understanding."

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Seeking a clearer view: analyst Carolyn Symon, on board the RRS Challenger, examines a sample of water taken from the North Sea

‘Fish, oil and gas come from this sea, yet we know little about damage we may do’

Beware of those who would control the past

IN THE face of calls from the more extreme commentators to outlaw the television genre known as "faction" (BBC Television's *Tumbledown* film is the most recent example), the BBC will debate the issue this autumn in an attempt to refine its policy.

It is my hope that it will not bow to this pressure (Channel 4 would certainly not follow suit if it did). Nor should it lay down hard and fast rules, a list of do's and don'ts. Each project throws up different sets of problems: questions of taste, intrusion, defamation, etc., which nevertheless must be dealt with sensitively.

What is needed is clear labelling so that no one can be in any doubt about what they are watching.

Broadcasters, perhaps even more than movie-makers, have a responsibility to their audience to make it absolutely clear that what they are about to view is not a balanced current affairs or news programme (even though the piece may well deal with some recent event), but an "authored" version taking as its starting-point and its background some 'real' events.

I write from bitter experience. As controller of BBC 1, I was singly responsible for the labelling error over the *Monocled Mutineer*, which helped fuel this debate.

Its author, Alan Bleasdale, is a fiction writer, a television novelist

rather than a historian. The television journalists to whom I launched the series understood that. I passed the advertising copy which described it as a true story — a basic error.

I hope Alan Bleasdale will forgive me for undermining the impact of one of television's finest drama series for 20 years.

Much of the outcry against faction has come from the commentators on the extreme right who are paranoid about television drama, which they see as being in

the grip of the extreme left. They have fuelled the faction debate through the columns of the right-wing press to attempt to prove their point. What broadcasters must be wary of is that reading politics into individual characters in drama is the rule in Eastern Europe.

I might remind those on the extreme right that among those who condemned the BBC for producing faction are some of the same people who criticised the BBC for not producing Ian Curteis's Falklands play — a clear piece of faction, if ever there was one.

Faction is an honourable tradition in the culture of all ages, from an artist's impression of the Last Supper on canvas to Shakespeare's *Richard III* and, most recently, Britain's two Oscar-winning films: *Chariots of Fire* and *Gandhi*.

Surely we're not going to ban them, and necessarily along with them such popular works of faction as *Reach for the Sky*, *Churchill and the Generals* and *The Jolson Story*.

The danger with curtailing faction is that if you attempt to control the portrayal of the past, you are one step away from controlling the future. The genre needs to be encouraged, not stifled.

The author is Chief Executive of Channel 4.

MoD rejects attack over Falklands war veterans

By David Graves

ALLEGATIONS by a psychologist that the Ministry of Defence was guilty of a scandalous lack of concern for the psychological well-being of former Servicemen who fought in the Falklands were rejected by the Ministry yesterday.

Mr Roderick Orner, a psychologist with the North Lincolnshire Health Authority, also claimed that the Ministry had obstructed a three-year project to survey combat trauma among war veterans.

The findings of the study, being presented to this week's British Psychological Society conference on traumatic stress at Lincoln, showed that Falklands veterans were suffering the same traumatic stress reactions as Vietnam veterans in the United States.

Many suffered from emotional problems, poor sleep, a lack of concentration and guilt at surviving the war.

Mr Orner alleged that their problems had been largely ignored "because they were victorious and returned as heroes".

He said yesterday: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back — when it is known that many will have problems adjusting to civilian life — do so little to establish what their needs are."

Mr Orner said the Army had initially agreed to help him with his study, but on condition that he should not speak to anyone, particularly the press, without approval and consult the Army chief of psychiatry before publishing his research.

The details of his study, based on information from 37 Falklands veterans, showed that:

- Three out of four were troubled by "upsetting incidents".
- Nine out of 10 found it difficult to get close to people.
- Three out of four complained of feeling "jumpy or hyped up".
- Seven out of ten lost sleep.
- Two in every three felt "guilty about surviving, and possibly not doing enough to help those who were killed".
- Three in five could not concentrate as well as before the war.

A Ministry spokesman said Mr Orner's criticism that it had obstructed his research was unfounded. Every assistance had been offered to him in a letter sent by the Ministry in July, 1986.

He said: "The Navy were actively involved in a project to ascertain the likely needs of those Falkland veterans who were suffering from post traumatic stress disorder a considerable time before Mr Orner raised the issue with the Ministry of Defence. Likewise the Army has also been running its own project."

The spokesman pointed out that the Ministry believed Mr Orner's research had limited scientific value because he had gained his information from only a minute element of the total number of Servicemen who were involved in the Falklands campaign.

He stressed that all serving Servicemen were entitled to full physical and psychological medical support from their own medical services and ex-Servicemen could be treated within the National Health Service and referred back for military help if appropriate.

● Physical victims of the King's Cross fire were outnumbered many times over by those with remaining psychological scars, Dr Stuart Turner, from the Middlesex Hospital, said at the Lincoln conference yesterday. Many who were merely bystanders were still suffering trauma sufficient to keep them off work.

Those affected included emergency services personnel, people who escaped with only minor injuries, passengers on Tube trains which passed straight through the station, some people who had merely been in the vicinity and those who regularly used the station.



Under fire: British troops on the Falklands in 1982

'Vietnam' agony of Falklands men

MANY soldiers who served in the Falklands are suffering the same traumas as Vietnam veterans, a psychologist claimed yesterday.

And he accused the Ministry of Defence of a 'scandalous' lack of concern for the mental health of the men.

Roderick Orner claims that the MoD obstructed his three-year project to measure stress among ex-servicemen.

His findings, presented at the British Psychological Society conference on traumatic stress at Lincoln, are based on only 37 cases.

He says they show that many have problems sleeping and concentrating.

They suffer emotional problems and feel guilt at surviving the war.

But, says Mr Orner,

their problems have been ignored 'because they returned as heroes'.

He said: 'It is scandalous that the MoD should send soldiers abroad to fight and then when they come back, do so little to establish what their needs are.'

Mr Orner, a psychologist with the North Lincolnshire health authority, said the MoD initially agreed to help with his study but insisted on vetting his work.

Jumpy

His study shows that 75 per cent are troubled by 'upsetting incidents' from the war and feel 'jumpy or hyped up'.

Mr Orner said he is surprised at the lack of work on the mental state of Falklands veterans.

But the MoD said the Army and Navy had both carried out investigations and added: 'Mr Orner's criticism is unfounded.'

Argentina May Get New Loan

Reuters

WASHINGTON — The World Bank is near an agreement on new funding for Argentina that could open up the country to a \$500 million bridge loan from various governments, including the United States, monetary sources said Monday.

If an agreement with the World Bank were to be completed, it would be a signal for the International Monetary Fund to send officials to Buenos Aires for discussions about President Raúl Alfonsín's request for \$1.2 billion dollars in assistance.

Argentina, which has \$56 billion in foreign debt, has been struggling to reform its economy, which has been devastated by inflation nearing 400 percent a year.

Agony of Falkland veterans 'ignored'

THE mental agony of Falklands war veterans has been ignored by the Defence Ministry, it was claimed yesterday.

Psychologist Roderick Orner said many of the ex-servicemen were suffering the same traumatic stress reactions as America's Vietnam veterans.

Mr Orner claimed the MoD obstructed a three-year project to measure their stress, and described the Ministry's treatment of them as "scandalous".

He said: "Maybe the lack of response is attributable to the fact that British troops were victorious and returned home heroes."

Mr Orner's study of 37 veterans showed three out of four were troubled by upsetting incidents from the war.

Nine out of 10 complained it was difficult to get close to people, three out of four were "jumpy or hyped up", seven out of 10 couldn't sleep properly and two out of three felt guilty about surviving.

The MoD said it had offered Mr Orner "every assistance," and his findings were based on only a minute sample.

The 'main building' in Whitehall, one of the ministry's many. The MoD is profligate with its use of London office space

What all MPs should know about defence

MEMBERS of Parliament are ignorant of the most basic facts about defence, according to a Gallup Poll commissioned by the European Institute for Strategic and Defence Studies. Only seven per cent could name General Bernard Rogers's successor as SACEUR (Supreme Allied Commander Europe) and only 13 per cent Lord Carrington's successor as Secretary-General of Nato. Less than 22 per cent correctly estimated the proportion of the British defence budget — four per cent — spent on the independent nuclear deterrent. And this despite the claim made by a third of Conservative MPs that defence is their main area of interest.

Good debating stuff. The institute exists to further knowledge of defence matters and the results of its poll served that purpose. Yet the questions had been chosen because, though appearing simple, they were in fact difficult to answer. General John Galvin, for example, the new SACEUR, has kept a deliberately low profile since the passage of arms with Washington which enforced his predecessor's accelerated departure. Herr Manfred Worner has only just succeeded Lord Carrington at Nato and has not established himself in the public eye. And the amount spent on nuclear weapons is, ultimately, a notional figure. Failing independent verification — which in the nature of deterrence cannot be allowed — Britain's nuclear weapons cost what the Government says they do.

So MPs come less badly out of the poll than its raw results imply. The institute's director, Mr Gerald Frost, is certainly exaggerating when he says that "an A-level student in politics would have performed better". He makes a stronger point when he says that MPs fail to challenge the annual defence estimates effectively; last year they accepted a listing of the Royal Navy's strength which included one ship already scrapped and two sold to another navy.

The defence estimates undoubtedly get an easier passage through Parliament, even at the hands of the all-party Defence Committee, than they deserve. That, of course, is the ministry's intention. It takes care to see that the White Paper it presents has all the appearance of a highly

JOHN KEEGAN, our Defence Editor, suggests where the back-bench investigators might start

informative document, copiously supplied with graphs, statistics and "essays" on selected topics. But its effect is to conceal a great deal more than it reveals, particularly where opportunities for budgetary streamlining are concerned. It is in that sector that MPs should be repairing the ignorance of which they are accused.

Britain's defence problems concern money. A defence budget of £19 billion strains to support a major army and tactical air force in Germany; Nato's principal anti-submarine fleet in the Eastern Atlantic; the home defence air and ground force; an "out of area" capability, of which the Gulf Armilla Patrol is the costliest expression; and the independent deterrent.

The operational units which maintain these commitments are excellent. There is no point in looking for economies in their manpower, because that has been pared to the bone already. Equipment supply, on the other hand, deserves MPs' attention. Nearly half of the budget (43 per cent) goes on equipment, most of it spent with British firms and the largest sums with a handful of suppliers which depend on the MoD for the bulk of their business.

Defence procurement is, historically, the most difficult of all forms of government expenditure to bring under strict control or independent supervision. An understandable desire for "autarky" — national self-sufficiency — leads to "monopsony", where one seller supplies one buyer, and the taxpayer foots the inflated bill. To the MoD's credit, it has taken a great deal of trouble in recent years to curtail cost laxity and excess profit-making in defence supply.

But the encouragement of competition, its preferred method, does not work with the largest suppliers who stand alone in their fields. An MP who wishes to make his reputation as a defence expert could not do better than to take submarine building or guided-missile design as his special

subject and wring the withers of the MoD over its budget for those weapon systems when the estimates come round again.

The other sectors which would repay backbench scrutiny are civilian manpower and the defence estate — which happen to be closely interconnected. The MoD is the largest employer of civil servants. It is also the largest government landlord and the third largest landowner in Britain, owning over half a million acres, divided into 3000 sites, and leasing another 100,000 acres. Twenty-nine per cent of the defence budget is consumed by civilian pay and "works and stores services".

A lot of that very large sum is undoubtedly misspent or need not be spent at all. The ministry, for example, is profligate with its use of London office space. Not only does it occupy the very large "main building" in Whitehall. It also retains the three former service ministry buildings, at least three other large buildings in central London and parts of others. Many of the staffs housed in them could perform their jobs quite as well from the provinces.

TO TAKE but one example: the Royal Army Education Corps, one of the smallest in the Army, occupies office space in First Avenue House in Holborn, maintains a sumptuous headquarters mess in a medieval palace in South London and carries on its business from a large, purpose-built centre at Beaconsfield.

A great deal of the defence estate and a significant portion of the MoD's civilian manpower is allotted to the defence research sector, which should of itself attract an enquiring MP's attention. Britain is almost alone among Nato countries in directly employing defence scientists and technologists, rather than paying contractors to do so. The reasons are historical and can be justified. One of the six defence research establish-

cont..

ments, concerned with radar and signals at Malvern, is internationally celebrated and undoubtedly pays a handsome return on investment.

Others do not. The Royal Aircraft Establishment at Farnborough, for example, recently and grandiloquently renamed the Royal Aerospace Establishment, originally built aircraft. It ceased to do so decades ago and now appears to provide little but ancillary research facilities to the commercial industry and British airlines. Yet it occupies an enormous site, including a large aerodrome, in the heart of the highest-priced building land in the South-East, even though it has access to another equally large aerodrome at Boscombe Down in Wiltshire. The ministry, under pressure from the National Audit Office, recently announced plans to sell or lease some of its highest-value land in the South-East to offset running costs. That is to be welcomed. But there is no sign that the rationalisation of the estate is yet a programme that has steam behind it. The ministry, which acquired its enormous holdings wholesale in two world wars, seems content to dispose of them at a snail's pace, even though the manpower they entail represents a considerable proportion of the incubus under which it labours.

The research establishments also burden the budget with surplus manpower. The Downing Street Policy Unit concluded 10 years ago that far too many defence scientists are rejects and drop-outs from the commercial sector, who cannot stand the pace or rigour of research and development there. Privatisation, favoured by reforming elements in the ministry, would thin their ranks, without threatening the output of high-quality research by such centres as Malvern, which would repay their keep under any management.

Economies in land and civilian manpower might effect savings of less than five per cent in a future defence budget. But such margins are the difference between sustaining commitments and relinquishing them. MPs with a genuine interest in defence might think of devoting themselves to this work of cheeseparing. It would genuinely repay the effort in terms of a leaner and fitter defence structure.

Test for the Wrens in Nato war games

By Adela Gooch, Defence Staff

NATO commanders are putting to the test today their plans to reinforce Norway and defend the Alliance's exposed northern flank from Warsaw Pact incursion.

The test is an exercise involving 45,000 Servicemen, 200 surface ships, 16 submarines and nearly 600 aircraft.

Nine Nato countries are taking part in a three-week deployment code-named "Exercise Teamwork", which culminates in an amphibious landing by some 9,000 American, British and Dutch Marines near Narvik on Sept 16.

It is the first major naval exercise since President Reagan and Mr Gorbachev signed the INF treaty eliminating medium- and short-range nuclear missiles in Europe last December.

"Exercise Teamwork" also provides an opportunity for the Royal Navy to judge if it is acceptable to have women serving in ships involved in a conflict.

Twelve women Naval reservists will be among the crews of a convoy of six merchant vessels, acting as communications and medical experts. It is the first time Wrens have been allowed to serve in ships in a potential war zone.

Convoys from Britain and America are to transport men and supplies to the Norwegian Sea, and three aircraft carriers in the exercise will sail deep into Norway's fjords.

Aircraft based in Iceland, West Germany, Canada, the United States, Denmark and Britain, ranging from Tornados to AWACS early-warning Nimrods, are to make a record number of sorties.

The ability to send a significant maritime force into the Norwegian Sea at speed is critical to Nato's wartime strategy, the Alliance's Commander-in-Chief, Channel and Eastern Atlantic, Sir Julian Oswald, said yesterday.

"If we failed to establish our dominance in the northern Atlantic, the Norwegian Sea, and on the mainland of northern Norway, then the picture would become very grim indeed, with the Soviets more easily able to deploy their very capable ships and submarines from bases in the Kola peninsula and into the Atlantic," said Sir Julian, who will direct the exercise from his Northwood headquarters.

"Even today 90 per cent of Nato's reinforcements and well over 90 per cent by weight of Europe's raw materials and goods arrive by sea."

Forces from Belgium, Britain, Canada, Denmark, the Netherlands, Norway, the United States and West Germany are taking part in the exercise. France, although not a full military member of Nato, will contribute a submarine and surface ships.

The Warsaw Pact will almost certainly send official observers under the 1986 Stockholm European Security Accord covering all deployments of more than 17,000 men. Nato commanders also expect considerable unofficial Soviet surveillance.

Eleven merchant ships have been hired for the exercise at a cost of more than £3 million and their role will be carefully assessed for a Nato study, examining the fear that there would not be sufficient merchant vessels available to meet the Alliance's needs in a conflict.

Fuller figure

AN ARMY officer who stepped forward as a guinea pig for tests on boil-in-the-bag rations is now on a crash diet because the contents proved so calorific.

Col Kerry Curtis of the Royal Navy Supplies and Transport Service found the rations irresistible. Beef stew and dumplings, savoury mince, sausage and beans ... in two years of tests he put on 2st and now runs six miles a morning to work off his spare tyre.

As a result of the trial the rations, originally produced for the Apollo space flights, have

been recalculated, but should still prove popular when introduced later this year. They are lighter and less bulky than old-style rations which, packaged in tins, gave infantrymen digs in the ribs when they tumbled into ditches on exercises.

Will Andrew be at the reunion?



No royal reply yet: Prince Andrew

ROYAL NAVAL officers looking forward to their next Falklands reunion in October are disappointed that the Duke of York has not yet replied to their invitation to join them, despite his enjoyment of their previous bun-throwing occasions.

Prince Andrew, who would have joined 60 other 820 Squadron officers (with whom he served as a Sea King helicopter co-pilot in the South Atlantic conflict), is already committed on that day. He will be reviewing officer at the Bicentennial Naval Review in Sydney, Australia. But he has not yet had the courtesy to reply.

Calling themselves the 'Ring Bolts' (after the bolts which harness helicopters to the decks of aircraft carriers), the exclusive dining club is due to meet at the Green Lawns Hotel, Falmouth on October 1. Guest of honour will be Commander 'Sharkey' Ward, who was in charge of the 801 Harrier Squadron on board the

Prince's carrier, *Invincible* — he had been looking forward to meeting the Prince again.

A WEE soft spot has been added to the Earl of Dalkeith's domain. Heir to two dukedoms, three stately homes and 247,000 acres of prime Scottish land, he has bought a knitwear factory. So will straight-laced Richard Dalkeith, 34, heir of the Duke of Buccleuch and Queensberry, be personally overseeing the steady knit-one-purl-one of the machines?

'He is very interested,' says one of his staff. 'The family has long been interested in the company.'

'We were in adjacent crew rooms and I saw an awful lot of him,' said Nigel Ward, who now runs a Somerset-based company called Defence Analysts, with General Sir Jeremy Moore, who led the Task Force to victory in 1982.

The snub comes at a time when Andrew has weighty domestic problems on his mind — he has,

after all, only just become a father. But his fellow officers are not the only ones to suffer disappointment — he has also just snubbed Hong Kong yuppies who expected him to join them on a million-dollar junk boat trip on the South China Sea.

Foreign Banks Concerned at Lack of Progress in Argentina Debt Talks

By Richard A. Kessler
Washington Post Service

BUENOS AIRES — Brazil got a \$1.4 billion loan agreement with the International Monetary Fund last week. Mexico promises sensible policies.

But bankers here fear their third problem child among Latin America's debtor nations is in trouble. Argentina, they warn, seems a long way from reaching agreement with its creditors.

The country, which owes a total of \$56.3 billion to public and private lenders, has fallen behind in its interest payments. And the government has offered few concrete proposals to get the economy back into shape.

President Raúl Alfonsín's government wants a new \$1.2 billion standby accord from the IMF, covering the period ending when the current government hands the reins to its elected successor at the end of 1989.

But well-connected banking sources say talks are at a standstill with the IMF, the international agency that provides financial assistance to cash-strapped nations on condition that they reform their economies.

Neither is much happening with more than 300 banks that still have about \$500 million to disburse from last year's \$2.2 billion loan deal. The banks want to wait until an agreement is reached with the IMF.

In an informal briefing, a top government official conceded recently that Argentina would not even start serious talks with senior bankers until September.

The president of the Argentine Central Bank, José Luis Machinea, says the basic working document for a new accord should be ready to present to the IMF by the end of this month. But other officials say the 1989 budget bill, the key issue in those talks, will not be ready for the Argentine congress by then.

Without the budget bill, Argentina has no way to demonstrate that it can control government spending. And the budget has been delayed so long that IMF economists do not have accurate figures to work with.

"There is little goodwill toward Argentina among overseas lenders," a banker said, "not only at the IMF, but commercial creditors as well."

The government must show how it will tackle a rapidly rising inflation rate, fueled

by the budget deficit, that is now nearing 400 percent a year.

In the absence of official data, bankers estimate the deficit is running at 9 or 10 percent of Argentina's \$75 billion gross domestic product. GDP is the value of a nation's goods and services excluding income from foreign investments.

Government planners say that ratio will drop to 3.9 percent of GDP for the year. For that to happen, the deficit would have to be no larger than about 2 percent of GDP in the second half. Bankers wonder how the government is going to get there.

Officials first promised to boost tax revenues 15 percent above 1987 levels. But by

July, government revenue was instead down 7 percent in inflation-adjusted terms.

An anti-inflation austerity package announced on Aug. 3 included few specific cutbacks and did not address bloated payrolls at the overstuffed, unprofitable state corporations.

Public Works Minister Rodolfo Terragno recently estimated that state-run corporations have losses of \$2 billion a year.

That is also the amount that Argentina hopes to raise from its creditor banks in new funds under a loan deal for this year and next.

Without that, the government says it cannot meet interest payments of an estimated \$4.7 billion to \$4.9 billion this year. And with interest rates rising around the globe, the final amount could be even larger.

Negotiations with the banks look far from easy. Argentina has been behind on interest payments for half a year. Officials here concede that they are in arrears, but will not say how much. Bankers say arrears total \$800 million to \$1 billion.

Argentina has made intermittent payments this year to persuade U.S. banks not

to downgrade their loans to Argentina on their financial statements. But it has not, bankers say, made much effort to clear up the debt interest backlog, even though its return to a trade surplus gives the country some cash.

Official figures show that by May, the cumulative surplus of \$878 million was already outrunning the \$500 million surplus registered for the whole of last year.

Current projections put this year's trade surplus at perhaps \$2.5 billion. Further, Argentine officials are optimistic that the U.S. drought will cause an increase of at least \$500 million in their 1988 farm exports and perhaps twice that much.

Worse still on the public relations front, it seems Argentina wants bankers to provide new lending to finance its interest arrears, taking the proposed 1988 finance package to perhaps \$3.5 billion.

Bankers say the generosity the country is requesting is unlikely to be matched by tough measures at home. Amid doubts about just when the 1989 budget bill will arrive, they note that Argentina's slow-moving legislature has yet even to debate the 1988 budget bill, which should have been law early this year at the latest.

Reaction to anaesthetic

Boy dies over ear operation

A boy who was to undergo surgery to his protruding ears has died after suffering an adverse reaction to the anaesthetic.

Simon Boot, aged 12, was so self-conscious about his ears and the taunts of other children that his parents had agreed to cosmetic surgery to pin them back.

He travelled from Catterick Garrison in North Yorkshire, where his soldier father is based, to the Queen Elizabeth Military Hospital, Woolwich, south-east London.

The operation was to have been performed by the surgeon who cared for Simon Weston, the Welsh Guardsman horrifically scarred in the Falklands conflict.

After being given the anaesthetic last Monday, Simon Boot suffered an adverse reaction and was taken to the intensive care unit where he died the next morning.

Yesterday Sergeant Dennis Boot, of the 1st Royal Tank Regiment attached to the

Royal Armoured Corps, Training Regiment, at Catterick Garrison, said that his son had not been worried by his ears when he was younger.

"Over the past year he grew more fashion-conscious and

concerned about his appearance. It troubled him when other children made remarks about his ears although he spoke to his mother about it more than he did to me. Apart from worrying about his ears he was a happy lad."

Sergeant Boot and his wife Denise, both aged 35, who have one other child, Kelly, aged 10, had agreed to the operation and had discussed it with Simon who wanted to go ahead.

They understood it to be a minor operation that would give him more confidence.

Sergeant Boot added: "His ears were not huge but they were noticeable and there is no one more cruel than other children. We never dreamt anything could go wrong."

An inquest into the boy's death has been opened at Southwark Coroner's Court, south-east London, and adjourned until October 27.

A spokesman at the Queen Elizabeth Military Hospital last night refused comment.



Simon Boot: died in intensive care.

MoD in Falkland veterans 'neglect'

The Ministry of Defence was today accused of a "scandalous" lack of concern for the mental health of Falklands veterans.

Psychologist Roderick Orner claims the MoD obstructed a three-year project to measure stress among ex-servicemen.

The findings of the study, being presented to this week's British Psychological Society conference on traumatic stress at Lincoln, shows Falklands veterans suffering the same "traumatic stress" reactions as American Vietnam veterans.

Many suffer from emotional problems, poor sleep, poor concentration and guilt at surviving the war.

But, according to Mr Orner, a psychologist with the North Lincolnshire Health Authority, their problems have been ignored "because they were victorious and returned as heroes."

Information

He said today: "I think it is scandalous that the Ministry of Defence should require of its soldiers that they should go abroad and fight and then when they come back —

when it is known that many will have problems adjusting to civilian life — do so little to establish what their needs are."

Mr Orner said the MoD agreed to help initially with his study, but insisted on vetting his work.


The details of his study — based on information from 37 Falklands veterans — show that:

- Three out of four veterans are troubled by "upsetting incidents" from the war.
- Nine out of 10 complain they find it difficult to get close to people.
- Three out of four complain of feeling "jumpy or hyped up".
- Seven out of 10 lose sleep.
- Two in every three feel "guilty about surviving, and possibly not doing enough to help those who were killed."
- Three in five cannot concentrate as well as before the war.

Mr Orner said he is surprised at the lack of study into the mental state of Falklands veterans.

He said the work of the Ex-servicemen's Mental Welfare Society and the Royal British Legion is "not geared to establishing the needs of servicemen returning from so recent a war, but more concerned with soldiers who fought 40 years ago."

Press Cuttings

from Broad Street Associates THE  TIMES

30 AUG 1988

Italy's heated debate over future of La Bomba

From Roger Boyes
Rome

Colonel Mario Naldini, who died in the Ramstein tragedy, drew the complicated manoeuvre on a long blackboard shortly before take-off: a formation of MB339s, including his own, would dive low a few yards apart, narrowly intersect with another formation, then pull abruptly upwards again.

The trick, familiar enough to the 10 ace pilots of the Frece Tricolori (the Tricolour Arrows), fell apart. Yesterday there was a heated Italian debate about the future of such air shows, the possible reasons for the crash and the important political and financial implications.

Neither of the two possible explanations — pilot or technical error — was very palatable to the Italians yesterday. The MB339, though relatively old and due to be

replaced soon, is regarded as a technically excellent two-seater, one-engined monoplane. It has been exported all over the world, including to Argentina, which used it against the British frigate Ardent in the Falklands.

Some 50 technicians supervise the display aircraft which, apart from aerobatics, are used in combat training against helicopters and in reconnaissance.

Nor is pilot error a very popular explanation, though it seems the most probable. The chief solo pilot — that is the pilot whose job was to break away from formation — was Lieutenant-Colonel Ivo Nutarelli, a 38-year-old Sicilian who recently declared: "Technical or human error is always possible, even if the manoeuvres and sequences are always the same, repeated over and over again."

According to one explanation yesterday, a slight misjudgement by Colonel Nutarelli may have contributed to the crash.

The fatal manoeuvre, nicknamed *La Bomba*, involves the splitting up of the squad into two units of five planes and four planes. The five aircraft make a low dive and, parallel with the ground, intersect with the other aircraft which have performed a similar scoop.

The soloist, Colonel Nutarelli, was supposed to drop in a perpendicular movement and join the group of four before the intersection. But, aviation specialists say, he may have arrived too late and have been poorly positioned when the intersection took place. That in turn threw off the whole manoeuvre.

Colonel Nutarelli died in the crash, as did the formation leader,

Colonel Naldini, and a third pilot, Captain Giorgio Alessio.

Pilots are eligible for the Arrows after six years of service and 1,000 flight hours. Their average age is about 33, and they are considered the elite of the Naval Air Force, the heirs to the aerobatic and combat tradition of Colonel Rino Corso Fougier, who founded the Arrows in 1930.

Benito Mussolini, who lost his son Bruno in an air battle, was one of the most passionate supporters of daredevil flying.

The arguments for continuing this tradition still dominate in Italy. The number of accidents for the Arrows — four serious crashes in 15 years — is comparable to other wings of the Air Force, according to sources close to the Defence Ministry. Air shows are an important market place — after an air exhibition in Finland

recently, Italian aircraft sales went up 30 per cent.

Moreover, the MB339 is about to be replaced. Testing will begin soon on the AMX, which has developed in co-operation with Brazil. The MB339 first flew in 1976.

But the Greens and the Communist Party are convinced that air shows must stop. Certainly, risky formation flying and stunts staged so low to the ground and at high speed should be called off.

The political subtext of this is that West Germany has been cutting back its low-level flight training because of ecological protests. One alternative site for such exercises could be the airspace over Sardinia. Now that option appears in doubt; clearly the Italian Parliament would not be inclined to approve such a step so soon after the Ramstein crash.

Military unease in Argentina

Army wages cash battle

The Argentine Government faces further problems over army funding and trials involving the military, despite resolving a dispute with the Army over salaries.

Señor Horacio Jaunarena, the Defence Minister, secured a 30 per cent pay increase for officers last week, but only after President Alfonsín overruled Señor Juan Sourrouille, the Economy Minister, who had refused to go beyond the 25 per cent increases authorized for civil servants in a bid to curb inflation.

The extra five percentage points were a first attempt to bring military salaries back in line with those received by judges, traditionally the benchmark for civil servants' pay. In July, the Army's Chief of Staff earned £600, half what was received by a Supreme Court judge. The pay of a lieutenant was £60.

"Military pay is at historically low levels," a retired lieutenant-colonel said. The Government was penalizing all officers for the mistakes made by military regimes, he said. "But most officers had little to do with the de facto government," he said.

Another Army source expressed even greater concern.

The lack of incentives and a government policy of reducing military hours, so that officers could supplement their income with outside jobs, were leading towards "the destruction of the armed forces", he said.

But the officers are not just grumbling about pay. The 1988 national budget has yet to be approved by Congress, leading to delays in army funding.

Army sources said suppliers had not been paid since May and that some units might have to close down.

A military analyst, Señor Carlos Raimondi, recently estimated that half of Army helicopters were out of service or close to it because of the tight budget, and that a quarter of its artillery was obsolete, some pieces dating from 1928.

The United States has offered to help in re-equipping the Army. For example, it had offered helicopter parts worth \$18 million (£10.5 million), but the problem was Argentina's inability to finance purchases, an American diplomat said.

Officers are also worried about trials: human rights trials, the Falklands hearings and the courts-martial of offi-

cers implicated in the uprisings of last January. Although a government-sponsored law last year cleared most officers involved in the "dirty war" against subversion, 36 senior servicemen still face trials.

The military are watching the hearings closely to see how the civilian appeals court sentences the accused. The prosecution expects a verdict by late September.

Thirty-five officers face courts-martial for the January uprisings, which followed the mutiny in April, 1987, led by former Lieutenant Aldo Rico.

The case has grown in recent weeks with the discovery in the cell of one officer of the names of 15 more accomplices, who are now before the promotions review board. They are likely to be forced into retirement. One officer took the unprecedented step of going to a civilian court to defend his rank.

A senior officer said military pay, budget funds and the uprisings all conspired to thwart the Government's aim of turning the Army into a professional fighting machine. "As soon as we start work on plans to turn men into better soldiers these events come up and overtake us," he said.

Crashing jets engulf crowd with fireballs

From JONATHAN LYNN

RAMSTEIN, West Germany, Sunday
MORE than thirty people were killed and up to 500 injured when three Italian air force jets collided and crashed into air show spectators at a US airbase in West Germany today.

Aviation experts said it was the worst air show disaster on record involving spectators.

Five jets of the Frecce Tricolori (Tricolor Arrows) display team were flying about 200ft above the spectators when two planes collided, tipping a third jet tail-first into the crowd. The two first jets crashed nearby.

A police spokesman said 32 people died in the flames, including the pilots of the three aircraft. At least 20 people sustained critical burns and a further 100 of the 500 injured were badly hurt, he said.

Eyewitnesses said one spectator was beheaded by flying debris. They said one plane plunged into a row of parked cars, throwing fireballs and metal parts into the 200,000-strong crowd.

"There are many children among the dead and injured," said Kris Kumpf, a medical assistant who was helping to treat the wounded.

Manfred Sieger, a regular visitor at the airshow, said he saw people in flames after the crashed jet spewed burning petrol over the crowd.

"Their hair turned yellow and the skin was peeling off in bits," Mr Sieger said.

The disaster was filmed by West German television, which was covering the air show. One camera crew was almost caught up in the flames. "We saw the fireball racing toward us, so we first threw ourselves down on the ground," said Detlef Hosser, a cameraman.

Television showed people running in panic as cars and trucks erupted in flames around them. Some people stood in shock as a

thick cloud of smoke enveloped them, and others ran towards the scene to try to give first aid.

Television also showed one plane as it veered towards the horrified crowd out of control before bursting into a ball of flames that appeared to be at least 100 feet high.

West German, US military and Red Cross ambulances and rescue helicopters rushed to the scene to take the injured to West German hospitals and a US Air Force hospital at Landstuhl. The ambulances had to battle heavy

traffic as survivors tried to leave. Some carrying slightly injured relatives in their cars.

"This hospital is like a madhouse," Landstuhl hospital spokeswoman Brigitte De Jesus said. She said Americans and West Germans were among the injured.

Royal Air Force teams were taking part in the show, but it was not known if any were among the casualties.

A Ministry of Defence spokesman said six British aircraft,

including one from RAF Lossiemouth, had been involved.

An Italian Air Force spokesman named the pilots of the three planes from the Frecce Tricolori team as 41-year-old Mario Naldini, the formation leader, Ivo Nutarelli, 38, and Giorgio Alessio, 31.

The Frecce Tricolori, based near the city of Udine in northern Italy, were founded in 1930 and are Italy's most experienced display team with 14 pilots. The planes involved in the accident, the MB-339A, are Italian-built

two-seater advanced training aircraft.

About 100 have been in service with the Italian Air Force since 1979 and a further 50 sold to Argentina, Malaysia, Peru, Nigeria and the United Arab Emirates. The aircraft can be converted to take air-to-air and air-to-ground missiles for use on anti-helicopter and tactical support missions.

To be a member of the team a pilot must have at least six years of experience and a minimum of 1000 hours of flight time. Mili-

Press Cuttings

from Broad Street Associates

SCOTLAND'S NEWSPAPER

GLASGOW HERALD 29 AUG 1988

tary officials say that the team members actually have an average of 3000 flight hours and an average age of 32.

The team appears at numerous shows in Italy and abroad between April and October each year and spends the intervening months practicing its aerobatic routines.

During a show there are normally nine planes in formation, one soloist and the commander remains on the field coordinating the action by radio.

In Rome, Italian Prime Minister Ciriaco de Mita sent condolences to West Germany over the deaths.

President Francesco Cossiga also sent a message of condolence to West German President Richard von Weizsaecker and asked him to express his sorrow and the sorrow of the Italian people "to the families of the victims of this grave tragedy."

Foreign Minister Giulio Andreotti and Defense Minister Valerio Zanone also sent messages of condolences to their West German counterparts.

Environmental groups and local authorities had demanded the cancellation of the annual air show after dozens of military crashes in recent months.

Defence Minister Rupert Scholz, who tried to mollify critics a month ago by making a slight cut in the number of low-altitude military training flights, reacted to today's disaster by cancelling a West German military air show planned for September.

Earlier this year, three people were killed but 133 survived when a new Airbus crashed and exploded during an air show in the French town of Mulhouse.

And at another air show today, in Belgium, a Finnish pilot died when his light aircraft crashed at the Kleine-Brogel air base near the Dutch border.

On September 11, 1982, 46 people were killed in the crash of a US Army Chinook helicopter during an air show at Mannheim.



The Frecce Tricolori in action at an air show in California.

**BANANA DIPLOMACY: THE MAKING OF
AMERICAN POLICY IN NICARAGUA, 1981-1987**

By Roy Gutman • Simon & Schuster • 404 pp • \$19.95

HOW WASHINGTON GOT STUCK IN THE MUD OF NICARAGUA

Pace seems to be breaking out all over these days, from Baghdad to Benguela. But one trouble spot just won't go away: Central America. After years of bloody conflict in America's own backyard, billions of dollars of U.S. military aid, and a near constitutional crisis in Washington, it's still a foreign policy morass that is certain to plague the next Administration. But if there's ever to be a happy ending in Central America, it will come in spite of Washington's role, not because of it.

That's the strong message of *Banana Diplomacy*. Author Roy Gutman, national security correspondent for *Newsday*, chronicles in rich detail the power struggles that swirled around that obsession of the Reagan White House: Nicaragua. Gutman portrays an Administration devoid of leadership, where "Nicaragua policy bubbled up from the bottom," driven by both "vigorous promotional efforts by individuals who had no line responsibility and political pressures from the hard right." Lacking decisiveness at the top, American policy was buffeted between State Dept. veterans relying on traditional, if hard-nosed, diplomacy and Reagan politicians willing to settle for nothing less than the toppling of the Sandinista government.

It's a disturbing tale. Even before the Reagans took up residence on Pennsylvania Avenue in 1981, hardliners in Reagan's inner circle were nursing along the nascent anti-Sandinista movement. They quickly tried to grab the levers of power to direct Washington's Nicaragua policy toward confrontation. Before long, says Gutman, the ideologues' campaign for "'democracy' in Nicaragua... came to stand for the overthrow of the regime." As early as April, 1981, those in the inner circle won a decisive victory over the diplomats when the Administration

abruptly cut off all aid to Nicaragua. It was then, says Gutman, that the "possibility of any diplomatic solution to the U.S.-Nicaragua dispute during Reagan's term in office was probably doomed."

Gutman walks us through the maze of events in Washington and Central America that peppered the news—and some that never made the papers—for the next six years. From the Potomac to the isthmus jungles, middle-level military men, congressional aides, and National Security Council staff maneuvered to get material and political support for the



A CONTRA ON PATROL: CAUGHT IN THE CROSSFIRE OF U.S. FOREIGN POLICYMAKERS

Nicaraguan counterinsurgency. Working at cross-purposes, the diplomatic corps pursued a negotiated settlement through such fragile entities as the Contadora Group of Latin American presidents. The policy clash led to disastrous tactics—the mining of Nicaragua's harbors, for example, which soured even such staunch Reagan allies in Congress as Senator Barry Goldwater. And while moderates saw Nicaragua's 1984 elections as an opening for political opposition, the conservatives undermined them. At that point, says Gutman, "low-cost U.S. options ran out."

Many of the characters in the drama are familiar from last fall's Iran-contra revelations. Robert McFarlane, Oliver North, and former Central Intelligence

Agency chief William J. Casey play major parts. The author also reintroduces such players as Jeane Kirkpatrick; Thomas O. Enders, the State Dept.'s former head of inter-American affairs; and Edén Pastora, the onetime Sandinista hero turned iconoclastic rebel. Gutman also turns the spotlight on some who operated mostly in the shadows. Few readers, for example, will recall the crucial role the Argentine military played in the early days of training and funding the *contras* in Honduras. And John Carbaugh, an anti-Communist ideologue and a close aide to Senator Jesse Helms, helped lay the groundwork for the secret war early on through associates of former dictator Anastasio Somoza.

The proliferation of free-lancers on Nicaragua policy is attributable, says Gutman, to one basic fact: No one was home at the White House. While President Reagan established general guidelines for policy, he failed to set up clear

lines of authority. "The effect... was to heighten disputes among the agencies while weakening the mechanism for resolving them," Gutman writes. By carefully detailing the resulting disorganization and deceit that characterized the policy war, Gutman demonstrates how the war against the Sandinistas, never supported by the majority of Americans, was doomed, too.

Some of Gutman's story has been bypassed by events, including the death of William Casey, the sunset of the Reagan Administration, and the flicker of peace prospects, however dim, between the Sandinistas and the *contras*. But that hardly alters the book's impact. Gutman's skillful reporting and extraordinary range of sources unveil the workings of the foreign policy apparatus that will influence U.S. actions no matter who becomes the next President. Perhaps the neatest illustration of the folly of the Reagan Administration's "banana diplomacy" is Gutman's report that Casey pronounced the name of the country "Nicawawa." Remarkd one Senate staffer: "You can't overthrow the government of a country whose name you can't pronounce."

BY ELIZABETH WEINER

Liz Weiner follows Latin America for *BUSINESS WEEK*.

Press Cuttings

from Broad Street Associates ~~THE~~ SUNDAY TIMES

28 AUG 1988

Tumble rumbled

IT appears that the three actors at the centre of the row over whether the BBC's film Tumbledown would be shown in cinemas were not entirely responsible for scuppering the distribution deal after all. It was Cannon, the company negotiating with the BBC to release the film, based on the true story of Robert Lawrence, the Scots Guard who was critically injured during the Falkland's war, which had set a deadline for negotiations and pulled out when it passed. Duncan Heath, the agency representing the three actors, which was portrayed as obstructive and greedy, insists it was unclear about the terms of the actors' deals should the film be shown in cinemas abroad and merely asked the BBC for clarification. It is still waiting.

Look who can snoop into your bank account

MOST people believe that information in their bank account is secret. But although your nextdoor neighbour can't find out how much cash you've got, there are people who can legally pry into your account.

Here are some groups who are allowed a sneaky look at your cash:

LENDERS. Anyone you give a bank reference to can find out how credit-worthy you are. You might be applying for a home loan, a credit card or, if you are self-employed, supplies of goods. Banks vary in how much they will divulge but they will not tell you beforehand what information will be given out about customers.

Crime

POLICE. They can investigate your account without your permission. Banks are obliged to reveal all if officers on a case can convince a judge that you are using your bank account for crime.

GOVERNMENT. Officials can order banks to close down accounts and freeze the money held in them. The last time this hap-

By **TONY LEVENE**

pened was during the Falklands War when Argentinian money deposited in British bank accounts was frozen.

MAIL SHOTS. Banks are not allowed to reveal accountholders' names and addresses to outsiders. But they can—and they do—pass the lists to other parts of the same bank. That's how you end up with dozens of offers of credit cards.

INSURANCE SALESMAN. They are not supposed to tell their insurance sales people how much you have in your account. But sometimes they do.

Interest


TAXMAN. Banks are obliged to tell the taxman if you have earned more than £450 in interest in a year. Around £7,000 in a savings account would net you that much. But building societies can stay mum until you have clocked up £1,600 in interest.

CREDIT SLEUTHS. Your bank can put you on a credit black list if you

fail to come to an arrangement within 28 days of receiving a final notice for repaying a bank loan. The banks say that since you have broken your side of the bargain by not paying back their cash, they no longer have to keep your loan details secret.

DRUGS SQUAD. Banks have to report you if they think you are using the account for drug dealing. Police have warned them in particular to look out for cheques and cash being paid in from drug-infested Colombia.

Press Cuttings

from Broad Street Associates **THE  TIMES**

27 AUG 1988

Third guide

■ A third edition of the GT Management guide to world equity markets is now available. The guide looks at 40 markets, including less well known ones such as Argentina and Venezuela, and gives

an overview of the climate in every market, highlighting features that the foreign investor needs to note. There are also a wealth of detailed information on taxation, broking rates and settlement systems and an analysis of the principal investors, five-year summaries of equity yields, price earnings ratios and share price indices.

The guide, available from GT Management, 8 Devonshire Square, London EC2, is aimed at the serious investor. The £75 price reflects this.

Caring Army wear their green berets

WELSH Army chiefs launched a major drive yesterday to shoot down the image of soldiers riding roughshod over the beautiful national parks of Wales.

General Officer Commanding Wales, Major General Morgan Llewellyn said the Army had to show it was conservation-conscious.

"We do care," said Maj Gen Llewellyn at a special conservation open day at the Army's West Wales firing range, Castle-martin.

The open day guests included all the major conservation groups, MPs, representatives of local authorities and Welsh Office Minister Mr Wyn Roberts.

"I get very uptight about conservation and if I didn't there's a clear directive from the Ministry of Defence to give it high priority," said Maj Gen Llewellyn.

He complained that the Army had been falsely accused of being unaccountable and unsympathetic to the needs of conservation.

"We have clearly failed to communicate and we are putting that right today. But the problem is that myths can be hard to budge," he added.

A series of speakers from the Army outlined how the Castle-martin range was a shining example of the military working hand in hand with the nature and wildlife conservation groups.

Lt Colonel Chris Newbold, military conservation officer in Wales, said, "We hope to persuade that we are doing the

best we can, but there is need for training and we are looking for more land.

"The battle of the Falklands was won on the hills around Brecon".

In Wales there are 46,830 acres used for training in the 15 Army areas and the biggest include Castlemartin and Sennybridge.

Lt Col Newbold said more land was needed because there were more soldiers stationed in Britain, modern technology demanded more space and many of the existing areas could become over-used, turning them into dustbowls or water-logged bogs.

Castlemartin firing range commander Lt Col Patrick Lort-Phillips said the area was used by 12 battalions of the German army as well as the British, but for four months each year the land was left to be repaired, rejuvenated and grazed on by sheep from the Preseli mountains.

He said a lot of work went into caring for the area as a Site of Special Scientific Interest, the buildings were being repaired and a new information centre for the public will open shortly.

Pembrokeshire Coast National Park officer Mr George Yeomans said the Army was protecting the wildlife and land at Castlemartin.

If the Army was not there it would be covered with farms using pesticides and caravans on the cliff tops.

However the range at Penally, near Tenby, was a noisy problem and needed to be moved to Castlemartin, said Mr Yeomans.

Press Cuttings

from Broad Street Associates

WESTERN MAIL ② 26 AUG 1988



● At Castlemartin's open day yesterday. Lt Col Horst Bockman, 83 Battalion's technical officer, shows Mr Lesley Raymond, chairman of Preseli District Council, a Leopard II tank.

Killer virus hits UK seals

SCIENTISTS said earlier this week that a disease which has killed more than 7,000 common seals in the eastern North Sea and Baltic has spread to British waters.

The statement follows the results of tests on six sick seals from the King's Lynn seal sanctuary on the Norfolk coast.

Dr. John Harwood, head of the Natural Environment Research Council's Sea Mammal Research Unit at Cambridge, said that preliminary results show that British seals are suffering from the same disease as the North Sea seals.

Worse

Having detected a similarity in symptoms, Dr. Harwood said the problem could get worse, and if the disease has the same effect as elsewhere

a large proportion of the British seal population could die.

The warden at Blakeney Point, on the North Cornish coast, said that 30 dead seals have been washed up in the last few weeks and they are being infected at a rate of five or six a day.

There are fears the virus could spread to the 6,000 seals living in the Wash, which so far seem to have been unaffected.

Divided

Experts are still divided over the reasons for the epidemic. Dr. Harwood said scientists from the Sea Mammal Research Unit were setting up a joint programme with Dutch virologists to look at the link between the deaths and pollution.

A herpes-type virus and a picorna virus have been found in dead and sick seals but the actual cause of death is still not known.

'Flag' operator slams new registration rules

Milford

News, August 12)

In a statement to *Fishing News* putting its position on the flag ship issue, Cmaine, which prefers to be called a 'joint venture'

European Community.
The European Community.

tune (*Fishing News*, August 12).

the perceived problem posed by the joint venture

The government has,

Ironic

Re-apply

The company, which intends to re-apply for a judicial review, maintains that the legislation's proposed removal of flag ships from the UK register is discriminatory.

The terms of the new Act insist that to qualify for ITR

insist that to qualify for UK Registry a fishing vessel must be able to prove 75 per cent beneficial ownership by British persons. Also, vessels must make at least four visits to the UK every six months with a minimum of 15 days between visits or that 50 per cent of the catch must be landed into the UK during a six month period.

These terms contravene the Treaty of Rome and EEC law, claims Cmaine, which points

"It appeared ironic to the joint venture companies that the immediate effect of the accession of Spain to the Community was to deprive them of rights which they previously had as outsiders!"

As a result of this, two companies challenged the legality of the licence conditions. The 75 per cent crewing conditions and the economic link condition were challenged in two separate cases — the *Aggregate* and *Jaderow* cases.

Both cases are due to be heard in the European court on October 12 and, pending final judgement, a compromise agreement has been reached between the companies involved and MAFF. The ministry will not enforce the crewing condition provided

down since they were built (in 1957 and 1960).

Nobody seems to condemn Nissan for opening a 'factory of convenience' in Sunderland, however much Austin Rover must have resented that intrusion. Nor should you regard us as flying 'flags of convenience' merely because our British owned competitors resent us," argues Cmaine.

End

Argentine Parliament Seen Blocking SAS Agreement

BUENOS AIRES (Reuter) — The Argentine parliament could well reject the planned \$204 million purchase by Scandinavian Airlines Systems of 40% of state airline Aerolíneas Argentinas, political sources said.

Members of the opposition Peronist party said they could gather enough support from other parties to throw out the agreement when it goes for parliamentary approval next month.

The sources said some members of the ruling Radical party, as well as some of the minor parties, independent members and Peronists, were against the pact. President Raul Alfonsín's Civic Radical Union party lost its parliamentary majority in mid-term elections last September.

The Aug. 11 agreement between the two airlines has been widely criticized on political and financial grounds. Aerolíneas Argentinas President Horacio Domingorena resigned in protest just three days after it was signed. The air force chief of staff has expressed concern about the effect of the accord on Argentina's sovereignty.

A consortium made up of Austral, Argentina's second carrier, Alitalia and Swissair, has sought government permission to make a bid for 95% of Aerolíneas Argentinas. But the government has declined to consider alternatives to the SAS plan.

The president of the Directorate of Public Companies, Horacio Losoviz, said the government would have to analyze what action to take next if parliament rejected the agreement.

More rain aids recovery of Argentine crops

TIMELY RAINFALL in Argentine farming areas in the week to Tuesday further benefited the 1988-89 wheat crop after a four-month drought, local grain traders said yesterday, *Reuter reports from Buenos Aires.*

Lands had been saved from a drought dating to March by heavy rainfall the previous week.

The latest rain not only added much-needed moisture but allowed farmers to make up for lost time by speeding up wheat-sowing in central Buenos Aires province, the traders said.

Rain was light in southern Buenos Aires and La Pampa where another 30mm to 40mm are needed.

Producers now expect to reach their sowing targets in most of the wheat belt, although yields will be lower than initially estimated. However, drought is still gripping some parts of Cordoba and San Luis.

Rainfall in the week to Tuesday ranged up to 35mm in Buenos Aires, 28mm in Corrientes, 17mm in Misiones, 31mm in Chaco and 10mm in Formosa. However, La Pampa, Santa Fe and Entre Rios received only one or two millimetres.

Wheat planting advanced to cover up to 70 per cent of producers' intentions,

compared with 65 per cent last week and 95 per cent at the corresponding time a year ago.

Producers are aiming at a 4.4m-hectare to 4.7m-ha wheat crop, down from last season's 4.85m ha or 4.95m ha, which private analysts said yielded between 9.9m tonnes and 10.2m tonnes.

The drought forced producers to reduce their initial target of a 5.19m-ha to 5.45m-ha crop this season.

Linseed sowing continued to advance in parts of Entre Rios, Santa Fe and Cordoba.

This covered towards 70 per cent of producers' intentions, up from 60 per cent last week but well behind the 95 per cent sown by this time a year ago.

Producers' latest estimates for the total linseed area range between 621,000ha and 655,500ha.

This compares with initial forecasts of 690,000ha to 700,000ha, and with 675,000ha last season which yielded between 500,000 tonnes and 540,000 tonnes, say private analysts.

Sunflower planting advanced in Chaco where producers covered up to 50 per cent of their target.

They are aiming at a 220,000ha crop in the province, compared with 180,000ha in the 1987-88 season, which yielded 220,000 tonnes.

Press Cuttings

from Broad Street Associates

CITY PRICES **Evening Standard**

Falklands looks to tourism

Standard Reporter

THE tourist looking for a holiday with a difference could soon get a package tour to the Falklands.

The Falklands Islands Government is establishing a travel agency as part of a new office in London.

Limited

There is already some tourism to the Islands, but it is limited as flights have to be organised through the Ministry of Defence on RAF aircraft.

"We are looking at a charter arrangement with a major operator and more lodges are being built", said a government official.

Argentine unions call one-day strike

By Gary Mead
in Buenos Aires

ARGENTINA'S trade union organisation, the General Confederation of Labour (CGT), has called a one-day general strike in protest at the Radical Party Government's latest economic plan.

The plan, known as "Primavera," or spring, was launched at the beginning of August in an attempt to control spiralling inflation and instil confidence in the economy. It includes a wage freeze for state employees (following a 25 per cent pay rise) and a price freeze on basic items (following a 30 per cent increase in prices charged by public utilities).

The strike will be the twelfth since President Raúl Alfonsín took office in December 1983. The CGT's main grievance is its claim that real wages have been eroded by high inflation - 25 per cent in July and probably 30 per cent in August. The Government has promised to reduce inflation to single figures by the final three months of 1988.

Last week the powerful metalworkers' union, the UOM, won a 47 per cent pay rise for its 320,000 members. The Economy Ministry is known to be pressing the Government to block approval for the rise.

The CGT last week walked out of negotiations with the Government over a new minimum wage, now at australs 924 (\$77) a month. According to the CGT, the Government had offered an increase of 14.5 per cent, to Aus 1,057. Latest independently compiled figures suggest that an average urban family in Argentina requires Aus 4,500 per month.

Industrial unrest dogs several other sectors of Argentina's economy. Postmen have begun a work-to-rule, and promise a 24-hour strike next week over claimed wage arrears of Aus 800m.

There are also strikes in hospitals, transport and schools, both in Buenos Aires and the provinces, all over wage claims. Moreover, the Government faces tricky negotiations over armed forces pay, as they did not get the 25 per cent increase given to other state employees.

Poverty in Argentina: children queue at a soup kitchen

Wage cuts bite in the *villa miseria*

Gary Mead finds dignity amid the squalor of Argentina's slums

STANDING in the dusty courtyard of the Catholic church, the nun was clearly at the end of her tether.

"The most serious problem concerns the water," she says. "Most people living here don't have running water. What water they do have is doubly contaminated. Filth seeps from the rubbish tip and no one takes responsibility for cleaning it up. Then there is the local oil refinery, which is not particular as to where or how it gets rid of its waste."

In the suburb of San Francisco Solano, less than an hour's drive from the chic centre of Buenos Aires, there is a shanty town, a "*villa miseria*", where 20,000 people live in appalling conditions.

S F Solano has had its *villa* for 20 years. No law makes people live there, or in any other of the *villas* encircling Buenos Aires. But their 2m inhabitants have little chance of escape.

The existence of such slums might be thought an embarrassment. But the truth is that politicians visit S F Solano only when they want votes.

The governor of the province of Buenos Aires, Mr Antonio Cafiero, has responsibility for S F Solano's *villa*. When he last paid it a call, in a ceremony to switch on an electricity grid, he was attempting to drum up

votes for his campaign to become the Peronist presidential candidate.

Mr Cafiero brought light but forgot the sweetness; in the July 9 Peronist internal election he lost to Mr Carlos Menem, who had been regarded as a no-hoper. The people of the *villas* had registered a protest vote against Mr Cafiero, in favour of Mr Menem. That protest vote will

be ignored by all political parties as they squabble for office.

Unemployment and a dramatic collapse in real incomes are creating big social problems in Argentina's cities. Since 1960 prices have risen by almost 600 million per cent while the average salary of an unskilled worker has fallen from 2,400 australs a month (in 1988 terms) to Aus 1,400 (from \$170 to \$100). The monthly min-

imum wage is now Aus 924.

Yet the inhabitants of S F Solano try to conduct their lives with dignity. Their biggest grievance concerned Mr Cafiero who, they claimed, had promised to resolve all their problems during his last visit. Nevertheless those problems persist. No sewage disposal; no running water; no rubbish collection; lack of public safety after dark; no medicines in the only health centre, which in any case operates only in the morning; no ambulance service; no telephones; problems in the two schools, such as only two functioning toilets serving 500 children in one;

roads which are nothing more than mud tracks; contamination of the water supply. The parish priest promised that he would pass on their requests to the relevant authorities. They agreed to write a document setting out their essential needs. One asked if it would be possible to sign it as a group rather than individually, in order to avoid the risk of persecution.

The priest knows only too well the possible repercussions of complaint: he had to flee for his life after death threats during the last military dictatorship. He reminded them that they were now living in a democracy; that their complaints were legitimate and justified; and that their appeal to the authorities could not be construed as a political threat. Given a combination of two factors - a highly literate, politically conscious urbanised population, and open sewers running through mud roads - one might expect a surge in left-wing activism. But S F Solano and its counterparts are not given to socialist demands. Today, there is only one hero, Carlos Menem. His Peronist promises take root in the squalor left by successive governments which, for one reason or another, never bothered to look at San Francisco Solano.

Unemployment and a collapse in wages are creating big social problems. Since 1960 prices have risen 600 million % while real unskilled wages have fallen from \$170 to \$100 a month

carry Mr Menem to the presidential palace in May 1989.

S F Solano and other *villas* have recently acquired considerable notoriety through crime, drug abuse and moral degradation. In S F Solano the Catholic priest has been robbed at gunpoint twice in the last year. Residents, when asked about police attempts to control crime, give one of two responses: "The police are too afraid to enter" or, "The police take part in much of the crime which goes on here."

But such incidents are merely symptoms of an underlying long-term economic crisis, the real causes of which

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

25 AUG 1988

②



Britain always caught on the hop

SIR,—When Mrs Thatcher connived with, and assisted, the Americans in mounting their infamous and murderous bombing sortie against innocent Libyan civilians, did she really think that that would be the end of the matter?

It is said that Libya supplied the explosives used in the most recent murders of British servicemen in Northern Ireland where the situation continues to deteriorate.

A basic weakness of this Government is its lack of intelligent anticipation. A crisis is always upon it resulting in the totally unnecessary Falklands War, the continuing deterioration of

social services, of the N.H.S., the prison service and of law and order generally.

Typically, the prisoners, many of them only on remand, in the troubled, overcrowded jails, are expected to be comforted by the assurance that work will start on a large prison in 18 months' time.

Mrs Lambert (*Letters, August 19*) thinks that a majority believe in Mrs Thatcher. That, of course, is not true. Our system being what it is, a majority of seats in Parliament does not necessarily reflect a majority of votes in the country.

H. W. Ashton, Shotton, Clwyd.

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REGION

3

Damian heads south to the snow and ice



Snowmobile mechanic ... Damian Bolger

DAMIAN Bolger is getting ready for a trip of a lifetime to Antarctica.

Damian, 21, of Ancil Avenue, Launton, near Bicester is joining the British Antarctic Survey next month and expects to be away seven to nine months.

Experience

He is a mechanic at Bicester Ordnance Depot and will be working on vehicle maintenance for the survey organisation.

"I have always wanted to go abroad and when I saw a newspaper advertisement asking for people to apply to go to Antarctica, I wrote in," he said.

"I had an interview in

Cambridge and a general medical and was invited to join. I am really looking forward to the experience."

He said he will maintain snowmobiles and other specialist vehicles.


"Although I will be working under cover I expect I shall go out into the snow when they have vehicle breakdowns," he said.

He is looking forward to the sea voyage to Antarctica as it will take in Rio de Janeiro and the Falklands.

"I shall be leaving damp England, going through the tropics and then into the cold," he said.

"I have bought a new camera with a zoom lens so I can record anything I see."

Press Cuttings

from Broad Street Associates **THE  TIMES**

24 AUG 1988

Stoppage call

Buenos Aires (AFP) — The Argentine Workers' Confederation has called its 12th general strike, probably for September 9, to protest against the economic policies of President Alfonsín.

ARGENTINA has produced some fine golfers—among them Jose Jurado, runner-up to Tommy Armour in the 1931 Open at Carnoustie, Antonio Cerda, twice runner-up in the Open, Roberto de Vincenzo, Open champion at Hoylake in 1967, and Vicente Fernandez, still performing great feats.

It will come as no surprise to anyone that these stars owe a debt to Scotsmen who had a great deal to do with the introduction of golf into Argentina. There is, however, some dubiety about exactly when and where.


What is certain is that leading early lights were V.G.G. Scroggie, of the Carnoustie Golf Club, and W.H. Masters, of the Kinghorn Golf Club.

Some reports say that the first organised golf match in Argentina was between these two in the Buenos Aires suburb of San Martin in March, 1892, but it is known that the Hurlingham Club laid out its course in 1891 and games were played there that year although the official opening did not take place until June, 1892.

There was a club in San Martin in those days, and it is recorded that its representatives, the afore-mentioned Scroggie and Masters, defeated the Hurlingham men, M. Fortune and H. Lees, in the first inter-club match played in Argentina.

Val Scroggie is generally accepted as the father of Argentinian golf.

Press Cuttings

from Broad Street Associates THE  TIMES

23 AUG 1988

Falklands ferry 'ploy'

Buenos Aires (Reuter) — The Argentine Foreign Minister, Señor Dante Caputo, yesterday accused Britain of seeking to undermine Latin American solidarity. He said a report of a planned ferry service between neighbouring Uruguay and the Falklands was "one of the typical manoeuvres" that the British Government carried out to achieve this.

Tuesday, August 23, 1988

BUENOS AIRES HERALD

Prosecution drags case

THE DEFENCE teams in the Malvinas hearings made the most of officers called to testify by the prosecution yesterday, accusing one general of perjury and getting others to state that Army, Navy and Air Force units on the islands worked together during the conflict with Britain.

Admiral Jorge Boffi and Army General Tomás Sánchez de Bustamante, members of the so-called Rattenbach Commission which was entrusted with establishing responsibility for the defeat, were the first to testify yesterday.

Sánchez de Bustamante said the commission asked for but never received the war diaries kept by officers like defendant General Mario Benjamin Menéndez. The defence for wartime Malvinas governor Menéndez immediately asked the civilian Federal Appeals Court to find Sánchez de Bustamante guilty of perjury.

Boffi added little to what he had already stated in the Rattenbach report.

Rear-Admiral Edgardo Otero and Air Force Colonel Oscar Posse Ortiz de Rosas testified that the Armed Forces on the Malvinas worked well together. Otero, who headed the naval forces on the islands, said that he met regularly with Menéndez.

Otero also downplayed the fact that two of the nine

Coast Guard cutters requested of Vice-Admiral Juan Lombardo, then head of the South Atlantic Theatre of Operations, never arrived.

Posse Ortiz de Rosas, called by the state prosecution and by the defence for former Air Force chief Basilio Lami Dozo, said the three forces co-operated on the islands and that the Air Force high command performed well during the conflict.

The officer, who headed air operations on the Malvinas, said that the Air Force's best helicopters, two Chinooks, were sent to the islands and that the mission orders he received were "fully acceptable."

Lami Dozo's attorney, José Scelzi, also got Posse Ortiz de Rosas to state that

his men worked with "Argentine maps of the Malvinas" — marking an interesting contrast with the Army which, according to testimony last week, had to make use of maps found in the hands of islanders.

The state prosecution looked lacklustre yesterday, asking few questions and obtaining little new evidence against the six defendants.

The main incriminating evidence offered yesterday came during questioning of Posse Ortiz de Rosas by the defence for General Omar Parada. The air officer said that his men flew a mission on May 27 — the day Parada said he tried to reach Gran Malvina to be with his troops but was prevented by bad weather. DP

REITERAN VERSION SOBRE "FERRY" A MALVINAS

Lo Aseguraron en Londres; en Uruguay no Hubo Comentarios

La implantación de una línea marítima entre Montevideo y las Islas Malvinas, que estaría a cargo de una empresa naviera uruguaya, volvió a cobrar vigencia en la pasada jornada, cuando el diario "Clarín" de Buenos Aires publicó una información procedente de su corresponsalía en Londres, dando cuenta que el representante del gobierno de Malvinas en la capital británica, Lewis Clifton, anunció al citado rotativo argentino, que "antes de fin de año comenzará a operar un servicio de ferry entre la Isla Soledad y Montevideo".

Sobre este tema, que trascendió por primera vez hace ya algunos meses, ayer no se pudo obtener la versión de la Cancillería uruguaya. Mientras tanto, la agencia AP en Buenos Aires, informó sobre declaraciones del canciller argentino Dante Caputo, quien expresó que el tema fue tratado oportunamente con su colega uruguayo Luis Barrios Tassano, quien habría manifestado la inexistencia de dicho proyecto.

TAMBIEN CON CHILE

"Clarín" dio cuenta de la noticia, agregando que el servicio operaría quincenalmente tocando también el puerto chileno de Punta Arenas. Agrega que "los observadores diplomáticos" en Londres, habrían opinado que la concesión del permiso por parte del gobierno uruguayo, "constituye una nueva muestra del agotamiento que está sufriendo la posición de apoyo de los países latinoamericanos a la política exterior argentina en torno al diferendo del Atlántico Sur".

Clifton —según Clarín—, dijo que la actividad será "estrictamente comercial" llevada a cabo por "una empresa uruguaya registrada en Bahamas cuyo nombre no conozco".

RECHAZO DE CAPUTO

Según el cable de la agencia AP fechado ayer en Buenos Aires, el canciller argentino Dante Caputo calificó como una maniobra destinada a debilitar la solidaridad latinoamericana con la Argentina una versión periodística de que una empresa uruguaya estaría por poner en marcha un servicio de transbordador entre las Islas Malvinas y Montevideo, con conexión en Punta Arenas, Chile.

"Este tema se ha tratado ya con el canciller del Uruguay (Luis Barrios Tassano) quien manifestó la inexistencia de este proyecto", dijo el canciller consultado sobre las versiones.

Agregó que esta es una maniobra de las típicas que cada tres o cuatro meses hace el gobierno inglés destinadas a debilitar nuestro sistema solidario latinoamericano.

En tanto, desde Santiago de Chile, el encargado de negocios argentino en ese país, Raúl Estrada Oyuela, dijo que en Chile no hay ninguna indicación de que una operación de este tipo tenga aprobación.

Oyuela, en declaraciones a una radioemisora local, aseguró que no existe ningún indicio de que una operación comercial de este tipo tenga la aprobación del gobierno, lo que no implica que a pesar de ello hayan existido gestiones.

El prolongado conflicto entre la Argentina y Gran Bretaña por las Islas Malvinas causó incluso una guerra de 74 días en 1982, que fue ganada por los británicos.

Malvinas-Chile ferry rumoured

RAUL Estrada Oyuela, Montevideo. chargé d'affaires in the Argentine Embassy in Chile, yesterday anticipated that the government of General Augusto Pinochet would very soon rule out the rumour according to which it was about to authorize a ferry service between the Malvinas Islands and Punta Arenas, including a connection to

In statements issued in Santiago to *Radio Continental*, Estrada Oyuela considered that the news release "is very probably related to the British campaign prior to the likely election of Foreign Minister Dante Caputo to head the United Nations General Assembly in the next few days."

Peronists ride populist wave as economy sours

John Eisenhower reports on the record of President Raúl Alfonsín and the line-up for next May's elections.

IT IS A tribute to the remarkable change that has taken place in Argentina under President Raúl Alfonsín that the only visible references to human rights in Buenos Aires now are a few posters protesting about troubles in Transylvania. Opinion polls indicate that human rights are no longer an issue. People mention inflation, crime and drugs — the concerns of citizens of democratic countries throughout the world.

Yet only six years ago, Argentina emerged shattered and traumatised from nearly a decade of unimaginable brutality, as the armed forces and the extreme right waged an indiscriminate war against subversion. At least 20,000 and perhaps as many as 30,000 people "disappeared" in this orgy of torture, murder and imprisonment. Now the white silhouettes of a faceless head adorned with a scarf, the symbol of the grandmothers who held their lonely and brave vigil for the "disappeared" in the Plaza de Mayo, fade on the paving stones. Outside the presidential palace, demonstrators bang large drums in a protest against rising transport costs. Argentines are enjoying their freedom.

But if Mr Alfonsín expected his achievements in establishing the rule of law and nurturing the nascent democracy to put his Radical Party in a position to win the presidential elections next May, he has been disappointed. His standing in the polls has slumped and the man chosen to succeed him, Eduardo Angeloz, is in the Alfonsín mould and has suffered by association. Democracy, Argentines have realised, is not a panacea, but a means to achieve ends. The failure to achieve many of those ends has cost Mr Alfonsín at home, even while his standing abroad remains high.

One element of this disillusion is his perceived failure to punish the army sufficiently for its appalling abuses. Nine former military rulers were prosecuted in 1985 on human rights charges. But

it is widely felt that the President, following the abortive Easter rebellion last year led by a junior officer, did a deal with the military.

A more serious deficiency has been Mr Alfonsín's inability to use his early popularity to embark on a radical economic shake-up. The result has been uncertainty and a now badly faltering economy. Per capita GNP is what it was in the mid-1970s. There will be no growth this year and inflation, which was 25 per cent last month, has ravaged purchasing power, which is expected to drop by 11 per cent in 1988 compared with last year. Although statistics make no mention of an active black market, they point to growing frustration and hardship for Argentines. In a country where political popularity hangs upon economic performance, support for the Radicals, just nine months from the presidential election, has declined drastically. A recent opinion poll found a derisory one per cent in favour of the government's economic policies.

Independent economists find little ground for optimism. "Today, finally, the government and the people have realised the gravity of the crisis," said Eduardo de la Fuente, President of Argentina's equivalent of the CBI. "There is only one way forward: effort and sacrifice." These are hardly words that win elections.

The problem for Mr Angeloz is that he can do little more than promise more of the same. Like Mr Alfonsín, he has an impressive record of having stood up to the military before 1982 — he was a defence lawyer in human rights cases — and he opposed the Falklands war. Governor of Argentina's second most important province, Córdoba, he is a capable administrator. He favours privatisation, opening up the economy and deregulation — all the things President Alfonsín has talked about and barely done.

While Mr Angeloz struggles to find a distinctive and attractive identity, his main rival is enthusiastically riding the wave of frus-

tration. Carlos Menem, presidential candidate of the opposition Peronist party, is a natural populist who warms to the role of defender of the little man. Born of Syrian parents, a Muslim convert to Catholicism, he is governor of the poor province of La Rioja at the foothills of the Andes, in western Argentina. His irreverence is a slap in the face to the wealthy Buenos Aires establishment. On it rides not just working class disenchantment, but the provincial élites' resentment of domination by the capital.

Mr Menem is by far the most popular politician in Argentina today. He talks of unity, of Argentina being great again and of giving the working man his rightful place. Most people know little about him. Mr Menem's stirring, but vague, rhetoric, does little to improve their knowledge. A pragmatist rather than a radical, with strong roots in Argentina's nationalist and corporatist tradition, Carlos Menem is the ideal vehicle for a protest vote.

If Mr Menem wins, he will assume office in a country that is overwhelmingly Peronist. In national elections last year, the first confirmation of the collapse of Mr Alfonsín's support, the Peronists captured most of the country's provinces. They are poised to win a majority in the senate next year. By the same token, if Mr Angeloz, the Radical, wins the presidency, he will face a dauntingly hostile political landscape. "Either way you look at it," said a Western diplomat, "it does not look good."

But for many Argentines, that is already looking too far ahead. Who wins is in a sense less important than the fact of the elections themselves and an orderly, democratic transition. "Mr Menem does not worry me," said Mr de la Fuente. "The main thing is that elections take place and a hand-over of power." It is then, however, that the real test of Argentine democracy will come.



Peronist candidate Carlos Menem

Press Cuttings

from Broad Street Associates **THE GUARDIAN**

23 AUG 1988

TV SHOCK, Horror Section. Tumbledown, the Falklands war drama which provoked such squeals of protest, has finally arrived among the Kelpers. This event has not brought about the end of civilisation as Port Stanley knows it. Graham Bound, founder-editor of Penguin News ("The voice of the Falklands"), says in a review: "To me the film... was nothing more than a very good anti-war story. It is worrying to think that this relatively mild attack on Mrs Thatcher's government should be considered virtually subversive. As far as I'm concerned, a man who left half his head on one of our mountains is entitled to voice his opinion."

Alfonsín's Austerity Policy Stirs Resentment Among Argentine Farmers

By Shirley Christian
New York Times Service

BUENOS AIRES — When President Raúl Alfonsín showed up for the rain-drenched opening earlier this month of the Argentine Rural Society's annual farm and livestock show, he was greeted by booing, hissing and banners that called him a liar.

Before the speeches ended, a few blows were exchanged between farmers and members of the president's political party, the Radical Civic Union.

Guillermo Alchouron, president of the Rural Society, the country's most important agricultural organization, charged in a speech before the president's talk and a rebuttal afterward that most of the burden of the government's new economic stabilization plan was on the farmers.

The president complained that his noisy critics were behaving like fascists and reminded them that they would not have dared protest so forcefully during the former military regime. He defended his economic policies by saying he was trying to handle the country's \$55 billion foreign debt without lowering the Argentines' relatively high living standard.

The confrontation at the fairgrounds was just one of several signs in recent days of resistance to the Alfonsín government's latest effort to slow runaway inflation and manage foreign debt, thus improving its chances for more loans from abroad.

Another sign is that the strongly nationalistic Peronist Party, the main opposition group, has threatened to block congressional approval of the sale of 40 percent of the national airline, Aerolíneas Argentinas, to Scandinavian Airlines System. At the same time, the airline president, an Alfonsín

appointee, resigned to protest the sale.

The airline stake is being sold in an effort to privatize or promote efficiency at big state-owned companies to cut the government's budget deficit, which last year exceeded 7 percent of the gross national product. GNP is the value of a nation's total output of goods and services.

Although the government's new plan included a gentlemen's agreement between industrialists and the government to freeze prices as of Aug. 2, unofficial surveys show

that merchants have raised prices 30 to 40 percent since then. Economists outside the government are estimating that inflation will run at 26 to 30 percent in August, up from 25.6 percent in July.

Also, although wages are generally allowed to rise monthly based on inflation, several major unions are seeking raises that substantially surpass the inflation rates.

Argentina's trade surplus covers only about half of the annual cost of servicing the foreign debt, and the government is seeking nearly \$3 billion from the International Monetary Fund, the World Bank and private foreign banks to pay the other portion.

Aside from the supposed price freeze, the new economic plan included an extraordinary currency devaluation and a commitment to eliminate the two-tier exchange rate by next year.

What most angered the stock and grain farmers, who have historically provided most of Argentina's export earnings, was the government's decision to continue reimbursing them for their exports at the official exchange rate, currently about 20 percent less than the free-market rate.

Manufacturing exporters will be reimbursed half at the official rate and half at

the free rate, while importers of consumer goods will pay the free rate. Farm groups have long been demanding the unification of exchange rates, as have foreign creditors, who contend that the unrealistic official rate discourages foreign investment.

However, in a country whose citizens are notorious for tax evasion, the government wanted to reap the benefits of an expected bonanza in agricultural exports this year and next. Higher income is expected to result from the surge in farm exports, caused by the North American drought.

The government weighed reimposition of export taxes on grain products, which encountered strong resistance from farmers. Instead, it opted to continue reimbursing farmers at the lower exchange rate, while selling the dollars to importers at the higher, free-market rate. The government will keep the difference, in what farm leaders say amounts to a hidden tax.

In the sale of Aerolíneas, a price of \$204 million was set for the 40 percent of the line that SAS intends to buy. However, the Aerolíneas president, Horacio Domingorena, protested and then resigned, saying the price was too low and suggesting that the negotiations had not been conducted as openly as they should have been.



Mr. Alfonsín, right, meeting last week with Mr. Domingorena, who later resigned as president of Aerolíneas Argentinas, the Argentine state airline.

Ulster veteran with tough reputation

By Michael Evans
Defence Correspondent

Lieutenant-General Sir John Waters, who is heading the inquiry into the security implications of the bomb explosion in Omagh, arrived in Belfast as General Officer Commanding in Northern Ireland last June. It has been a particularly harsh baptism.

After only 15 days of his new command, six soldiers were killed after taking part in a "fun run" in Lisburn, home of the Army headquarters outside Belfast. A bomb made of Semtex explosives was placed under their vehicle and blew up as they set off after



Sir John Waters: An Army anti-terrorist expert.

completing the race.

Mr Tom King, Secretary of State for Northern Ireland,

said then that the procedure of checking under the vehicle had not been followed.

The explosion last weekend, killing another eight soldiers, brings to 14 the number of regular servicemen murdered since General Waters took command.

In spite of allegations of security lapses during his tenure, General Waters, aged 52, is one of the most experienced anti-terrorist experts in the Army. He has a reputation for toughness.

General Waters was commissioned into the Gloucestershire Regiment from Sandhurst in 1955. The regi-

ment was then in Aden. After service in the Persian Gulf, then Cyprus and in West Germany as a platoon commander, he became Adjutant of the Wessex Brigade Depot.

He returned to Cyprus during the 1964 crisis as Adjutant of 1 Glosters and then went on to the School of Infantry as an instructor.

In 1982, he was sent to the South Atlantic as Deputy Land Forces Commander during the Falklands campaign. From 1983 to 1985 he was Commander 4th Armoured Division in West Germany and then appointed Commandant of the Staff College.

Argentine metal workers win 47.4% pay increase

By Gary Mead in Buenos Aires

ARGENTINA'S powerful metal-workers' union (UOM) has negotiated a 47.4 per cent pay increase on basic wages, defying Government attempts to limit pay settlements.

The Government considers the rise excessive, and has called on the UOM and employers to reconsider. With 320,000 members, the UOM is the largest union and sets the pace for other unions' wage demands.

A joint statement issued by the ministries of Labour and Economy described the wage deal as being outside current guidelines. However, there are no real guidelines apart from Government exhortations to

exercise responsibility in wage demands.

The agreement covers the period August 16 to September 16. On September 12 - after August's predicted inflation figure of 30 per cent will be officially known - the UOM will put in another pay claim to cover the next month.

At the beginning of August the Government introduced a series of economic measures aimed at correcting the worsening economic crisis.

The rising tide of monthly inflation rates peaked in July at 25 per cent during difficult negotiations with the International Monetary Fund.

Latin America fails to lure the UK

Robert Graham on why Mrs Thatcher has never made a formal visit to the continent

LATIN Americans have a reputation for staying up late. Thus it was suitably symbolic that Britain's House of Commons should debate the affairs of Latin America in the early hours of the morning.

To be precise the debate took place on July 28 from 02.51 until 04.21 when time ran out in favour of discussing the environment. It is worth being precise because this was the first time since May 26, 1950 that the Commons has held a general debate on Britain's relations with Latin America.

That only one and a half hours should be devoted to this subject, ignored for 38 years and squeezed into business at a moment of least attendance in the final session before the holiday recess, is eloquent testimony of where Latin America lies in the list of British Government priorities.

This is not just a phenomenon of the Thatcher Government. If visits by foreign ministers and prime ministers are crude gauges of strategic importance, national interest, export promotion, cultural links and historic ties, then British Governments post-1945 have merely varied between benign neglect and indifference. Latin America has received the least official attention of any region.

As Mr Jacques Arnold, Conservative MP for Graversham, said initiating the debate: "So

often foreign affairs debates in this place centre strategically on East-West relations, fashionably on Europe, nostalgically on the Commonwealth and indifferently on the remainder".

In such a climate it is not surprising therefore that no Prime Minister has formally visited Latin America (the closest was Mrs Thatcher's presence in 1981 at the Cancun, Mexico North/South summit). The first visit by a UK foreign secretary was not until 1966.

Britain's historic interest in the region has been commercial and financial, and such neglect basically reflects the decline of trade with Latin America. In 1945 almost a quarter of Latin America's trade was with Britain but by the 1970s the percentage had fallen to 2 per cent. Today Britain's trade with the entire continent of Latin America (which contains 8 per cent of the world's population) is roughly on a par with Denmark.

The decline in British commercial interest began almost at the turn of the century but accelerated after 1945 as a result of a combination of several factors - the UK's concentration on Europe; the special relationship with the US and the perception that Latin America is a US sphere of influence; the general absence of colonial ties outside the Caribbean; the lack of strategic interests; the declining role of



Chalker: British businessmen need to speak Spanish

sterling and changing trade and investment patterns within Latin America; and the psychological barrier caused by dealing with Luso-Hispanic culture.

The Commons debate went over all this ground and a good deal more. Those on the Conservative Government side (all three of them) wanted to draw attention to this neglect and promote greater interest and involvement to take advantage of the economic opportunities in Latin America. Those on the opposition Labour bench (only two speakers) were in sympathy but really wanted to talk about the achievements of the Sandinista revolution in Nicaragua and the human rights abuses of the Pinochet regime in Chile. Tacked onto the end of the debate was an incomplete attempt to discuss the

long-term implications of Britain's policy towards the Falklands.

This mirrors with reasonable accuracy the two levels of concern in Britain today about Latin America. Businessmen, bankers, diplomats, academics and the odd politician are concerned that Britain is missing out on commercial and investment opportunities.

Then there is a sub-culture of well-organised issue-oriented groups (essentially of the Left) anxious that British policy should be more committed to such causes as the Sandinistas in Nicaragua and the anti-Pinochet movement in Chile.

Although the Commons debate could not have been held at a less auspicious hour, its occurrence provides a marker. It should be seen less in the context of previous neglect, and much more against a background of awareness of Latin America. A combination of the debt crisis, the Falklands conflict, wars and revolution in Central America, the multiple problems of the illegal drugs business and ecological issues such as the fate of the rain forests have created a new consciousness of the region that is slowly - very slowly - filtering into government attitudes and policy. The trend for British trade has also begun to recover from the trough in the 1970s so that it now accounts for some 3 per cent of commerce with the

region.

Mrs Thatcher's critics maintain she has identified Britain too closely with US policy in the region especially over Central America. However, under her administration both the foreign secretary and junior ministers have toured the continent to an unprecedented degree. This has been motivated primarily by self-interest: a diplomatic damage limitation exercise in the wake of the Falklands.

So long as conflict with Argentina is a possibility such considerations pertain. Yet a momentum has been established for broader-based contact which now calls for the symbolic gesture of a prime ministerial visit to demonstrate Britain's seriousness in Latin America.

Symbols apart, the Commons debate highlighted the need for better and more extensive tuition of Spanish and Portuguese in schools to create a more solid long-term base for ties with Latin America.

Mrs Lynda Chalker, the junior government minister, who spoke in the debate, admitted as much: "But we shall be truly effective only if ... our people can trade in the language of the countries ... that means Portuguese and Spanish being spoken by our businessmen, let alone being taught in our schools."

**Argentina sells
State airline**

The government of Argentina has endorsed a bid by Scandinavian Airlines Systems to acquire 40 per cent of the stock in State-owned Argentine Airlines.

Outgoing Argentine Airlines president Horacio Domingorena has resigned in protest

SOLDIER MAGAZINE 22.8.88

Back from Falklands

MEMBERS of The Light Infantry's 3rd Battalion have returned to Weeton Barracks, Blackpool after a successful Falklands tour which started with Exercise Fire Focus, the largest-ever North Atlantic reinforcement exercise.

Variety was the spice of life during their three months on the Falklands. Most had the chance to work with the Royal Navy at sea, and plenty of chances to fly over the remoter parts of the islands.

As members of the resident infantry company, they befriended local farmers as they hiked around the settlements on patrols lasting up to six days. There was also a Light Infantry contingent 800 miles away on South Georgia island, where the senior officer, Maj Graham Whitmore, had the extra jobs of harbourmaster, customs and immigration officer, magistrate, and assistant postmaster.

Currently in the Falklands are 250 members of The Royal Regiment of Fusiliers, expected back in Catterick in November in time to start Warrior Conversion Training for their battalion role in BAOR in March 1989.

Argentine atom aid for Pakistan

PAKISTAN is to turn to Argentina for assistance with its nuclear programme because the original supplier, Canada, refuses to help as long as Pakistan fails to ratify international non-proliferation treaties.

A team of Pakistani scientists visited Argentina a "few months ago" seeking help on "technical problems" at Kanupp, a Canadian-built nuclear power station outside Karachi, a senior Argentine nuclear official confirmed last week.

Dr Maximo Rudelli, of the Comision Nacional de Energia Atomica, said the Pakistani team was taken to Embalse, a power station built by Atomic Energy of Canada Ltd.

Neither Pakistan nor Argentina has yet adopted non-proliferation treaties, or agreed to accept international controls over their nuclear programmes. Canada said it would not help any country refusing to back international non-proliferation treaties after India exploded a nuclear device in 1974. But by then, however, Canada was already committed to both Kanupp and Embalse.

Dr Rudelli, speaking at a press conference where the CNEA president, Emma Perez Ferriera, cited a Guardian story as an example of a "campaign of disinformation" about the Argentine nuclear programme, insisted that no other subject was discussed with the Pakistani officials.

Asked about the alleged campaign, Dr Perez Ferriera denied that overseas interest in the Argentine programme might stem from international concern about Argentina's refusal to accept non-proliferation. She insisted that nuclear powers feared competition from Argentine technology.

Officials confirmed that the nuclear waste reprocessing plant now being built can produce at least 15 kilos of plutonium a year. Experts here say the amount needed for a "basic bomb" is about 10 kilos.

Alfonsin blocks navy hope of a nuclear sub

PRESIDENT Alfonsin is preventing the Argentine navy from completing a top secret plan to build its first atomic submarine. Naval chiefs in Buenos Aires are furious.

The body of the submarine has already been constructed in a shipyard on the River Plate, near the presidential palace in Buenos Aires, while the nuclear reactor is being built at Pilcaniyeu in Patagonia, where Argentina's atomic energy commission has a uranium-enrichment facility.

The submarine would enormously enhance the Argentine armed forces' self-esteem and confirm Argentina's nuclear programme as one of the most advanced in the Third World. But Alfonsin, who is publicly opposed to the use of atomic power for military use, is refusing to let the admirals complete the project.

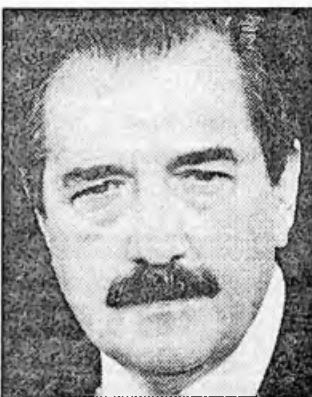
The navy is so angry that Hector Ciapuccio, the sub-secretary of science and technology in the Alfonsin government, was recently denied permission to visit the plant where the reactor is being built.

The navy has been obsessed with getting its own nuclear submarine since the British nuclear submarine Conqueror sank the Argentine cruiser Belgrano during the Falklands war. The admirals persuaded the military government to get the project under way in 1982, a few months after the Falklands defeat.

Alfonsin allowed development of the nuclear reactor for the submarine to continue when he eventually discovered what was happening after being elected president. But he kept control of the funds.

by Maria Laura Avignolo
Buenos Aires

Next year, however, there will be a presidential election, which the nationalistic Peronist party stands a good chance of winning. The navy hopes that a Peronist president



President Alfonsin: holding back would allow it to launch its submarine.

The admirals plan to equip it with a missile, the Bigua, developed by the Argentine air force, with multiple warheads and 500-mile range.

The existence of the submarine project was first hinted at two years ago when Vice-Admiral Ramon Arosa, the navy chief, told an Argentine newspaper that "if the availability of funds does not make us go more slowly, Argentina will have its first atomic submarine in two years".

More evidence emerged last month when a group of visitors saw what appeared to be a new submarine, ready for launching, in a Buenos Aires dockyard. The manager ad-

mitted that it was waiting for its "atomic engine".

Then, this month, Professor Federico Westerkamp, a leading pacifist and one of the most prominent nuclear physicists in Argentina, confirmed the existence of the project. "Lamentably, it is true that the submarine is being constructed," he said. His remarks have now been confirmed by high-level sources in the government.

Argentina has long been known to have made advances in nuclear research. Last year, Western intelligence analysts cast doubts on its ability to enrich uranium for a nuclear reactor. But in April, Roberto de Abreu Sodre, the Brazilian foreign minister, revealed that Argentina was 10 years ahead of Brazil in nuclear technology and had already enriched uranium to 20%, sufficient to power a submarine reactor but not to build a nuclear bomb.

The submarine engine has been developed by a joint company set up by the national atomic energy commission and the government of the province of Rio Negro, at a cost so far of \$280m (£165m). The submarine earmarked to become nuclear is a medium-sized vessel designed to run on diesel engines, one of four built in co-operation with the West German firm, Thyssen, under an order signed in 1974 when the Peronists were in power.

The cost of the project is so high that, after other expenses, the navy has barely any resources left for operational activities. As a result, its fleet can go to sea for only 20 days a year.

Election date for Argentina

ARGENTINA will hold presidential elections next May — the first to be held under a democratic government for 40 years, the Interior Minister, Mr Enrique Nosiglia said yesterday.

Mr Nosiglia's announcement, reported by the Noticias Argentinas news agency, followed rumours that the elections and subsequent handover could be delayed. The handover of power will take place the following December.

Argentina's main political parties have already picked their candidates. President Raul Alfonsin's Radical Civic Union Party have chosen the Governor of Cordoba Province, Mr Eduardo Angeloz, and on the Peronist ticket is the flamboyant Governor of La Rioja Province, Mr Carlos Menem. — Reuter

Argentina seeks Tokyo funds

By Stephen Fidler, Euromarkets Correspondent

AN Argentine delegation led by Treasury Secretary Mario Brodersohn visits Tokyo next week in an attempt to secure financial support from the Japanese Government.

Mr Brodersohn, who will be accompanied by central bank director Mr Daniel Marx, is expected to have meetings with the Ministry of Finance, the Japanese Export-Import Bank and leading Japanese commercial bankers.

This month the Argentine Government introduced measures to tackle the country's

main economic problems of rampant inflation and a high budget deficit, and to impress the World Bank and International Monetary Fund enough to win more funding.

A World Bank team is now in Argentina examining the country's eligibility for credits and an IMF delegation is to arrive next week. The IMF looks likely to demand more action from Argentina.

Argentine arrears on interest to banks date from April, and more payments are unlikely before September.

Press Cuttings

from Broad Street Associates **The Daily Telegraph** 20 AUG 1988

Belgrano boy drama for TV

BRITISH television audiences are to get yet another opportunity to consider the Falklands War — and, again, it is a view from the other side. Backed by Channel 4 and the British Film Institute, the film tells the story of an Argentine village boy who drowns in the Belgrano.

When the release of *Veronico Cruz* was first mooted in November last year it was suggested that the IBA should insist upon a balancing programme supporting the British Government's Falklands' policy.

The film, mostly financed by the Argentine state film organisation, won an award in Berlin this year and is scheduled for release in late November. Its director Miguel Pereira told me shortly after his arrival in London yesterday that an identical version of the one which has just opened in his native Argentina will be shown here.

"It is a very critical film of the last 18 years of Argentinian life," he said. "It takes in the coup of 1976 and the World Cup of 1978, the sequel of repression of the disappeared people and ending with the Falklands War, all viewed metaphorically from a remote hamlet in the middle of the mountains. The Falklands War is only touched on, but the life of this boy represents a generation."

Ian Curteis, the playwright whose pro-government drama of the war was rejected by the BBC, says: "I wonder how we would feel if, say, in 1950 we financed a film of Hitler's point of view of the Second World War without financing our own?"

Press Cuttings

from Broad Street Associates The Daily Telegraph 20 AUG 1988

BBC union seeks 'film world' pay

By Jane Thynne
Media Correspondent

BBC PLANS to release its television films in the cinema could be blocked by the main staff union unless it agrees to fresh deals on rates of pay and conditions.

Earlier this week a £1 million deal with the cinema group Cannon to distribute the Falklands film *Tumbledown* fell through after three of the 55 cast refused their permission.

Under an agreement with Equity, each actor has to give his permission when the BBC wants to resell a film.

Corporation executives met yesterday to discuss a strategy for the future cinema release of BBC-financed feature films.

The BBC has made a significant investment in another cinema production, *Loser Takes All*, and is also planning cinema release for a Dennis Potter film, as well as exploiting films already held in the archives.

But its plans could be stalled by the Broadcasting and Entertainment Trades Alliance. Mr Paddy Leech, the union's deputy general secretary, said rates of pay and conditions would need to be harmonised with the more lucrative rates in film production.

"We have been waiting six months for a BBC report on how they will solve the discrepancies between BBC rates of pay and those in the film world."

He added that Beta's merger next year with the ACTT, the film technicians' union, would also be likely to raise obstacles for the BBC's entry into the cinema world.

"We support the BBC's desire to expand, but we are not interested at the expense of double-crossing other interested parties such as Equity, the ACTT and the Musicians' Union," he said.

But Mr Peter Plouviez, general secretary of Equity, said his union would be prepared to form "one-off" deals for its members for feature film rights.

A BBC spokesman said the corporation was keen to reach a more simplified set of agreements with the "artistic" unions concerning payments of artists, both for repeats and resales.

"Particularly as we move towards 24-hour broadcasting, the BBC wants to be able to use its treasure store of archive material in more than the current dribbling amounts."

Sir Alan Peacock, who headed a Government Commission on the funding of the BBC in 1986, called for agreements limiting the use of archive material to be resolved, and for the stock to be released into the public domain.

He said he had submitted a report to the Department of Trade and the Home Office suggesting that the fees from using BBC archives material should be rechannelled into public service broadcasting, and union agreements redrawn.

"The current system is absurd and unreasonably restrictive," he said. "Artists should be recompensed like musicians each time their work is performed, but not permitted to prevent work being replayed for all time."

Press Cuttings

from Broad Street Associates **The Daily Telegraph** 20 AUG 1988

Argentina poll

Argentina will hold presidential elections next May and the hand-over of power will take place the following December, Señor Enrique Nosiglia, Interior Minister said yesterday. — Reuter

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

20 AUG 1988

SAS's plan to buy a 40 per cent stake in state airline Aerolineas Argentinas is in trouble because Argentina's Peronist party opposes the deal. Congressional approval is required for the plan and the Peronists have a majority in the upper house. Page 10

Opponents highlight legal hurdles to Aerolineas deal

By Gary Mead in Buenos Aires

THE PERONIST opposition party in Argentina's Congress has strongly condemned the deal between Aerolineas Argentinas, the state-owned airline, and SAS, the Scandinavian carrier.

Peronists, who hold a majority in the Senate (the upper house of Congress), have accused the Government of breaking two laws concerning state-run companies. As the agreement for SAS to purchase a 40 per cent stake in Aerolineas requires congressional approval, this fresh attack places considerable doubt over the outcome of the deal.

The Peronists point to two laws, one which forbids the incorporation of private capital

into state enterprises, and another which obliges the Government to call for public tenders when considering privatisations, be they full or partial.

Under the terms of the deal, officially announced on August 11, SAS will purchase its stake in Aerolineas for \$204m. That figure implies an Aerolineas valuation of \$510m.

But Mr Horacio Domingorena, the former president of Aerolineas, resigned earlier this week amid controversy over the precise sum involved. He has claimed that the actual payment SAS will make is \$156m, which implies a valuation of \$390m.

He has not yet made clear precisely how he arrived at the

figure, but sources close to the negotiations have revealed that a discrepancy over the valuation exists and that it may still cloud the deal.

The difference arises over leasing arrangements that Aerolineas has for some of its fleet. At least one Boeing 747 and a Boeing 707 and some of its four Fokker F28 aircraft are on lease. SAS is believed to have valued these at \$120m.

The figure gives the difference between a valuation of \$510 and one of \$390, and also explains the discrepancy between the official announcement that the purchase will cost \$204m and Mr Domingorena's claim that the payment will be \$156m.



★ Falklands pen pal Stephen Parkin and his bride Janet Rumsby.

Long distance love match

ROMANCE was worlds away when Janet Rumsby answered a soldier's plea for a pen pal to cheer him up on the Falklands Islands.

As Royal Engineer Steve Parkin helped man Britain's outpost in the South Atlantic, Janet wrote him letters of support from her home at Drayton.

But suddenly Steve turned up on her mother's doorstep and said: "Hello, I'm Janet's pen pal, I'm home from the Falklands!"

He sat drinking tea until a bemused Janet arrived home from work.

Now, the couple are starting a new life together on an Army base in West Germany.

The bride's mother, Joan Rumsby, said: "Janet started writing to Steve after requests for pen pals were printed in the newspaper.

"I am so pleased, she is a lovely girl and I am sure they will be happy together."

The couple were married at St Margaret's Church, Drayton, and have just travelled to Germany after a honeymoon in the Isle of Wight.

Janet is now ready to settle down as an Army wife but has already got used to her new husband's globe-trotting.

Mrs Rumsby said: "Steve has had to travel to Kenya so they have been apart at times but now Janet will join the battalion in married quarters."

Theatrical agency halted BBC sale

The two actors and an actress who prevented the BBC from selling *Tumbledown*, the Falklands film, for £1 million to a cinema chain were advised to oppose the deal by a West End theatrical agency, it was disclosed yesterday.

The trio, handled by the Duncan Heath agency, were alone among the 55 members of the cast in refusing to consent to the Cannon cinema group distributing the film.

The cast was offered two-and-half times its original fee, plus a 12 per cent share of cinema profits, after an agreement between the BBC and Equity, the actors union.

Colin Firth, who played Robert Lawrence, a Scots Guard officer, would have received £12,500 if the deal had gone ahead, but Emma Harbour, who played Sophie, the girl friend of Lawrence, refused to give her approval, along with Andrew McCulloch, who had a minor role as Lawrence's best friend, and Paul Rhys, who was an Army padre.

Other actors with Duncan Heath accepted the offer, but the project had to be abandoned because the consent of every member of the cast is required under union agreements.

Miss Harbour received an £800 fee from the BBC for her role in *Tumbledown*, while Mr Rhys was paid about £2,500 and Mr McCulloch £395.

If the sale of *Tumbledown* had gone ahead, it would have seen the first BBC television film to be shown in cinemas at home and abroad. The breakdown of the sale is the latest example of restrictions imposed by union members which have prevented the BBC from making millions of pounds by selling programmes.

Mr Firth is on location in France but his agent, Mr Julian Belfrage, said: "Colin was perfectly happy with the deal on offer. It seemed very fair. What has happened is very sad. I think some people are being slightly greedy."

Yesterday, Mr Paul Lyon-Maris and Mr Jonathan Altaras, the two Duncan Heath agents handling the three actors, said the proposed sale of the film was setting a precedent and they wanted to know how the BBC and Equity arrived at the 250 per cent fee for cinema rights.

Mr Altaras said: "There was a need for Equity to explain their negotiations properly and not just provide a letter saying they had raised the fee from 70 per cent of the original to 250 per cent. That self-congratulatory tone is not good enough."

"There should have been a meeting involving agents and members to explain what was happening and why. It was not to knock the sale of *Tumbledown* on the head. If it is knocked on the head, I am sorry."

Buenos Aires sees growth in box traffic

BOX traffic through Argentine ports, notably Buenos Aires, is expanding fast.

It rose by a third in 1987 and is continuing to grow this year.

Traffic last year reached a record 196,813 TEU — up almost 33% on the 1986 figure of 148,159 TEU according to the national port authority, Administration General de Puertos (AGP).

The growth rate last year was higher than in 1986, which itself was up by a creditable 22% on the previous year's 121,336 TEU.

Although no figures are yet available for this year, the trend to increasing traffic continues, according to private sources.

In terms of number of boxes, two-way trade in 1987 was reasonably balanced, with imports of 56,304 TEU and exports of 59,493. Export tonnage, however, was somewhat higher, totalling 858,270 tonnes against imports of 659,877.

Almost 95% of boxed traffic moves through Buenos Aires, which handled 188,625 TEU as against 139,319 in 1986. Although other ports are taking steps to become more container-friendly, the bulk of box business is expected to remain

By Nick Terdre

for the foreseeable future at the capital's port, where a second container crane was installed earlier this year.

The arrival of the crane, owned by the private company Roman y Compania, is a sign of the increasing role being played by private capital in the port sector. This development is being encouraged by the government, which aims to reduce drastically the widespread state presence.

As in other developing countries, such as Brazil, which have opted for port privatisation, shortage of state funds for essential modernisation projects is an important motive for the government's new attitude.

But official plans have so far been largely stymied by trade union opposition. Strikes were sparked off in February when the AGP announced proposals to contract out some services and sell off some assets, and in April a 90-day "truce" over privatisation was declared by the AGP and union leaders.

The new strategy has taken its toll on AGP presidents, of whom three have left the post in the past 12 months.

Press Cuttings

from Broad Street Associates **LLOYD'S LIST**

19 AUG 1988

A BIG boost in containerisation
has come from Argentina whose
ports are now handling a third
more than they were last year —
Page 4



Bit actors halt £1m BBC deal

By ROGER TAVENER

THE BBC has lost a £1 million deal to sell its controversial Falklands film *Tumbledown* ... because of three bit-part players.

They are the only actors among the 55-strong cast refusing to accept two-and-a-half times their original fee to let their performances be repeated.

If even one cast member refuses to accept an offer, a programme cannot be sold.

So the Cannon group will not be able to show the film in cinemas worldwide—which would have made it the BBC's first TV production to win big-screen exposure.

Colin Firth, who played soldier Robert Lawrence, shot in the head in the battle for Mount Tumbledown, will lose a £60,000 repeat fee.

And the BBC will not recoup the £1 million it spent making the film in Wales.

Actors' union Equity said it thought the BBC offer was "good and acceptable".

Waves of change wash over the Atlantic outpost

FALKLANDS

**Margaret Henderson
on how radio is helping
the islanders update
their education system**

"In the Falkland Islands we are entering a period of unprecedented change. Our job now is to educate young Falklanders for that new society."

Eileen Murphy was speaking in her office in Port Stanley 18 months after taking up her post as chief education officer for the Falkland Islands. She had the figures for the first major change in education – an increase in teachers' salaries – since the annual report of the Falkland Islands Development Corporation announced an increase in the islands' gross national product from £9.9million to £30million largely thanks to revenue from the sale of fishing licences.

But the first millionaire – expected to appear on the Falklands scene shortly – is unlikely to be a teacher. The increase is 21 per cent for all teachers but, in Stanley, Grade 5 teachers are paid £8,112–£9,408; Grade 4, £6,984–£7,872; Grade 3, £5,868–£6,780. Travelling teachers in the rural areas are paid £6,000–£7,500 and teachers based in settlement schools (they are often unqualified) earn £3,300 and whatever addition the farm management chooses to pay.

Eileen Murphy, an Oxford graduate, came to live in Stanley when her husband became chief medical officer for the Falklands in 1986, the year when parents and local councillors met to register their alarm at the state of staffing in Stanley where the junior school had only two teachers left. Only a couple of years earlier, in the confusion that followed the conflict with Argentina, the number of qualified teachers providing education for children in Camp – the rural areas where 40 per cent of the population live – had also dropped to two.

The expatriate teachers, mainly from Britain and New Zealand on whom the Falklands had always depended, were clearly not coming forward. The situation improved when responsibility for recruitment was transferred from the Crown Agents to the Falkland Islands Office in London and contracts were shortened from three or two years to one. Jobs are kept

open at home for teachers from Britain but the service abroad is still not counted as part of the probationary period.

The appointment of Eileen Murphy coincided with a reorganization of the education department in Stanley and an increase of 40 per cent in the budget for education. This session the junior school has 12 members of staff and 190 pupils, 60 more than last session. Stanley's senior school has 12 members of staff, all specialists, and 135 pupils. An Overseas Development Administration report for the past year mentions Stanley Junior as the best-resourced school in its programme.

The senior school offers eight subjects at GCE O level and GCSE courses have been introduced. There are no A level studies. Suitable students are sent for two years to Peter Symonds Sixth Form College in Winchester with ODA funding. The Falkland Islands government pays for sixth-formers to return home for holidays twice a year and for university students to return once a year. There are two Falkland-born teachers-in-training currently studying in Britain, one a mathematics graduate, the other an art specialist for whom a new post is being created at Stanley Senior School with a special emphasis on craftwork.

Phyllis Rendell, Camp education supervisor since 1984, was born and brought up in the islands. Educated at a boarding school in Derbyshire and at Goldsmiths' College, she taught in Bermondsey before returning home. She is responsible for the education of 80 children in Camp – an area covering 6,000 square miles where only 800 people live.

Six of the settlements in Camp still have their own schools, run by the sheep farming company, usually housed in an outbuilding on the sheep farm with classes taken by a teacher who may also be the farm bookkeeper or storekeeper. The education department provides equipment and periodic advisory visits from the Camp education office in Stanley.

"Some of the farms are anxious for the education department to take over full responsibility," Eileen Murphy said, "and this is under discussion. But there is the problem of maintenance by a public works department already grossly over-stretched by the rise in immigration to the Falklands."

The education department employs six qualified travelling teachers, from



Island life: teacher Eddie Chandler with the pupils of Port Howard school

Britain or New Zealand, who cover the vast distances between settlements in the eight-seater taxi-planes operated by the Falkland Islands Government Air Service. These itinerant teachers visit settlements every five weeks or so, living with families and teaching all children of primary school age and occasionally children of secondary school age whose parents have not agreed to send them to Stanley. These children may never experience classroom education.

"We cannot force parents to send their children away," Eileen Murphy said, "but we do try to persuade them, because it is impossible for us to provide an adequate secondary education in Camp."

The most important aspect of the recent reorganization of Camp education has been a major expansion of radio education which got off to a slow start with a gift of 18 two-metre radio sets from the Falkland Islands Fund. There are now radio education centres in Stanley and at two of the larger settlements, Goose Green and Fox Bay Village.

Except at the few settlements in hilly locations where radio signals cannot be picked up, the pupils of travelling teachers have individual tuition from a teacher at a radio centre during the travelling teacher's absence at other settlements. Camp teachers can bor-

row from a library of several hundred educational videotapes and one BBC Master and three Acorn electric computers are based in settlement schools. A two-metre repeater enables the radio education service to broadcast a weekly link-up programme when children can hear about work and projects undertaken by other children round the islands.

"We realize", says Phyllis Rendell, "that whatever radio provision we can make for the children in Camp is heavily dependent on the educational level and commitment of parents. Radio education only works if a parent is prepared to sit down with the child and supervise lessons for several hours a day."

"At some settlements we have a mother who is a qualified teacher prepared to supervise all the children in the settlement. In others, there are parents who cannot read or write themselves and they may, or may not, learn along with the children."

"The Falkland Islands government is in the process of writing a new Education Bill in which the responsibilities of parents in this sphere will be considered. For the present we are endeavouring to prepare for a more sophisticated society by aiming at educational provision for all children in the Falkland Islands every day of the school year."

Autolatina

Two cultures backing off from divorce

Ivo Dawnay on Ford and VW's difficult Latin American merger

The first year of a marriage, it is often said, is always the worst. Wolfgang Sauer, president of Autolatina – the shotgun union of Volkswagen and Ford's Brazilian operations – can only hope they are right.

A few weeks back, executives of the company were entertained in a fashionable Sao Paulo nightspot – attendance obligatory. "The purpose," a former Ford man claims, "was to try to remind everyone that they all work for the same company."

After the November 1986 announcement of the merger – the first ever attempt in the industry to collaborate and integrate existing rather than greenfield operations – there is now some evidence that the initial clash of cultures is dying down.

But the problems of forging one company from two distinctly different traditions are still at an early stage. Indeed, there were credible rumours in the not-so-distant past that worried parents in both Dearborn and Wolfsburg had at one point thought seriously of a quickie divorce.

"Every merger has its corporate culture problems, but this one has been sheer hell," one industry analyst reports. "The two companies are miles apart in management style."

Behind the merger lay a long-standing need by both companies to restructure, maximise economies of scale, share component production and R&D capacity and rethink their approach to the heavily regulated Brazilian market.

By the end of 1986, VW had suffered repeated years of losses with market share down from a historic high of almost 80 per cent, to 57 per cent a decade ago and 35 per cent in 1987. Ford had fared little better. And when Brasilia added a price freeze to the world's highest auto retail tax rates as part of its anti-inflationary Cruzado Plan, money was lost on every car sold and patience in overseas HQs ran out.

The merged company, with a capitalisation of \$1.8bn, total sales (including those of consumer credit companies) the equivalent of \$4bn, 15 plants, 75,000 workers, 5,000 components suppliers and capacity of 900,000 units, instantly became the world's eleventh largest producer.

There the problems began.

Perhaps the least of them was the initial rationalisation, largely concentrated in Argentina where the tiny market of about 150,000 units a year left little choice but concentrating activities into two main plants.

Since then, organisation and management method have been top of the agenda. Although VW retained a 51 per cent stake, it was decided that Wayne Booker, the famously cost-conscious Ford president now installed as executive vice-president, should build the organisation's structure.



Ford was horrified by the management systems it found. Whereas the US company's tradition has always involved a tight pyramid of decision-making with each executive reporting to his immediate superior and a high degree of local autonomy, VW appeared quite the reverse with divisional chiefs liaising direct with Germany and often only going through the motions of referring to local superiors.

Booker ruled that rather than create a Frankenstein, the Ford system must be imposed. This had to involve the introduction of the company's strict grading system (VW had only a handful of ill-defined grades flexibly interpreted).

Such a move, with its inevitable consequences for status and perks, provoked widespread ill-feeling, though most executives were shifted up to minimise resentment.

Sauer endorsed the decision, however, arguing that he had always preferred the "tighter" Ford structure. "West Germans are more dedicated to product and the longer term."

"I feel we now have a fantastic combination – US business administration adapted to VW's industrial product management style. The structure is now completely in place."

The company president is also pleased with his decision taken early in the merger to accelerate staff swaps, deliberately shifting managers from one company into roles in the other in a timetable shortened from three years to one.

This process appears to have worked like a brutal but efficient version of Darwin's natural selection principle. "People who didn't like it had to accept it or not," Sauer remembers.

Such brutal integration techniques have been accompanied by a more human kind of welding. The company president also added that Autolatina has been conducting seminars led by a professor from Insead, the international business school at Fontainebleau, in France, in how to shake off old allegiances and practices in favour of new ones.

With its management structure now in place, the second, and perhaps even more difficult, task is now beginning in the creation of an integrated product range from the motley fleet that only two years ago was locked in competition.

Autolatina has dispensed with any idea of publicly creating its own marque – "That would be suicide for our 62 per cent market share," Sauer observes – choosing instead to mix and match chassis, engines and bodies.

Final decisions, however, have yet to be taken and for good reason. Discussions on lifting the admired 1,800cc engine from the unaesthetic, bottom-of-the-range VW Gol (different from the European Golf) and putting it in Ford's attractive Escort body has unleashed a howl of rage from VW's 750 dealers.

Press Cuttings

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They fear that Gol owners choosing to service their products in Ford dealerships will easily be persuaded to make the step up. Similarly, Ford dealers are concerned that the Del Rey, an old mid-to-up-mar-

ket model will be discontinued.

Sauer dismisses these anxieties, arguing that a careful mix of products should allow the company to meet its promise for a new three model range by 1992 with a common engine and gearbox range but maintaining each marque's traditional characteristics.

Worried dealers still appear far from convinced.

The one internal controversy Sauer does not deny lies over the future of the Fox - VW's inexpensive export model aimed at the highly competitive US market. This year the company had planned to sell 100,000 units to the US and Canada but has since scaled this back by 20,000 with a loss of about \$150m in sales because of fierce price competition from Yugoslav and South Korean rivals.

Former Ford executives are said to be challenging the opportunity cost of the programme as an investment priority, preferring to concentrate resources in the home or Latin

American market.

In a bid to enhance the appeal of the Fox export plan, Sauer is now once again attempting to persuade the Government to reduce tax rates on cars. These are an intolerable burden for manufacturers, he claims.

But even with this concession the internal struggle over product priorities is likely to be fierce and, it is predicted, partisan. Autolatina has been told by its overseas parents that from now on it must cut the apron strings and finance investments from its profits.

It is believed, though not officially confirmed, that the company made some \$100m in the first half. So, for the moment at least, the heat is off.

But an ex-VW man is in charge of product planning and an ex-Ford man holds the overlapping role of controller. But how "ex"? It can only be hoped that Sao Paulo's nightlife has worked its magic.



Wolfgang Sauer: "The structure is now completely in place"

U.S. Promises Cleanup Of Antarctic Pollution

By Warren E. Leary

New York Times Service

WASHINGTON — A U.S. official has acknowledged that activities at American research bases in Antarctica have polluted their surroundings but says that cleanup efforts are under way.

"We believe, like our critics do, that as the last pristine environment on Earth, Antarctica should be protected," said John B. Talmadge of the Polar Programs Division of the National Science Foundation, the agency that administers all American activities on the frozen continent. "But there may be disagreement on how fast we are doing it."

In an interview, Mr. Talmadge said: "We've made many efforts in the last few years to clean up the results of earlier scientific expeditions and activities. Environmental standards have changed in the last 30 years, and we are responding. Earlier, we were an expeditionary force worried more about surviving in a harsh environment than anything else. This has changed in the last 10 years."

Mr. Talmadge was responding to assertions made Tuesday by the Environmental Defense Fund, which said in a report that the U.S. government has not done enough to protect wildlife in the Antarctic and to respond to the pollution problem.

Bruce S. Manheim Jr., a lawyer and scientist with the environmental group, said that the United States is a major offender when it comes to polluting Antarctica and that the National Science Foundation has been slow to carry out sound environmental policies in the region.

America operates four of the 57 bases used by 18 nations for scientific research on the continent, which is roughly the size of the continental United States and Mexico combined. Antarctica is administered under the Antarctic Treaty, an international agreement signed in 1959 that established the continent as a demilitarized scientific preserve.

At the largest American base, on McMurdo Sound, Mr. Manheim said that untreated sanitation waste is discharged into Antarctic waters, combustible waste is burned in open pits with no emission controls, nonburnable waste is dumped at sea or bulldozed into open pits, and power generators operate without pollution controls.

In addition, he said, the United States has not moved quickly to establish plans for protecting the indigenous animal life and to develop administrative policies for restricting access to special, environmentally sensitive areas.

"The things I've cited are con-

tinuing abuses," Mr. Manheim said. "The only things the NSF has done, and only after pressure from Greenpeace and other environmental groups, is to return some scrap metal and some 55-gallon (209-liter) drums of waste that have been there for years."

"Although the foundation says it is cleaning up the environment — and it has made many promises in the past — there is still open burning, they still do not treat raw sewage, and they are not restricting the discharge of toxic chemicals from scientific research into the water."

Mr. Talmadge noted that last year the foundation approved a new environmental plan for its activities in Antarctica and intends to install a water-treatment plant at the McMurdo site. It may also put in an incinerator for controlled waste burning. There is as yet no timetable for these improvements, he said.

Last year, the foundation shipped 160 tons of scrap metal, 500 barrels of waste oil and 60 big containers of general waste from Antarctica, and will continue this practice in the future, he added.

Mr. Manheim said American environmental policies are better than those of some nations in Antarctica, but worse than others. Australia and New Zealand, for example, treat their waste water and ship most waste back to their countries rather than leave it in Antarctica.

Standard betters stock market expectations

FORTY YEARS ago a young Fleet Air Arm pilot, Peter Graham, settled on banking for a career. Yesterday, Sir Peter Graham, chairman and chief executive of Standard Chartered, Britain's biggest international bank, presided for the last time before retirement over his bank's half year statement of its profits.

The profits were £156m. Last year, the figure was only £105m, but this turned into a huge £224m loss after Third World debt provisions. Yesterday's profit figures were better than the stock market had been expecting. In consequence the shares went up 15p to 507p.

The recovery paves the way for the long expected

rights issue to raise perhaps £300m to restore the bank's capital ratios. Sir Peter was not saying when the big cash call was coming, but in two months time he will hand over to Mr Rodney Galpin, the senior Bank of England official who is to be the next chairman, so the implication is that the rights issue will come soon.

The odds are that it will be a fairly deep discount issue, perhaps a 1 for 2 at £4. That is a lot of money for shareholders to cough up, but whatever the terms, my guess is the queues will form quickly for two reasons.

One is that even on the current market price Standard Chartered is giving a dividend yield of over 9 per cent. That return would make a discounted rights issue a really big attraction to the income funds. Another is that this long expected rights issue has been overhanging the whole bank share sector.

Its completion should mark a watershed.

Sir Peter Graham's lifetime career with the bank, much of it in Hong Kong, must have given him some rough times, but few can have been tougher than his last couple of years at the top. He only took over as chairman a year ago from the former Chancellor, Lord Barber.

The loss he was faced with last year was less than the Big Four clearers had to shoulder, but hit Standard harder because it lacks the steady core retail banking business in Britain which the other banks have.

Standard Chartered does have retail branches (including Sheffield and Leeds) and as long ago as 1978 indicated it wanted more with Sir Peter then pointing out that UK domestic banking was the most profitable retail banking in the world. Nothing has changed since, he said yesterday.

But its key role is that of a multinational bank, with a strong position in 19 countries giving it three million customers in the Asia Pacific area and two million in tropical Africa. It has 800 offices from the jungles of Borneo to the more sophisticated jungle to be found in Hong Kong and Singapore, from Canada to the Falkland Islands.

Every businessman's alternative bank might be one description. It has been given an overwhelming 65 per cent vote as the best bank to do business with in Africa where, in spite of currencies falling continually in value, it every year manages to make more money in sterling.

Standard Chartered is different from the other UK banks in having at least 62 per cent of its business international while for the Big Four the proportion varies from 15 to 20 per cent.

President of Aerolineas Argentinas quits

By Gary Mead in Buenos Aires

THE PRESIDENT of Aerolineas Argentinas, Argentina's state-owned airline, resigned in protest yesterday at the planned sale of 40 per cent of the company to SAS, the Scandinavian airline.

The resignation of Mr Horacio Domingorena has been officially accepted by President Raul Alfonsin. He will be succeeded by Mr Eduardo Gonzalez del Solar.

The resignation came after almost a week of flurried activity over the future of Aerolineas.

The deal with SAS was

announced last Thursday.

Under the terms of the deal, SAS will take a 40 per cent share in Aerolineas for \$204m, with \$100m of that being paid in "new money" - not debt-equity swaps - once the deal has been approved by Congress (Argentina's parliament).

Mr Domingorena has made it clear for some time that he was unhappy with the proposed sale for what he has publicly claimed to be considerably less than the officially announced figure.

He says the actual deal gives

Aerolineas \$156m for the 40 per cent stake, of which he claims no more than \$60m will be handed over if Congress approves the deal.

Of that, he says only \$20m will be cash; he has suggested that the other \$40m will be through Argentine government bonds deposited in a US bank.

Mr Domingorena suggests that he has been excluded from all stages of the negotiations except for the original letter of intent, which was signed between the two sides in February this year.

He disclaims responsibility

for the finally agreed terms of the deal, which he suggests are far below the market value of the total assets of Aerolineas.

However, his version of events is vociferously denied by both the Argentine Government - which appointed him president of Aerolineas in December 1983 - and Morgan Guaranty bank, which handled the negotiations on behalf of SAS.

The new president of Aerolineas has served on the board of the company for almost a year.

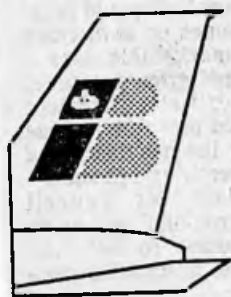
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Iberia spreads its wings



Hot on the tail of the proposed SAS deal with Aerolíneas Argentinas, the Spanish national carrier Iberia has received an offer to take a 49 per cent stake in the Uruguayan state airline Pluna. Unless Iberia spreads its wings wider, its profitable Latin American market may be under siege.

A flying leap

■ Was Horacio Domingorena pushed or did he go of his own accord? Like much of the confusion surrounding the deal between SAS and Aerolineas Argentinas, the state-owned airline, it depends on whom you listen to.

The only certainty in the affair is that, last week, Domingorena was president of Aerolineas and today he is not.

Domingorena says he presented his resignation to Argentina's president Raul Alfonsin yesterday. According to Rodolfo Terragno, Minister of Public Works, however, Domingorena was sacked last Friday after sounding off about the terms of the deal.

Domingorena and Terragno, the minister responsible for privatisation, have not exactly seen eye to eye on the matter. Domingorena, a former Education Minister in the last democratic government and a close friend of president Alfonsin, is no enemy of privatisation. But he had serious doubts about the SAS deal which he dismissed as a cheap sell-off.

Terragno has his own reasons for pushing the deal through. Aerolineas is not just the national flag-carrier; it also carries the flag for President Alfonsin's privatisation programme.

According to Terragno, SAS will pay \$100m in cash for their share in Aerolineas. Domingorena says the actual price agreed is \$156m of which only \$20m will be real honest-to-goodness loot. The rest will come from juggling Argentine government-issued paper.

Domingorena was excluded from all stages of the negotiations after being asked to sign the original letter of intent. So out of touch was he with the pace of events that on August 11, the day the deal was announced, he discouraged the suggestion that a date

was imminent for the finalisation of the deal.

The deal, which still has to go through Congress, is full of little mysteries. Why were the Scandinavian embassies in Buenos Aires totally excluded from all stages of the talks? Why does the Argentine government think that Copenhagen is a suitable hub airport for Argentines, most of whom head for Italy or Spain?

Finally, why has Domingorena, at the advanced age of 70, chosen to resign rather than stay on in a reasonably comfortable sinecure? According to some who have no particular reason to like him, there is a solution to that conundrum. He may just be one of those people in Argentine politics who occasionally puts principle before party or profit.

Soviet Union still biggest arms supplier

By Robert Taylor in Stockholm

THE Soviet Union remains the world's leading arms supplier to the Third World and there is no evidence that Soviet arms trade strategy has been systematically re-evaluated since Mr Mikhail Gorbachev came to power, according to the Stockholm-based International Peace Research Institute (Sipri).

The Institute's 1988 report on world armaments and disarmament published yesterday says that last year the Soviet Union exported \$9.6bn (£5.6bn) of arms to Third World countries, mainly to India, Iraq, Syria and Angola. This compares with the US, the second biggest arms supplier, which exported \$5.8bn-worth of arms to developing nations.

Sipri estimates that the Soviet Union has a 39 per cent share of the Third World arms market and it believes that

"Kremlin policy-makers" are continuing to use arms sales as a "major policy-tool and principal hard-currency earner."

The report argues that glasnost has not illuminated Moscow's arms sale decision-making process, which remains almost completely unknown outside the country. Nor has the Soviet Union been any more forthcoming with information about their arms exports.

Very little is known about internal debates within the Soviet Union on specific arms transfers since the Khrushchev era. But the Institute believes that the country is going to lose clients and influence in the future unless it can develop newer and better weapon systems for export.

The year book maintains that the traditional low-cost

advantage of Soviet arms to Third World countries, is a dwindling asset as Third World governments "are willing to pay for superior Western hardware". It points out that India, Iraq and Peru are reducing their Soviet purchases and buying elsewhere.

Sipri calculates that last year world arms sales totalled \$35.1bn at 1985 constant prices, compared with \$32.3bn in 1986. After the Soviet Union and the US, the main arms exporters were France, Britain, West Germany and China. Biggest arms importer was India (\$5.2bn in 1987), followed by Iraq, Egypt, Saudi Arabia, Israel and Japan.

The report also highlights the rising importance of smaller arms dealers, who are entering the international market. Mr Walther Stütze, the

Institute's director, says that Israel, Brazil, Chile, Argentina, Singapore, South Korea and South Africa are now particularly active as arms exporters.

The Institute says what it calls the "grey and black markets" in the arms trade are also growing. It estimates that sales worth \$2bn a year are being made in the "grey market", which includes "officially approved exports from governments" which are sent by covert or unacknowledged means to customers.

It considers these kinds of deals to be a bigger threat than the black market in arms which the big dealers prefer to avoid because the profits involved are not worth the risks that need to be taken.

The Institute concludes that the arms trade patterns of the 1960s and 1970s, where a hand-

ful of industrialised countries – the Soviet Union, the US, Britain and France – dominated the market "may have been a brief interlude in the history of international relations".

It argues: "The political factors that dominated the arms trade in the recent past are yielding to market forces. As this happens, the arms trade is returning to its patterns prior to the Second World War where the trade in military equipment was not dramatically different from the trade in many other industrial products." It warns that the greater unpredictability, as well as the proliferation in arms suppliers, is likely to create a much more anarchic market place, with added problems for efforts at arms control and arms trade embargoes.

Press Cuttings

from Broad Street Associates

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ARGENTINA: President of Areolineas Argentinas, the state-owned airline, resigned in protest over plans to sell 40 per cent of the concern to Scandinavian airline SAS.

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Falklands film deal off

An attempted agreement between the BBC and the Cannon cinema group to distribute *Tumbledown*, the controversial film about the Falklands conflict, collapsed yesterday after three actors with minor speaking parts withheld their consent. The agreement, understood to be worth £1 million, would have made *Tumbledown* the first BBC television film to be shown in cinemas in Britain and abroad.

Three actors thwart £1m BBC sale of Tumbledown film

By Jane Thynne, Media Correspondent

A MILLION-POUND deal between the BBC and the Cannon cinema group to distribute the Falklands film *Tumbledown* has collapsed after three actors with minor speaking parts in the 55-member cast withheld their consent because they were dissatisfied with their fees.

The deal with Cannon would have made *Tumbledown* the first BBC television film to be shown in cinemas in Britain and abroad.

But yesterday the BBC said that the three actors, who would have been paid two and a half times their original fee, had refused to co-operate and Cannon had withdrawn its offer.

Attempts to negotiate with other distributors are likely to fail for the same reason.

All members of the Musicians' Union involved in the film—the BBC entry for this year's Prix Italia—and all other actors had given their permission for the sale to go ahead.

A spokesman for BBC Enterprises said: "It is a great disappointment that this deal should fall down on such a small point. But under the current system, if even one actor says no, the agreement cannot go ahead."

The collapse of the deal is the biggest instance yet of difficulties over repeat payments for actors, which the BBC says is preventing it from reaping millions of pounds from its archives.

Mr Michael Checkland, director-general, told the Monopolies and Mergers Commission inquiry into restrictive practices in television that repeats or theatrical distribution of 500,000 cans of film and 150,000 videos in the archives were hindered by

the current arrangements with the actors' union Equity.

The union insists that programmes can be repeated only twice within two years without renegotiation. Satellite and film sales also have to be renegotiated.

The BBC is keen to increase revenue through releasing other films for cinema and satellite distribution, but is seeking an "all rights" buy-out formula, whereby actors agree to all repeats and sales to other media in return for a share of the royalties. At present actors are paid on a percentage basis of their original fee.

Mr Peter Plouviez, Equity general secretary, accused Mr Checkland of "whingeing to the Monopolies Commission without doing anything concrete to simplify agreements".

He said the union had recommended the *Tumbledown* deal to all its members, although he stood by the right of the three actors to withhold their consent.

Mr Plouviez added: "We will always defend individual consultation on past programmes and would never agree to give the BBC rights to unlimited use of material, partly because it prevents actors sitting at home out of work watching their past work being endlessly repeated as cheap filler material on TV."

Argentine Airline Chief Resigns to Protest Sale

United Press International

BUENOS AIRES — The president of Aerolineas Argentinas resigned Wednesday to protest the proposed sale of 40 percent of the stock in the state-run carrier to Scandinavian Airlines Systems.

In a second rumble of dissent with the SAS proposal, a rival consortium composed of Swissair, Alitalia and Argentine investors announced they were willing to purchase as much as 100 percent of the stock in Aerolineas Argentinas and outbid the Scandinavian company.

Horacio Domingorena, who initially accepted the SAS purchase in principle, resigned as president of the Argentine carrier on Wednesday in protest.

Mr. Domingorena, a 68-year-old lawyer, had in recent days criticized the deal with SAS as an "assault on national patrimony" and should have been open to competitive bidding.

SAS offered \$204 million for 40 percent of the stock in Aerolineas Argentinas. It would build a first-class hotel in Buenos Aires as part of the deal. Argentina's congress must approve the deal before it takes effect. The proposal has been endorsed by the public works minister, Rodolfo Terragno, who has jurisdiction over state enterprises.

Enrique Pascarmona, an Argentine industrialist and vice president of Austral Airlines, said he is leading a consortium of Argentine investors, Alitalia and Swissair that can "beat the SAS offer."

He said his investment group combined "the efficiency of the Swiss with the imagination of the Italians" and was willing to purchase 100 percent of Aerolineas Argentinas, with the two foreign companies keeping 45 percent of the stock while Argentine investors, possibly in combination with the Argentine government, keeping 55 percent.

Furthermore, he said, his investment group proposed that a law now assigning Aerolineas Argentinas 50 percent of the domestic flights be repealed to provide more competition.

"They should have had a bid instead of negotiating with a single partner," Mr. Pascarmona said. "Argentina is the only country in the world that has conducted a deal of this type without a bid."

He said 40 percent of Argentina's international travel is directed at Italy.

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Press Cuttings

from Broad Street Associates **THE GUARDIAN**

Antarctic clean-up

The National Science Foundation says it is working to clean up its operations in Antarctica, where an environmental group says the federal agency's research bases are severely polluting the frigid environment. — AP.

DAILY TELEGRAPH

18. 8. 88

OBITUARY

J Pitaluga

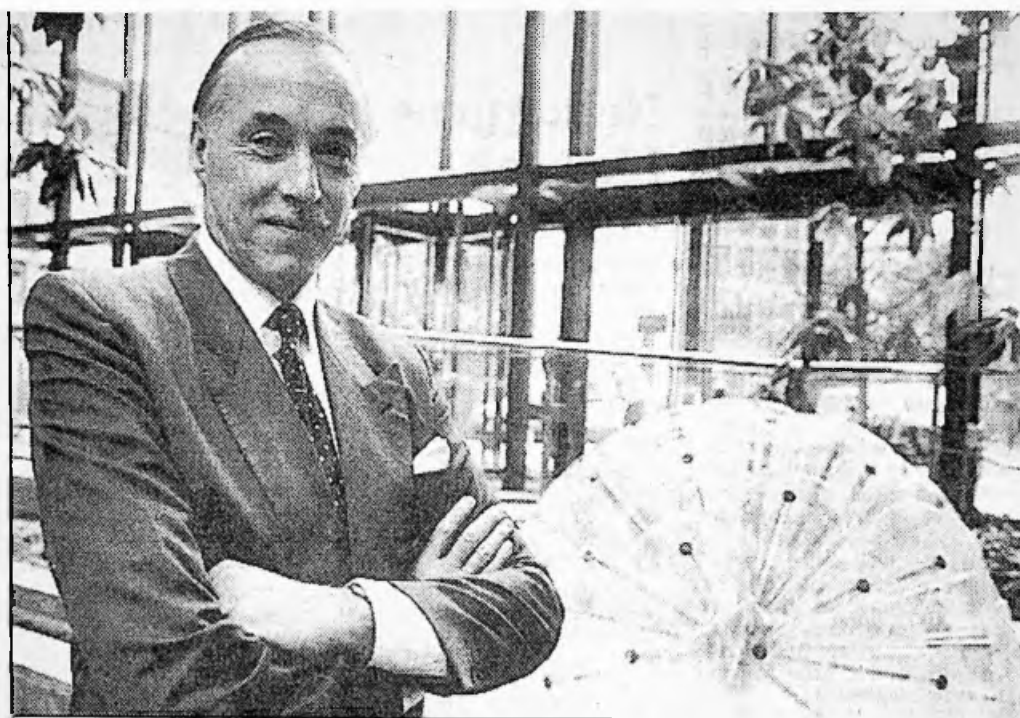
JOSEPH Pitaluga, the long-serving administrative secretary of the Gibraltar government who has died aged 57, was a close confidant of the former Chief Minister Sir Joshua Hassan and for the last 20 years drafted most of Gibraltar's policies.

Pitaluga was responsible for the public relations exercise to counter the vituperative Franco campaign against British rule. One of his last tasks before retiring in 1985 was to write a definitive report on tourism, crucial to the future of the Rock. He attended most of the important meetings between the Spanish and British governments held in New York, Brussels, Lisbon, Madrid or Strasbourg. Ministers came and went, but Pitaluga was the constant factor.

Joseph Pitaluga was born in 1931 and educated at Gibraltar Grammar School and St John's College, Oxford.

On his retirement he was appointed adviser on foreign affairs to the Gibraltar government. Deciding that local politics were excessively polarised he formed the left-of-centre Independent Democratic party and contested the elections held in March, but his party failed to win a single seat.

He was appointed CBE. He is survived by his wife Lillian and five children.



Ready to take the reins: Rodney Galpin, future chairman of Standard Chartered

Standard bounces back with £156m

By Jason Nissé

STANDARD Chartered, long the sick man of the banking sector, surprised the City yesterday with better than expected first-half profits of £156m and a further delay to its anticipated rights issue.

Sir Peter Graham, who hands over the chairmanship to Rodney Galpin in two months, gave no clues to the timing of the issue but admitted he had not asked any of his three major shareholders—the famous “white squires” who saved Standard from the clutches of Lloyds Bank two years ago—whether they would support the cash call.

Sir Peter hinted the call would be in the region of £300m, £50m less than many estimate as the amount needed to bring Standard up to its stated target equity to assets ratio of 5 p.c.

“The issue will bring our ratios back to reasonable levels,” said Sir Peter. “But we will not come up to 5 p.c. in one bound.”

Opinion is that the timing of the issue depends as much on the

internal problems in Robert Holmes à Court’s Bell Group as anything.

Mr Holmes à Court, along with other “white squires” Hongkong financier Sir Yue-Kong Pao and Malaysian businessman Tan Sri Khoo Teck Puat, now controls about a third of Standard’s equity. His 15 p.c. stake is held by Bell which has been all but taken over by Alan Bond’s Bond Corporation.

Last week, a Bond spokesman was reported as saying the Standard stake would be sold, but Sir Peter said he had spoken to a senior representative of the Bond Corporation who told him there was no intention to sell the stake.

Standard’s profits were 48 p.c. above last year’s, struck before an exceptional charge of £329m for extra third world and South African debt provisions. Predictions for the full year have been raised to £310m.

“In their own minds, the figures were very good,” said Julian Robbins at Barclays de

Zoete Wedd. “So they may be able to come out with a bigger rights issue.”

Much of the improvement came from Standard’s better bad debt record. Specialist debt recovery teams have enabled the bank to write back £17m of provisions.

The bad debt write-backs helped the Asia Pacific region, on which Standard is pinning much of its future hopes, to increase profits 43 p.c. to £53.5m. Britain contributed £68.1m, up 45 p.c., thanks to good result in foreign exchange and a record performance at Standard Trust.

African profits fell because of currency instability, Europe was back in the black, but the Middle East & South Asia slipped to a £1.3m loss due to poor trading conditions.

Earnings per share were 61.2p against a loss of 179p and the maintained interim dividend of 12.5p continues the historically high payout record. The shares rose 15p to 507p.

Gulf war ceasefire

UN gives £20m starter for monitoring mission

New York (AP) — The United Nations approved funding yesterday for the first three months of the mission to monitor a ceasefire in the Gulf War.

On a request by Señor Javier Pérez de Cuéllar, the Secretary-General, the world body convened its 159-member General Assembly and referred his funding request to its budget committee.

Hours later, the committee decided, without a vote, to approve \$35.7 million (£20.8 million) for the first three months of the ceasefire monitoring operation involving 1,300 personnel.

The committee asked the Secretary-General to report back by October 1 on the first phase of the operation and its costs.

A UN report said the assembly should assess its members \$75.6 million to pay for six months' of the monitoring task. The General Assembly is to meet Wednesday to adopt the budget.

A group of 73 UN observers arrived in Baghdad yesterday, the official Iraqi news agency said. The agency, monitored in Cyprus, said the group joined a small number of UN officials who arrived last week.

A similar number of observers arrived simultaneously in Tehran, said a UN peacekeeping official.

The head of the force, General Slavko Jovic of Yugoslavia, left Belgrade yesterday and was expected to arrive in Baghdad today. He will travel to Tehran tomorrow, said a

UN spokesman. About 350 members of the Iran-Iraq observation group will be unarmed military observers, 615 will be military personnel, and about 350 will be civilian staff.

The US Defence Department said it had started flying Canadian troops and their equipment and supplies to the Middle East for service in the observer group. No US aircraft will fly to Iran, according to the department.

The warring countries are to begin direct peace talks on August 25 in Geneva, with

Rome (AP) — An Italian frigate sailed out of the Gulf yesterday, reducing the task force from three frigates to two, a Naval Ministry spokesman said. The frigate Aliseo left the Gulf with the task force commander on board. Italy said the entire fleet might be withdrawn if the situation returns to normal.

Señor Perez de Cuellar mediating. Preparations are also under way for the first UN naval force, which would patrol the disputed Shatt al-Arab waterway, the area where the war broke out in September, 1980.

The US, already in arrears with its annual donation, was assessed \$10.9 million of the three-month total, but Washington wants Arab nations and Japan to donate extra funds to the force, since they are among the large beneficiaries of peace in the region. Japan buys most of its oil there.

In April, Japan pledged \$20

million to the UN for peace-keeping forces, half to be used in the Gulf and half in Afghanistan.

The nations contributing officers to monitor the ceasefire are Argentina, Australia, Austria, Bangladesh, Canada, Denmark, Finland, Ghana, Hungary, Indonesia, India, Ireland, Italy, Kenya, Malaysia, New Zealand, Nigeria, Norway, Poland, Senegal, Sweden, Turkey, Yugoslavia and Zambia.

Meanwhile Iran has expressed fears that Iraq may launch a series of air, sea, and land assaults on Iran before the ceasefire takes effect.

Iran's UN mission confirmed that Mr Mohammad Ja'afar Mahallati, the Iranian Ambassador, would deliver the message from the Iranian foreign minister, Ali-Akbar Velayati, to Perez de Cuellar.

The Islamic Republic News Agency said the cable from Velayati warned there are indications that Baghdad intends to attack before the ceasefire begins on Saturday at 0300 GMT.

IRNA said Velayati told Perez de Cuellar that Iran has heeded the UN's calls for restraint prior to the truce, and asked the secretary-general and Security Council to take immediate steps to prevent Baghdad from jeopardizing the ceasefire.

Iraqi Ambassador Ismat Kittani declined to answer questions upon his arrival at the United Nations for an afternoon meeting with the secretary-general. The meeting was at Kittani's request.

Hanson sells Kidde fire business for £149m

HANSON, the international industrial conglomerate, has sold off the biggest chunk yet of Kidde, the US combine it paid £1.6bn for last November.

Yesterday it announced the \$253.75m (£149.3m) sale of Kidde's fire protection businesses to Pilgrim House Group, the UK electronics group formerly known as RHP. The deal also marks the new-look PHG's first big acquisition since it shed its bearings business last December.

The businesses PHG is acquiring are among the world leaders in the fire protection field, operating especially at the high technology end of the sector in developing systems for aerospace, military and industrial customers.

Michael Harper, who will head the new division, said he saw growth coming especially in the marine business, developing equipment to combat the sort of fires seen aboard the *USS Stark*, hit by an Iraqi missile in the Gulf,

and in the Falklands war.

The deal is being funded by a vendor placing of 24.9 million new PHG shares, subject to shareholders' clawback on a one-for-five basis at 171p. This will raise around £42.6m with the balance coming from cash resources and borrowings. PHG has around £62m in cash after the bearings sale.

Roger Pinnington, PHG chief executive, said the deal was a "once in a generation opportunity" to join the world leaders in specialist fire protection. The

Kidde businesses would complement Gravinier, PHG's existing fire operations in the UK, to give a strong international position.

He said the deal was "an aggressive growth acquisition, but defensive as well".

The deal would dilute earnings per share by up to 6 per cent this year, and put gearing at 64 per cent via the £50m borrowings, but he hoped to make up this ground by the end of next year, partly through acquisitions.

PHG is interested mainly in the high end of the business, and is

prepared to sell the fire extinguishers and sprinklers operations. Analysts estimated that up to £40m of the borrowings could be repaid through asset sales.

Robert Morton of BZW said that the deal showed Hanson was "in a disposal phase", and would have around £1bn net cash at year end. It means that Hanson has recouped nearly \$362bn of the Kidde purchase price.

PHG shed 5p to 185p — still above the placing price offer — while Hanson was 1/2p weaker at 137 1/2p.



Roger Pinnington: "once in a generation opportunity"



The ethics of responsibility

WHEN the chairman and chief executive of South West Water, Keith Court, refused yesterday to resign after his authority had pumped polluted water into 7,000 homes and virtually wiped out the fish stocks of two rivers, he was following in a firm and dishonourable modern tradition. There had been, said Mr Court, "lamentable failures, errors and incompetence down the line", but he appears to believe that these are not his fault. They are not, but there is a difference between fault and responsibility, which has been sadly blurred in recent practice.

We have come to expect that when a large organisation damages the interests of society, the people at the top will maintain that it had nothing to do with them. In a technical sense they may well be right, though not, perhaps, always. But when things go well, the people at the top of large organisations are happy to take the credit for things for which they have no personal responsibility. It is quite right and reasonable to expect them to take some of the blame when things go disastrously wrong. When a company, or state-owned enterprise, makes mistakes which kill people, or wreck portions of the environment, the men and women at the top should resign, because their organisations have damaged the society within which they work. And a refusal to resign, a determination to take the narrowly legalistic view of responsibilities when it suits, is also damaging to society, and in the long run more damaging than the original accident. It denies the network of obligation in which even our unintended actions and their consequences are snared. Real life and real morality cannot be

reduced to the lines on an organisational chart. The appointment of a managing director for London Transport will not mean that his superiors have no responsibility for what his subordinates do or omit to do.

Personal responsibility does not disappear because it is complicated and difficult to define. Still less does the fact of responsibility disappear simply because we find it more convenient to live for the most part as if our fellows were merely parts of a machine, silent and effective as a silicon chip.

Almost the last people to live up to civilised standards of responsibility in this country were Lord Carrington and his junior ministers at the time of the Falklands War. Their organisation had failed; they were not personally to blame; they were still right to resign. In a similar fashion, the head of the French railway system resigned last week after the second crash this year of a train which ran past the buffers. There is no suggestion that the head of such an enormous organisation could or should be personally concerned with the running of individual suburban trains. But people may be morally responsible for things for which they cannot reasonably be expected to foresee.

One of the important things about such a gesture is that it is made in public. The people at the heads of large organisations are actors on the public stage and their gestures have a resonance outside their own organisations, though they are important within them too: morale at London Underground can hardly be helped by the spectacle of the people at the top trying to prove that they were only issuing orders.

Latin Debt Woe Grows on Oil, Rate Factors

By PETER TRUELL

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Rising interest rates and falling oil prices are adding to Latin America's economic difficulties and are hurting much of the region's ability to continue fully servicing its bank debt.

Meanwhile, coming changes of government in the U.S. and big Latin American debtor countries—Argentina, Brazil, Mexico and Venezuela—mean that currently there is a leadership vacuum for handling international debt problems.

Most oil prices have dropped more than \$4 a barrel in the past year, with Mexican crude now selling for about \$12.50 a barrel, down from \$16.50 a barrel a year ago, according to a spokeswoman for Pemex, the Mexican state oil company.

For Mexico that cuts about \$2.8 billion from export revenue. Similar price falls for Venezuelan oil have cut that nation's export revenue by about \$2.6 billion.

Added Payments

Meanwhile, the recent steep rise in the London interbank offered rate—the rate most Latin American countries pay on their foreign debt—threatens to add about \$6.6 billion a year to the region's interest payments on its estimated \$330 billion foreign bank debt.

The so-called Libor rate for six-month money is now 9% annually, up from 7% in late February, and the three-month rate has risen to 8½% from 6½% during that period.

Indeed, six years after the Latin American debt crisis broke when Mexico ran out of money in August 1982, economic growth and rates of investment in most of these nations remain low despite some determined attempts at economic change, particularly in Mexico and more recently in Brazil.

Changes in Washington

Meanwhile, in Washington, U.S. Treasury Secretary James A. Baker and Federal Reserve Board Chairman Paul A. Volcker, architects of the present flagging international debt strategy, both have stepped

down. That strategy called for industrial nations, international agencies and banks to continue lending to debtor countries in return for economic overhaul.

And with the U.S. presidential elections in November, many creditors and debtors are waiting for a new—or renewed—approach to Latin America's problems of heavy foreign debt and lack of investment.

In the debtor countries, there also are important political changes in the offing. Venezuela, Argentina and Brazil will hold presidential elections within the next 15 months. Mexico's new president, Carlos Salinas de Gortari, takes office in December, and a new president in Ecuador is trying to frame a new economic strategy for that hard-pressed country.

Investment Rates Drop

"Rates of investment haven't recovered. They're the key to sustained export growth," says Albert Fishlow, professor of economics at the University of California, Berkeley. Quoting International Monetary Fund statistics, Mr. Fishlow says that in Latin America, investment is running at an annual average rate of 17% of output of goods and services, down from between 24% and 25% in 1980 and 1981.

The drop is due to the continued outflow of resources, as countries struggle to service their foreign debt, Mr. Fishlow says, and isn't the result of a fall in domestic savings rates. Bankers say it also is due to heavy domestic debt servicing commitments.

Venezuelan officials, complaining of oil price declines, last week visited Washington and New York to try to find new funds to help make debt payments falling due later this year. Argentina, trying to implement economic changes, is about \$1 billion behind in interest payments on its foreign bank debt, and probably won't start negotiating with its bank creditors until the end of this month, one senior banker said.

Some Positive Signs

But many bankers and government officials reject gloom about the international debt outlook. Although they concede a lack of leadership in the U.S. and in some debtor countries, they counter that in the two most important debtor countries—Mexico and Brazil—there have been substantial economic changes, and that Mexico has had considerable success in building non-oil exports, to reduce reliance on a single commodity.

Argentine Airline Chief Plans to Quit Over SAS Pact

BUENOS AIRES—The head of Argentina's state airline said he plans to resign over a merger accord with Scandinavian Airlines System, saying that the agreement will fail.

Horacio Domingorena, chief of Aerolineas Argentinas, said the government should have asked for tenders for shares in the Argentine carrier instead of directly approaching SAS.

Mr. Domingorena said he planned to hand in his resignation to President Raul Alfonsin yesterday. "I see [Mr.] Alfonsin totally committed to this [accord], and that's dangerous," he said, adding: "It's not going to work out."

SAS and Aerolineas Argentinas signed an agreement last Thursday under which

SAS will buy 40% of the Argentine carrier's shares for \$204 million. The Argentine government will keep 51%, and 9% will be sold to company employees.

The accord requires approval from Argentina's Congress and by SAS senior management and board of directors.

In Sweden, an SAS spokesman declined to comment on how Mr. Domingorena's possible departure might affect the planned merger, pointing out that "we're dealing with the Argentinian government, not the airline."

SAS has told Argentina its offer is valid until Dec. 15, the spokesman said. SAS is 50%-owned by the governments of Norway, Sweden and Denmark and 50% privately owned. (Reuter, WSJ)

U.S. Antarctic Bases Called Polluters

WASHINGTON (AP) — National Science Foundation bases in Antarctica are polluting the polar environment in violation of U.S. laws and international agreements, the Environmental Defense Fund said Tuesday.

"The environmental practices of the NSF — the federal agency responsible for U.S. scientific research in Antarctica — would not be permitted anywhere in the United States," the nonprofit, private environmental group said in a report. It cited disposal of untreated sewage in Antarctic waters, open burning and ocean dumping of other wastes and lack of emissions controls on diesel power generators.

A foundation spokesman said that many of the report's findings are true, but he said the scientific agency is taking steps to improve its environmental practices at its four bases.

Debt casts shadow on Latin America polls

Robert Graham reports on the likely electoral
impact of a backlash against austerity.

THE GUEST list at the inauguration last Thursday of Mr Rodrigo Borja, the new Ecuadorean president, read like a Who's Who of Latin America.

This produced near-farce on occasions with Mr George Shultz, the US Secretary of State, consciously side-stepping proximity to Dr Fidel Castro, the Cuban leader, and with President Daniel Ortega of Nicaragua being treated as a tourist until Mr Borja was installed and diplomatic relations were promptly re-established with Nicaragua.

Unfortunately, such incidents tended to grab the limelight, obscuring the significance of the occasion. Not for many years have so many prominent leaders of differing political persuasions gathered together in the same place.

The guests may not have found everyone to their liking. But the meeting marks a new sense of tolerance and a welcome indication that ideological positions are being softened both on the left and right.

There is, however, a more important aspect to the advent of Mr Borja. His election was the first in a series of electoral contests throughout the region, the results of which will in large measure be determined by the track record of governments in dealing with the debt crisis.

Since the onset of the debt crisis, economic issues have

been the principal preoccupation of governments while economic policies (or lack of them) have been the principal cause of popular discontent.

The trend of opinion polls and electoral results in Latin America indicates a substantial popular backlash against austerity policies. This is especially so where governments have been seen to be too closely identified with a combination of the Reagan Administration and the International Monetary Fund.

In Ecuador for instance, the outgoing centre-right government of Mr Leon Febres Cordero saw its popularity heavily eroded by adherence to IMF-imposed economic programmes and what critics called "craven" support for President Reagan's policies.

A more extreme instance is that of Mr Edward Seaga, the Jamaican Prime Minister. He has been an exceptionally loyal US ally, and has relentlessly pursued orthodox austerity policies to cope with declining commodity prices and debt service.

Although he has turned round the economy with considerable success, he is trailing in the opinion polls and seems likely to lose elections, due in November, to his long time rival, Mr Michael Manley. The latter's return is predicted despite the economic chaos



Rodrigo Borja: circumspect
over the economy

and political violence that surrounded his final days in office in 1982.

Discontent over the effects of austerity played a part in the swing against the government in July's presidential elections in Mexico. Similar sentiments in Argentina and Brazil explain in large measure the declining popularity of the Alfonsín and Sarney governments.

The poor track record of the Alfonsín government is the biggest single factor behind the

erosion of support for the ruling Radical Party and the growing confidence of the opposition Peronists who look likely to win next year's presidential elections.

By the same token, opposition groupings in the Big Three countries of the continent - Argentina, Brazil and Mexico - have gained ground by espousing more nationalistic and unconventional economic policies.

Does this mean that a new crop of Latin American regimes which are antagonistic both to the US and to the established views of institutions like the Fund, are about to emerge?

Undoubtedly, governments will be elected on such a ticket. It happened in Ecuador and could happen for the Peronists in Argentina. But this does not necessarily mean the performance of these governments will match their rhetoric.

The room for manoeuvre is limited and a new mood of realism is producing an increasingly common thread in economic policy that embraces an acceptance of a lesser state role, the need to promote exports, the introduction of fiscal reform, and greater stimulus for foreign investment.

Latin American politicians are acutely conscious that Peru, one country which has sought to make a virtue out of restricted debt payments and "heterodox" economic policies,

has proved less than luminary. Indeed, the failure of President Alan García to tackle Peru's economic problems has exposed the dangers of believing in simple nationalistic solutions to the debt crisis. It has also encouraged a conservative backlash which could oust the radical nationalist APRA Party in the 1990 presidential elections.

All these events are carefully monitored and commented upon within Latin America to an unprecedented degree, so that what happens in one country has a much broader influence.

In this climate, it is significant that the new Ecuadorean president has been notably circumspect in outlining his economic strategy. Existing oil exploration contracts with foreign companies will be respected; a new deal will be sought with the country's creditors but not through confrontation; and while disagreeing with aspects of US foreign policy, President Borja wants a proper working relationship.

If this proves the case, and the experience is repeated, it suggests that change in government need not be feared as heralding widely differing policies.

The differences will be of degree and emphasis rather than substance, with the most significant factor being that political parties can democratically alternate in power.

16 AUG 1988

Springtime for Alfonsin brings out the hecklers

Gary Mead looks at Argentina's latest economic austerity plan

WHEN the President of a nation loses his temper and shouts "fascists" at hecklers, the suspicion arises that he is losing his grip. When the rowdies are highly conservative farmers moaning about profits, and the President is Mr Raul Alfonsin, alarm bells start ringing.

Last Saturday, President Alfonsin inaugurated one of Argentina's most important annual social events, the *Rural* agricultural show. The President was roundly hissed and booed, a shock to Argentina's political sentiments comparable only to whistling the Queen at Ascot. 1988's *Rural* will go down in history as the year in which the President became so enraged he forgot to declare the show open.

As Argentina moves towards springtime, or "Primavera", farmers are angry with the latest economic plan, the Primavera plan. Argentine economic plans come in rapid succession, each promising to achieve precisely the same as the one before. Unfortunately, it is rather like watching a crowded London bus go by, the conductor saying: "There's another one behind." There generally is, but all too often that turns out to be useless too.

The Primavera plan has isolated Mr Alfonsin's radicals from almost all sectors of Argentine society, be they old-age pensioners or rich landowners. Argentines today want solutions to an economic crisis, not reminders of how lucky they are to be living in a democratic state. They take that for granted. In five years President Alfonsin has toppled from the crest of populist waves. Now he merely appears crestfallen.

The economy is in a desperate condition. In 1,700 days of

office Mr Alfonsin has supervised an accumulated inflation rate of 51,000 per cent.

On August 4 the Primavera plan was launched as a last-ditch attempt to achieve utterly contradictory aims: to win the 1989 presidential election and to correct the structural deformations in the economy.

The Primavera plan is designed to persuade the International Monetary Fund and foreign commercial banks of Argentina's creditworthiness. The Government wants \$1.2bn (£700m) from the IMF and \$2bn from the banks, in order to service its \$56bn foreign debt.

ON the other hand the plan has to curb monthly inflation of 25 per cent if the radicals are to stand any chance of domestic political success. But, rather like a rowing boat with two oarsmen churning away in opposite directions, the plan promises only to churn a lot of water without movement, and in the process provoke much bad temper.

Its success depends on what confidence it can muster from a nation jaundiced by the failure of similar plans. What foreign creditors care about is seeing some kind of order restored to an economy which threatens to move from chaos into anarchy.

They are not encouraged by the collapse of 77 private banks since 1980, a budget almost one year behind in being presented to Congress, a fiscal deficit of 6.5 per cent of GDP, and a state sector which, officially, annually pays \$2bn in excess of market prices for essential items.

The plan promises to freeze prices, and hopes that trade unions - the most powerful and politicised in Latin America - will restrict wage demands. It juggles with exchange rates in order to get more US dollars into the treasury, and it vaguely promises to cut state spending.

The price freeze, due to last until October, was agreed with the Argentine Industrial Union (UIA), which groups large industrialists. But small and medium-sized businesses are struggling to keep going, after seven months of dramatic price increases for fuel, electricity,

gas and other public utilities.

They point to a 35 per cent drop in sales for July 1988 against 1987. They argue that they are being forced to accept the inflationary consequences of the failure to cut state spending on the inefficient public sector. The cut in VAT from 18 to 15 per cent they regard as derisory. For them a price freeze could spell bankruptcy.

As for public spending, the truth is that the radicals no longer have the political muscle to make the necessary cuts. The Primavera plan proposal to retire 30,000 state employees, and transfer 5,000 state cars from the civil service to the police, is regarded by independent economists as trivial.

Other public sector cuts proposed include cessation of work on Argentina's second nuclear power station and a promise to cut state subsidies and only to pay the debts of state industries. So far, those are paper promises.

Considering the vast mark-ups on retail prices before the plan took effect, trade union leaders feel little interest in curtailing their demands. In the first three days of August, the price of domestically-produced drugs jumped 31 per cent. Basic food items rose between 30 and 70 per cent in the crucial days before the price freeze. At the same time the government increased public utility prices by 30 per cent.

IN the first week of August, inflation was 26.3 per cent. President Alfonsin and his Economy Minister, Mr Juan Sourrouille, have promised it will be down to one digit by the last three months of 1988.

While prices have rocketed, salaries have taken a dive in real terms. When Mr Alfonsin took office in December 1983 the Government-guaranteed minimum salary was \$109 a month. Today it stands at \$68. The purchasing power of wages is now lower than at any time since the radicals took office, registering a drop of 35.5 per cent since December 1983.

The IMF's recommendation for spiralling inflation is austerity. With demand for labour having dropped by 38.6 per cent in July compared with the same month in 1987, Argentines feel they have had enough austerity.

As for farmers, they are particularly cross at what they see as discrimination against their ability to make a sizeable profit in the one good year they have had for some time. The US drought forced grain prices up and Argentine farmers rubbed their hands at the thought of this year's high dollar returns.

But the Primavera plan shocked them. The Government decided to retain its complicated two-tier exchange rate system and force agricultural exports to continue dealing through the lower, commercial rate of exchange. At the same time it now permits industrial exports to operate in the higher, financial rate, for 50 per cent of its exports.

The farmers, who have not lost money but only failed to

make more, see the two-tier exchange rate system as an indirect tax on profits, a tax used to subsidise the state sector which constantly fails to pay its debts, never mind make a profit. They point to such statistics as the state railway system making enough money each year to pay only 60 per cent of its wage bill.

While much of the *Rural* whistling and foot-stamping came from farmers who have little to complain of, a great deal also came from the heart of people who have no confidence in this Government's handling of the economy.

A recent newspaper cartoon summed up their mood. It depicts President Alfonsín shamefacedly unveiling, amidst fanfares and crowds, a new statue, of Mr Sourrouille. In a reference to the promise of one-digit inflation by the end of the year, Mr Sourrouille stares into the distance, his right arm extended, one finger pointing upwards in a universally understood gesture of contempt.



President Raul Alfonsín:
enraged at booing farmers

Press Cuttings

from Broad Street Associates **THE GUARDIAN** 16 AUG 1988

A festival put to rights

REPRESENTATIVES from Argentina, Costa Rica, Spain, Cuba and Mexico, are taking part in New York's Festival Latino begun by Joseph Papp 12 years ago and now the largest Latin cultural event in the US. This year's festival, held throughout this month, has been organised around the theme of human rights — the subjects dealt with, in drama, documentaries and discussions, range from apartheid to Nicaragua. The festival will also present more than 200 hours of Latin American television.

Press Cuttings
from Broad Street Associates



15 AUG 1988

THE DEBT (Argentina)
August 20

The human side of Argentina's involvement in the Falklands War, this is the true story of an Indian boy's life in a remote Andean desert region and his death at the sinking of the *General Belgrano*. Both the Argentine and British film institutes put money into the film.

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SAS dares, but will it win?

Mr Horacio Domingorena, president of Aerolineas Argentinas, yesterday strongly condemned the Argentine government's agreement to sell 40 per cent of the state-owned carrier to Scandinavian Airlines System. The figures given for the deal were "fictitious and incorrect," Mr Domingorena said, and the arrangement "prostituted the principle of privatisation."

A Government appointee, Mr Domingorena claimed that the Scandinavian airline was paying only \$156m (£92m), not the \$204m announced last week, and that it would be putting up only \$20m of a \$60m down-payment in cash. The duty-free shop alone at Buenos Aires' international airport is "worth more than that," he said.

Mr Domingorena's intervention underlines the grave doubts over whether the SAS-Aerolineas deal will actually get off the ground. For SAS, there are disturbing echoes of its unsuccessful effort last year to buy a minority stake in British Caledonian, the troubled UK airline.

Although Aerolineas operates in a peripheral market, SAS is attracted to the Argentine carrier for the same reason it was drawn to BCal: it will help the Scandinavian airline to prosper in a world of "mega-carriers" despite its sparsely populated home base on the Arctic fringe of Europe.

Mr Jan Carlzon, SAS president since 1981, is keen to put into practice this element of his blueprint for survival, minority holdings in partner airlines. He has been thwarted twice so far in Europe, but rivals are imitating his strategy as the pendulum swings away from state ownership of airlines.

British Airways, which frequently cited UK national interest grounds in its fight to thwart SAS's courtship of BCal, has lined up as a suitor for a holding in Air New Zealand - the state carrier for which privatisation plans are due to be announced shortly. Swissair has bought a 4 per cent stake in neighbouring Austrian Airlines, and other candidates for full or partial privatisation include Lan-Chile and Mexican Airlines.

The wide political span of governments now eager to introduce private money into state carriers demonstrates that the question transcends ideology. With airlines facing the expensive task of

replacing ageing fleets, governments are loth to commit huge sums to enterprises which, in good years, make such slender returns. Stock markets do similar sums and put a lower valuation on airlines than do rival carriers looking for a strategic stake.

The prestige of owning the flag carrier, it seems, is no longer worth any price.

SAS's Argentine deal will be a critical test of this argument. Mr Domingorena's challenge to the sums may be the most telling. First Boston, on behalf of Aerolineas, valued the airline at \$650m, whereas Morgan Guaranty for SAS priced it at \$475m. World Bank officials came to a figure of \$525m, although the two sides eventually agreed on \$510m.

Clay Harris and Gary Mead look at opposition to the sale of a minority stake in Argentina's state airline

Mr Domingorena said yesterday that the Argentine side should have been handled by the Argentine National Development Bank. Mr Rodolfo Terragno, Minister for Public Works who is responsible for the deal, said Mr Domingorena should resign if he is not happy.

Mr Terragno argues that since Mr Domingorena signed a letter of intent at the beginning of the year, he should accept the terms. Mr Domingorena says no figures were included in the original letter.

Even before Mr Domingorena's intervention, the deal faced bitter criticism from the Peronist opposition - for which the carrier founded by General Juan Peron in 1950 is a proud national symbol - and from Aerolineas' domestic airline rival. The ruling Radical Party will be confronted with demands for concessions in policy areas far removed from airlines if it hopes to win the necessary approval in Congress.

Political opposition is likely to gather under the emotive banner of *vende patria* - selling the homeland - but just as serious is the feeling that the Government did not give Austral, Argentina's privately-owned domestic carrier, a fair shake in negotiations.

Last month, Cielos del Sur, an influential Argentine business with which Austral has close links, submitted a letter of interest in purchasing a stake in Aerolineas. It obtained the support of Alitalia and Swissair, and a rival bid seemed imminent, for perhaps 55 per cent of Aerolineas. Mr Terragno gave the letter short shrift and continued with the SAS negotiations.

Even more irksome for Austral, which spent seven years in the state sector after a financial rescue in 1980, is the fact that Buenos Aires has shown no signs of deregulating fares or allowing it to compete with Aerolineas internationally.

For SAS, the Argentine deal follows two unsuccessful efforts to forge alliances with European airlines. It has been in and out of merger talks with Belgium's Sabena for more than a year.

Last year, SAS tried to buy a stake in BCal when the financially troubled UK airline was seized with second thoughts about the wisdom of a takeover by the much larger British Airways. BCal was troubled by the depressed post-October price BA was willing to pay.

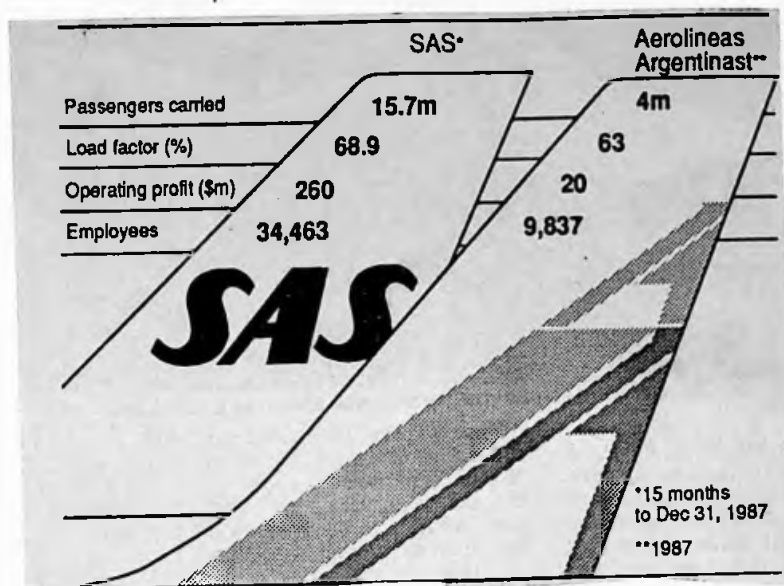
SAS successfully negotiated the Civil Aviation Authority's regulatory obstacle course, but BA's increased £250m bid won the day. SAS turned its attention to co-operation agreements with local carriers on other continents - the Scandinavian airline and its partners would share the long intercontinental routes between "hubs" from which each would operate co-ordinated "spokes" of regional service.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

15 AUG 1988 ②



"Obviously the best arrangement is to fly non-stop," SAS says, "but given that we cannot afford to go to all the places our business passengers want, the hub-and-spoke arrangement offers the shortest overall transportation time." The shorter flying time means that SAS has a better chance of securing a higher ranking in reservation systems - and so is more likely to attract customers.

SAS already has such an agreement with Thai International and is looking for partners in North America. It has also held talks with Qantas about opening up routes in Australia where SAS does not have permission to fly. Additional reporting by Sara Webb in Stockholm

Symptom of a flawed vision

Peter Kellner on a fading emblem of sound public provision

Mrs Thatcher is challenged by the red phone box

Has Margaret Thatcher finally met her match? During the past nine years she has fought and defeated the Labour Party, General Galtieri, the Greater London Council, Francis Pym and Arthur Scargill. Now her brand of politics is being challenged by an enfeebled, 52-year-old enemy she may never have realised she had: the red telephone box.

It is not that Sir Giles Gilbert Scott's familiar scarlet creation will revive while Mrs Thatcher expires (though an entertaining August polling question would be to find out which the public would prefer to flourish, given the choice). British Telecom's culling of the kiosks has gone too far for that. It is what they symbolise that threatens to be so potent.

The story so far is simply told. The Scott kiosks first appeared in the mid-1930s. They became instantly recognisable features of the British landscape: solid, harmonious and reassuring. In recent years, however, they have been increasingly vandalised. Cheaper, more robust, glass-free booths have replaced them. No matter that they let in the noise and the rain: privatisation has intensified the search for profit, and profit has demanded the extinction of most red kiosks.

Until recently, their demise has been accompanied by the kind of phlegm with which the British are notorious for applying to disasters they feel they can do

nothing to avoid. Like most people, I have watched the disappearance of the red boxes with apathetic regret. Two years ago, however, the undergrowth started to stir. Architects began complaining. A kiosk in London Zoo's Parrot House became a listed building. Critics of British Telecom started banging their spoons on the table.

Much of the running has been made in right-wing papers, like *The Daily Telegraph*, *The Spectator*, *Times* and *Sunday Times*. Their messages have mixed nostalgia for a more ordered age with enthusiasm for competition. The red kiosks represented dignity, stability, civilisation: BT's current offerings betoken a shabby, ephemeral philistinism: thank God for BT's rival, Mercury, which has attempted to restore style to telephone boxes with its new offerings at Waterloo Station.

It would be a pity if the battle of the kiosks were to be confined to consenting conservatives, with the rest of us catching a glimpse only when a stray shot lands in Pseudo's Corner. Fortunately, there are signs that a second front will be opened. Earlier this month Patrick Wright, one of Anthony Crosland's more astute disciples, discussed the issue in *New Statesman and Society*. Mr Wright quoted the peroration to *The Future of Socialism*, where Mr Crosland called for "statues in the centre of new housing estates, better-designed street-lamps and telephone kiosks". To Mr Wright, "the

old red telephone box became symbolic of endangered ideals of public service. It has become the nostalgic emblem of a social provision which could and should be reliable, uniform and equally available to all."

Mrs Thatcher's critics could do worse than adopt this argument and widen it. This is not because the left could win a nostalgia war with the right, but because it shows a way through one of the fundamental political problems that the left has confronted since Mrs Thatcher came to office: how to defend and promote the cause of public service.

If the Prime Minister's politics have a central, unifying idea, it is an unyielding preference for private over public activity. It shows in her preference for tax cuts over public spending, for private rather than public ownership of the utilities and in her plans to trim the powers of local councils. It shows in her passion for deregulating local bus services and for slim-

ming the size of Whitehall. Since 1979 Mrs Thatcher's constant message has been: "public organisations are grey, bloated, insensitive bureaucracies. Replace them with private, competitive businesses and the customers will be happier."

Politically the two halves of that message have been run together, as if they are unbreakably linked. There is no logical reason why they should be. Both public and private organisations display the full range of efficiency and inefficiency, sensitivity and insensitivity and so on. Honest free-market enthusiasts admit this, but still fight for their cause. To them, private economic activity is superior in its own right. It disperses power from the state; it diminishes the role of

people as citizens and voters and expands their role as consumers and traders. It elevates the satisfaction of private wants, but depresses the utility of public goods.

Many find the free-market philosophy profoundly unattractive; but that is not the point. It is a valid view to hold, and to pursue through a political party. The practical question is: how is that philosophy to be sold to enough voters to win power and then keep it? I doubt whether a brutal condemnation of all public activities on principle would be acceptable to enough people.

A different approach is needed. Voters must be encouraged to feel *dissatisfied* with the public sector. That dissatisfaction may then be harnessed in a

wholly pragmatic way. Once enough of us have been convinced that public provision is bad, it is but a short step to persuading us, instance by instance, that private provision would be better. In that way, broader and more awkward philosophical questions may be sidestepped.

Even Mrs Thatcher's fiercest opponents must concede that she has pursued this strategy with persistence and success. Defenders of public provision still exist, but they are scattered, scarce and impotent. It is not that they lack a rigorous case (ample economic studies can be cited to show how efficiently many public activities are run); it is that they lack a language the public can recognise.

The red telephone kiosk is a symbol that imprints itself on the retina more clearly than any number of cost-benefit analyses. It is an example of flair deployed in the public service for the public good. By the measuring tools of free-market enthusiasts, the death of the kiosk is, literally, a non-event: it played no part in private consumption, therefore it did not count towards our national wealth, therefore its disappearance cannot subtract from that wealth.

To everyone else — that is, to the great majority of us — that is too narrow a definition of wealth. We are enriched by things that economic statistics either ignore or fail to measure fully. One of the most vital tasks of the public sector is to preserve these common assets, and to protect them when they are threatened. Clean air and pure water are two of the most fundamental assets, but there are many others, from high-quality public broadcasting to national parks. In extreme circumstances Mrs Thatcher herself has had to acknowledge the point, such as when the task force reclaimed the Falkland Islands from Argentina, and when the ambulance and other emergency services rescued injured people from Brighton's Grand Hotel after the IRA detonated its bomb there four years ago.

The task for Mrs Thatcher's opponents is to show that the kind of commitment to public service we witnessed then has a wider application. They can pray many monuments in aid. My eldest child is about to start school at our local comprehensive school, Sawston Village College near Cambridge. It was the first of a dozen such schools, the brainchild of Henry Morris, the county's visionary chief education officer from 1922 to 1954.

For Mr Morris, schools should serve not only their pupils, but the whole community. They should stay active in the evenings and at weekends. He called them "village colleges" rather than "schools" to emphasise the point, and appointed "wardens" rather than "head teachers". His ambition, he once wrote, was to lift the school-leaving age to 90. Mr Morris insisted on using the best architects and building materials. On Sawston's front doors he arranged for ornamental wrought iron animals, designed by the consulting architect of the Carnegie Foundation. He imported large marble balls from Italy for the lawn and bought walnut panelling for the adult common room.

Henry Morris's era spanned the period when it was taken for granted that the public sector had a special duty to set high standards for the benefit of all. Examples that spring to mind are the establishment of the BBC, clean air legislation, the creation of the National Health Service, and the application of Parker Morris standards to public housing.

They all required commitment, flair and talent. None would have been produced by an unregulated free market. Nor would Scott's telephone kiosks. Their death is a symbol of the flaw in Mrs Thatcher's vision. It is not the most important such symbol, but — and this is what threatens her — it is possibly the most vivid.

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Press Cuttings
from Broad Street Associates

15 AUG 1988

THE INDEPENDENT





Consul recalled

Buenos Aires (AFP) — The Foreign Ministry said it was ordering its consul in South Africa to return home immediately. Pretoria had threatened to expel him if Argentina did not reconsider a decision to deport the South African consul and three others.

Houston Industries Inc. Seeks to Sell Oil, Gas Properties for \$400 Million

By DIANNA SOLIS

Staff Reporter of THE WALL STREET JOURNAL

HOUSTON—Houston Industries Inc. has hired investment bankers to find a buyer for its oil and gas properties, hoping to snare as much as \$400 million from the sale.

That cash could be applied to the company's \$1.27 billion acquisition of cable-television properties from Rogers Communications Inc., William A. Cropper, Houston Industries' treasurer, said in an interview. The acquisition would make the company, one of the U.S.'s largest utility operators, also one of its largest cable-television operators. The cable purchase is subject to regulatory approval.

But the proposed acquisition by Houston Industries, whose dominant unit is Houston Lighting & Power Inc., set off sparks among consumer groups in Texas because the company's utility unit is expected to file a rate case soon to recover its share of costs in the South Texas Project, a \$5.8 billion nuclear plant. The consumer groups say the company shouldn't be contemplating a large acquisition while seeking a rate increase. The utility unit provided 94% of the parent's profit last year.

Reserves in Greece

Mr. Cropper said Houston Industries retained Goldman, Sachs & Co. two weeks ago to locate prospective buyers for the possible sale of its Primary Fuels Inc. unit. The oil and gas unit posted profit of \$4.5 million in 1987, compared with a \$27.7 million loss in 1986. Its reserves, scattered

from Indonesia to Argentina, from Greece to the Permian Basin of West Texas, consist of about 23 million barrels of oil and the equivalent of roughly 47 million barrels of natural gas.

But some industry officials warn that the market for oil and gas reserves may be glutted. While Houston Industries' expectations from the sale are in line with recent reserve transactions, a large number of other companies also are trying to sell energy reserves.

Profit in Four Years

Mr. Cropper said shareholders can expect profits in about four years from the expanded cable properties. The company's current cable operation, Denver-based Paragon Communications, has had losses of about \$17 million in the two years it has been owned by Houston Industries. The Rogers properties have been unprofitable because of capital depreciation costs from investments from 1979 to 1986 in what is a "state-of-the art" system, Mr. Cropper said.

Nearly 80% of the cable industry provides subscribers with fewer than 36 channels, Mr. Cropper said, while all of the Rogers properties provide more capacity, including two markets where capacity reaches 108 channels. The crown jewel of the acquisition is the San Antonio market, he said, because there is no competition. The new properties would give Houston Industries a combined total of 1.2 million cable subscribers.

SAS to Buy 40% of Argentine Airline for \$204 Million

BUENOS AIRES — Scandinavian Airlines System signed an agreement with Argentina to buy 40% of the state carrier Aerolineas Argentinas for \$204 million.

SAS, which is 50%-owned by the governments of Norway, Sweden and Denmark and 50% privately owned, has been seeking a suitable international partner for two years. In February, Argentina and SAS signed a letter of intent to carry out a feasibility study into SAS's acquisition of a 40% stake in the Argentine airline.

Other European air carriers also have shown interest in the Argentine airline. In

Swissair said it and Alitalia were considering an attempt by an Argentine

businessman to buy into the airline if it were sold.

The accord signed late last week must go to Argentine President Raul Alfonsin and the country's congress for ratification. Government sources said they expect the agreement to be approved before the end of this month.

The sale is part of Mr. Alfonsin's plans to sell state enterprises—particularly unprofitable ones—to private investors. The goal is to reduce the drain on the cash-strapped Treasury and improve services.

Argentina will retain 51% of the airline. The remaining 9% will be sold to employees. (AP-DJ, Reuter)



Globetrotter Maggie lines up another tour

MRS THATCHER, on holiday in Cornwall after a tour of Australia, the Far East and the Middle East, is planning another 12 months of world travel.

And she is pencilling in one part of the globe she has never visited — South America.

Officials have been told to work out a possible tour to take in Brazil and Uruguay. Brazil, which was friendly towards

Britain during the Falklands War, has already extended an invitation.

Chile is another possibility, although Mrs Thatcher could face problems if she criticises its human rights record.

It is likely the tour would also take in the Falklands as a sign to the Argentinians that Britain will not turn its back on the islanders.

Fears grow on Argentine tests

Jeremy Morgan
in Buenos Aires

ARGINENTINA'S drive towards nuclear independence is posing problems for West Germany, and causing concern about growing links with other developing countries.

The Bonn problem centres on 1 kg of plutonium — which can be used to make bombs — lent by West Germany to Argentina in the early 1970s.

It was supplied for research purposes under safeguards administered by the International Atomic Energy Agency in Vienna to stop the spread of nuclear weapons. Argentina now wants to use it to test a nuclear fuel reprocessing plant being built outside the IAEA's safeguard system.

The plant will extract plutonium from nuclear power station waste. Sources here estimate it could produce an annual 20 kg, which would be enough for two "basic bombs" and far more than Argentina will need to boost nuclear power fuel yields.

West Germany, Argentina's biggest overseas supplier of nuclear technology, built the country's first nuclear power station and is now working on the third. Although both projects are covered by IAEA safeguards, critics claim West Germany takes a lax attitude towards the rest of the Argentine nuclear programme.

Bonn does not insist on Argentina putting all its nuclear projects under IAEA rules as a condition for helping it with its

power programme. Critics say Argentina is now building a uranium refining plant outside the safeguards system.

They say Bonn should now take a stand on the plutonium, not least because Argentina is seeking credits to help complete the unfinished third power station.

President Raul Alfonsin repeatedly emphasises that the nuclear programme is for peaceful purposes only, but Argentina is building up an ever-longer list of nuclear export companies. Officials stress that all exports take place under safeguards, but that has not dispelled all doubts.

Algeria is buying a research reactor, and talks have been held with Tunisia. And, although Argentine officials say a pact signed with Colonel Gaddafi's regime in Libya when the opposition Peronists were in power in 1974 is dead, critics warn that it has not been repealed.

Argentina and India, which exploded a bomb in 1974, belong to the Group of Six nations pressing the nuclear superpowers to end the arms race.

President Alfonsin's word that all Argentina's activities are pacific and subject to safeguards in the export sector are not really in doubt, diplomatic sources say, although the sympathies of some nuclear insiders and others are.

Concern focuses on the future — particularly should the Peronists or the armed forces, both of whom back nuclear development as a symbol of national strength, return to power.

Maggie for Rio

MRS Thatcher's plan to pay an official visit to South America next year will make some of our liberals turn pale in the belief that it will be provocative. If the Argentinians are provoked that is their affair. We have offered them olive branches galore since the Falklands War but to no avail. But there is no reason for Argentina's neighbours to be upset. Many of them were doubtless secretly pleased that we taught the aggressor a lesson.

Currently they are likely to welcome British interest in the region if only as an offset to the Americans who have for many years treated them like fiefs. The Prime Minister's main aim will be to open up trade and investment opportunities which we have neglected for too long. The visit should go ahead.

COMMODITIES

By BERNARD HALLORAN

Grim US crop figures may be understated

THE markets had little light to throw on the implications of the crop figures issued by the United States Department of Agriculture last week — Washington's monthly, definitive assessment of the destruction brought by the Midwest drought.

Amid reports that the Soviet Union might be in the world market for up to 2 million tonnes of soyabean meal and perhaps 3m tonnes of maize, the Chicago grain and soyabean complex as a whole surged ahead in early dealings. By the close, though, there had been a generalised retreat.

Certainly, USDA's production estimates make grim reading. As they are based on conditions at the beginning of August, since when there has been little if any improvement in the outlook, they could even be said to understate the true extent of the losses.

In the case of maize, the department is now talking in terms of a harvest of 114m tonnes, compared with its previous estimate of 135m and a harvest last year of 179m. The soya crop looks almost as bad — 40m tonnes this year, down from 52m in 1987 and a previous forecast of 45m. Indeed more bad weather is forecast for the US soya-growing regions.

The relative one bright spot is wheat, the bulk of which had been gathered and stored before the dry weather struck. At 50m tonnes, the department's latest overall wheat crop figure is little changed on previous estimates.

Yet this is still about 7m tonnes down in 1987, reflecting the slump in the late-planted spring wheat crop — now put at about 7.2m tonnes, against almost 15m last season.

What seems to be worrying the market is the picture beyond North America and the level of US stocks. Whatever the prospects for the US soya belt, for example, the outlook elsewhere looks extremely bright. Brazil and Argentina have had good soya crops and the USDA says total overseas production of oilseeds will rise by 6% this year to set a new record of about 153m tonnes.

Similarly, the US maize crop may be heading for a fall of almost 37%, but worldwide coarse grain output will be down by less than a tenth. For wheat, recent improvements in Europe and elsewhere have been such that the total world harvest is likely to be on a par with last year's.

US stocks of grains in particular remain high, with perhaps 34m tonnes of wheat and 100m tonnes or so of maize being carried over into the new season from 1987/88. And if the stocks picture is likely to look very different 12 months from now, a large part of the drawdown can be made good via a government drive to revive production next

year. In fact, a relaxation of Washington's disincentives to grain production, which are a hangover from the years of plenty, is now on the cards.

Yet if the Chicago market is having doubts about the upside potential for prices, there seems little likelihood of any concerted fall from current levels. The complexities of the US regulations governing the release of stocks should impose some kind of market floor.

About a third of the US maize and wheat surplus is tied up in the so-called farmer-owned reserve (FOR). Depending on when it was put there, the maize in the FOR can be released only when prices reach about \$3.15 a bushel, which compares with the September positions closing level of \$2.87 in Chicago on Friday.

The release price for wheat is about \$4.23 a bushel — the equivalent of \$155 a tonne — and compares with a Friday closing price of \$3.79 in Chicago. In Minneapolis, which is the main spring wheat and so the one most responsive to the effects of the drought, prices are posting big premiums on those in Chicago.

Meanwhile, the USDA report offered scant guidance to the market on the effects of the dry weather on this year's US sugar crop. The department simply issued beat and cane as opposed to raw sugar output figures.

The beat harvest — and it is in this area that the drought has taken its toll — was estimated at 25.7m short tons, only a fraction down on last year's 27.9m. The cane outturn was put at 31.1m tons, slightly up

Raw sugar yields from last year's US beat and cane crops were 2.14m and 3.6m tonnes respectively. Certainly, beat's contribution will be much reduced this year because of the way the dry weather has also affected the quality of the crop.

As for cane sugar production, traders warn that extraction rates were exceptionally high last year and that this year's gains in terms of tonnage of cane lifted may not be reflected in raw sugar yields.

Maggie is planning an ice-breaking mission to Brazil

MRS THATCHER has made up her mind to visit South America next year and crack the diplomatic ice surrounding relations with Latin America since the Falklands War.

Six years after the conflict, Downing Street and the Foreign Office believe that passions have cooled sufficiently among Argentina's neighbours for a tour to go ahead.

Degree

Present plans include visits to Brazil, Venezuela and perhaps Uruguay. But a tour would depend on whether the countries involved feel they can handle a potentially dangerous security problem.

The signs are that Mrs Thatcher would get a warm welcome in Brazil. But elsewhere she is bound to face large-scale demonstrations.

Argentina, still smarting under military humiliation, may

By Political Editor

exert enough pressure on its neighbours to stop any trip.

● Mrs Thatcher may be made an honorary fellow by St Catherine's College, Oxford, three years after the university refused to award her an honorary degree.

The rejection of the honour in 1985 by 738 votes to 319 was attributed to Left-wing dons angered by what they saw as cuts in Government funding and to highbrow snobbery which labelled her an anti-intellectual grammar school girl made good.

Among the 45 fellows on St Catherine's governing body are several who feel it is now time to rectify the insult.

Falkland sea link to return

THE 1,700 Falkland Islanders, cut off from all regular communication with South America since the war with Argentina in 1982, are to get a new lifeline to the continent, writes **Hugh O'Shaughnessy**.

A regular shipping service for passengers and cargo between Port Stanley and Montevideo, the capital of Uruguay, will restart later this year, after a gap of nearly 20 years. The Falkland Islands' air link with Argentina was severed at the beginning of the war; their last regular shipping link with the mainland ended in the late 1960s.

The new service will give a further boost to an economy already booming because of the Falkland Government's big receipts from fishing licences. The islanders' new-found wealth makes them the richest community in the Western Hemisphere in terms of average annual income.

The sea link will allow workers to be recruited from the South American mainland rather than being sent out from Britain. It will also considerably reduce the cost of heavy materials such as steel and cement, most of which have to be shipped from the UK.

The fortnightly service, on a small Bahamas-registered ferry provided by a Uruguayan shipping line, will carry up to 12 passengers, and take four days from Port Stanley to Montevideo, and another two to Punta Arenas in Chile.

SAS airline to buy Argentine stake

By Gary Mead in Buenos Aires and Sara Webb in Stockholm

SCANDINAVIAN Airlines System (SAS) has agreed to pay \$204m (£119m) for a 40 per cent shareholding in Aerolineas Argentinas, the Argentine state-owned airline, according to a statement from the Argentine Government.

The agreement, which has to be ratified by the Argentine Parliament, marks the end of almost seven months of see-saw negotiations between the two airlines.

Under the deal, SAS will pay half the purchase price immediately and the balance over 10 years. The Argentine treasury will shoulder part of Aerolineas' borrowings, which are estimated at more than \$1bn.

The statement says the airlines will form a joint company in which the Argentine Government will hold a controlling 51 per cent with 9 per cent

being made available to employees. SAS will not be able to sell or transfer its 40 per cent shareholding.

The new company will have a 12-man board: seven seats will be nominated by the Argentine Government, SAS will have four seats and there is to be a single Aerolineas representative. The Argentine Government will appoint both president and vice-president and seven votes will represent a quorum.

Although Argentina will own just 51 per cent of the new company, it is understood to be demanding almost 70 per cent of its profits. Last year Aerolineas made an operating profit of about \$20m.

The deal also takes into account an agreement to construct a hotel in Buenos Aires and plans to modernise Argen-

tine airport installations.

However, the agreement faces hostility from sections of the Argentine Parliament. Many of the more vociferous deputies and senators in the opposition Peronist party regard Aerolineas as a national symbol of independence and not simply an airline.

If SAS and Aerolineas are to make heavily-subsidised routes profitable, some rationalisation would seem inevitable. That could provide political mileage in the run-up to presidential elections in which the Peronists have begun to scent victory.

Mr Jan Carlzon, SAS chief executive, confirmed yesterday that SAS and Aerolineas had studied possible plans for co-operation and had reached a draft agreement.

SAS, 50 per cent owned by

the governments of Sweden, Denmark and Norway, and 50 per cent privately owned, has emphasised that it wants to concentrate on two key strategies to break away from the limitations of a small domestic customer base.

SAS was defeated in its attempt to buy into British Caledonian last year. It has also held merger talks with Sabena, the Belgian airline. It hopes eventually to reach a co-operation agreement with a big European airline.

The second aim - which is where Aerolineas fits in - is to co-operate with local airlines on other continents. SAS already has an agreement with Thai International, providing link-ups in the Far East. The deal with Aerolineas would open up new routes on the South American continent.

Argentina expels S African consul

By Gary Mead in Buenos Aires

MR DIRK de WET, South African consul to Argentina, has been given 30 days to leave the country.

His expulsion, along with that of three non-diplomatic South African citizens, is in response to his role in organising a public seminar here on southern African affairs.

The South African consulate in Buenos Aires refused to make any comment, saying any response would be notified by Pretoria. It is not expected

that the consulate itself will be formally closed down.

The conference was held last Thursday in one of the most sumptuous Buenos Aires hotels, close to the consulate. Described as the Second Conference on Southern Africa, it had been well advertised in local newspapers from the beginning of August. Almost 150 people attended.

There were three speakers, including Mr Ismail Richards, an MP from the South African

House of Representatives for Coloureds, Mr Gerrit Olivier, described as an expert on international relations, and Mr Bennet Ndlazi. They have been served with expulsion notices, along with Mr de Wet.

Mr Dante Caputo, Argentine Foreign Minister, has proclaimed his ambition to become the next president of the UN General Assembly, in which aim he would depend heavily on the support of black African states.

Ten months left

TO say that talks are the way to solve the Falkland Islands dispute is to unveil the obvious. Yet the United Nations Decolonisation Committee said just that on Thursday, and went on to pat Argentina on the back for promising to comply with the General Assembly's call for negotiations. But what the committee failed to do was offer any fresh ideas on resolving the impasse on sovereignty which has blocked all moves for the past six years.

For it is not just arthritic inflexibility which prevents Britain from meeting Argentina halfway on this issue. At the best of times, sovereignty is not a subject which lends itself to half-and-half compromises, and in this case there is the obstinate fact that the people whose future should be the first concern of the UN have no apparent objection to what the committee called their "special and particular colonial situation". Therefore the committee members should have given some flicker of reaction when Argentina's UN representative reiterated his government's claim to own the islands.

The outlook would look as bleak as ever were it not for the fact that the Director-General of the Argentine Foreign Office told a British journalist a week ago that his country was nonetheless "prepared to sit down and talk about many things, while each party reserves its position" on the issue of sovereignty.

This is an unmistakable olive branch, and there are reasons for hoping that it is already being followed up on the British side, because time is not on our side. The present President of Argentina, Mr Raul Alfonsin, has to call an election by next June at the latest, and the constitution prevents him from standing again. The choice is likely to be between his own Radical Civic Union candidate, and a tough-talking provincial governor representing the Peronists. According to opinion polls, the tide is running in the Peronists' favour, bringing with it the prospect of military men in high places, a moratorium on debt repayment, and a return to the bad old days of a corporatist state. It is hard to see Mrs Thatcher — much less Mr Kinnock — wanting to share a negotiating table with such a regime.

In spite of considerable political skills, Mr Alfonsin has proved unable to tame his country's runaway economy. Until his latest package of reforms earlier this month, the growth rate was zero, the huge state corporations were losing money as fast as ever, and inflation in June was almost back to 400 per cent. If Mr Alfonsin were to conclude that his party was heading for inevitable defeat, and since he personally has nothing left to lose, he might well prove more flexible in negotiation about the Falklands than any of his likely successors.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

13 AUG 1988

SAS to buy Argentine airline stake

Scandinavian Airlines System agreed to pay \$204m (£119m) for a 40 per cent stake in Aerolineas Argentinas, Argentine state-owned airline, after almost seven months of negotiations. Back Page

Argentina sells 40% of airline to Scandinavian

From A Correspondent
Buenos Aires

Scandinavian Airline Systems had agreed to pay \$204 million (£120 million) for 40 per cent of the state-owned Aerolineas Argentinas airline, it was reported yesterday.

The government said that what would be Argentina's largest sale of public assets to date would now go before Congress — and hostile opposition — for final approval.

The terms of agreement contract announced late on Thursday followed seven months of talks between the government and SAS. The Argentine state is to retain 51 per cent ownership and employees will be given the remaining 9 per cent.

Many observers had expected the deal to fail. The

announcement was a publicity coup for Señor Rodolfo Terragno, the Public Works Minister, who last January said the sale would be the first of several aimed at improving efficiency.

Talks between the state telephone company and Spain's Telefónica could seal a similar deal shortly.

The Peronist opposition has already asked why the government did not consider a rival bid by Argentine investors to buy part of the airline.

Aerolineas' fleet numbers 32 aircraft, compared with SAS's 100. The Argentine company's 1987 sales were \$467 million, compared with \$3.4 billion for SAS.

SAS only last year failed in its bid to buy British Caledonian Airlines.

Press Cuttings

from Broad Street Associates **The Daily Telegraph**

13 AUG 1988

Prince to take on Argentinians

IN A MOVE which seems certain to provoke a patriotic backlash, the Prince of Wales is to take the polo field with Argentine players for the first time since the Falklands War.

This follows the decision by Hurlingham Polo Association, governing body of the game, to lift its six-year-old ban on Argentinians appearing in top English tournaments.

The association's 15 stewards, including the Prince's polo manager, Major Ronald Ferguson, voted unanimously to rescind the ban and allow individual clubs to decide for themselves whether to re-admit players from the world's top polo country.

Three of the top four clubs — Cowdray Park, Cirencester Park and Royal Berkshire — have opted to lift the ban unconditionally, and will act as headquarters for several teams fielding Argentine professionals in high-goal tournaments next season. Six Argentinians are expected to be signed up.

However, officers of the Guards Club at Smith's Lawn in Windsor, home of the Prince's Windsor Park team, have been placed in an altogether more awkward position.

The Prince is colonel-in-chief of the Parachute Regiment and colonel of the Welsh Guards, both of which suffered heavily in the Falklands War, a conflict Argentina still considers unresolved. Furthermore, several of the club's players served in the South Atlantic.

Brig Peter Thwaites, the association's chairman, told me yesterday: "The Guards has agreed to accept Argentinians in visiting teams, but not as resident players."

Under this compromise, which is believed to be principally the

work of Lt-Col Richard Watt and Major Ferguson, respectively chairman and deputy chairman of the Guards, the Prince and other members will be spared the embarrassment of close association with the former enemy. They will compete against the Argentinians, both at Smith's Lawn and elsewhere, but they will not play alongside them.

Diplomat expelled

By Cristina Bonasegna in Buenos Aires

ARGENTINA has expelled the South African Consul in Buenos Aires, Mr Dirk de Wet, and three other South African citizens for organising a seminar without Argentine consent.

Argentina broke off high-level diplomatic relations with South Africa in May 1986 over South Africa's apartheid policies and "armed action" against Zambia, Zimbabwe and Botswana.

But consular and commercial relations were maintained.

The Argentine Foreign Ministry stated that Mr Gerritt Olivier, Mr Ismail Richards and Mr Bennet Ndlazi had asked to visit Argentina to meet Consulate staff, but then spoke at a South

African conference held at a hotel in central Buenos Aires on Thursday without official consent.

This, the statement said, "flagrantly transgressed the terms" of their visa.

A Foreign Ministry spokesman said yesterday that the three were known for travelling around the world to lobby for apartheid.

Pretoria denial

● Pretoria said the expulsions are unacceptable and denies discourtesy. A source in Argentina said the decision to cut links with Pretoria in 1986 was criticised at the seminar to which objection was taken. — Reuter

Peace comes dropping slow

Why so many of today's wars take so long to end

IT LOOKS as if they have got peace organised in the Gulf at last, God willing (see page 53), and maybe in Angola too (page 55). The ending of the other three main wars of the 1980s is not quite so sure. A small cloud still hangs over Afghanistan, a big one over Kampuchea, a whole thunderstorm over Central America. The wars of our time not only go on horribly long, they are also fiendishly hard to talk to an end. Why is this? Out of the five peacemakings and attempted peacemakings of 1988, here is what a German pacifologist might call a preliminary hypothesis on the resolution of contemporary conflict.

The easiest wars to end are those fought between nation-states about rational, measurable national interests. In such wars, when one side decides the war isn't serving its interests, it winds it up, goes home, and thinks again. The eighteenth century, on the whole, conducted its wars in this way. When immeasurables get involved—the passions of nationalism or ideology—things get harder, even between nation-states. One side has to be fought pretty close to exhaustion, as in 1918, or knocked clean out, as in 1945.

In these 1980s, the Falklands war had an almost eighteenth-century simplicity. It involved a single question of national interest (who should run those two islands?), no ideology, and not enough Argentine nationalism to keep it going after the fight on the islands was over. The Gulf war has been much tougher to end because it had an abundance of Arab-versus-Persian nationalism and a certain amount of Shia-versus-Sunni Muslim ideology; nevertheless, end it did, when Iran eventually saw the war was serving no recognisable na-

tional interest, and packed it in.

Peacemaking plunges to a deeper level of complexity when one or more of the combatants is not a nation-state but a guerrilla army: when the war is of the sort misnamed civil. This is partly because polite diplomacy does not "recognise" a guerrilla army, as it does the regime whose throat the guerrillas are trying to cut; this adds to the difficulty of getting throat-cutters and throat-cuttees together around a negotiating table. Worse, a guerrilla army is different from a nation-state in not having a national boundary it can fall back behind when things go badly for it. It cannot go home to think again, because it has no home. That is why guerrillas are less open to expedient compromise than nation-states are.

If it's yes, it's bad

Take the four wars with question-marks still hanging over them, and you can rank them in order of increasing insolubility by asking whether (1) they are predominantly guerrilla wars; (2) the guerrillas are fighting for an ideology, not more ordinary things; and (3) there are several separate lots of guerrillas. The more yeses, the darker the prospect.

Angola is probably the peacemakers' best bet because this is now predominantly a war between two nation-states, South Africa and Cuba. It involves only one, not particularly ideological, set of guerrillas. South Africa is willing to leave Angola, and next-door Namibia too, if it can get the Cubans out of southern Africa. Cuba is being briskly told by Mr Mikhail Gorbachev that it has no interest in staying in southern Africa. That leaves Mr Jonas Savimbi's Angolan guerrillas and



the Angolan regime they oppose. Both will presumably continue to get arms from friends abroad. If the regime does not collapse, and goes on shedding the Marxism it once proclaimed, the two lots of Angolans will no doubt eventually strike some power-sharing deal with each other.

The Afghan war too still seems headed for a settlement, even if a bloody one. This war is on the close-down list because it has been kept going by the intervention of an outside power, the Soviet Union, and the outsider is now going home. On the face of it, the rest of the calculation looks awful. Afghanistan is stiff with guerrillas, who all relish cutting communist throats but agree about little else. Yet the deciding factor is almost certainly the Soviet army. When it has gone, the guerrillas will probably run the local communists out of power almost everywhere, and will then sort out their own differences in their own way; and Afghanistan will be back to the nearest Afghans ever get to peace.

Kampuchea looks like Afghanistan, but isn't. The Vietnamese army is pulling out, but that is not as decisive as the Russians' withdrawal from Afghanistan. There will remain a guerrilla war, and the Kampuchean guerrillas do not have the shared anti-communism of the Afghans. The particular snag in Kampuchea is that the international peacemakers seem to agree that power should neither remain in the hands of the Vietnam-backed communist regime nor fall into those of the rival communists of the Khmers Rouges, who between them hold most of the guns. Power should go, say the kindly outsiders, to the democratic guerrillas in the middle, a militarily

puny bunch. Unless the peacemakers are prepared to provide those democrats with the helping army they will need, a peace agreement that works is hard to envisage.

The worst prospect of the four is Central America. Here factors (1), (2) and (3) all apply: Central America is a region of multiple ideological guerrillas. And, unlike the other wars in our list, this one consists of three different fights inside three different countries, one of them proto-Leninist and the other two would-be democracies; with the extra complication that each fight affects the others. This makes it extraordinarily difficult to find a formula that will bring peace to all of them.

The Arias plan made a gallant attempt last year, but now Nicaragua has lurches away from the democratic norms President Arias tried to prescribe. This tempts military right-wingers in El Salvador and Guatemala to overthrow their countries' nascent democracies before the revolutionary tide sweeps over them too; which in turn makes El Salvador's and Guatemala's revolutionaries even more determined to fight their own way into power. If no way is found to hold the centre steady by making Nicaragua's Sandinists become good democrats—whether the way is contra stick or economic carrot—the Central American collapse will continue.

When wars cease to be the calculated pursuit of a rational and limited interest, and become crusades for an unlimited idea, they drag on and on. When they are fought by informal bands of warriors who have neither the security nor the responsibility of statehood, a negotiated end becomes harder still. That is what the world is watching in these late 1980s.

Rolling back the boundaries of the State in Britain

by Stephen Hargrave

EVERY revolution has its ideologue, whispering words of comfort into the leader's ear.

Robespierre had Saint-Just; Lenin had Trotsky and, if we are to believe the sub-text of *Popular Capitalism*, it is John Redwood, 36-year-old Conservative MP for Wokingham, who has been playing Snowball to Mrs Thatcher's Napoleon.

The pigs in Orwell's *Animal Farm* fell out in the end, but all is yet fresh in the farmyard of popular capitalism and it is clear from the start that this book is the work of an enthusiast rather than a serious exposition.

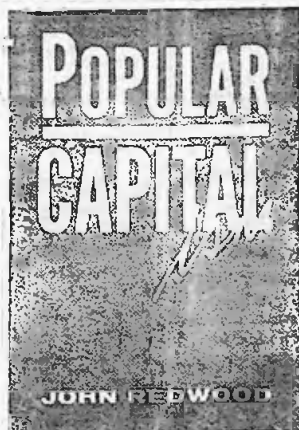
Phenomenon

Redwood's book describes "the biggest international political phenomenon of the 1980s," a "major revolution" which is "sweeping the world". From Alfa Romeo to Volkswagen, entrepreneurs are loosing their fetters.

From Argentina to the USSR freedom is breaking out all over.

He does acknowledge that the first Thatcher administration got off to a slow start, having to spend so much time battling against inflation and the trade unions—with considerable success. It was, Dr Redwood informs us, the "modest economic recovery before the 1983 election" which swung the poll, not "the Falklands saga". So now we know.

If there was a recovery in 1983 it must have escaped the attention of some of us who remember instead a mini-boom induced by a combination of relaxed monetary pol-



icy, the lifting of hire purchase controls and the super-indexation of personal allowances in the Budget shortly before the election.

Confirmed in power, Mrs Thatcher set about freeing the market, disencumbering the state, unburdening the entrepreneur, provoking an outbreak of general rejoicing and also, by happy chance, raising billions of pounds and balancing the Government's books.

The decisive move was the Telecom flotation. It gave the British public a taste for buying a pound coin for 50p which they did not lose until the crash of '87. Even Dr Redwood is surely being less than realistic in viewing sub-

scribers to privatisation issues as committed investors wishing to share in the bracing adventure of equity participation, rather than punters out to turn their money.

But privatisation is not the whole of popular capitalism. Lower taxes are another important aspect of the new economic liberalism. The 1984 Budget virtually abolished capital allowances in business in return for a reduction in corporation tax.

Benefits

"The results," we read, "were startling." They certainly were. Between 1975 and 1979 the UK came sixth out of the seven most highly industrialised nations in the league table of capital investment (gross fixed investment as a proportion of GDP). In 1980-85 we came seventh.

Dr Redwood is not only a politician. He is also a banker, formerly head of the NM Rothschild privatisation unit. His book includes a tract on the benefits of "Financial Technology for Recovery: Rescheduling, Debt Swap and the Rebuilding of the Banking System." Bankers led the developing countries into the debt crisis, we learn, and bankers will lead them out of it.

The radical new ideas spawned by the pinstriped

MP John
Redwood:
preaching
the gospel of
capitalism
for the man
in the street



financial engineers of the current generation do have some things in common with those of the early Seventies—nice fees and trips abroad for merchant bankers, for instance—but in other ways they are highly inventive, particularly of ways to pretend that Third World countries can pay their debts.

For “swap” read “write-off”; for “rebuilding” read “extraordinary debit”.

Dr Redwood writes with the tunnel vision of a convert but also with a convert's relish. For him, popular capitalism is a movement apart from other movements; it is international, a once-for-all change of direction, not a

temporary change of sentiment. It reflects the true aspirations of the people, not the dictates of a few powerful activists.

Perhaps it does; perhaps, like all revolutions, it will stumble once its initial aspirations are fulfilled. Trotsky died with his head broken open by an ice-axe; Saint-Just lost his altogether.

Perhaps, as Dr Redwood asserts, those who try to resist it “will be tossed aside like trees in a hurricane”.

Or perhaps those who have sewn the storm shall reap the whirlwind.

POPULAR CAPITALISM by John Redwood; Routledge, £25. 200 pages, 1987

Amateur islanders

PRIVACY has been called the most expensive of luxuries, and the most difficult to safeguard. It is the reason that the rich surrounded their houses with high walls, and sound-proofed them with dense banks of rhododendrons. It is the reason that the prophets of many religions gave up all worldly temptations to lead a solitary life in the wilderness. Anyone who is forced to co-exist with neighbours knows them to be an unreliable quantity. The children of yesteryear, barely tolerable in their play-school days, grow all too quickly into party-giving, transistor-playing monsters with coloured hair.

It is little surprise, therefore, that when islands come on to the market there is an eager response. The firm of Bell-Ingram has had more than 150 inquiries for an uninhabited island off the west coast of Scotland costing £30,000 for 85 acres and a shepherd's bothy. Nearly as many have expressed interest in a £40,000 group of dots between the Falkland Islands whose only inhabitants are sheep. When the island of Pabay, east of Skye, was put on the market at offers over £150,000, Savills had to send out 1350 sets of brochures and

had a dozen firm offers. It is only after careful thought that life on an island loses some of its more obvious attractions. The Falklands paradise is visited by a supply boat once every three months. One could easily run out of French mustard, or soy sauce. They are small things, but in solitude loom large in the mind.

There is also the ever-present fear of illness, or, possibly worse, toothache. It is feasible, looking at the matter calmly, to contemplate receiving radio instructions to remove one's own appendix. It would take courage of a superhuman order, however, to start pulling out one's own teeth. It is often very difficult to tell which one is hurting.

In preparation for emergencies there is always something that the amateur is liable to forget. Another item reported for sale yesterday was a disused coal mine in Pennsylvania now owned by the Page Avjet Corporation. The price is undisclosed, but the function of the mine is to hold the US Government's strategic stocks of cheese. It is just this sort of unforeseen calamity, running out of Parmesan, or blue Stilton, that keeps the price of islands so low.

Argentina could lead the way out of the impasse

ARGENTINA is trying to indicate to Britain that it is prepared to put the question of the sovereignty of the Falkland Islands to one side for the time being, in order to open the way for direct negotiations aimed at improving ties. Although Britain has so far turned a blind eye to the puffs of smoke emanating from Buenos Aires, on the grounds that it has not formally been notified of any shift in the Argentine position, there are rising hopes in Whitehall that the six-year-long deadlock in relations could soon be broken.

The main obstacle blocking progress during the past two years of indirect talks between the two countries — who have used Americans as intermediaries — has been the question of the sovereignty of the disputed islands. Until now, the Argentines have insisted that any direct negotiations with Britain must include this question. Britain has been equally adamant in saying that it was prepared to discuss any matter directly with the Argentines *except* sovereignty. The first public indication of Argentina's new flexibility came in two long interviews which John Eisenhammer, Latin American specialist of *The Independent*, had with Lucio García Del Solar, director-general of

**From John Eisenhammer
in Buenos Aires and
Nicholas Ashford**

the Argentine Foreign Ministry, at the end of last week.

Mr García Del Solar, who has been instrumental in exploring avenues in the US to bring Britain and Argentina together, said that Buenos Aires was "prepared to sit down (with Britain) and talk about many things while each party reserves its position on sovereignty". He made it clear that Argentina wanted to return to its pre-1982 war position in talks with Britain.

He added: "The only way of doing something useful in certain limited areas is to agree on the question of reserving our respective positions and respecting each other. Once this is set out in legal terms, maybe we can have talks on the problems of the islands and how to find a solution."

Buenos Aires has realised there can be no progress in talks which have sovereignty as a precondition so long as Margaret Thatcher remains in office. A presidential election is also due in nine months' time and President Alfonsín wants to show he has made some progress on the Falklands issue. Argentina now pro-

poses to talk about practical matters, such as reducing tension in the South Atlantic and avoiding depletion of the region's valuable fishery resources.

Mr García Del Solar made it clear that there was no question of Argentina dropping altogether its claim to sovereignty over the Falklands, which it refers to as the Islas Malvinas. "We cannot ever give up our conviction that the islands should come back to Argentina. But the British government should not doubt that President Alfonsín and the Foreign Minister, Dante Caputo, are men of good faith."

It is lack of confidence in Argentine good faith that lies at the root of British caution towards the present signals which are coming from Buenos Aires. Even before the 1982 war, Britain was deeply suspicious of Argentina's negotiating tactics. These suspicions were reinforced in 1984 when secret talks between the two countries in Berne on improving bilateral relations collapsed after the Argentines broke an agreement not to raise the sovereignty issue.

However, Whitehall officials believe that the latest Argentine statements, if formally communicated to London, could provide a way out of the present impasse.

□ IT'S BEEN raining for ever in Penzance. Great gouts of warm Atlantic rain, sluicing down the granite streets, flooding the storm gulleys, and thundering out from iron spouts into the harbour. Families huddle inside fish and chip cafés. Middle-aged couples in anoraks spend long afternoons selecting souvenirs in the Shell Shop.

There's not a lot to do in Penzance on a Saturday night, and this is only Thursday morning. The seawater swimming pool at the Battery Rocks is padlocked. The fair on the front has packed up and gone home. There's Jungle Book on at the pictures, now entering its fourth successful week. There's the Wherrytown Disco if you don't mind dancing with somebody of about six.

A rain-smudged chalk board down by the harbour leads me to Trevor Roberts, ex-docker,

ex-fisherman, and now Penzance entrepreneur, with fingers in fishing trips, bait, chandlery, car parks and yacht broking. "Do they go out fishing in this sort of weather?" I ask him.

"Anything short of a Force

The fair on the front has packed up and gone home

Eight," Trevor says cheerfully. "What's your guts like?"

I'm not too sure what my guts are like, actually, my sea-faring being restricted to the Finsbury Park boating lake. "Take one of these," says Trevor's wife Kate, offering a white pill. Trevor's brother Eddie used to service the life-rafts on ocean liners, and these are the seasick pills they use.

What to wear to sea is next.

They have these great looking yellow oilskins for about £50 in the chandlers. Lots of toggles and zips and pockets. Very hunky. Very Admiral's Cup. So I buy this very close imitation for £6.50 from Trevor's bait shop. It looks exactly the same from a hundred yards, except the pockets fill up with water when it rains.

The first trip is a washout. "I had 14 on this morning," says Dave the skipper, "and seven of them were sick."

ODD MAN OUT

Martyn Harris

The rest of the fishing party climb out when they hear this, but the seasick pill inspires a state of dreamy recklessness and I persuade Dave to take me out for a while. It's gale seven, gusting to gale eight, and half a mile out the shore has vanished and the boat is skipping from one enormous wave to the next.

"Right. That's enough," Dave says firmly, and turns it

around and surfs back into the harbour.

He's 33 years old; heart-throb Cornish beach bum type, with sinewy brown neck and sharp green eyes.

"First time I ever went out," he tells me, "we were surfing like this in an old crabber and heading straight for the harbour wall. The engine won't stop you in this sort of sea, and if you throw out an anchor it'll pull the stern right off the boat. So the skipper tells me to throw out my fisherman's ballock. It's one of those big knots

of rope like a Turk's head and it acts as a brake. But I thought he was joking, and so we ploughed straight into the harbour wall doing 15 knots."

Dave lives in a cottage at Cape Cornwall. "God's own country" he tells me. He worked for a while on the trawlers and beamers out of Newlyn. Five days at sea and a thousand pounds in your pocket in a good week.

We could go for a drink at The Swordfish at Newlyn if I want to meet some real fishermen, he says ... 17- and 18-

year-olds who can't read or write, with £600 in their pockets for a week at sea. "They'd have you across the bar in no time," he says cheerfully.

So we go to the Turk's Head instead, which is very twee according to Dave and is full of arty-crafty types in Breton sweaters. Over nine or 10 glasses of Famous Grouse I dig out that Cornish beach bum Dave was once Sergeant Dave Hamilton of the Royal Signals, who served five tours in North-

ern Ireland, and two in the Falkland Islands, attached to the 2nd Parachute Regiment, and was one of the first 200 ashore at San Carlos Water. He yomped across the Falklands, took a few prisoners; saw a few friends shot.

He found he kept getting nightmares after a while, though he doesn't know what about. His wife told him about them. He saw a psychiatrist for a bit, left the Army, separated from his wife, and found himself pottering about in the farthest corner of Britain, fishing in the summer and building drystone walls in the winter.

He lives with Lucy now, who is a student and a Buddhist.

We ploughed straight into the harbour wall doing 15 knots

and makes pretty buttons for pullovers. They mingle with the whole-earthers and good-lifers of this part of Cornwall, though Dave is still an unreformed drinking and smoking carnivore.

The morning after the Famous Grouse evening it stops raining and the wind drops, so we try some more fishing. The boat is the Sea Breeze, a 50ft "tosher", which means a general-purpose lobster potting, trawling and long-lining vessel, built probably 50 years ago.

We anchor outside Lamorna Cove and start hauling in whitings, the most docile of fish. After an hour or so I catch quite a big pollack which makes the trip worthwhile.

After a few more hours the sea is building up again, and we head back to the harbour. Rain is falling on Penzance once more and the rest of the day yawns empty. "What do you do with yourself in the evenings?" I ask Dave.

"Stay in with Lucy," he says. "Play guitar. Draw a bit. Read books." He's reading a thing called What Maisie Knew Now, by some bloke called Henry James. Pretty good stuff as well. There's not a lot to do in Penzance. But to the nice, sensible Dave Hamilton, that seems fine.

In Peru the novelist Mario Vargas Llosa is begged to stand for President in 1990. It could never happen in Britain, argues **D.J. Taylor**. The book that changed history is a thing of the past

While the pen sleeps

IN AMERICA novelists can run for the Senate, stage fiery disputations with White House apologists or swear that they "won the election for Kennedy." In Nicaragua a bunch of guerilla poets ended up by forming a government. But not here. Think of the British equivalent: A. N. Wilson pilots his controversial bill on church disestablishment through a packed House of Commons. Martin Amis fights a by-election on a No Nukes, End To American Bases ticket. Julian Barnes, as a leader of an impoverished inner-city council, gets surcharged for disregarding government imposed spending limits. None of this seems especially plausible or desirable.

But though an air of genteel quietism has hung lazily over the English novel, there is a long and fairly honourable tradition of writers intervening or interfering in domestic politics. The relationship between writers and politicians has always been deeply uneasy, a fragile dialogue liable to distortion, resentment and cheerful malice. It is said that Macaulay declined to review *Hard Times* on account of its "sullen social-

ism" — that's right, *sullen socialism*, but then it used to be customary to refer to Cubist paintings as "Bolshevist" and even today it is never quite possible to rid Kipling of the tag "Imperialist writer."

The most recent engagement between the pen and the statute book, Lady Antonia Fraser's little dinner for a group of anti-Thatcherite writers, quickly declined into a riot of personal attacks. What did Lady Antonia think she knew about it? What, for that matter, did any pen-pusher think that he or she knew about anything? Yet the gathering au coté de chez Fraser has at least ventilated the musty issue of writers and political commitment. This revolves itself into a number of questions, not so much: why should a writer even bother to have political opinions and presume to prosecute them? (not even a Conservative backbencher could swallow that) but: is it possible, amid the dense and uncompromising chaos that surrounds us, for writers to influence people? If so, how? If not, why not?

On the face of it nothing could be more straightforward.

X the novelist writes a book read by reader Y who after mature reflection allows it to colour his opinion of matter Z. When Upton Sinclair wrote *The Jungle*, his famous exposé of the turn of the century Chicago meat-packing factories, the laws were changed within months. You can just imagine the bureaucratic procrastination, the legal rearguard actions, the closing of ranks on the part of vested interests that would spring neatly into place if, say, someone were to write a novel set in a Suffolk village about the carcinogenic effects of the local power station.

All this leaves aside a much more vital and intrinsic question. What is a "political" text? Well, *Lysistrata* is. And so is Trollope's *The Prime Minister*, and Robert Tressell's *The Ragged-trousered Philanthropist* and Kafka's *The Trial* (Greek drama, drawing-room novel, Edwardian polemic, mittel-europa allegory — they are all "political" books).

One could go further — it is not a particularly original progression — and say that all writing above the level of a railway timetable betrays, consciously or unconsciously, some form of political motivation (anyone unconvinced of this should look at a "Woman's library of love" novelette or the latest paperback blockbuster and note the wide-eyed assumptions about sex and society which it cheerfully conveys). It is strange that one should have to labour this point, but we live at a time when there is no very great agreement as to what a book ought to do. The art for art's sake lobbyist, who still exists here and there like a fly trapped in amber, will tell you

that the real world is simply not worth considering. The post-structuralist will inform you that the significations imposed on life by fiction are arbitrary and therefore valueless. The modernist will explain — and the modernist has got a point — that the world has grown too complex, too discom-bombulated, for the leisured ex-positions of Dickens and Trollope.

Amid this confusion of motive it is odd to have to defend a writer's political commitment, to point out that the novel is essentially a subversive art-form and that the mark of any decent novelist has always been a sharp discontent with the conditions under which he or she laboured. Read the review pages of a Sunday newspaper or one of the right-wing weeklies and note their languid air of complacency, the unspoken assumption that book should consist of drawing-room twitter, gentle mockery, "fine writing" — all the qualities that lend modern English novels their desperate, shabby gloze.

For writers in this country commitment has nearly always been a crankish and hugely embarrassing affair, something callow, furtive and unsuccessful. In the 19th century novelists stood for parliament, their success in inverse proportion of their merit (Disraeli got in, Thackeray and Trollope didn't). Osbert Sitwell tried to perform a backstairs role in the resolution of the 1926 General Strike, subsequently joined Mosley's New Party and got out just in time. Today, asked to name a novelist in whom punditry and some sort of artistic purpose were combined, most people would come up with a name like Kingsley Amis, a joke figure of the right. Peer leftward, in search of something called "socialist fiction", the sort of thing that Arthur Calder-Marshall used to write in the 1930s, and there is nothing much more than a hole in the air.

To be sure, there are writers who might be described as "socialist novelists" — does anyone remember Mervyn Jones who wrote the valiantly titled *Today The Struggle?* — but to the average library habitué they are no more than names.

It's only in soft Western democracies that writers slumber gamely on stretching a hand across the coverlet every so often to sign an Amnesty International petition...

To detect any sign of overt political involvement, involvement which works in that it annoys the power at which it is aimed, you have to look abroad, to J. M. Coetzee and Christopher Hope in South Africa, to Joseph Brodsky, to the samizdat writers of the East. Here political circumstance has tended to dictate unusual and original styles: dense and subtle satires like Iskander's *Sandro Of Chegem* or brisk allegories such as Coetzee's *Foe*.

The books which have marched out of Central and South America in the past 20 years, the tide of literature which the West corrals under the title of "magic realism", are in their way created by political circumstance. If you live in a country whose opposing factions have been at war for the last 50 years, where the immediate past is simply manufactured and there is a gleeful disregard of objective truth, then the chances are that sooner or later there will emerge a novel like **Garcia Marquez's One**

Hundred Years of Solitude which created its own context and fashioned its own truths and contingencies out of myth.

Contemplate the dizzy achievements of the South Africans and the international stature of the Solzhenitsyns and the Voinoviches and it would be fatally easy to assume that political involvement was born of necessity, that it is only in soft Western democracies that writers slumber gamely on, stretching a hand across the coverlet every so often to sign an Amnesty International petition, cranked into consciousness now and again to lobby against library cutbacks.

A glance across the Atlantic soon disproves this theory. After all, America, was where Gore Vidal ran for Congress (he lost, but he got more votes than John Kennedy), where Norman Mailer could stand for the mayoralty of New York (he lost too, but then he was proposing some "existential legislation" which involved, among other things, death by gladiatorial combat for convicted murderers).

Matched against these monstrous, brooding presences the British writer looks puny, out of focus. Americans stand sideways on to the whole intimate United States publicity machine. As Martin Amis once pointed out, if success comes to an American writer it changes his life. If it comes to a British writer he might nervously give up his job or buy a new filing cabinet. And it in no way increases the self-esteem of the British writer if you point this out to him.

Esmé Lightfoot, author of *Advance, On the Margins and Subsidiary Rights*, lurking around the fringes of international writers' conferences, darkly envious of the gentlemen from behind the Iron Curtain, does not want to be told that he is without influence and unread. It is something of which he will already be keenly aware.

But we have not always filled this marginal, left-field position. Fifty years ago English writers basked in a sort of golden age of public interest and political fervour. It was the time of Gollancz's Left Book Club, of cultural paladins, of John Strachey's *Why You Should Be a Socialist*, which sold 300,000 copies in a week in 1938. It was the time when Esmé's grandfather Comrade Lightfoot, a bright young thing turned Spanish volunteer, knew Palme Dutt, joined the Independent Labour party and wrote a book of sub-Orwellian reminiscences called *Tieless In Gaza*.

In the 1930s — a glance at Valentine Cunningham's compendious *Writers and the Thirties* confirms this suspicion — it is possible to believe that the left possessed a constituency of readers and that this, nurtured by Priestley's broadcasts, by Penguin Specials and the availability of cheap polemical literature, went some way towards assisting the Attlee victory of 1945.

So what happened? Why has our own age not produced an Orwell, a Walter Greenwood, a Spender even, or a Patrick Hamilton (check out *Hanover Square*, published in 1941, for a good example of a saloon bar novel about British politics in the run-up to the war)? The explanation lies not in the fact that we inhabit a less political age. Given the radical agenda of the last nine years, given the Falklands, Ireland, the Bomb, could any age be more political than our own? It does not even lie in the organised Left's breathtaking loss of nerve. It lies in the fact that writers have lost the ability to describe and define the society of which they are a part. Always in the English novel, the traditional English novel with its keen eye for social graduations, its trick of "placing" its characters, writers achieved their odd, luxuriant plausibility by appearing to understand how society worked, by anatomising the various interests and forces by which its characters were

Argentine grain exports to fall

ARGENTINE grain shipments may be cut by as much as 500,000 tonnes next year as a result of the drought currently ravaging the country, the International Wheat Council (IWC) says.

Planting of the 1988-89 wheat crop has been jeopardised by a drought which has affected the country's agricultural areas since early March.

Grain analysts expected the harvest to be well below the 9.7 million tonnes produced last year.

Earlier estimates of nearer 10m tonnes — compiled before the drought became a major problem — are likely to be revised by the IWC in a special crop report to be published next week.

Bill Demaria of the IWC confirmed that grain shipments would suffer both as a result of the drought and because Argentina had not carried over stocks from previous years.

"Despite the overall sowing area being up on previous years because of increasingly higher

By Sean Moloney,
Trade Reporter

world wheat prices, last year's export figures of 6m tonnes is unlikely to be reached," he said.

Planting is behind schedule in Argentina's wheat belt and experts say that at least 50 millimetres of rain is needed in the next week to ten days if sowing intentions are to be completed.

● The drought's effect on US grain exports during 1989 will depend on how much US production drops and on how overseas competitors and consumers react to higher prices, the US Department of Agriculture says.

Accepting that this year's grain crop will be drastically reduced, USDA said that exports shipped this year were primarily crops harvested during the 1987-88 crop year and so unaffected by the drought.

The department said that next year's exports would be adversely affected.

Family aims to quit rat race for Falklands



Island dream: Haden and Sandra Lister with two of their children, Kelth, nine, and 15-year-old Clifford

A BUSINESSMAN is planning to start a new life as a farmer ... in the remotest regions of the Falkland islands.

Haden Lister, who says he wants to quit the rat race, is among 40 bidders who've applied to buy the Great Swan Islands, 80 miles from Port Stanley.

He wants to uproot his family and move them thousands of miles away to a lonely outpost in the South Atlantic.

Serious

The nearest neighbour is 30 miles away and supply boats visit just twice a year.

To get to their new home,

Mr Lister, his wife Sandra

and four of their six

children, Tracey, 22, Rachel,

19, Clifford, 15, and Kelth,

15, would face a 17-hour,

500-a-head plane journey.

But Mr Lister, aged 58,

says he is perfectly serious

about the move.

"I'm fed up of the rat race

in this country. There's too

much hassle.

"I just want somewhere quiet for me and my family," he said.

For a £40,000 package currently on offer from the London-based Falklands Islands Company, he would get a three-bedroomed bungalow, 12 islands and 2,500 head of sheep.

Selling

Financing the move would mean selling his pet accessories firm, The Bedding Box, and the family's detached house in

Coventry Road, Dunchurch, near Rugby.

Sandra Lister, 38, said: "Haden has always wanted to live somewhere wild. I don't know quite what to expect really.

"We'll have a look at the place and then decide whether to go ahead definitely."

The family aim to move within six months if they like what they see.

Bryan McGreal, managing director of the Falkland Islands Company, which



GREAT SWAN ISLAND GROUP

Isolated life with a flock of sheep

handles land sales in the colony, said he had received enquiries from Britain, France and America.

He said: "There are two main islands and 10 minor ones, which add up to around 9,000 acres.

Attractive

"It can be a very attractive place to live and farm, but any potential buyer must be aware that it's extremely cut off. It's a move that has to be taken very carefully and seriously."

Watch with Auntie

Accusations of political bias are about as welcome as a dose of Legionnaires' Disease at the BBC. Corporation top brass is not immune to virulent attacks whether from left or right, but has learned to live with them.

'You get battle hardened,' says Peter Rosier, head of the BBC information division which is 205 strong including clerks and secretaries.

Strength of his force might seem large, but is about the same as all regional ITV companies lumped together. Or about the same as those employed in a medium to large commercial PR consultancy.

He has been in the thick of a few skirmishes lately. For instance: criticisms over the Radio Four documentary *My Country Right or Wrong*, the Falklands *Tumbledown* controversy, televising the Mandela concert, and Kate Adie's reporting of the US bombing raids on Libya.

Integrity, fairness and truth are the benchmark where the defence argument is drawn, when he reports to director general, Michael Checkland and the board of governors.

Rosier and his number two, Brian Clifford, are at their desks in Cavendish Square near Broadcasting House with inky fingers by 8.30 am, inky because they have read through all the national newspapers while commuting from home. Even hi-tech press plants still have to find a way of churning out clean newsprint.

'Often we can expect some sort of unpleasant surprise in the nationals,' says Rosier.

Just in case he has missed some nasty little item, BBC library staff cut and photocopy everything from the first editions and the morning shift colleagues compare them with final editions.

Troops in his division include squads handling corporate PR, radio and television publicity and press officers, external (BBC World Radio) services, promotions and picture publicity, a design unit, news and current affairs publicity, press and PR offices in nine regional centres, a shiftwork team which replies to 240,000 letters a year and 1,500 phone calls a week from viewers and listeners, and the BBC staff newspaper *Ariel* distributed to 29,437 employees throughout the UK.

Every new recruit to information division is given a written brief draughted by Rosier which states: 'The broadcasting climate in which ID operates is much harsher than it was. In a relatively brief period the press has become much more hostile towards the BBC as an institution while paradoxically continuing to feed off and praise its programmes.'

'Hostility from the press is significant because newspapers remain the most effective means of promoting broadcasts, editorial space in the press still determines a large proportion of viewers' choices. Fortunately, ID obtains for the BBC twice as much editorial space as ITV, Channel 4 and IRN together manage for their own output.'

It's a love-hate relationship — the PR teams have to continue working with tabloids which unearth scandals about stars or high-profile newsreaders and 'quality' newspapers which hammer home attacks on the BBC in editorials. The division bears it, but doesn't grin.

'It is increasingly important to communicate directly with the licence-payer without the mediation of hostile sections of the press,' says another part of the brief.

Why are there 'hostile sections' of the press? It's all to do with profits, senior BBC figures will say in private. Maxwell, Murdoch and other powerful publishers see the corporation as an obstacle to satellite and cable TV ambitions, they claim.

Ten years ago more than 90% of BBC PR effort was directed towards newspapers and

For the first time the BBC's Information Division agrees to open its doors to a journalist. **Denis Budge** reports on the PR effort behind the biggest television and radio complex in the world.

magazines. Today commercial media receives 70% of ID's attention, promotion, public meetings and exhibitions are targeted for 30% of the exercise. There will be BBC stands, for instance, at every autumn political party conference venue, and 250,000 pamphlets, booklets and information guides were distributed throughout the UK last year.

Bouquets and brickbats

Michael Harrison is in charge of a 14 strong platoon of duty officers who work in shifts from 6am until BBC TV closes down, fielding 1,500 phone calls a week — mostly complaints, he freely admits.

'Listeners and viewers who are satisfied with programmes would not normally bother to tell us so,' he says. They also reply to every single letter from the 240,000 who write to the BBC annually.

The name of the game is accountability: much of the BBC PR effort is devoted to persuading the public that it is getting value for its licence fee. And the most common complaint is when a snooker tournament overruns and a film has to be cancelled. If the snooker is cut short to run the film, sports fans are just as vociferous as movie buffs.

'We had a huge volume of complaints when we cancelled the movie *Easter Parade* because sport was over-running,' says Harrison. Thousands of complaints came in when an actor let rip with a four letter word live on *Wogan*. Reaction to *Tumbledown* was mixed, with half the callers praising the Beeb and others screaming about lack of patriotism. Every single call and letter is logged and feedback given to the Director General and governors.

Inside Television Centre

At 10 am on a Thursday, head of television publicity Keith Samuel is holding his morning conference, surrounded by 11 of his 14 press and publicity officers. He flips through that day's Fleet Street stories about BBC TV stars.

'It's a quick scamper through them,' he explains.

Samuel pauses at an exclusive picture story in *The Sun*. The paper has a snap of Dirty Den from *EastEnders* (actor Leslie Grantham) handcuffed to a prison officer. The fuzzy photo was taken clandestinely while the actors were at Dartmoor making an episode of the soap several weeks ahead of screening.

'Looks like it has been taken by a punter with a Long Tom,' he says wryly. It is the sort of situation that the BBC cannot prevent. Famous actors on outside location are



Samuel: Head of TV Publicity

spotted by fans with sophisticated cameras. Photos are then sold to national tabloids.

Mavis Nicholson joining the BBC has had wide coverage. 'That's a poke in the eye for Michael Grade,' he says with satisfaction. 'How old is she, 57? That shows ageism doesn't exist at the BBC.'

ITV autumn schedules have been leaked. 'It will dilute the impact of their package when officially announced, but it could just as easily have happened to us.'

The Telegraph has a survey about the impact on children who watch violence on TV... 'If you look carefully at the story you can see the survey is based on somewhere obscure in Sweden.'

Another story in the *Independent* says that the Broadcasting Standards Authority is aiming at BBC guidelines on screening sex and violence, he is pleased with that. Interviews the previous day with an actress from *Neighbours* have gone well... 'They loved that.' Again he is pleased.



Broadcasting House

'Does anyone know this new woman who's doing a column for *Today*?' he asks.

'She came from a woman's magazine, she's OK,' remarks a press officer. Samuel nods thoughtfully, he remains to be convinced.

Later Samuel tells *PR Week*: 'We are not afraid of controversy, we would not be doing our job if we were. Those who malign the BBC are not large in number, but they are vociferous. We do not have a lot of enemies, most of our customers are reasonably satisfied. We make a tough benchmark in the quality of our programmes for vested interests who see us standing in the way of possibly making large sums of money.

'We put effort into everything we do. As much goes into to popular programmes such as *Only Fools and Horses* as would be concentrated on televising the *Proms*.'

He makes the BBC seem a hard act to follow.

Just before 1pm Richard Peel, news & current affairs head of PR and publicity, escorts two provincial journalists into the newsroom. Philip Haytor is about to read the news. They stand in a pit behind directors and controllers, the scene resembles the bridge of the *Starship Enterprise*.

Haytor begins his live transmission after a brief warm up.



Rosier: Head of Information Division

'Do you remember that movie called *Network* about a TV newsreader who went mad and started preaching in front of a live camera? Just suppose he did that,' whispers one of the reporters.

Just suppose indeed! And think of the PR exercise required to mop up afterwards.

Later Peel recalls the PR flurry which followed when a pair of lesbian protestors invaded the 6pm live news transmission as the cameras were rolling. Duty newsreader Nicholas Wichell sat on them — it made the front page of all the nationals.

'We had an official statement for them by 6.45 and a massive number of outlets to call back,' he says. Every newsman wanted to know how the lesbians managed to evade BBC security. PR was the Achilles heel — the corporation allows in a large number of tour parties in its image building efforts. Ill-intentioned infiltrators could easily suss out opportunities for a future visit.

Television publicity feeds a comprehensive words and pictures service to nearly 2,000 outlets each week, including interviews with presenters of forthcoming programmes...with big names like Joan Bakewell. The provincial press are eager to accept a free high quality service, as well as thousands of programme summaries annually.

Radio has clout

A lot of airwaves have passed under the bridge since the BBC took as its motto 'Nation shall speak unto nation'. Today, after being in the shade of television, 'the wireless' has discovered new glamour.

'Personalities are keen to get on BBC radio, even though we pay peanuts compared with TV. Radio has clout,' said Sue Lynas, deputy senior publicity officer. She believes Lord Reith would approve of Derek Jameson — and of Dame Edna Everage appearing on *Desert Island Discs*.

Everyone wants to get into the radio act. Edwina Currie has agreed to be interviewed *In the Psychiatrists Chair* by Dr. Anthony Clare...fascinating listening. Sue Lawley takes a mere pittance compared with her reported six figure TV salary to do *Desert Island Discs*.

'Why do you think Jonathan Dimbleby agreed to present *Any Questions*? It is because it's the kind of job no one would turn down,' said Lynas. Esther Rantzen, John Stalker — the list of public figures happy to broadcast for Beeb radio is endless.

Soon the whole nation will be able to receive stereo FM. Next development will be RDS, a system which will enhance radio and will become the 1990s' state of the art radio technology.

'Trouble is everyone takes radio for granted as though it is wallpaper...no, let's not say wallpaper, let's say water,' says Lynas.

BUT WASN'T THE GOVERNMENT PLANNING TO PRIVATISE WATER?

The deputy chief of radio publicity smiled, and chose not to answer.

12 AUG 1988

August 12, 1988

FISHING NEWS



Trainees go 8,000 miles for tickets

TWO trainees who have been serving in the fishery patrol vessels managed for the Falkland Islands Government by J. Marr (Shipping) Ltd. of Hull, recently received awards for successfully passing the seamanship course they travelled 8,000 miles to take.

Robert Wilkinson (17) (centre) of Dunnose Head, West Falkland, in the Falkland Islands and Lee Hadfield (18) (right) of Ryde Street, Hull, have succeeded in their Efficient Deck Hand (EDH) examinations at the National Sea Training College at Gravesend.

They were presented with books for their further studies by Captain N. J. Barker (left), the first commander of the new *HMS Sheffield*.

Robert is the third Falkland Islander to complete the course under Marr auspices, but Lee is the company's first Hull trainee.

Full EDH certification is awarded after the trainees have spent a further qualifying period at sea and will enable the two seamen to serve on the full range of commercial shipping.

Flying the young trainees around the world and paying for their course at the Thameside college is an expensive venture but J. Marr Shipping director Jim Hind said: "It is one of our investments in the future in Hull, in the Falklands and elsewhere in the world where we are operating an increasingly diversified and sophisticated fleet of ships. The safety and efficient operation of advanced vessels demands the best possible training and qualifications for every member of the crew and we are very pleased with the facilities and instruction given at Gravesend."

12 AUG 1983

Alaska pollack hits cod exports

BIG supplies of Alaska pollack from the USA are hitting the market for frozen cod, and exporters like Iceland, Norway and Denmark are facing difficulties as a result.

But the market for fresh cod in the UK remains buoyant, although one salesman in Hull said that the market had become a little more unstable because the big processors were not supporting the market as much as normal.

Processing factories in Norway have been forced to lay off workers because of problems selling their

frozen fish and blocks due to undercutting by cheap Alaska pollack products.

A spokesman for Hull block producers Glenrose confirmed that "the US market is flat on its back," with cold stores full, and that margins were being trimmed substantially.

However, demand is still bouyant in the UK for cod blocks, because there is still a strong preference for cod. Any effects of the cheap Alaska pollack supplies were being seen in the cheaper end of the fish finger market, where cod is not specified,

and fish like Alaska pollock and blue whiting are frequently used.

The fresh market for cod is still strong, and large cod was making £80 a box at Hull on Monday, with 'sprags' making £70 and codling £50 to £60. The export restrictions being operated by Iceland are having some effect on supplies, although the 600 tonne a week of combined cod and haddock limit is being frequently relaxed said a Hull salesman.

Iceland is still worried about over-supplying the market and causing prices to fall however.

12 AUG 1988

'Flag' operators try to stop new Bill — before it is law!

A HIGH Court judge rejected an application by a Spanish 'flag ship' operating company for a judicial review of the new Merchant Shipping Act 1988 last Monday (August 1), on the grounds that the application was premature, writes HUGH ALLEN.

The Act, which will set up a new UK fishing vessel registry, is not expected to become law until December 1, so it was ruled that the Milford Haven based company, Factor Tame Ltd., which has variously traded as Neptune and C-Maine, was previous in its application.

The company can re-apply for the review at a later date.

Factor Tame argued that the proposed removal of flag ships from the UK register is discriminatory. It is in contravention of "the Treaty of Rome, the Common Fisheries Policy, EEC law, principles of proportionality, the protection of legitimate expectations, acquired rights of non-

retroactivity, and non-discrimination of the accession to the EEC of the Kingdom of Spain", claims the company.

Under the terms of the new Act, which has now received the Royal Assent, a fishing vessel must be able to prove 75 per cent 'beneficial ownership' by British persons to qualify for the UK registry.

Licence conditions require that vessels make at least four visits to the UK every six months, with a minimum of 15 days between visits. The six months must also run from January to July and July to December.

In addition, 50 per cent of the catch during the same six months must be landed into the UK.

Factor Tame is a legitimate company, which already makes at least the required four minimum landings per six months, and would wish to increase this following the

Turn to page 22

Flag operators try to stop new Bill

From page one

completion of the new ice plant at Milford Haven.

However, there are a number of 'brass plate' companies which do not currently conform with the terms of the Act, and it is therefore envisaged that similar appeals will be placed before the High Court in the future.

But, after the High Court ruling, it was made clear that no further applications could be entered until mid-October, as the courts are closed until then.

The Department of Transport, which is determined to block all loopholes regarding the operation of Spanish and other flag ships, was satisfied with the court's decision on Monday.

A DTp spokesman commented that they had "won a battle, but the war was far from over".

However, since there was no order made with regard to awarding the costs of the case, implications have been drawn as to where the judge's sympathies lay.

Factor Tame does not wish to be associated with certain other flag ship companies, and indicated that they would be very happy to give their version of events to *Fishing News*.

But, as the paper went to press, their spokesman, managing director John Andrew Couceiro, was on an aeroplane, and his brother, Joseph Couceiro, gave an undertaking that the company would make a comment before next week.

Austerity plan in Argentina

THE Alfonsín Government's latest attempt to deal with Argentina's ailing economy cannot help but provoke a sense of *déjà vu*. Both the problems and the corrective measures are the same as three years ago when the first stabilisation plan was introduced.

The government is still grappling with high inflation, stagnant growth, a bloated public sector and bureaucratic regulations that stifle all but a pernicious dollar-fed parallel economy. The prescription once again is a combination of utility price rises, wage and price freezes, devaluation, cuts in public sector expenditure and this time a little more fiscal reform.

The initial success of the 1985 Austral Plan was squandered by poor management and a failure to confront the problems head on. Since then it has been a case of too little too late, and it is difficult to give President Alfonsín the benefit of the doubt now.

Such a judgment explains the lack of enthusiasm with which the international financial community is now being called upon to provide another \$4bn in funds for Argentina over the next year. Argentina's plight continues to evoke international support more for political than economic reasons. In particular, Washington has consistently backed President Alfonsín because he is a democratic leader of one of the three most important countries in Latin America. As a result Buenos Aires has obtained bridging finance from the US at key moments, and has relied on Washington to rally the International Monetary Fund and to lean discreetly on the banks.

Horse-trading

This is happening again now with an added element of horse-trading. President Alfonsín is waving the prospect of a return of Peronism, in presidential elections next year. The recent choice of the populist Mr Carlos Menen as the Peronist presidential candidate has evoked fears of a reawakening of all the worst atavistic elements in the party. Mr Menen is already making nationalistic

noises about a debt moratorium and an end to the IMF-approved policies of the present government.

Knowledge of this cushion of American support has arguably weakened the Alfonsín Government's resolve in implementing austerity programmes. Yet this cannot justify persistent policy failures. Mexico, which has also enjoyed a guarantee of last resort from Washington, has been far more determined and coherent in its economic policy.

Hindsight

President Alfonsín's room for manoeuvre has been far more circumscribed than that of President de la Madrid in Mexico because of the role of the Argentine labour movement. Of all the Latin American debtors, Argentina has the most highly unionised and urbanised labour force. Furthermore, in contrast to Mexico where labour has been co-opted to work with the government via the PRI, the ruling institutional party, Argentine unions are controlled by the opposition Peronists. With the benefit of hindsight, President Alfonsín should have accompanied the Austral Plan with measures to curb the unions' power. Their obstructive influence has been the single most important factor undermining austerity measures and a thorough restructuring of the economy.

Getting tough with the unions entailed considerable political risk. President Alfonsín could probably have got away with such a policy by exploiting his own popularity and by dismantling the state apparatus through job cuts and privatisation. Instead, the unions have retained their privileges and job security. As a result Argentina can boast one of the region's lowest rates of unemployment but one of the worst levels of productivity.

President Alfonsín has a strong interest in ensuring that the present austerity package succeeds. Unfortunately, he has allowed himself little time, since presidential elections are due to take place at the latest by June next year.

First of UN's blue berets begin Gulf peace mission

By Andrew McEwen, Diplomatic Correspondent

The thin blue line of United Nations peace-keeping troops who will stand between Iran and Iraq, possibly for many years, began to take shape yesterday.

The first five peace-keepers flew into Tehran yesterday a few hours after a similar group reached Baghdad. They will be joined by 350 other observers drawn from 25 countries, before the ceasefire negotiated by the United Nations officially begins at 3am GMT on August 20.

The size of their task was underlined when Tehran radio announced that Iraqi jets flew over five Iranian towns yesterday, although no military action was reported.

The arrival of the first UN blue berets in Tehran follows that of Mr Bill Hayden, the Australian Foreign Minister, who was in London earlier in the week. Although his visit is primarily to discuss trade issues, he is expected to raise the fate of Western hostages held by pro-Iranian groups in Lebanon.

None of the hostages is Australian, but because relations between Tehran and Canberra have not suffered the same strains as those with London and Washington, he will be well placed to intercede. Australian sources

in London said he had no meetings with British ministers or church leaders during a two-day stopover, but his mission comes at a time of revived optimism on the hostages.

Mr Hayden is understood to have approved of a visit to Tehran last month by the

The 24 countries which have offered military observers are Argentina, Australia, Austria, Bangladesh, Canada, Denmark, Finland, Ghana, Hungary, India, Indonesia, the Irish Republic, Italy, Kenya, Malaysia, New Zealand, Nigeria, Norway, Poland, Senegal, Sweden, Turkey, Yugoslavia and Zambia.

Anglican Archbishop of Melbourne, the Most Rev David Penman, who said later that he was hopeful the hostages would be released before long.

The unarmed United Nations monitoring force, to be known as Unimog (UN Iran-Iraq Military Observer Group), will be tiny in relation to the size of its task. It will attempt to monitor the disputed 740-mile border, which includes the Shatt al-Arab waterway and areas of marshland, desert and mountains.

It will be assisted by military and civilian back-up staff,

including a Canadian unit of 370 men responsible for communications. But Whitehall sources said neither Britain nor any of the four other permanent members of the Security Council had been asked to contribute personnel.

The border appeared to be quiet yesterday after Iran's announcement that it will observe a *de facto* ceasefire immediately. But the lack of a clear commitment by Baghdad to reciprocate it left a jittery mood in Tehran.

Hojatolislam Ali Akbar Hashemi Rafsanjani, Iran's military chief and parliamentary Speaker, ordered all forces to hold their fire but remain alert. He said they were "duty-bound to remain prepared and alert and give a suitable response to any enemy mischief in the air, at sea and on the ground. We are facing enemies whose claims and promises cannot be trusted".

His words may have been intended partly to sustain public morale by focusing on the continuing possibility of a military threat. Unlike Baghdad, Tehran has seen no public rejoicing over the ceasefire, which some regard as a capitulation for which Hojatolislam Rafsanjani was partly responsible. He is

thought to have been the intellectual force behind Tehran's announcement on July 18 that it would accept the UN Security Council Resolution 598, the development which led to the breakthrough in New York.

Most Western diplomats regard the ceasefire announcement by Señor Javier Pérez de Cuéllar, the UN Secretary-General, as only the beginning of a peace process which could take years. He is to attend the opening of face-to-face peace talks in Geneva on August 25, but with a wide range of contentious issues to be resolved, no one expects fast progress.

The delegates, who are expected to include the foreign ministers of the two countries, will be faced with trying to settle by negotiation the festering border dispute which eight years of fighting has failed to clarify.

Iraq's original reason for invading Iran in 1980 was its dissatisfaction with an agreement made in Algiers in 1975 between the Shah and President Saddam Hussein, the Iraqi leader. It moved the international border from the Iranian bank of the Shatt al-Arab to the middle of the waterway, effectively giving half of it to Iran.

Westland consortium in joint deal with Argentina

Reuter

BITISH helicopters group, Westland, is part of a European consortium which has helped develop a helicopter to be made in a joint venture with the Argentine airforce.

Gruppo Agusta said it had signed a deal with the Argentine air force to develop a transport version of the existing A129 helicopter and form a joint venture with Argentine companies to produce it.

The venture will require an investment of \$120 million over 15 years and will produce a 4.5 tonne helicopter carrying two pilots and 13 passengers.

The transport version of the A129 will be a development of two existing versions, the Man-

gusta anti-tank helicopter used by the Italian forces and the Tonal multi-role light combat helicopter. The Tonal has been developed by a European consortium comprising Agusta, Westland in Britain, Fokker of the Netherlands and Casa of Spain.



Augusta SpA Agrees to Argentine Helicopter Venture

ROME - Augusta SpA, Italy's state-controlled aviation company, agreed to a joint venture with Argentina's air force to produce a "utility" version of its A-129 helicopter series.

The accord calls for joint investments totaling about \$120 million over 15 years, a spokeswoman said. How the investments will be divided and other financial terms of

the accord haven't yet been determined, she said.

The venture's A-129 helicopter, being designed by Augusta, will be used primarily for civil transportation. It will weigh about 4½ tons and carry 13 passengers.

All movable parts will be produced by Augusta in Italy, while the fuselage will be constructed in Argentina. (AP-DJ)

Argentina seeks fresh loans from US banks

By Stephen Fidler,
Euromarkets
Correspondent

A DELEGATION from Argentina, which has fallen between \$850m and \$900m in arrears on interest payments to foreign banks, met its leading bank creditors yesterday in New York to discuss the country's needs for new external finance.

The country has been expected to seek up to \$2.5bn in new loans from the banks. The Argentine group, led by central bank director Daniel Marx, was expected also to explain the aims of the package of economic measures announced last week as a prelude to an expected new IMF standby financing.

The banks urged Argentina to come as up to date as possible on its interest arrears, and in particular on delayed payments on the roughly \$7bn which has been lent in three new money packages to the country since the debt crisis broke six years ago.

BBC RADIO 4

TODAY

AUGUST 10, 1988

06.45

PRESENTER:

Now, if like me you enjoy browsing through the property pages, here's something that'll stop you dead. A 3-bed house with large garden for £40,000, and by large I mean 9,000 acres, covering 12 islands with nearly 3,000 sheep thrown in. The only snag, if you see it that way, is that it's a long way away, in the south Atlantic to be precise. It's being sold by the

Falkland Islands Company, and our man Geoffrey Wareham has been finding out who's interested.

GEOFFREY WAREHAM (Reporter):

A run down bungalow on a wind swept island, populated only by sheep with the nearest fellow human on another island 30 miles away, is not everybody's idea of the good life. Yet, since advertising the property last week, the Falkland Islands Company has received more than 30 enquiries from Britain, the United States and France. Brian McGreal, the company's managing director, thinks it appeals to Americans as a piece of real estate at an attractive price, and a bolt hole from life in the fast lane. Who's interested in this country.

BRIAN MCGREAL (Managing Director, Falkland Islands Company):

It's been a wide cross section of people. There's been farmers, there have been several people who are in a redundancy situation and indeed, we've had several people considering it as an investment.

GEOFFREY WAREHAM:

The farmland covers a dozen islands, known collectively as Swan Islands. One of the main attractions to potential buyers is the chance to escape from the stress and strain of life in Britain. Brian McGreal puts such dreams into perspective.

BRIAN MCGREAL:

The Swan Island is situated in Falkland Sound which is between the two main islands, East and West Falkland. The travel to the island would be via RAF jet down to the islands which is 8,000 miles, and then by very small aircraft, an Islander aircraft, across to Great or Swan Island, landing on the airstrip there. There's a boat that supplies stores, goods, and various other living requirements, but that only does call to the island every 3 months or so.

GEOFFREY WAREHAM:

Such a change in life style might be traumatic to some and certainly dramatic to anyone. Haydon Lister (phonetic), who, at present,

makes his living from providing bedding for pampered dogs in Rugby, explained why he's put in a bid for the Swan Islands farm.

HAYDON LISTER (Rugby):

I would be glad to get out of this rat race definitely. I don't see much future where we are at all. We've run this business now for a considerable length of time, and I'd like another challenge. My way of looking at it is if we go to Falklands, of course, telling you what I've been told, this will be all freehold property that we're buying, we shall be virtually buying a unique corner of the world if you want to put it that way, something which I visualise in maybe, not my lifetime but maybe another 30,40 years, could turn out to be a very good investment.

GEOFFREY WAREHAM:

One major snag for Haydon Lister may be that his youngest child is 9. Brian McGreal explains.

BRIAN MCGREAL:

The difficulties with children, of course, would be the schooling. There is a radio school up to the age of 10, but thereafter the children would be expected to attend the school in Stanley, which does provide a hostel for the children.

GEOFFREY WAREHAM:

Mr Lister's wife, Sandra, seems to share her husband's zest for mid-life adventure.

SANDRA LISTER:

Well, to be quite honest, it's still a bit of a shock. Well, you know, we only thought about it yesterday. So, it has been quite quick. But it's a challenge, isn't it?

PRESENTER:

Yes. That report by Geoffrey Wareham.

END

Problems in Argentina temper debt optimism

British banks gave a warning yesterday that although the re-scheduling of Brazil's \$69 billion (£40.5 billion) of external debt was going according to plan, Argentina's debt repayment problems were likely to worsen this year.

Seven British clearing banks, including the big four, have agreed to participate in the Brazilian rescheduling arrangement by contributing \$5.2 billion, including \$500 million in new loans. They include the Royal Bank of Scotland, Bank of Scotland and Standard Chartered.

The banks beat the August 5 deadline, which entitles them to receive a $\frac{3}{8}$ per cent commitment fee instead of $\frac{1}{8}$ per cent for those agreeing between now and the September closing date for the deal.

Most of the clearers chose to accept exit bonds as part of the package. Each bank is allowed up to \$15 million in exit bonds which pay a lower rate of interest but absolve the bank from any further commitment to lend new money on that portion of its debt. Midland, which has loans to Brazil worth about £1.3 billion, said that it had participated on all the options available in the rescheduling package.

The participation of the British banks means that more than 90 per cent of the re-scheduling deal has now been agreed. Many smaller banks have still to join in, but securing their agreement is often the hardest part of such arrangements, bankers said. The rescheduling package is

expected to be completed by the end of September.

At the same time, however, Argentina's deteriorating economic position is putting pressure on its debt repayments. It has fallen behind on some repayments and bankers believe an interim agreement to help bridge its external financing gap may soon be necessary.

Commercial banks are meeting in New York this week to discuss the problem and are expected to begin talks with the Argentinian authorities soon. Much, however, depends on the response from the International Monetary Fund and the US Treasury to an austerity package introduced by the Argentinian government, led by Dr Raúl Alfonsín, last week. The commercial banks are unlikely to offer further help to Argentina without additional IMF support for the country.

Bankers emphasized that the worsening situation in Argentina was offset by improvement in Brazil, leaving their requirements for provisions against bad debts broadly unchanged in the meantime.



Raúl Alfonsín: austerity

Proposed rugby series collapses

From Tony Allen-Mills
in Johannesburg

THE PROPOSED tour of South Africa by an international team drawn from the world's leading rugby nations collapsed in ignominy yesterday. After months of increasingly desperate efforts to muster a respectable World XV, the South African Rugby Board could do no better than a South Pacific Island XI.

The prospect of a test match series against five Fijians, four Tongans, an Australian and a Hawaiian did not tempt the oncemighty Springboks. "The tour is off and this is a great disappointment," said Charles Wilson, the intended manager of the international side.

Although thousands of rugby-mad white South Africans would have loved nothing more than to watch the Springboks in international competition, few will have been surprised by the last-minute cancellation of the tour. It had been in trouble from the moment the International Rugby Board controversially sanctioned it as part of the Northern Transvaal Rugby Union's 50th anniversary celebrations.

The anti-apartheid pressures that the IRB inexplicably contrived to disregard took a predictable toll of prospective World XV candidates. It quickly became clear that players from England, Wales and Scotland would not be part of the tour; South Africans pinned their hopes on Australia,

France and Argentina to provide the backbone of the side. The French and Argentine players initially appeared keen to oblige, but last week their respective governments intervened and only the South Pacific was left.

As recently as last Monday, leading white-edited newspapers were trumpeting on their front pages: "Six Aussies will tour". But one of the six Aussies, front-row forward Steve Cutler, promptly dampened hopes with the memorably pithy phrase: "If it's a Mickey Mouse team, then we are not prepared to become ruck fodder".

Even Mickey Mouse would have washed his hands of the near-farcical proceedings of the last few days. Of the five Fijian players who arrived in South Africa last Saturday, it turned out that one, the previously unheard-of Rusikate Namoro, had recently trodden on a broken bottle and badly injured his foot. The arrival of Joe Toga, from Hawaii, did little to heighten South African confidence in the calibre of the visiting team. Adding a final insult to injury, Dr Wilson, an Australian gynaecologist and former Wallaby flank forward, was detained for more than an hour on arrival at Johannesburg airport because his visa wasn't in order. By the time Dr Wilson was sprung from immigration, it was already clear he was out of a job.

Meanwhile, the chief perpetrators of the tour fiasco — the senior executives of the IRB — appeared unabashed by this seemingly inevitable setback to South Africa's international sporting ambitions. The IRB's chairman, John Kendall-Carpenter, and secretary, Keith Rowlands, happened to be visiting Cape Town this week. They said yesterday they were still resolved to mount yet another international tour to honour the South African Rugby Board's centenary next year.

South African rugby fans will not be on the edge of their seats.

10 AUG 1988

Press Cuttings

from Broad Street Associates



THE INDEPENDENT

MiGs 'offered'

Lima (AFP) — The Soviet Union offered Argentina 100 MiG fighters during the Falklands War, according to a former press official in the Argentine embassy. The planes were to be transported from Libya via Havana and Lima to Buenos Aires. Ricardo Sanchez wrote in the Peruvian magazine *Oiga*.

Back to business in great waters

As the Armilla Patrol wins praise for its protective role in the Gulf, Defence Editor JOHN KEEGAN argues the need to maintain naval power for international peacekeeping

SEND A GUNBOAT! was the cry of Queen Victoria's Ministers. Times change. This week Mrs Thatcher went to visit a gunboat. The sailors of the Armilla Patrol in the Gulf yesterday welcomed the Prime Minister aboard, to receive her thanks and be told, "Well done". And quite right, too.

The Patrol, which has been on station since 1980, accompanied 400 British ships through these dangerous waters in 1987, has accompanied nearly 500 this year, and has not had one ship sailing under its protection sunk or damaged since the operation began. This contrasts with a total of 290 non-British flag ships sunk or damaged while sailing unaccompanied in the Gulf between 1981 and 1986.

So, have times changed all that much? "Send a gunboat" became, in the post-1945 years, one of those imputations of blimpishness with which progressive thinkers liked to puncture the fulminations of their opponents whenever a Third World country's violation of international propriety provoked them to demands for action. It had its effect.

Demonstrations of maritime power, when it is used as a blunt instrument, all too easily miss the target. The French fleet did not intimidate Ho Chi Minh in the jungles of Indo-China, and the guns of the US Navy's reactivated battleships certainly did not win the Vietnam war. So the anti-blimps seemed, in the 1960s and 1970s, to be making their point. Gunboats — unless they were nuclear submarines — evoked Victorian relics and navies appeared a busted flush.

Who would say that today? The Falklands campaign was, among other things, a painful warning to would-be regional warlords that bombast cuts no ice in the effective operational area of a superior naval power. The American landing in Grenada, for all its flaws, rammed home the lesson in the Caribbean. And the international naval expedition to the Gulf has reminded the whole world that the guerrilla rhetoric which struck terror in the Sixties is just so much sound and fury when its trumpeters forsake their jungles and alleyways for the high seas.

Historians will undoubtedly recognise the Western naval intervention in the Gulf as one of the most significant international initiatives of the post-war years, comparable in its contribution to the protection of the ideals on which the United Nations was originally founded to the intervention in Korea but, of course, both more immediate in its effects and far less costly.

This newspaper, from the moment the operation was internationalised last year, took the view that its critics — who warned that the Gulf would become a "bloodbath" and perhaps even the flashpoint of a nuclear conflict — were fainthearts, that the operation would succeed and that President Reagan was to be complimented on his courage and decisiveness in committing a major American fleet to protecting the freedom of the seas.

We did not foresee then, however, how quickly and completely the President's courage would be vindicated. His intervention encouraged the British and the French to maintain in the Gulf the forces they had already committed there. It also persuaded three other Nato allies — the Dutch, Belgians and Italians — to despatch naval forces of their own.

It created the conditions in which all six Western navies worked to complement each others' operations. It confronted the Russians, who had sent a fleet of their own to Gulf waters, with tangible evidence of how far they have to go before they achieve Admiral Gorshkov's ambition of making the Soviet Union a truly oceanic power. And, above all, it brought the Iranians to their senses.

The Iranians have had a bad press. They were not the aggressors in the Gulf, they were not even the initiators of the "tanker war" and they have paid an appalling price for trying to pay Iraq back. But the press they have had, nevertheless, has been largely of their own making. No doubt they are now beginning to regret every paragraph of hostile comment their behaviour has provoked.

In global terms, however, that is beside the point. The agonising snub they have suffered is a lesson which will be heard — and studied — around the world. Every regional power tempted in future to redress its grievances in defiance of international law will, if its government retains any rationality, first of all measure off on the map how close it lies to the operational radius of the navy of any great power it is likely to offend, and calculate its options accordingly.

THE NAVAL powers will also be reassessing not only their policies but also their capabilities and the calls likely to be made on them. The world in the 1980s is a suddenly changed place. Decolonisation, by withdrawing the old empires' military power from wide areas of the globe, revived many regional antagonisms which empire had suppressed. The Iran-Iraq antagonism was one of them. But Russia's "forward" for-

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eign policy in the Brezhnev years invested many such antagonisms with a Cold War quality which made attempts by the West to mediate in them dangerous. Gorbachev's break-neck withdrawal from Third World commitments removes that danger. But it is also likely to heighten the trend which Western decolonisation began 30 years ago.

There will be more, not less regional conflict in the future, as Third World countries rediscover local freedom of action. In consequence, there will also be more, not less occasion for Western naval power — a substitute for the land power which decamped with empire — to be brought to intervene.

How well prepared are the Western maritime states for this eventuality? The United States Navy, which has benefited more than any of the American services from the Reagan expenditure programme, is very well prepared. It is now the truly oceanic force which its progenitor, the 19th-century Admiral Mahan, wanted it to be, almost entirely independent of bases and able, thanks to nuclear propulsion, to cruise the seas without the need to refuel.

The air groups of its 15 fleet carriers give it formidable striking power and, in the US Marine Corps, it has a landing force of great strength and experience. The French navy, with its associated Rapid Action Force, is also a formidable intervention instrument. The Spanish and Italian navies, which have built or are building vertical take-off carriers, are acquiring an intervention capacity.

Ominously, in the view of some, the Japanese navy may be moving towards the same capability. Should the Tokyo Government decide — as it is presently considering — to build aircraft carriers, it would then command the most versatile navy in the north-western Pacific.

Britain already has the naval capacity for an intervention role. What it lacks is the organised military complement to man it. The units exist but need concentration in an "earmarked force" to provide an equivalent to that which France already deploys.

Political and service opposition have thus far stood in the way... understandably so: the Falklands apart, it has been difficult to visualise a situation in which this country could safely intervene far from its shores in defence of international law or even a vital interest.

The Gulf has changed that perception. It has ushered back the 19th-century ethos of international co-operation for common purpose. "Sending a gunboat" was then as often a joint as a single-nation enterprise. If the call comes again, as it is likely to do, Britain should be ready. We should be prepared to add to, not detract from, our overseas intervention capability. This Government of all governments should not grudge the funds to spend on the Senior Service.

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The new HMS Sheffield, the latest generation of Royal Navy frigate. She replaces the destroyer of the same name sunk during the Falklands conflict

Caputo the Vote

Argentina, a country where people profess to see themselves as more European than the Europeans, is not known for its close emotional ties with black Africa. Interesting, then, to note the flood of African dignitaries invited to Buenos Aires recently.

This week a Nigerian delegation arrives, following in the footsteps of delegations from Uganda, Ivory Coast, Gabon, Benin, Cape Verde and the secretary-general of the Organisation of African Unity. And that is just during the last month.

To find the cause for this sudden outburst of fraternal relations, one need, perhaps, look no further than the Argentine Foreign Minister, Dante Caputo. Mr Caputo has failed in his bid for the presidency and his party shows every sign of losing the elections in Argentina next year.

But one glittering prize remains. Mr Caputo nurtures an ambition to be the next secretary-general of the United Nations. A rival would be Dame Nita Barrow of Barbados (providing a rare opportunity for Mrs Thatcher to be in harmony with the rest of the Commonwealth; her dislike of Commonwealth consensus is second only to her dislike of all Argentines). Mr Caputo, fighting to dislodge Dame Nita, seems to realise that every friend in the right part of the world can help.

Farm folk flock for land in the Falklands

By Robert Graham

THE OFFER for sale of one the world's most isolated sheep farms, on the Falklands, has met with a quick response.

The 9,000 acres for sale cover 12 islands in the remote South Atlantic. The advertisement went out last week in Farmers Weekly with an asking price of £40,000.

"Already we've had eight enquiries from the UK," said Mr Bryan McGreal, managing director of the Falkland Islands Company, which has put the farm on the market.

The property consists of the Swan Islands in Falklands Sound, some 100 miles from the capital Port Stanley. The nearest neighbour is 30 miles away. There are over 750 islands in the Falklands, averaging out at just under three inhabitants per island.

"Any applicant is going to have to like solitude," said Mr McGreal. He envisages the farm being run either by a couple or a single person. So far six Falkland islanders have shown an interest as well in the property which includes a three-bedroom house and 2,900 sheep.

The sale is part of a broader divestiture plan by the Falklands Islands Company, a subsidiary of the Coalite group, based in Bolsover, Derbyshire, which is the biggest landowner in the British dependency. The company controls 37 per cent of available land, part of which is let to local farmers on a share farming basis. The Swan Islands have been farmed on this basis.

According to Mr McGreal, more of the company's property will be sold off in the future, including some islands with significant wildlife resources and where necessary special conservation clauses will be written into the sale. Conservation clauses will not apply to the Swan Islands, which are mainly stocked with penguins.

Brazilian debt plan welcomed by banks

By Stephen Fidler

INTERNATIONAL banks have delivered an overwhelmingly positive early response to a crucial debt-rescheduling and new loans deal with Brazil.

Banks representing more than 90 per cent of the value of the package have made commitments to join it.

The response to the package, which proposes a rescheduling of \$62bn (£36.5bn) of existing debt and new loans amounting to \$5.2bn, has surprised even its most active proponents. It means that the deal is on schedule to be signed in September, with the first \$4bn pay-out likely the following month. Brazil is the world's worst debtor country, with a total debt of \$121bn.

The success of the deal was regarded as critical to the established international approach to the debt crisis, which links bank funding with economic adjustment programmes supported by the International Monetary Fund, World Bank and official Western creditors.

Mr William Rhodes of Citicorp, chairman of Brazil's bank advisory committee, said the banks' response had been "one of the best of any new money package since the debt crisis began in August 1982."

Brazil's declaration of a moratorium on repayments of its bank debt in February 1987 represented the most significant challenge so far to the international approach. Less than a year ago, to the horror of its creditors, the country was suggesting arrangements that would have forced compulsory write-downs of loans by commercial bank lenders.

Mr David Mulford, US Assistant Treasury Secretary responsible for international affairs, said yesterday: "The response has been very strong and to reach the 90 per cent level so quickly is very positive, but it is important to keep the momentum going."

Banks which assented to the package before a Friday deadline gained a ½ per cent early participation fee. The response by this time was seen as an important indicator of how successful the package would be but few were expecting a response significantly above 85 per cent.

The deal and a linked IMF standby credit are deemed to become effective when a so-called critical mass is achieved, decided by the IMF. This has varied between 85 per cent and 95 per cent.

The package contains the greatest number of financing options yet made available to banks, and this appears to be a key reason behind the good response. A US Treasury official noted that small and regional US banks had responded favourably to this package.

With the strong response to the Brazilian deal in the background, Argentina's bank advisory committee is today expected to meet Argentine government representatives in New York.

THE BEST PROTECTION

The Times crop survey shows British farmers' fingers still firmly crossed. Hope remains that freak weather conditions will cancel each other out and leave a decent harvest.

But the fingers of agricultural lobbyists — and their protectionist friends at home and on the Continent — are firmly grasped round their pens to give the public their view of what a bad harvest should mean for policy. They point to the perils of limiting output, the folly of sacrificing a margin of self-sufficiency to save tax subsidies to Europe's Common Agricultural Policy.

Whatever happens in Britain, the world harvest of food staples seems destined to be the worst for a decade, principally due to the prolonged drought in North America. Output is likely to fall 150 million tonnes short of demand at present prices.

The United States, which holds much of the world's 450 million tonnes of strategic grain stocks, will meet some of the shortfall on the principle Joseph wisely expounded to the Pharaoh. But prices will rise across the board. In some cases, they will rise sharply, the first time that has happened for many years as a result of natural forces rather than policy.

At home, farmers are beset by the added complexities of milk quotas, subsidies to take arable land out of production and likely pressure to cut fertilizer use to stem the rising level of nitrates in drinking water. The dairy industry already faces seasonal shortages of milk for butter production.

There is thus a natural desire to produce more in line with the old agricultural policy. This not a solely European, let alone British reaction. American farmers have been setting aside far more land than Europe envisages. In Japan, which is under pressure from the United States to remove its remaining food import quotas, resistance propaganda has been strengthened.

The American soyabean crop, which is crucial to animal feed prices but also to the traditional Japanese diet, has been particularly hard hit. President Nixon's 1973 embargo on US soya exports provided the most prominent evidence for deeply held Japanese fears of

relying on imports. Natural as these reactions may be, the argument is largely false. Fluctuations in prices caused by the vagaries of the harvest are as natural as their causes. It is sensible to hold stocks to prevent severe shortages. But regimes of subsidy and protection which aim at stable prices and self-sufficiency — but achieve chronic surplus — ultimately exacerbate price fluctuations on the world market.

The Common Agricultural Policy was not designed on Joseph's principles. Butter mountains and wine lakes grew simply because unlimited produce was sold at excessive official intervention prices faster than it could be processed, destroyed or dumped on world markets outside the European Community.

The temporary stores are now falling as production comes under control. They were never intended to damp rising prices caused by poor harvests. Not unreasonably — except for consumers — the higher price was deemed the producer's compensation for lower output.

The changing regime introduces its own distortions. Food manufacturers face shortages of milk for butter in part because they grew to rely on chronic surpluses to overcome the normal seasonal habits of dairy cattle. Adjustment has been made much harder by a subsidy of up to 30 per cent to divert skimmed milk powder into animal feed.

Some increase in world prices of staples — as opposed to prices paid by European and Japanese consumers — would help stimulate production in the most naturally efficient countries. But freer agricultural trade would best protect the consumer, since harvests are rarely poor everywhere. Natural exporters such as Australia, Argentina, New Zealand and Canada have been held back. Subsidy and protection have limited agricultural trade to a smaller proportion of output than in 1980.

The narrower the world market, the greater the impact on world prices of good and bad harvests. Measures to stabilize domestic farm incomes should not be at the expense of a freer world market. Diversity of supply is ultimately the best protection.

Press Cuttings

from Broad Street Associates

WESTERN MAIL

8 AUG 1988

Isles for sale

The Swan Islands, in the Falklands, are for sale, complete with farmhouse, 9,000-acre estate, machinery and sheep pens ... at £40,000.

A bargain island hideaway

FOR sale - three-bedroomed farmhouse, 2,900 sheep, and a dozen islands.

Price - £40,000, wool sheds included.

House hunters interested in the property should bear in mind the nearest neighbour is 30 miles away, and that commuting could be a problem without a helicopter.

The Swan Islands, two major and ten minor islands in the Falklands, are on the market, complete with farmhouse, 9,000-acre estate, machinery, and sheep pens.

According to Mr Ray Burke, assistant managing director of the Falkland Islands Company, which is dealing with the sale, "the farm is a real bargain."

But he added: "You've got to like your own company out there. You definitely need a boat, because the nearest neighbour is about 30 miles away."

Sheep, sheds and sea

FOR SALE: three-bedroomed farmhouse, 2,900 sheep and a dozen islands. Price: £40,000, wool sheds included.

House hunters interested in the property should bear in mind the nearest neighbour is 30 miles away, and that commuting could be a problem without a helicopter or a strong pair of flippers.

The Swan Islands, two major and ten minor islands in the Falklands, are on the market, complete with farmhouse,

9,000-acre estate, machinery and sheep pens.

According to Mr Ray Burke, assistant managing director of the Falkland Islands Company, which is dealing with the sale, "the farm is a real bargain."

But he added: "You've got to like your own company out there. Port Stanley, where there are a few shops, is at least 100 miles away. Unless you have a helicopter, you won't get over there much."

Press Cuttings

from Broad Street Associates **The Daily Telegraph**

8 AUG 1988

£40,000 price for 12 Falkland isles

A group of 12 islands in the Falklands, including a 9,000-acre estate, 2,900 sheep and a three-bedroomed farmhouse, is for sale at £40,000.

The Swan Islands, comprising of two major and 10 minor islands, is about 100 miles from Port Stanley. The agents dealing with the sale said that the buyer will need a boat because the nearest neighbour is about 30 miles away.

£40,000 buys 12 islands

TWELVE islands covering 9,000 acres are up for sale for just £40,000.

The bleak Swan Islands group is 12,000 miles away in the Falklands and there are no neighbours for 30 miles.

The price tag includes 2,900 sheep, a three-bedroom farmhouse and machinery.

The nearest shops are at Port Stanley, 100 miles away.

Ray Burke, of the Falklands Island Company, said: "The farm is a bargain. But you have got to like your own company out there."

U.S., IMF and World Bank Pledge Loans to Argentina

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—The U.S., the World Bank and the International Monetary Fund rallied around Argentina's new economic-reform program with short-term loan money and expressed their willingness to lend more.

As expected, the U.S. Treasury announced Friday that it is putting together a short-term bridge loan of as much as \$500 million to tide Argentina over until it receives pending loans from the World Bank.

Argentina late Wednesday night announced an austerity program to control its budget deficit and soaring inflation. The government said it devalued the country's currency, the austral, against the dollar by 11.42% as part of the program. Based on foreign-exchange rates quoted in New York, the devaluation appears to be 12.9%.

The measures, broadcast from Buenos Aires at the end of a government-decreed three-day bank holiday, should help Argentina reach new loan agreements with its international creditors, and drew support from the World Bank and the IMF.

The bridge loan would come from the U.S. and other creditor countries, and likely would total between \$400 million and \$500 million, officials said.

The Treasury said Argentina's reform efforts "should help stabilize its economy and promote sustained growth."



Falkland islands for sale

The Swan Islands, two major and ten minor islands in the Falklands, are for sale at £40,000 — complete with farmhouse and a 9,000-acre estate.

When ideology holds sway

Robert Graham reviews President Reagan's record in South America

Belatedly, the Reagan Administration is attempting to do some fence-mending in Latin America. This is the message behind the current tour of the region by Mr George Shultz, the US Secretary of State, which winds up this week in Central America.

He certainly needs to do a lot of sweet-talking. Relations with the region have been soured by misunderstandings, neglect of traditional allies and profound disagreements – first over how to tackle conflict in Central America, latterly over the handling of the crisis in Panama.

The overriding sentiment among Latin American governments is that, throughout the Reagan era, Washington has been unnecessarily obsessed by the threat of Soviet and Cuban influence in Central America – to the detriment of dealing with the region's real concerns, such as the debt crisis, the consolidation of democracy, and trade issues. And nothing has made President Reagan look more foolish than the bungling of attempts to get rid of General Manuel Antonio Noriega, the Panamanian military strongman.

All this scarcely squares with the brave words of the 1980 Republican Party platform, which claimed "the Carter administration's policies have encouraged a precipitous decline in United States relations with virtually every country in the region." The platform pledged a "strong new US policy in the Americas."

In the event, Central America and the Caribbean has been the only area in global US policy under President Reagan where ideological guidelines have consistently triumphed over practical considerations. From the outset Mr Reagan watered down the Carter emphasis on human rights and set a priority on eliminating Soviet and Cuban influence in the hemisphere. The objective enjoyed bi-partisan support in Washington because the Cuban bogey had been revived by the Marxist-orientated Sandinista Revolution and the outbreak of civil war in El Salvador in 1979.

Throughout Mr Reagan's two Administrations, however, a general failure to consult allies in the region has produced precisely what the President's strategists sought to avoid – a more independent Latin American voice. It is unlikely to disappear; and could well prevent the US from exercising the influence over the region, implicit in the Monroe Doctrine, which has previously seemed its prerogative.

"The policies have been so demonstrably wrong that there will be shifts, certainly with Dukakis and even with Bush," says Professor Wayne Smith, a former State Department official now teaching at John Hopkins University. The main shift he anticipates will be a move away from the US acting alone, in an interventionist manner, to a more multi-lateral approach. The change would, of course, be more marked under Mr Dukakis, the Democratic candidate. He is a fluent Spanish speaker, who was, according to associates, deeply affected by his six months spent studying in Lima, Peru in 1954.

Throughout the Reagan years, Central American issues have absorbed the lion's share of the administration's energies and resources. Since 1980, over \$6bn in military and economic assistance has been poured into Central America to prop up US allies. Senior officials assert in public that without such aid the Sandinista revolution would have been consolidated and other Central American governments weakened – if not toppled – by left-wing insurgencies.

However, in private, the comments on Central American policy are self-critical. Only the most fiercely anti-communist officials are willing to pass the blame for limited results to Congress, and its failure to support

the Contra rebels in Nicaragua. But the record speaks for itself: the left-wing insurgency in El Salvador continues at much the same intensity; the Contras have not ousted the Sandinista Government in Nicaragua but are suing for peace amidst deep internal divisions; meanwhile per capita incomes have fallen 25 per cent over the last decade and vast sums are needed to reconstruct Central America's devastated economies.

The Latin Americans have been restrained in their criticism of this record, anxious not to antagonise, and aware that this is the US's backyard. They have been more forthright over Panama. Latin American critics argue that the US has been openly contemptuous of another nation's sovereignty, and willing to introduce draconian economic sanctions without thought of their long term impact.

As a result, confidence has been undermined in the US as a partner to tackle the major issues facing the region. Such lack of confidence led to the formation in 1983 of the four-nation Contadora Group (Colombia, Mexico, Panama and Venezuela) to promote a peace plan for Central America in virtual defiance of the Administration.

Contadora subsequently attracted a support group (Argentina, Brazil, Peru and Uruguay), that broadened into a new forum for all the region's concerns. Last December this Group of Eight held a summit in Acapulco – the first time Latin American leaders have met outside the context of the US-dominated Organisation of American States (OAS). This was not so much Latin Americans ganging up on Washington as a signal of their desire

to establish more equal dialogue on the main issues. It might not have happened had the US devoted more individual attention to the important countries in the region - Argentina, Brazil and Mexico.

The irony is that both the Reagan Administration and the region's leaders are in broad agreement on what the main issues should be: the restoration and consolidation of democracy, the debt crisis, the deteriorating terms of trade and the fast-spreading cancer of the illicit drugs business.

Nothing made President Reagan look more foolish than the bungled effort to oust Panama's General Noriega

The Reagan Administration cites the number of countries that have returned to democratic government (Argentina, Brazil, Bolivia, Grenada, Guatemala, and Uruguay). Yet, save in Grenada, the US has been more spectator than actor in the trend away from military government. President Reagan has certainly failed to unseat the most entrenched right-wing military regimes, Chile and Paraguay, if indeed he really wished to do so. Nor has the much trumpeted departure of Jean Claude "Baby Doc" Duvalier from Haiti produced democracy, underscoring that the US has less ability than is often assumed to determine events.

The Administration has been most consistent and successful in dealing with the debt crisis. Adopting a case by case approach has ensured that none of the major debtors' problems reached a critical point simultaneously. But debt policy has never moved beyond an exercise in containment to find long term solutions. The Baker Plan was welcomed when launched in 1985 because it sought to restore growth in Latin America through a mix of economic reforms in the debtor countries and new public and private lending to meet their capital needs. However, the resources promised have been forthcoming neither from the commercial banks nor multi-lateral institutions. Indeed, a much-needed capital increase at the Inter American Development Bank is being stalled by a dispute over US control of the bank's operations.

In the case of drugs, President Reagan will leave behind an atmosphere of mutual antagonism, with many Latins fearing that narcotics have become a new catch-all excuse for domestic interference. Such a legacy is unfortunate because drugs is the one area where both sides have a clearly defined mutual interest in cooperation. "For some drug-producing countries, it (the narcotics trade) has become the single most important

issue affecting their relations with the US," commented a recent report on hemisphere relations by the independent forum, Inter-American Dialogue. Since the 1986 Drug Abuse Act, US aid has been conditional on the Administration certifying a country's anti-drug efforts. This certification process has caused periodic tensions with the Bahamas, Bolivia, Colombia, Mexico and Panama.

The Reagan Administration's policy failures in Latin America have been as much as anything due to the nature of the people involved. "For

the past seven years a gang of right-wing ideologues have been running things", says Prof Wayne Smith. "George Shultz has been interested in East-West issues, Europe and the Middle East. Latin America was left free to the Right and what they said appealed to the President's anti-Communist instincts."

Where Mr Shultz has directly involved himself, pragmatism has prevailed. He limited the damage caused by the open support the US gave to Britain during the Falklands conflict in 1982; he argued against overturning the efforts by President Oscar Arias of Costa Rica to present a Central American peace plan; he has helped head off a trade war with Brazil; and latterly he has accepted the need to bring Cuba into a serious dialogue over the future of southwest Africa.

But during the second Reagan term Mr Shultz mostly gave free reign to Mr Elliot Abrams, his zealous young deputy in charge of Inter-American Affairs. "There have been very strong people making policy, Abrams in particular, who have terrorised the bureaucracy," says Mr Richard Feinburg of the Overseas Development Council. The particular concern of Mr Abrams and his circle was the war in Central America.

The Central American conflict rarely enjoyed more than grudging support in Congress: Democratic votes were usually won over simply because politicians did not wish to be tagged as soft on communism. Congress's rejection of further military aid to the Contras in February owed a good deal to the persistence of Costa Rican President Oscar Arias in pressing ahead with his Nobel Prize-winning peace plan.

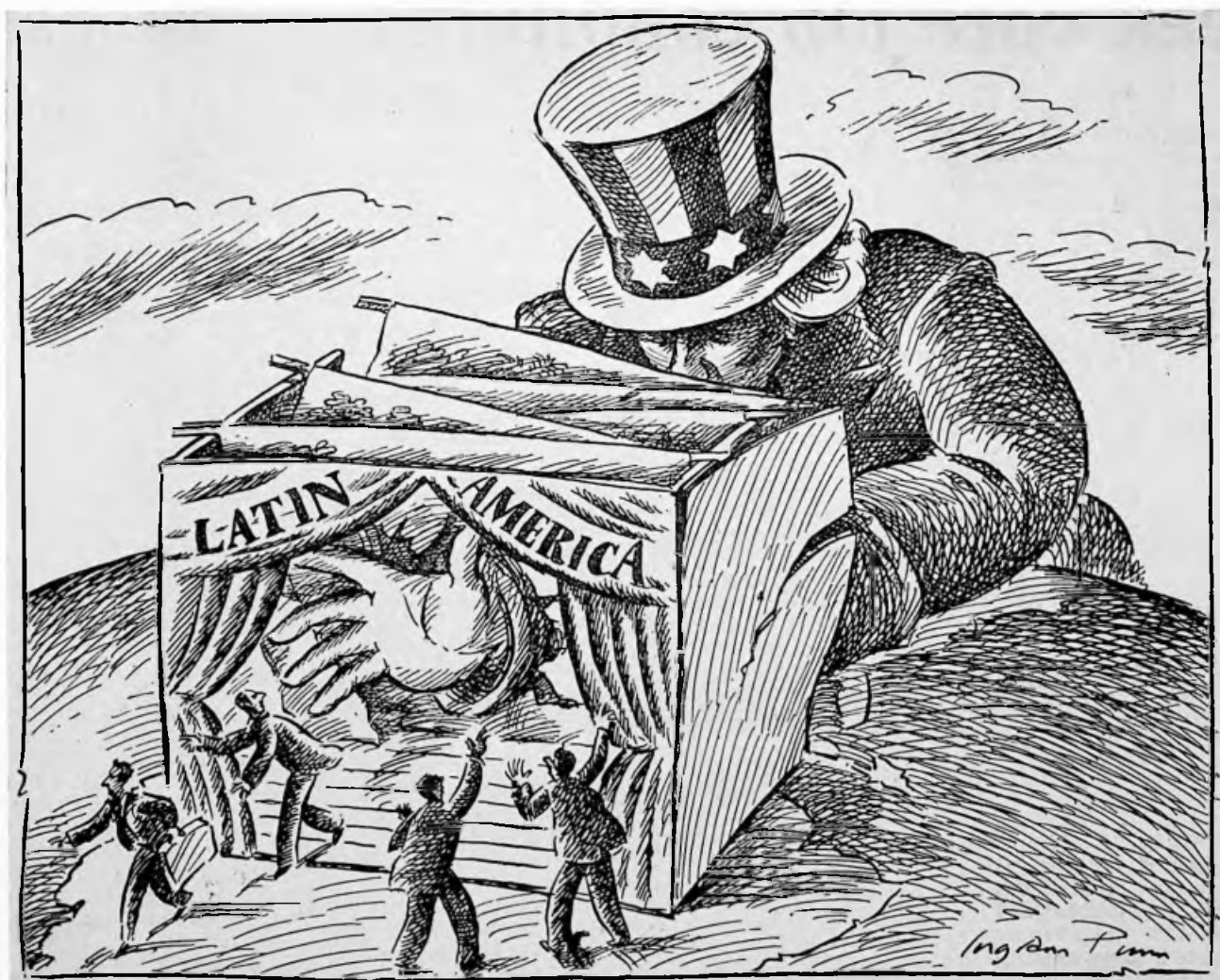
Washington insiders are convinced it was lack of success with the Contra cause that led Mr Abrams to seek a "quick win" in Panama by removing General Noriega. Now that this venture has backfired, Mr Abrams is under strong pressure to resign. But he has clung on, if only because his departure would be too humiliating both for the right and the White House to accept.

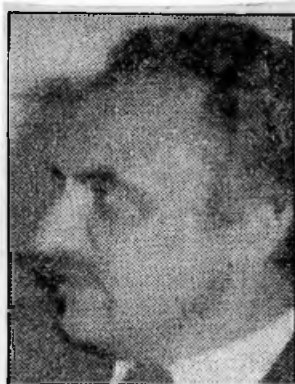
With Mr Abrams's wings clipped, Mr Shultz has become more directly involved in Latin American affairs. Notably, he has encouraged some back-stage diplomacy to improve relations with Cuba, which has borne fruit in the recent talks on the future of Namibia and the withdrawal of Cuban troops from Angola.

The long standing adversarial relationship with Cuba is being undermined not just by improved super-power relations, but by a mellower mood in Cuba and by changing circumstances in Latin America. Washington could successfully isolate Cuba while the continent was controlled by right-wing military governments. The new civilian governments are less amenable to arm twisting and possess a less ideologically tinted view of the world. The example of Cuba's heavy dependence upon the Soviet Union and the disastrous performance of its economy is being avoided even by leftist Nicaragua. Thus, for instance, the newly democratic governments in Brazil and Uruguay have restored diplomatic ties with Havana; and the post-Reagan era could well find Cuba requesting admission to the OAS.

As a result, the next administration - whatever its political complexion - is likely to give the communist threat less prominence in shaping Latin American policy. The Reagan administration's legacy in Central America, at least, will be more easily dealt with by pragmatism.

Many mistakes and antagonisms of the Reagan era can be rectified by more sensitive diplomacy. The region is not in an "anti-gringo" mood. The majority of leaders are conservative and fundamentally pro-American; but they want to be heard as partners and see the US respect international law.





Jaunarena : Offer.

Britain, Alfonsin link up in secret

BRITAIN has been secretly discussing the Falkland Islands with Argentina for more than a year, writes Hugh O'Shaughnessy.

US officials in the Reagan administration, who have been passing documents between the two at a rate of about one a month, describe the exchanges as hopeful but painfully slow.

Although concerning relatively mundane matters such as fish conservation and 'humanitarian issues' like air-sea rescue, the exchanges are credited with having prevented any clash between the British and Argentine forces over the exclusive fishing zone round the islands that Britain declared in 1986.

They have also contributed to cautious optimism in London, Buenos Aires and Washington that the two sides may have started on the long road to a peaceful settlement of the dispute over the Falklands.

Last week Horacio Jaunarena, the Argentine Defence Minister, said that Argentina was prepared to declare a formal end to hostilities in exchange for a *quid pro quo* from Britain.

However the joint development by Argentina and Egypt of rockets which could reach the Falklands from Argentine soil has caused fear that the opportunity for settlement is fading fast. Significantly, Jaunarena's offer was made public at a test firing of Argentine-made rockets.

There is gloom, too, at the prospect of President Raul Alfonsin's middle-of-the-road Radical Party, struggling with hyper-inflation and economic crisis, being defeated in next year's presidential elections by the Peronists.

The Peronist presidential candidate is Carlos Menem, a tub-thumping, open-shirted, chest-beating nationalist who takes a bellicose stance on the Falklands question. 'Menem plus rockets means a very depressing outlook,' said one official close to the negotiations.

After last week's visit to Buenos Aires by Secretary of State George Shultz, the US Government is expected to press both sides to get closer.

From Castro to the Kents

OUR MAN in Havana is to become private secretary to the Duke and Duchess of Kent. He is Andrew Palmer, Ambassador to Cuba since 1986.

Palmer takes over in January from Lt-Cdr Sir Richard Buckley, who came to the Kents in 1961 on being invalided out of the Navy and has since served them with self-effacing devotion.

The new private secretary, who will be 51 next month, was educated at Winchester and Pembroke College, Cambridge, and did his National Service in the Rifle Brigade. He is married to Davina, daughter of the retired ambassador Sir Roderick Barclay.

Many of the posts Palmer has held during his 27 years in the Diplomatic Service complement the interests of his new master, not least the Duke of Kent's role as vice-chairman of the British Overseas Trade Board.

He has dealt with commerce in Bolivia, Commonwealth relations in Ottawa, the Press in Paris, defence and the Falklands at the FCO, and a state visit by the Queen to Norway.

This gregarious and likeable diplomat has also been through the Treasury Centre for Administrative Studies, the Royal College of Defence Studies and the Harvard Center for International Affairs.

All Palmer now needs is to match the musical tastes of the Duke and Duchess of Kent with a crash course in Wagner's operas and some practice with the Bach Choir.



Argies climb down to ask for peace talks

PEACE talks between Britain and Argentina looked likely last night after a major climb-down by the Buenos Aires government.

A senior Foreign Ministry official said Argentina would discuss improving relations *without* demanding talks on control of the Falkland Islands.

Britain has said since

the 1982 Falklands War that she will talk—provided sovereignty is not an issue.

A Foreign Office spokesman said in London: "If they have a new message, we are prepared to listen to it."

Talks could take place on trade, fishing and restoring diplomatic relations between London and Buenos Aires.

US and IMF give support to Argentina

By Stewart Fleming in Washington, Stephen Fidler in London and Gary Mead in Buenos Aires

THE US and the International Monetary Fund have moved to allay concern about the prospects for resolving Argentina's foreign debt problems.

The US Treasury confirmed that it was working with the Argentine Government to arrange a short-term bridging loan of up to \$500m (£295m), to be provided by it and other governments. It said US willingness to participate in the funding reflected its support for Argentina's economic reform efforts.

Separately, the IMF welcomed the economic policy measures announced by the Argentine Government this week and made it clear that its management was ready to start negotiations with Argentina on a new \$1.2bn loan.

However, at best it could be several weeks before a preliminary agreement is in place and, since the Fund has cancelled an accord it agreed in 1987 with Argentina, IMF funds could not be disbursed until near the end of the year.

The Treasury said the bridging funds would become available when Argentina met requirements for additional funds under the World Bank's policy-based sector lending programme. This suggests some delay before any payment can be made.

The World Bank also welcomed the moves and said one of its delegations planned to visit Argentina next week.

The decision of the Treasury, anxious to avoid a debt crisis ahead of November's presidential elections, will be welcomed by Republican Party leaders

and the presidential campaign of Vice-President George Bush.

It has been assumed that when the bridging loan is eventually disbursed, it will be used to reduce interest arrears the country has built up on interest payments on its \$35bn of debt to foreign banks, although the banks have so far received no indication that this will occur.

The interest arrears on this debt, now put at close to \$900m, are already hurting US banks, which must under US accounting rules place the loans on a non-accruing basis. This means they cannot count them as earnings until they receive the cash.

Inside the country, however, the Argentine measures, which are designed to halt spiralling inflation and cut state spending, have been roundly condemned by many political and economic groupings.

President Raul Alfonsin is to meet trades union leaders on Monday to stave off a threatened general strike. The General Confederation of Labour has made it clear that it regards plans to freeze wages and make state employees redundant as unacceptable, and is due to consider on Thursday what action to take.

While the Industrial Union of Argentina, which groups major industries, has lent its support to the pact, the Coordinating Organisation of Mercantile Activities (CAME), which claims to represent 27 provincial federations and 923 business organisations, said it had no confidence in the team which produced the measures.

Story of defeat falls on deaf ears

THE proceedings in the cavernous, wood-panelled main courtroom of the Federal Appeals Court in Buenos Aires display the outward calm of a seminar on military strategy. The audience, many in uniform, listen attentively. Some take notes as a woman at the front talks insistently, mechanically into a microphone about troop positions, sea conditions, naval deployments, air cover and enemy strengths.

At her side is an impassive vice-admiral, while next to him, at a higher level, is a row of four soberly-suited men gazing into the distance, some trying to understand the military data, others clearly distracted. Behind them towers a huge map of the Falkland islands, marked with the key events of the war.

The seminar-like tones mislead, for on these hearings into

Argentines, still war-weary, ignore the hearings that will decide the fate of their former leaders.
John Eisenhower reports from Buenos Aires.

the conduct of the war in 1982 hangs the fate, principally, of three key figures: former president Leopoldo Galtieri, former navy commander-in-chief Jorge Anaya and former air force chief Basilio Lami Dozo. They were given prison sentences by a military court in 1986. Now, in a civilian court, the military is appealing against those sentences, while a band of prosecutors is fighting for harsher terms. Outside the court, the proceedings have met a deep, embarrassed silence.

The hearings are public, but few people turn up. It is the same court-room in which human-rights trials were heard. Then, the

balconies were heaving with people; now the audience consists mainly of members of the large military "family". For the man in the street, it is not a subject for conversation. The war was six years ago, these men have been sentenced and one should forget it, is the general feeling. Nobody wants to be reminded of a trauma that Argentina has collectively repressed.

The act of repression is all the more powerful given the emotionalism of the Falklands issue. "The Falklands are Argentine" is drummed into every schoolchild from the earliest age. When the war began it was greeted with joy.

That made the shock of defeat, after weeks of propaganda, all the more traumatic. People were devastated to find they had been so deceived, and humiliated by having allowed themselves to be swept along by something so disastrous. Like a bad dream it has been erased.

The *Buenos Aires Herald* virtually alone gives real coverage of the hearings. The main Spanish-language papers place their slim reports under the toothbrush advertisement on page 15.

Observers suggest that Galtieri and Anaya will get stiffer sentences. Lami Dozo, whose pilots by all accounts acquitted themselves well, may find his sentence reduced. For the man in the street, unsure what this trial is really about, and caring less, just wants the Falklands war to disappear.



Washington to lend Argentina \$500m

THE US TREASURY has confirmed it will grant Argentina a \$500m emergency bridging loan. Senior Argentine Central Bank officials were in Washington yesterday trying to work out the final details of the loan.

The US has generally welcomed the package of anti-inflationary measures unveiled by the Alfonsín government earlier this week. The Treasury said that the bridging loan "reflects support for Argentina's economic reform efforts and the determination of the government of Argentina to address international financial relations in a constructive manner."

The bridging loan will cover debt service payments until the IMF grants a \$1.2bn stand-by loan which, the US Treasury also confirmed, should follow.

The new austerity package has

**From John Eisenhower
in Buenos Aires**

brought sharp criticism from most sectors here. The new two-tier exchange rate has upset the four major farmers' organisations and small business associations are refusing to be bound by government rules on prices. With a presidential election campaign already well under way, politicians from both the right and the left have also joined in the criticism.

The real test of the programme's viability remains the reaction of the powerful trade unions, which provide the main backing for the popular Peronist presidential candidate, Carlos Menem. So far, they have carefully avoided any commitment to fight the measures outright.

Press Cuttings

from Broad Street Associates **The Daily Telegraph**

6 AUG 1988

Tumbledown for big screen?

TUMBLEDOWN, the BBC's controversial play about the Falklands, is expected to be released abroad as a major feature film. Cannon, the film distributors, and the BBC are negotiating "outside UK theatrical rights" for the film, which could eventually be shown not only in America but also in Argentina.

Written by Charles Wood and directed by Richard Eyre, the BBC1 play — based on the experiences of Lt Robert Lawrence of the Scots Guards — was attacked by the Ministry of Defence for being "faction", fiction mixed with fact. It was also alleged that the programme would cause distress to some individuals portrayed who would have no way of redressing their reputations.

Threats of an injunction hovered, but it was eventually shown on June 3 with some cuts. Cannon approached the corporation to acquire cinema rights soon after the play was screened.

If the deal goes through it will be the first time a BBC film, which has been first broadcast on television, will have been bought for general release.

"I think they are keen to exploit its saleable qualities," says the BBC enterprises department, which is handling the contract. "The principal country for distribution will obviously be America, but rights will include anywhere outside the United Kingdom."

Neither Cannon nor the BBC will disclose the sum involved, but it is thought that Lawrence will benefit financially.

Falklands offer gets cautious welcome

By Nicholas Ashford

THE Foreign Office reacted cautiously yesterday to the report in Friday's *The Independent* that Argentina is willing to enter direct talks with Britain about improving relations between London and Buenos Aires, while leaving the issue of the sovereignty of the Falkland Islands to one side.

A spokesman said Britain had not been officially informed of any change in Argentina's attitude on the sovereignty of the disputed islands. However if Argentina was now prepared to drop its insistence on sovereignty talks as a pre-requisite for negotiations, this would be welcomed by Britain, he said.

The spokesman noted that *The Independent's* report, based on an interview with the Director-General of the Argentine Foreign Ministry, coincided with a visit to Buenos Aires by George Shultz, the US Secretary of State. The US has been involved in behind-the-scenes talks aimed at bringing Britain and Argentina together.

Ever since the end of the 1982 Falklands war, Britain has sought to improve bilateral relations with Argentina, but has steadfastly rejected Argentina's insistence that the sovereignty of the islands should be one of the topics to be discussed. Secret talks between the two former belligerents, held in Switzerland in 1984, broke down over the sovereignty issue.

Argentina refuses to shelve Falklands sovereignty issue

Jeremy Morgan
in Buenos Aires

BUENOS AIRES is still not willing to put sovereignty over the Falkland Islands on one side while other issues are discussed with Britain, a senior Argentine government official insisted yesterday.

Commenting on a report that Argentina might soften its stance on all talks including sovereignty, Mr Lucio Garcia del Solar, director general of the Argentine Foreign Ministry, stressed his Government's position had not changed.

"Argentina will never set aside the need to talk on the question of sovereignty," he said. Indirect contacts between Argentina and Britain through the US Government during the last year on other subjects "never meant Argentina abandoning its position on sovereignty."

Mr Garcia del Solar's statement implied the two countries are as far apart as ever on the

technicalities of getting any talks started.

Discussions on avoiding incidents or preserving fishing resources in the South Atlantic, which have been the subject of the indirect exchange of information via the United States, could take place, he said, but only once both sides had agreed to place the sovereignty issue under a judicial "umbrella" in which neither moved away from its respective position.

Diplomatic sources here yesterday commented that this implied that Britain, as much as Argentina, would concede in principle that sovereignty would have to be negotiated at some stage.

"The only way of doing something useful in certain limited areas is to agree on the question of reserving our respective positions and respecting each other," Mr Garcia del Solar said. "Once this is clearly set out in legal terms, maybe we can have talks on the problem of the islands and how to find solutions."

UK TV UPDATE

LONDON (Aug 3): Channel 4 is close to securing King World Productions' enormously successful US talkshow, The Oprah Winfrey Show, for UK television. King World says that "99% of the paper work" has been completed on what would be the show's first foreign sale. In Wheel Of Fortune, Jeopardy and Oprah Winfrey, King World boasts the top three syndicated stripped series in the US, helping to earn the company a staggering \$55 million in the first months to May 31 ...

Rupert Murdoch is expected to offer an annual £100 million (£125 million) to pay for the purchase of channels of independent production which up to £50 million (£75 million) will be put towards his news channel. He predicts an audience of at least six million UK homes within four years and expects losses of £150 million (\$258.4 million) before turning the corner into profit.

Sky has named David Hill, president for network sports at Australia's Channel 9, as its first new board member to oversee both Eurosport and Sky News. He will soon be joined by someone to look after both Sky Channel and Sky Movies ...

Lord Thomson, soon to retire as chairman of the Independent Broadcasting Authority, says he fears for the future of commercial TV if ITV's commitment to public service broadcasting were removed. "There may be a temptation in some quarters to restore the monopoly of public service television to the BBC, but a BBC straitened for funds and being pushed by unregulated commercial television towards a cultural ghetto," he says in the IBA's annual report. ITV would then be compelled, he says, to behave as if it were any other private TV station maximising profits by chasing ratings ...

IBA reckons that programmes worth nearly £100 million (£93 million) have been commissioned from independent producers by the TV companies since Aug 1987. Of the 173 hours commissioned during the three months to the end of March this year, only three were devoted to TV drama, at a cost of £1.43 million (\$2.46 million). No independently-made feature films figure in that quarter.

In its review of 1987-88, the IBA notes a good year for commercial TV in documentaries (in particular Yorkshire TV's Falklands War, The Untold Story, Granada TV's Sword Of Islam and Channel 4's Baka - People Of The Rainforest).

But it was a "disappointing" 12 months for drama (exceptions being C4's Porterhouse Blue, Central TV's Escape From Sobibor, London Weekend TV's The Charmer and a handful of others). During the year, ITV showed an average 38.5 hours a week of plays, series, TV movies and feature films, or 33.7% of its schedule. By comparison, C4 devoted just under 33 hours or 32.6% of its airtime to fiction ...

Property developer Peter de Savary is to be the new board director at TV-am ...

By Colin Brown

Navy captain resigns

THE Ministry of Defence confirmed yesterday that a Navy captain at the centre of allegations of indecency on board his warship had been allowed to resign.

A spokesman said that after an inquiry by the Navy's special investigation branch, Cmdr Peter Harrison had applied to resign and that had been accepted.

He said the investigation had provided "insufficient corroborative evidence of any offences to justify court-martial

actions under the provision of the Naval Discipline Act".

Cmdr Harrison (43) was in command of the destroyer *Nottingham* on patrol in the Falklands when he was flown home last May.

He was transferred to administrative duties in Plymouth while an investigation was held into claims of indecent assaults aboard the ship. Yesterday, his home at Sheviok, near Torpoint, Cornwall, appeared empty. Neighbours said they had not seen him for some time.

Press Cuttings

from Broad Street Associates

The Western Morning News 5 AUG 1988

Navy's tricky 'parking' job is made to look so easy.

UP ANCHOR AND AWAY: HMS Invincible yesterday made her first journey in almost two years when, with the help of a tug, she moved 100 yards across a basin at Devonport Dockyard.

The Falklands' veteran aircraft carrier, which has just completed a major stage in a £100-m re-fit programme, will begin full sea trials in November.

Four tugs were used to tow the 20,000 tonne ship from the Dockyard basin to the sea wall. And with only two feet clearance on either side it was, at times, a tricky job for the

crews from the Royal Maritime Auxiliary Service.

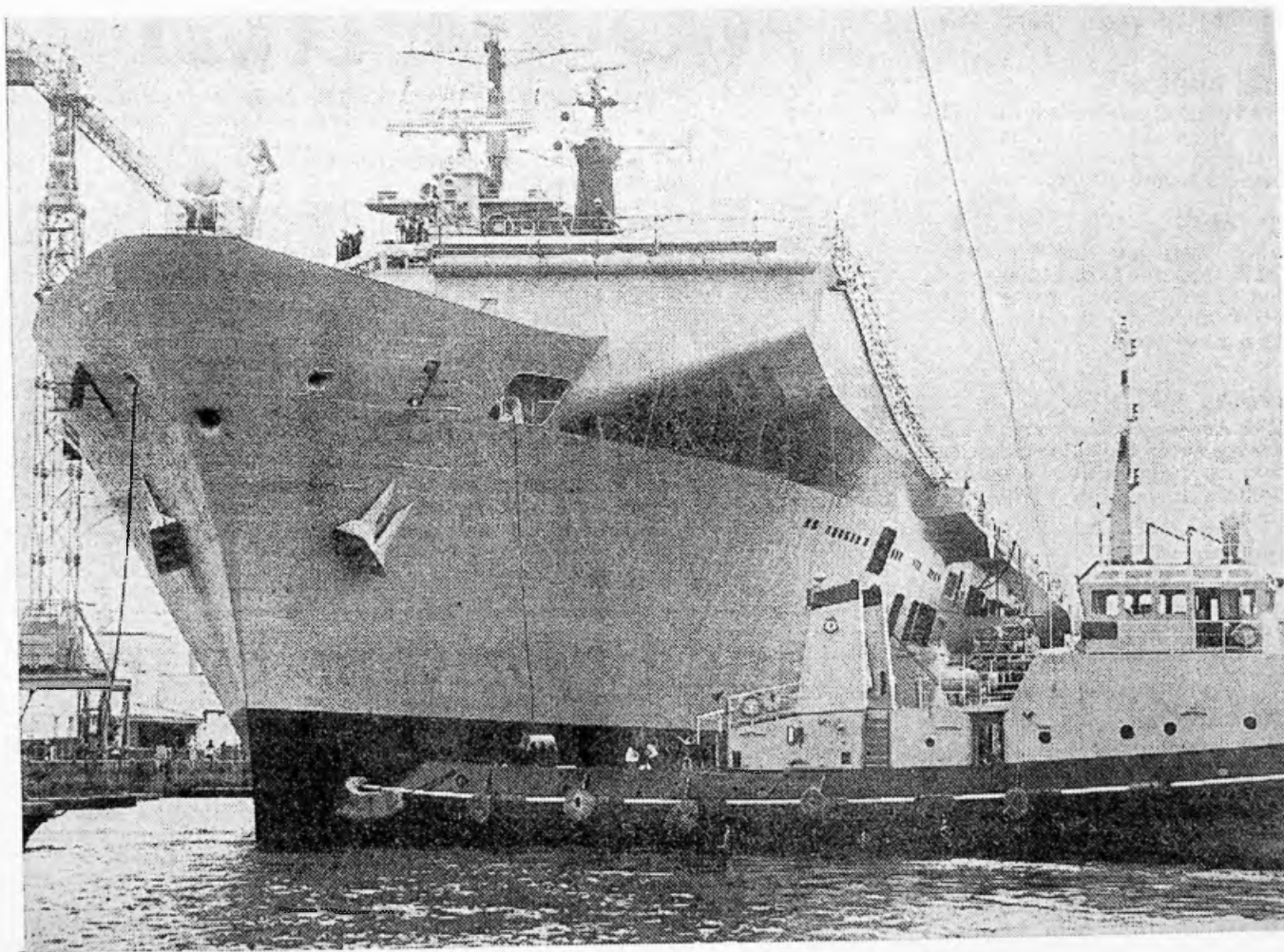
"It's not an easy task, but it went swimmingly well," commented a Navy spokesman. "We are extremely pleased with the whole two-hour operation."

The move was necessary to allow full tests to be carried out on the engines and propellers, and to enable the ship to be sprayed with clean running water.

After re-fit, Invincible will be the most expensive and up-to-date vessel of her type. Many of her modifications have arisen from direct experiences and lessons of the Falklands conflict.

All highly-combustible Formica-type materials have been replaced by steel. The ship's conventional nerve centre has been completely up-dated and she has been fitted with the first of a new type of radar; new sonar; new gear box; increased magazine space, and provision for carrying more aircraft.

There has been a major structural change to the flight deck which now can take a much heavier load. The "ski-jump" for Sea Harriers has been raised to 12 degrees so that the planes can take off with heavier weapons load.



Officer in Navy probe resigns

THE Navy officer at the centre of an investigation into allegations of indecent assault on board his ship has resigned his commission, the Ministry of Defence confirmed last night.

Cmdr. Peter Harrison was flown home from his ship HMS Nottingham, in the South Atlantic, last May to assist the Navy inquiry.

Last night, the MoD said: "Cmdr. Harrison has applied to resign and his application has been accepted.

"The investigation is now completed and there is insufficient evidence to justify court-martial proceedings against anyone on HMS Nottingham for indecent assault.

"I am unaware of Cmdr. Harrison's future plans, but I understand that he will receive a pension."

Cmdr. Harrison, a 43-year-old batchelor at Sheviok, near Torpoint, took a desk job at HMS Raleigh for the duration of the investigation.

He was a gunnery expert with 24 years service in the Navy.

Last night, his home in Georges Lane, Sheviok, was deserted.



Peter Harrison

Tumbledown may hit US cinemas

The BBC is negotiating to sell its controversial drama *Tumbledown* to US film distributors Cannon for theatrical release outside the UK.

If the deal goes ahead it will be only the second time that a BBC drama made primarily for UK TV has been given a theatrical release. Its precursor was *The War Game*, shown in cinemas after a ban — now lifted — kept it from TV screens.

The film follows an approach by Cannon, which is keen to exploit *Tumbledown's* potential, particularly in the US market. The film, based on the effects of the Falklands War on a young Guards officer, attracted an audience of 10.5 million when it was shown on BBC1 two months ago.

Before a theatrical deal can be reached, the BBC will have to agree extra payments for the

crew on the production. Under its agreement with staff union BETA, technicians are paid at a rate which covers TV transmission only.

But a spokesperson for BBC Enterprises, which is negotiating the deal, said: "This isn't a problem, it's just time-consuming."

Last year the BBC and BETA struck a one-off deal to make *Little Sister* — a co-production with US-based Nelson Entertainment — for initial theatrical release in the US. Under the terms of the deal the BBC paid a lump sum to BETA on behalf of its members involved in the production. The film has already been released on video in this country as *Little Sweetheart*.

Negotiations for a general agreement to allow theatrical release of BBC dramas are still in progress.



Tumbledown: Cannon keen to exploit potential.

Argentine reforms raise prospect of fresh loans

By Our Foreign Staff

ARGENTINA's economic reform plans, aimed at curbing inflation and reducing the fiscal deficit, were welcomed yesterday by the International Monetary Fund and the World Bank, as well as by the US government.

The IMF made clear it was ready to start negotiations with Argentina on a \$1.2bn loan. The US Treasury said it was working with the Bank for International Settlements to arrange a bridging loan of up to \$500m.

Mr Barber Conable, the World Bank president, said a delegation would go to Buenos Aires next week to review Argentina's efforts to restructure its economy and to discuss World Bank lending to the country.

The economic package announced by the Argentine Radical Party government on Wednesday involves cuts in spending and increased charges for state services. The wide-ranging measures were brought in to try to persuade foreign creditors to provide new loans to service Argentina's \$56bn foreign debt.

The measures, announced by the Argentine Economy Minister, Mr Juan Sourrouille, initiate a campaign to reduce inflation from a monthly figure of more than 20 per cent and to cut state spending severely.

The reforms have been described locally as the government's "last card": if they fail, as did a similar package three years ago, the Argentine electorate may opt for a Peronist government in the presidential election next year.

KEY DETAILS OF THE PLAN

- Public utility prices up by 30 per cent, and then to be frozen until October.
- A government-business commission to oversee, for six months, interest and exchange rates, fiscal deficit, public spending.
- Public sector salaries to go up by 25 per cent and then to be held at that level.
- Devaluation of the commercial rate of the austral by 11.42 per cent to a rate of 12 australs to \$1; continuation of the financial rate, quoted at 14.40 australs to \$1.
- Agricultural exports will operate through the commercial rate. Industrial exporters can realise 50 per cent of their transactions through the financial rate, the remainder via the lower commercial rate.
- All imports, except for oil products, to be purchased through the financial rate.
- Exchange rates to be gradually unified from April 1989.
- Public spending cuts of \$500m this year.
- Voluntary retirement for 30,000 civil servants.
- Elimination of import licence requirements for 3,000 goods from September 21.
- Cut in Value Added Tax from 18 to 15 per cent.
- State-owned companies no longer to receive state subsidies but only funding of their debts.

President Raul Alfonsín said his government was "beginning a decisive battle against inflation, which has sapped and squandered the strength of the people". He said he had no doubt the reforms would have the support of all Argentines.

The official estimate is that the reforms, which have been worked out in consultation with leading industrialists and which are also designed to improve industrial export prospects, will yield \$1bn a year, or roughly 1.5 per cent of gross domestic product.

Trade union leaders have criticised the reforms because they propose freezing wage increases at a level below

recent inflation. Agricultural producers say they imply a reduction in their export earnings relative to industry.

Loans to Argentina have this week started to fall more than 90 days in interest arrears, forcing US banks to place the loans on non-accrual status, which hurts their earnings. Bankers said yesterday they had received no indication from Argentina on whether it intended to make interest payments at any time, even on receipt of funds from the expected bridging loan.

Government officials have said they will be looking for \$2bn in new money from creditor banks.

Argentine inflation curbs offer too little too late

ARGENTINE banks and foreign exchanges, closed for three days, reopened yesterday after the Economics Minister, Juan Sourrouille, announced the government's anti-inflationary plan late on Wednesday. He said that the business sector had agreed to hold down price increases for the next six months.

Public sector workers are to get an immediate 25 per cent wage increase in the hope of curbing demands in coming months. The government conceded, however, that collective bargaining with the powerful unions would continue. The austral has effectively been devalued by 11.4 per cent, and 50 per cent of industrial goods are to move to the cheaper commercial rate of the two-tier exchange rate. President Raul Alfonsin declared that his government was "now beginning a decisive battle against inflation". Few insiders, however, give the package much hope of lasting beyond the beginning of 1989.

The timing of the whole uncomfortable episode has been unfortunate for Mr Alfonsin and his Radical administration. With nine months to go to presidential elections, it is too late now to unleash the sort of drastic austerity measures required to correct the economy's deeply rooted weaknesses. On the other hand, the temporary palliatives just disclosed may fall apart before the elections, unleashing consider-

John Eisenhower in Buenos Aires looks at the new package of economic measures

able inflationary pressure and industrial conflict.

The government had to act, however, mainly because it has run into difficulties on its debt payments. With a \$2bn annual shortfall between its export earnings and the interest charges on its \$55bn external debt, and reserves down to a bare minimum, Argentina urgently requires fresh loans. The treasury secretary, Mario Brodersohn, is confident that the International Monetary Fund will give it a fresh \$1.25bn loan, which should in turn persuade commercial banks to provide a further \$2bn.

Meanwhile, the United States Secretary of State, George Shultz, revealed that Argentina has been secretly negotiating in Washington for an emergency bridging loan, which sources say amounts to \$500m. Bridging to what officials are asked, and the unspoken answer is, the elections. Washington, fearing that the Radicals may lose to the populist opposition candidate, has been leaning on the IMF to give Buenos Aires another chance. The hastily cobbled-together austerity package appears to be the *quid pro quo*.

The economic situation is not encouraging. Inflation is heading towards 400 per cent this year, while growth has ground to a halt. A senior economist at a major foreign bank, said: "Argentina is one of the countries with the least likelihood of making significant progress over the next five years."

With political popularity closely linked to economic performance, the consequence has been disastrous for President Alfonsin. From a high 60 per cent approval rate of his economic policy in 1985, when the austral wage/price freeze clamped inflation, polls now show a derisory 1 per cent support rate. Eduardo Angeloz, the Radical presidential candidate, has conceded that unless the economy improves, his chances next year are slim.

Argentines are easy and inveterate complainers. Indeed, the opulence of the capital's chic quarters, awash with furs, jewellery and expensive European fashions, make any talk of crisis appear unreal. But the conspicuous wealth of the rich cannot obscure the growing frustrations of the middle classes and the real difficulties of the poor. In the provinces there is hardship. Official statistics suggest that *per capita* GDP is down to the levels of the early seventies.

Independent analysts estimate that of the \$55bn foreign debt, some \$30bn is held in foreign bank accounts belonging to Ar-



US Secretary of State George Shultz with Argentine President Raul Alfonsin in Buenos Aires this week.

gentines. "The interest from that money is worth a couple of points on GNP growth alone," said one diplomat. "It cushions the well-off, but does not help the majority."

President Alfonsin has consistently said the right things about the economy, about curbing the state sector, controlling the deficit, privatisation. "Equally consistently," noted one economist, "he has failed to deliver on almost all of them. Above all, he has not got to grips with public expenditure and the bloated state sector."

The measures announced this week, early retirement provisions, and stopping junior civil servants from using government cars and subsidised lights amount to fiddling at the margins. The much heralded privatisation programme has so far been limited to selling off the domestic airline, Austral.

Fifty years ago Argentina had a *per capita* income higher than

Sweden or Australia; it did more foreign trade than Canada. It is blessed with some of the finest farmlands in the Americas and enormous mineral wealth, and observers confidently predicted Argentina's future greatness. Instead, it is one of the great failures of the 20th century.

Much of the explanation for this lies in decades of political mismanagement, with a resulting total absence of stability and continuity. Bursts of exhilarating, often nationalistic-inspired, growth were followed by slumps. Since the fifties, the number of Argentine leaders can only be compared to the dizzying turnover of the 11th and 12th century papacy.

The result has been a highly corporatist society, with powerful special interests like the army, the trade unions and industry forming parallel sources of power. President Alfonsin clearly never felt comfortable enough to tackle them head on.

Argentina eases way to talks on Falklands

ARGENTINA is willing to set the issue of sovereignty on one side and enter direct negotiations with Britain about improving relations over the Falkland Islands, a senior official at the Argentine Foreign Ministry said yesterday.

Lucio García Del Solar, the director general of the ministry and a close friend of President Alfonsín, told *The Independent*: "Nobody gives up their interpretation of the subject of sovereignty, but we are prepared to sit down and talk about many things while each party reserves its position." British sources said this was the furthest Argentina had gone towards dropping sovereignty from a possible agenda.

Mr García Del Solar, a former ambassador to Washington, has been instrumental in exploring avenues in the US to bring London and Buenos Aires together in talks. Until now Argentina has insisted on sovereignty talks as a pre-requisite for negotiations, which has been rejected outright by the Foreign Office.

"We would be prepared to sit down with the British to talk about two principal matters," said Mr García Del Solar. "First how to avoid incidents and creating tension in the area. Second, it is most important to avoid the depletion of the region's natural resources, fish. I think that a certain harmonisation, exchange of informa-

From John Eisenhammer
in Buenos Aires

tion, is necessary. On the basis of these two subjects it would be useful if we could get together." He added: "Personally, I think it would be better for the two countries to have the trade relations they used to have. Maybe through an initial dialogue we could build confidence." Mr García Del Solar conceded this could be interpreted as moving towards the British position, which has called for initial talks on practical ways of improving ties. "Doing this will take tremendous courage on the part of President Alfonsín," he said. "Especially with presidential elections just nine months away, for the opposition will say that sitting down with the British to talk about small subjects and how to improve diplomatic relations, while reserving each one's rights on the main thing, is a sell-out."

"We are aware that it could be interpreted as moving to the British position but we reject this. We cannot ever give up our conviction that the islands should come back to Argentina. But the British Government should not doubt that President Alfonsín and the Foreign Minister, Dante Caputo, are men of good faith."

Too little on inflation, page 23

Strike threat to Argentina's stand against inflation

By Cristina Bonasegna in Buenos Aires

PRESIDENT ALFONSIN of Argentina promised to launch "a decisive battle against inflation" as his government announced an emergency economic package aimed at curbing an inflation rate of over 320 per cent a year and reducing the budget deficit.

The measures, widely regarded as Señor Alfonsin's last chance to solve pressing economic problems before general elections next year, include a price agreement with business sectors, new currency policies, cuts in public spending and a further opening up of the economy.

Speaking on nationwide television on Wednesday night, Señor Alfonsin said his government was "beginning a decisive battle against inflation", which, he added, "constitutes the main impediment to growth and has produced acute social injustices."

Reminding his audience that his six-year term would end in roughly 500 days' time, the President added that he hoped to "put Argentina's economy on the takeoff platform" by then.

The package is aimed at reducing by half Argentina's budget deficit to an official target of 3.9 per cent of its gross domestic product, as its foreign creditors would like.

The government's inability to reduce the budget deficit is now widely blamed for the failure of the Austral Plan launched three years ago. The plan, which included a price and wage freeze, initially managed to curb inflation raging at 1,000 per cent a year at the time, but began to falter in early 1986.

The measures, announced by the Economy Minister, Señor Juan Sourrouille, later in the day, include an agreement with about 400 leading manufacturers to keep price increases down to a total of 5 per cent in the next two months. Inflation is now estimated at 25 per cent a month.

The new emergency package also includes an 11 per cent devaluation. The government maintained a system of twin exchange rates—farming products will be the only exports to be sold at the lower "commercial rate"—but decided in future that the commercial rate (now standing 20 per cent below the so-called financial exchange rate) will be unified.

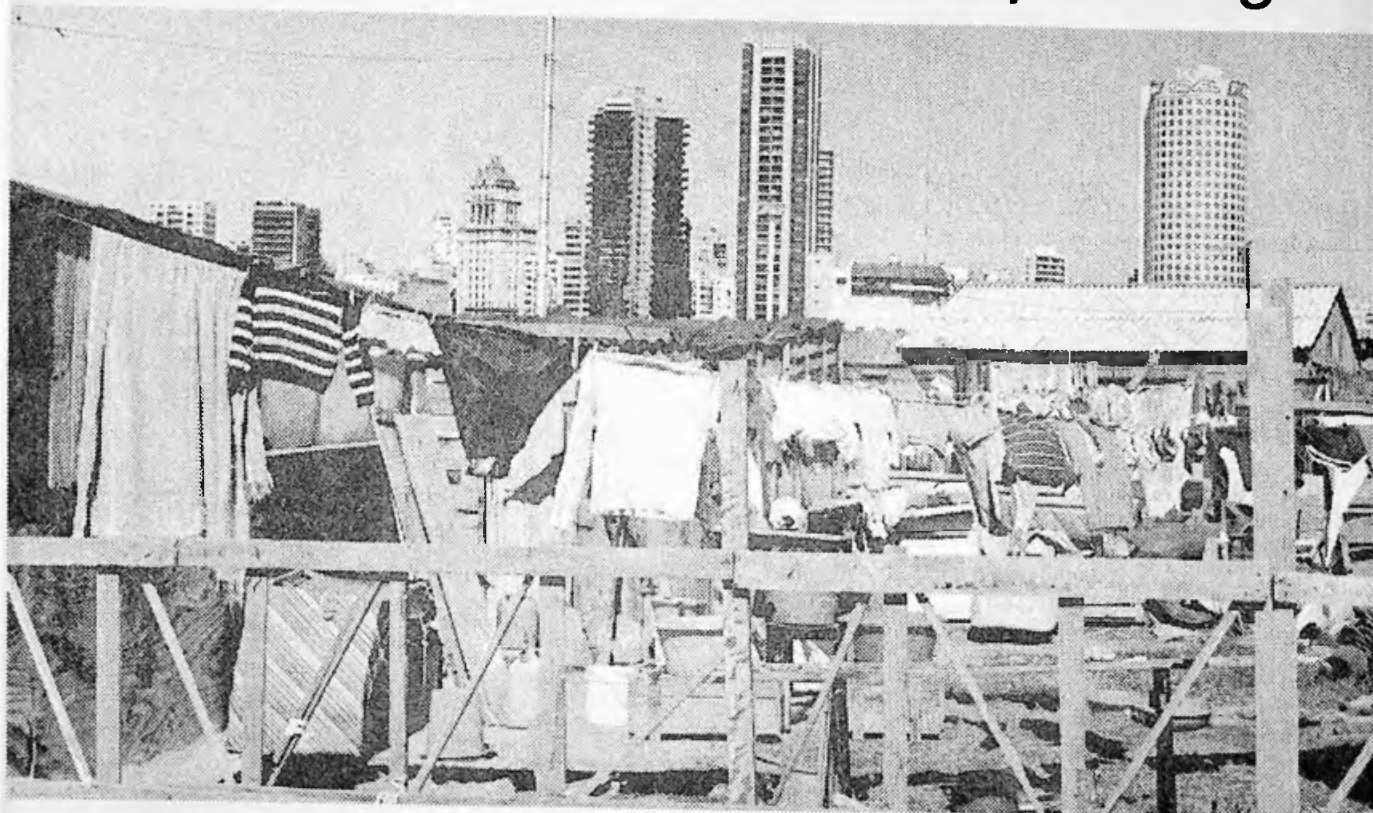
Treasury funds for public works, such as the Atucha II nuclear power plant in the province of Buenos Aires, will be cut, and export duties on almost 500 products will be listed.

Banks, which were ordered to close on Monday, reopened yesterday. Their doors remained open to the public for 10 hours to make up for the lost time.

The measures have met opposition from the farming sector, with charges that the double currency exchange market discriminates against them in favour of the national sector. Farming products account for 70 to 75 per cent of Argentina's foreign currency earnings.

The General Confederation of Labour threatened to stage a general strike against the measures unless President Alfonsin meets union leaders to promise them employment, and that purchasing power will not go down after the measures.

Fears for Argentina crash package



Urban blight in Buenos Aires: a huge foreign debt and inflation at 320 p c have taken their human toll

Jeremy Morgan
in Buenos Aires

PRESIDENT Alfonsín has launched another onslaught against inflation in Argentina but the country's bankers wonder if his measures will satisfy foreign creditors' demands for tough action.

The measures are haunted by memories of Plan Austral, an austerity drive introduced with initial success in June, 1985, only to crumble amid official indecision.

President Alfonsín claimed his crash package marked the "definitive battle against inflation," which is running at more than 320 per cent a year.

But hopes of curbing inflation depend heavily on businesses agreeing to freeze prices over the next 180 days. After a brief freeze up to August 15, prices will be allowed to rise 1.5 per cent during the rest of the month and by a maximum 3.5 per cent in September.

The system will be reviewed in early October

which means there is already some uncertainty. Bankers warn that it does not include Argentina's right-wing labour bosses, who are among the government's harshest critics and control the most important sectors of the Peronist mass movement.

Bankers said yesterday the government had also not spelt out how it would cut costs at huge loss-making state corporations that are blamed for a budget deficit reportedly running at twice the official target.

Officials promised much

stricter public spending controls and funds for voluntary redundancy to reduce the state payroll by 30,000.

The budget is perhaps the key issue for the International Monetary Fund, whose approval of Argentina's economic record will determine whether 300 foreign bank creditors release loans in future. The central bank president, Mr Jose Luis Machinea, said agreement "in principle" on the need for a new \$1.2 billion standby loan accord would be reached with the IMF soon.

BBC plays promise controversy

Shyama Perera

THE BBC yesterday launched a new season of drama with the promise that the furore over Tumbledown — the controversial play based on the unhappy experiences of a British soldier injured in the Falklands — had not forced it to "seek to take any safe or bland routes".

New series include *First Born*, the story of a half-man-half-gorilla hybrid and his problems from birth to maturity; and *Blind Justice*, a five-part drama centred around a radical leftwing chambers where the barristers become involved in defending IRA activists and take on the case of a black woman doctor who dies in police custody.

The season's single dramas promise more controversy with the showing of *Impossible Spy*, the story of an Israeli agent who infiltrates the Syrian Government; and *The Most Dangerous Man In The World*, a speculative account of the life of Mehmet Ali Agca, the man who shot Pope John Paul II in 1981.

The BBC drama department's total output during the six-month season will be 209 hours at a cost of £73 million.

Mr Mark Shivas, who became head of the department just four days ago, said that all output would be responsible. However, he added, no "safe or bland routes" had been taken in the wake of *Tumbledown* which had received a huge and gratifying audience response.



Hermes gets a direct hit

MRS THATCHER yesterday helped to "sink" the former pride of the Royal Navy.

During a tour of a submarine training centre she used a periscope to track a ship and prepare a torpedo attack.

When she asked for the identity of the target she was told: "It's the Hermes."

The carrier, used during the Falklands war, has since been sold to the Indian Navy.

'Model trains' captain resigns

A NAVY captain who played with model trains at sea has resigned after allegations of indecency on board his ship. Commander Peter Harrison, a 43-year-old bachelor, was flown home from the Falklands in May after a steward on the destroyer Nottingham complained of being indecently assaulted. Last night the Ministry of Defence said that after an investigation there was not enough evidence for a court martial. Commander Harrison, who refused to comment, is a model railway enthusiast and kept a layout in his cabin.

Argentina Devalues Austral

Compiled by Our Staff From Dispatches

BUENOS AIRES — Argentina devalued its currency effective Thursday in an austerity plan that includes voluntary price restraints and higher import costs to fight huge inflation and budget deficits.

President Raúl Alfonsín called the plan "the decisive battle against inflation," which ran at an annual rate of 321.7 percent in June. The government also is fighting \$56 billion in foreign debt and a \$3.5 billion budget deficit.

A program of voluntary price restraints is to limit consumer price rises to only 5 percent over the next two months, but obligatory price controls were lifted, Economy Minister Juan Vital Sourrouille said.

José Luis Machinea, the central bank president, announced a 10.5 percent devaluation of the commercial rate for the austral, the Argentine currency unit, which fell to 12 to the U.S. dollar from 10.74. The country uses a two-tier exchange system, but it said it would phase out the commercial rate by April.

The financial rate, which is close to the free-market level, would fall by about 11.6 percent to 14.4 australes to the dollar.

Imports will come into Argentina at the financial rate, making them cost more. Previously they entered at the lower commercial rate. Agriculture exports will be at the commercial rate, while manufactured goods sold abroad will be split between the two.

Mr. Machinea said the central bank planned to act in the free foreign exchange market through daily auctions of foreign currency, starting on Thursday with two sales of up to \$50 million each.

The stabilization plan is also designed to open the door to a \$1.2 billion standby credit from the International Monetary Fund. Financial institutions have been shut since Sunday while the government worked on austerity program.

(Reuters, UPI, AP)

Press Cuttings

from Broad Street Associates

THE WALL STREET JOURNAL. 5 AUG 1988
EUROPE

Argentina devalued the austral 11.42% against the U.S. dollar. The move is part of a program aimed at narrowing the budget deficit and stemming triple-digit inflation.

Argentina Cuts Austral's Value Against Dollar

By PETER TRUELL

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Argentina devalued the austral against the U.S. dollar 11.42% and announced a pact to control prices as well as cost-cutting measures designed to rein in a swollen government deficit and cut the country's soaring inflation.

The measures, broadcast late Wednesday night from Buenos Aires at the end of a government-decreed three-day bank holiday, also should help the debt-troubled country reach new loan agreements with the International Monetary Fund, the World Bank and creditor banks.

Argentina also has requested a \$500 million bridge loan from the U.S. Treasury to help it cope with hundreds of millions of dollars of overdue interest payments to its bank, government and international agency creditors.

The success of Argentina's wide-ranging economic austerity program will be crucial in determining the fate of the ruling Radical Civic Union party in next May's presidential election. Eduardo Angeloz, governor of Cordoba province, will be the Radical party candidate. He faces a strong challenge from the populist Peronist governor of La Rioja province, Carlos Saul Menem.

Announcing the measures, Economy Minister Juan V. Sourrouille said industrial leaders had agreed to limit price increases to a maximum of 5% until Sept. 30, and that further price restraints would continue after that. Private sector wages will still be negotiated freely between employees and employers, the minister said, while government employees will get a 25% pay increase to offset July's high inflation.

Argentine industry also has been given an extra incentive to export, as it will be allowed to sell goods abroad at an exchange rate between the controlled and financial rates for the austral. But the measures decree that much more of the nation's trade should be conducted at financial market rates, which are close to the free market. The government said it is considering doing away with its two-tier exchange-rate system sometime next year in favor of a free-market rate.

After the devaluation, there are 12 australs to the dollar at the controlled rate and about 14.4 australs to the dollar at the financial rate, news reports from Buenos Aires said.



Commander Harrison

Scandal captain resigns

By PETER HITCHENS

ROYAL NAVY captain Peter Harrison has resigned after accusations of indecent assault on board his ship.

The 43-year-old bachelor commander of the destroyer Nottingham was described by colleagues yesterday as "a broken man."

Commander Harrison's decision to quit comes after an investigation lasting more than two months which failed to find enough evidence to justify a court martial.

At the same time, the unnamed rating who accused him has been transferred to another ship. The rating has

Captain resigns

From Page One

never faced any threat of prosecution.

The allegations against Commander Harrison surfaced at the end of May, when his ship was on duty in the Falklands.

They were taken so seriously that he was airlifted home, and another officer—Commander Nick Batho—was flown out to take his place.

An investigation team was sent to the West Indies to join the ship on her way home, and the inquiry continued once she returned to Portsmouth at the end of June.

Commander Harrison has been kept busy with a shore job at the Raleigh training base in Torpoint, Cornwall, near his West Country home.

His decision to resign will not have been taken lightly. The Nottingham—with 24 officers and 229 ratings—is one of the largest and most powerful warships in the fleet, and its command is a job attained only by the elite of Navy officers.

Commander Harrison was described by one friend as "a quiet, sincere and dedicated man who is married to the service."

Another said: "Peter is a brilliant gunnery specialist and an Admiral in the making."

His habit of keeping a model train set in his cabin was the butt of jokes aboard the Nottingham—but is not specially eccentric by the Navy's standards.

HACKS at the *News of the Screws* are in a state of near-mutiny at the latest cock-up by

their huge, ankle-chain-wearing, ex-Trotskyist editor Wendy Henry.

Three weeks ago *No W* lobby hack Ian Macaskill wrote a story suggesting that Kinnock was furious at the number of Labour MPs who had missed an NHS debate. Some of the culprits, it was said, had been boozing on the Commons terrace at the time.

The piece then underwent the process known as Wendification. She rewrote the report and named 10 MPs as being too drunk to vote – in spite of pleas from Macaskill who said he couldn't support such an allegation, and *Screws* lawyer Tom Crone who said the story was now palpably libellous and the paper would have to shell out large sums to every MP named in it.

And so it proved. Ten Labour MPs, led by Bryan Gould, last week pocketed £40,000 in damages plus a grovelling apology.

But it was Wendy's behaviour after the story appeared that has enraged and terrified *Screws* hacks. Even though she had no one to blame for the libel but herself, as soon as the writs started cascading into Wapping she decided to pin the guilt on the hapless Macaskill. He has been suspended without pay for two months. And she has warned him that if his colleagues take any sort of action to support him he'll be sacked altogether.

Cowering hacks are now wondering how many more "accidents" Wendy has to have before the Digger takes action against her. In her brief reign at the *Screws* so far, highlights include:

- Falling for a con by Samantha Fox's ex-boyfriend Kit Miller to promote his bogus slimming pills (*Eye* 682), which netted him nearly £2 million from innocent *Screws* readers and brought the paper a record 25,000 letters of complaint.
- Revealing the identity of Russell Harty's "secret" lover – someone who turned out never to have met Harty. Another embarrassing apology, plus almost £50,000 in an out-of-court settlement.
- Offering a young man £6,000 if he would assault his father at church on his (the father's) wedding day. Wendy had the headline "Punch-Up At The Altar" set up even before the event. Alas, the boy lost his nerve and could only manage a mumbled curse at the father as he walked down the aisle. He was paid half the loot.

Murdoch certainly has a forgiving nature as far as Wendy is concerned. During her *Sun* days she fabricated a story about a Falklands hero, but received only a rap on the knuckles and a brief suspension before resuming her skyward ascent in the organisation.

UK ships hard hit by: **LARGE LOSSES** **IN FALKLANDS**

VESSEL owners with ships off the Falkland Islands are getting concerned about the future of their long-term operations following "substantial losses."

Poor catch rates, coupled with high licence fees and heavy transport costs in this distant fishery, are giving the operators a very tough time, writes IAN STRUTT.

The costs of fishing off the Falklands are "the most expensive in the world," according to one owner.

Pressure is likely to be put on the Falkland Islands government to lower the licence fees and an announcement on licensing policy for the 1989 season is pending. However, the fees for next year will not be set until mid-September, after this year's first season has been scientifically assessed.

Lewis Clifton, the London-based representative of the Falkland Islands government, told *Fishing News*: "The Falkland Islands government is aware that there has been a considerable reduction in market prices for *Illex* squid and hake compared with the previous year and on which licence fees have been based."

British joint venture ships have been particularly hard hit, said Alan Johnson of Witte Boyd. "The British ships have had it tough. It's our first year down there and we have had to learn the hard way."

"We've had to modify our trawls, unlike the Spanish and the Polish who have been

down there for eight to 10 years."

Asked how much the British ships had been losing off the Falklands, Mr. Johnson said: "The amount of money is substantial."

He forecast that pressure will be applied by all fishing nations to get the licence fees reduced, especially for the *Illex* squid ships which have hit exceptionally difficult marketing conditions.

Transport costs from the Falklands to Europe and the Far East are \$300 a tonne, yet *Illex* prices have dropped by 50 per cent and they are piling up in the cold stores.

The Falklands first season got under way well on February 1 with *Loligo* squid catch rates of 40 to 50 tonnes a day, but they did not hold up as in 1987 and then rapidly deteriorated, forcing vessels on to hake in March when the *Loligo* disappeared.

However, the hake were only 300 to 600 gram fish and the European market is well supplied. The *Loligo* came back at the end of May, with catch rates of five to 15 tonnes a day, which paid better than the hake.

Finfish catches were low in July and a Witte Boyd ship

transshipping in Montevideo, Uruguay, found 25 Spanish vessels tied up. Polish and Japanese ships fished on, however, but found Patagonian herring which were only 10 to 15cm long.

Mr. Johnson said that the UK-Falklands joint venture stern trawler *Lord Shackleton* will pay a total of £175,000 for her all species, all areas licence this year to make her fishing flexible, but the economics mean that catching *Illex* squid has been out of the question.

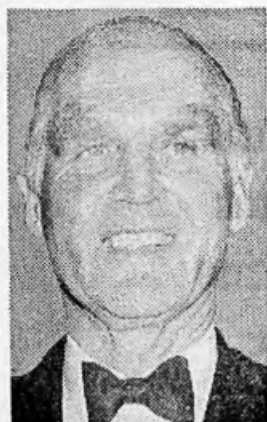
The two-trawler Seamount joint venture which the Scottish-based oil industry company Seaboard Offshore started this year has been a disaster.

Mount Kent fished for under two weeks before needing time consuming repairs carried out at Punta Arenas, Chile, while *Mount Challenger* returned to the UK and paid off her crew. She is expected to link with the Spanish.

The Marr ship in the Falklands is said to be "operating well. There is a seasonal decline as expected, but that's fishing," said a spokesman for the firm.



Chuckling in hostilities as Argentina wins peace on the polo field



Major Ferguson: A vote

AFTER six years and much ill-will, peace has at last been made with the Argentine. Not by the politicians—technically we are still in a state of hostilities with the land of the Pampas—but by the men, including Major Ronald Ferguson, who run polo in this country.

For after months of wrangling, the governing Hurlingham Polo Association this week ruled that Argentine players will be allowed to compete in Britain once more.

Says Brigadier Peter Thwaites,

chairman of the association: "After the war, feelings were running a bit high, particularly among the servicemen who play polo. The feeling was that they shouldn't be allowed back."

Major Ferguson—whose first wife, the Duchess of York's mother, Susan, left him for the Argentine polo player Hector Barrantes—supported that view.

Another reason was to save the Prince of Wales, Colonel-in-Chief of three regiments which lost men in the South Atlantic conflict, the embarrassment of being seen enjoying himself on the polo field with men many regard as the enemy.

Now reason has prevailed and polo is coming into line with other sports which re-established contacts some time ago, as witnessed by the hand of Maradona in soccer's World Cup.

"Technically, I know peace has never been declared but we just felt it was time they came back," the Brigadier tells me. Major Ferguson was one of the stewards who cast his vote. "The vote was more or less unanimous," the Brigadier says cryptically.

Feeling

He added: "If individual clubs don't want to have them they don't have to, but the general feeling was that they should be allowed back."

This is good news indeed for polo, one of the fastest spectator sports. Argentine polo ponies are the best in the world. So, too, are Argentine polo players. They are in a class so spectacularly above anyone else that even I enjoy watching them play.

Alfonsin faces wave of criticism on austerity plan

By Gary Mead in Buenos Aires

ARGENTINA'S ruling Radical party faces growing opposition to its proposals to salvage the stricken economy.

President Raul Alfonsin and his economic team led by Mr Juan Sourouille, the Economy Minister, yesterday received clear warnings from the Peronist political opposition, trade unions, industry, and agricultural producers that they resented the changes.

The Government's austerity plan includes 30 per cent price rises for public utilities with cuts in state spending and reform of central bureaucracy.

It is also believed that the Government is about to introduce significant changes in the operation of the financial sector. Last night Mr Sourouille was due to reveal details of those changes but they are likely to include a devaluation of the Argentine currency, the austral; changes in exchange rates which would make industrial exports cheaper but raise the price of agricultural exports; and clearance for industrial and manufactured imports previously requiring import licences.

The Peronist opposition has called for the impeachment of Mr Sourouille, whom they hold

responsible for failure to curtail inflation of more than 20 per cent a month. Mr Jose Manzano, leader of the Peronist opposition in Argentina's parliament, described the Government as Machiavellian and said that his party would wage a "total offensive".

He called for an emergency increase of salaries and said that the forecast balance of trade surplus from grain exports should be used for that purpose "and not for paying the external debt".



4 AUG 1988

US drops arms sale restriction

Buenos Aires — In a surprise announcement yesterday, the US Secretary of State, George Shultz, indicated that Washington was prepared to move away from the restriction on arms sales to Argentina which Britain asked its allies to enforce after the Falklands conflict in 1982, **John Eisenhower**, writes.

The announcement came at the end of a 48-hour stopover in Buenos Aires during which most of Mr Shultz's talks with a wide range of Argentine officials centred on the country's current economic difficulties.

Shultz hints at US aid for Argentine reforms

From Michael Llanos, Buenos Aires

Mr George Shultz, the US Secretary of State, who is in Argentina for talks on the economy and other issues, has hinted that Washington will help the country to cope with its severe debt crisis by providing a new loan.

His hint followed the unveiling by President Alfonsín's Government of an austerity programme intended to curb inflation, which is running at more than 20 per cent a month, through public sector spending cuts.

Key measures in the Government's reform programme are wage-price controls, a two-tiered exchange rate discriminating against imports, a 10 per cent currency devaluation and state cuts in personnel and fringe benefits.

But yesterday Argentina's financial media and businessmen criticized the package as "improvized", pointing to the lack of co-ordination among government officials and the announcement of a three-day bank holiday before details had been completed.

Argentina has been negotiating a bridging loan of \$500 million (about £295 million) with Washington that would help it pay service charges on a \$55 billion foreign debt, according to banking sources. Mr Shultz said in an interview recorded for US television that it appeared that the negotiations were going well, a US official said.

"He will be saying that he believed that there had been good discussions between the Argentines and our Treasury

and Federal Reserve and that he thought that those discussions would be productive and fruitful," the US official explained.

The Secretary of State, on a nine-nation Latin American tour, met President Alfonsín, the Foreign Minister, Señor Dante Caputo, the Economic Minister, Señor Juan Sourrouille, and senior officials to discuss economics, drug interdiction and other issues.

He praised Argentina repeatedly for its return to democracy after years of military rule after the 1982 Falklands War, describing the country as a stirring example to the world.

Urging economic reform, he said: "Nothing consolidates political freedom as much as economic well-being, which needs, in turn, strong macro-economic policies and long-term structural reform."

The Government has asked business groups to agree to monthly price increases of 4 per cent, offering in exchange easier access to capital imports and cuts in state spending.

Officials said that the package would reduce the deficit by \$2.1 billion, or 2.5 per cent of gross domestic product. The Government had earlier promised the International Monetary Fund that it would reduce the deficit from 7 per cent of GDP last year to 3.9 per cent in 1988.

This week it redoubled efforts to negotiate a \$1.2 billion IMF standby loan for 1988, but the IMF is not

expected to deliver funds for at least a month. The freeze on prices, wages and salaries came after these were increased by 30 per cent and 25 per cent respectively.

Private analysts said that the increases, which include fuel and transport prices, could push August inflation close to 30 per cent — the highest level since the hyperinflation of April 1976.

The July cost of living is expected to top 24 per cent, the highest level since the Plan Austral, the economic rescue package of June 1985. The new measures hold none of the initial promise of the Plan Austral and instead resemble policies announced in October, which achieved little.

The package was welcomed by Señor Eduardo Angeloz, the Governor of Córdoba province, who, as the ruling Radical Party's presidential candidate in next year's election, has the most to win or lose.

But business groups complained that they were not consulted about the package and were going along with the Government only grudgingly. Moreover, Peronist politicians and unionists were downright hostile and even some senior Radicals expressed doubt.

Señor Jesus Rodríguez, a left-wing Radical deputy, welcomed measures aimed at creating economic stability but added: "I only hope that it's not just an electoral ploy."

Señor Guido Di Tella, a Peronist economist, said: "The package is neither coherent nor complete."

Argentina negotiates new US loan

Jeremy Morgan
in Buenos Aires

ARGENTINA hopes to raise an emergency loan from the United States and other countries, the US Secretary of State, Mr George Shultz, confirmed last night.

News that negotiations had begun on the "bridge loan", which sources here say will be for \$500 million, came before a crash package of economic measures from President Raul Alfonsín's government.

Asked if a bridge loan in which the US would play a part was under discussion, Mr Shultz said it was but declined to make any further comment

in the absence of a statement from the Argentine government.

Mr Daniel Marx, a director at the Argentine Central Bank, flew to Washington early this week, apparently for talks with the International Monetary Fund and the US Treasury.

By coincidence, Mr Shultz arrived here on Tuesday for a 48-hour visit during a long planned tour of Latin American countries — just as Argentina found itself in another economic crisis.

Bankers say Argentina needs the loan to avert a crisis with foreign creditors. Argentina has fallen behind on interest payments due on its \$55 billion debt. Bankers claim that ar-

rears now total up to \$1 billion.

The government hopes to raise \$4 billion or more in new loans from the IMF and 300 foreign banks this year. Perhaps half the loan would come from the banks and the rest from multilateral credit agencies.

But the backlog of interest arrears and the government's protracted indecision in the face of a mounting economic crisis have led to an impasse with the creditors.

Argentina's financial markets have been closed by official order since the weekend, when the government announced it was preparing its economic measures.

With prices leaping by an estimated 25 per cent a month,

annual inflation more than 320 per cent. Economists say inflation is fuelled by the budget deficit.

The government some time ago told the IMF it planned to get the deficit down below 4 per cent of national output this year, against last year's figure of 7.2 per cent.

Failure to get a grip on the deficit is said to have persuaded both the IMF and the government there is no point in pressing on with an existing \$1.425 billion standby agreement, under which about \$450 million still has to be dispersed.

Instead, government officials are talking about the new IMF accord worth perhaps \$1.2 billion to last to the end of 1989.

Argentine Banks Closed; Economic Plan Awaited

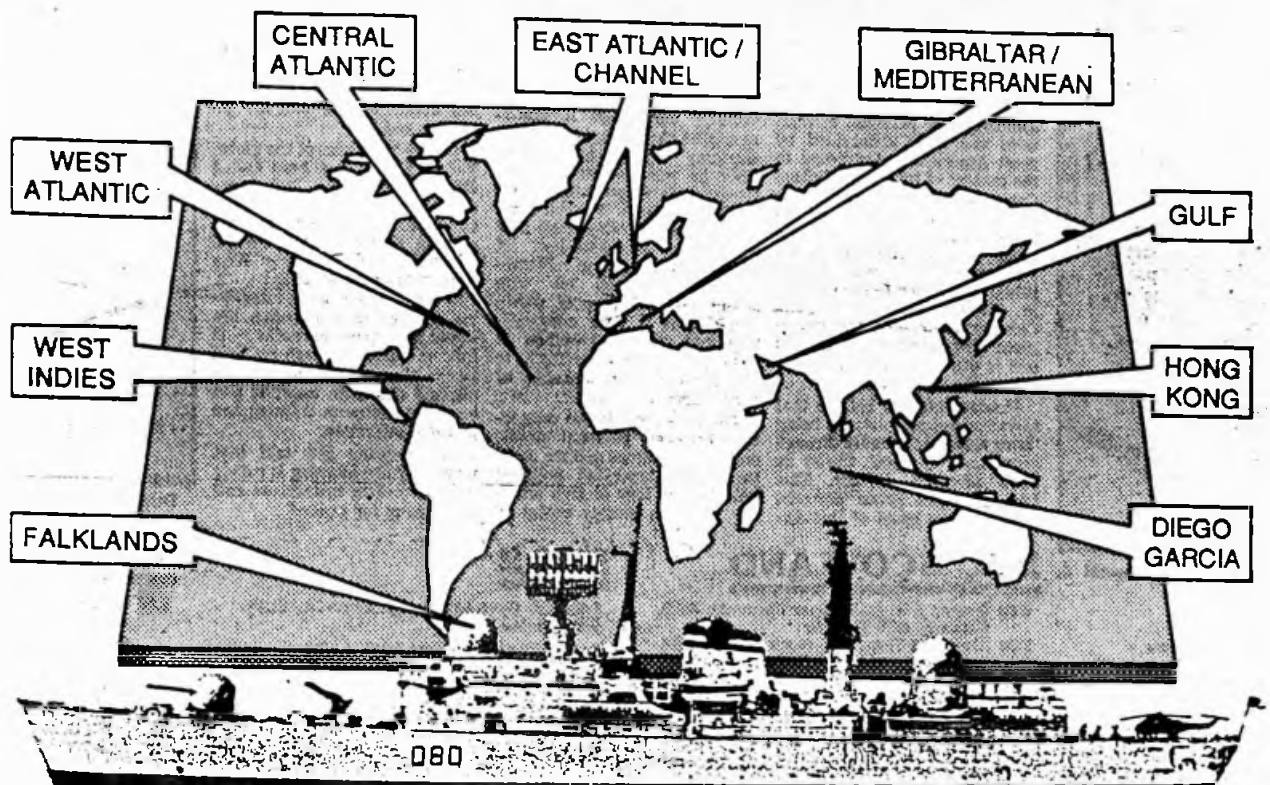
Reuters

BUENOS AIRES — Banks were ordered closed Monday and Tuesday in Argentina to coincide with the announcement of a series of measures to stem inflation and reduce the public sector deficit.

The new package was expected to be announced Monday by Economy Minister Juan Sourrouille in nationwide television and radio broadcasts.

Sources at the Economics Ministry said Sunday that they expected some form of voluntary price and wage control in the private sector and a sharp reduction in public-sector costs and investment.

The sources could not comment on newspaper reports that the government planned a 10 percent devaluation in the Argentine currency, the austral.



HOW THE FLEET IS SHRINKING

A GLANCE at the map above, which shows where the Royal Navy is presently operating, might give the impression that Britannia still rules the waves. The Prime Minister was certainly keen to bolster that impression when he enthused about Britain's defence efforts in a recent interview: "We are still a global power and we do our bit."

But in spite of the Navy's much-reported contribution to keeping the peace in the Gulf, the reality is that the Royal Navy no longer has a worldwide trade protection role. Since the retreat from Empire it has become more narrowly concentrated in its tasks. Indeed, since the mid-1970s it has been restricting most of its activities to the North Atlantic.

Although the Falklands campaign (with all its echoes of Empire) demonstrated that — at least in 1982 — Britain could still mount a significant operation "out of area", both this and the Gulf operation must be viewed as merely temporary exceptions to the general trend of concentrating the surface fleet in the seas around the United Kingdom.

The reasons for this concentration are basically twofold, explains Dr Clive Archer, of Aberdeen University. First, for reasons of geography and NATO strategy: the Royal

Navy is a North Atlantic and North European navy because that is where the British Isles are situated.

"It has been decided that most regular naval activities in the Mediterranean are now best left to the NATO countries there, and to the United States," says Dr Archer. "Also this concentration in the north has been made more urgent during the last decade or so because of the growth of the Soviet Northern Fleet with its submarine and air arms."

But there has also been a strong economic motive for reducing the size of the fleet, he adds. Ever since the late fifties, successive Governments have used the slow growth of the economy as a major reason for cutting back the size and funding of our forces outside Europe.

The Thatcher Government, for all the rhetoric of the Iron Lady, has proved no great exception. The 1981 defence review set the tone for naval spending policy when it stated: "Britain ... simply cannot afford to maintain large numbers of every type of platform at the highest standards." What was envisaged was "a rather smaller but modern fleet with less heavy overheads".

Cutbacks in the defence budget have

consequently been felt most by the Royal Navy. As well as having its surface fleet reduced from 60 in 1981 to 47, the Navy's general service combat forces have been sliced down from 43,300 in 1984 to 40,100 today. Army and RAF force levels have increased during the same period.

Moreover, there is no prospect of change on the political horizon. The Government has itself served notice of a further 5 per cent decline in the defence budget up to the end of the decade and is urging more good housekeeping by the services.

An even bleaker view is taken by Mr David Greenwood, director of the Centre for Defence Studies at Aberdeen University, who forecasts a major "funding gap" in Britain's defence effort. Attempts to maintain an "all-round defence" despite reduced resources will lead to "enforced specialisation". The leading defence economist calls instead for a "deliberate reshaping of the defence effort, yielding a pattern of chosen specialisation."

Whatever gloomy prognosis you accept there seems little argument that unless present policies are reversed, the Royal Navy's surface fleet is set to shrink still further.

Home sweet home? Not for this gnome...

THE GNOMES are a feature of a delightful little cottage garden at Ringshall, but it is the travels of a wandering gnome who went absent without leave from the garden a few years ago which is a talking point locally.

Mrs. Rose Cuthbert is proud of her collection of about 20 gnomes which adorn the colourful flower garden she tends with her husband Sid at their home, Corner Cottage, Ringshall.

Four years ago, Mrs. Cuthbert discovered one of her gnomes was missing and in its place was a note which said, "I've had enough. I've finally decided that the little country lanes in rural Suffolk are not for me."

The note was signed 'Shaun', although Mrs. Cuthbert had not named her gnomes.

Shortly after that a postcard which began "Dear Dad" arrived saying Shaun was on a building site in Milton Keynes. Since then, 23 more postcards to "Dear Dad" have arrived — all addressed to the 'Pink Cottage' and correctly delivered to Mr. and Mrs. Cuthbert's home.

According to the postcards, Shaun has watched Charlie Magri fight for a European boxing title in Sardinia, and has visited many other places, including Germany, Sicily, Cyprus, Israel, Holland, Norway and The Falkland Islands. He even claims to have a girlfriend called Niamh.

'Collection'

Shaun has apparently worked on building sites, bars and played in an oompah band and photographs have arrived showing the gnome in many

locations, including fishing in The Falklands, by the poolside in Sicily and there is one of him with Mount Etna in the background.

"I now have quite a nice collection of postcards and photographs from the gnome. He seems to be a very well travelled little gnome and is a talking point among local people who want to know how he is getting on," said Mrs. Cuthbert.

'Leaving'

Unfortunately, Mrs. Cuthbert has not received any correspondence from Shaun since June, 1987, and is wondering what he has been up to since then.

"I look forward to the postman coming in case he brings some news about Shaun but sadly nothing has happened," said Mrs. Cuthbert.

She wants him to catch a gnomemobile back to Ringshall.

"I would like to see little Shaun again and I wouldn't be cross with him or the person he has been with for leaving so suddenly," said Mrs. Cuthbert.



DEAR DAD

I'VE HAD ENOUGH

I'VE FINALLY DECIDED THAT LITTLE COUNTRY LANES IN RURAL SUFFOLK ARE NOT FOR ME

DO YOU KNOW

HOW BORING AN EXISTANCE IT IS, LIVING WITH FRED, JOE, ALF AND ALL THE REST OF THE BORING TWITS.

I'VE DECIDED TO

TRAVEL ENGLAND AND HOPEFULLY HITCH HIKE OVER TO EUROPE. I'VE HAD ENOUGH, SO ITS GOOD BYE FOR EVER

SHAUN

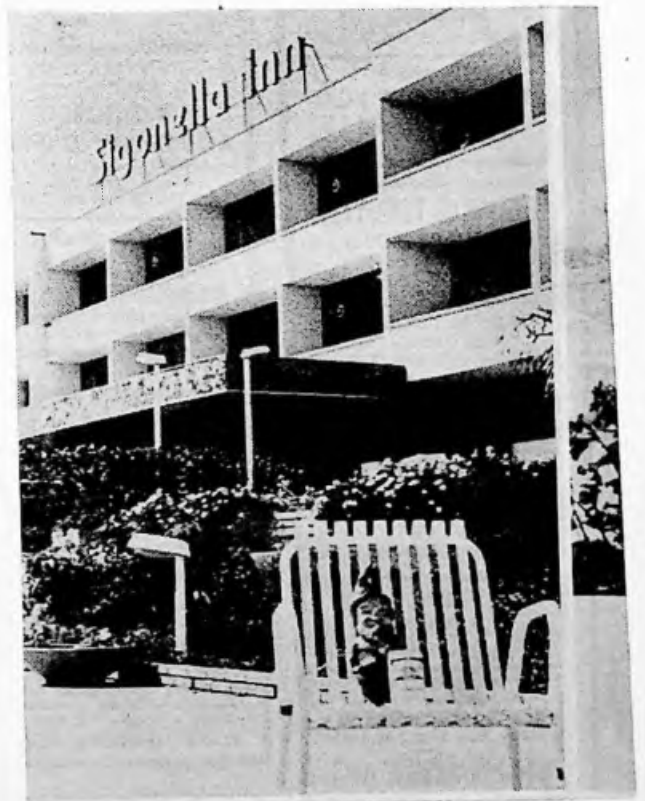
The original letter Shaun left went he wandered off in 1984.

Press Cuttings

from Broad Street Associates EAST ANGLIAN ② 4 AUG 1988



Above , photographs Shaun has sent home from his foreign travels.



Press Cuttings

from Broad Street Associates **The Western Morning News** - 3 AUG 1988

Warship needs permanent home

Still nautical. HMS Plymouth, wanted by so many to secure a permanent last berth in her namesake city, is attracting more than 1,000 visitors a day.

Most people want her to stay as a tourist attraction and a reminder of how much we depend on sea power. Local MPs want her berthed here. So does Peter de Savary, whose generosity towards things that float knows no bounds.

"The problem is where to put her," Mike Critchley said. "It has to be the right location and there aren't many of those available at Plymouth."

So after pulling in thousands of visitors during her brief stay, HMS Plymouth will be off to Falmouth at the end of September where she will stay until minds are made up about a permanent home at Plymouth.

In the meantime, guides continue to show enthusiastic visitors over the ship that accepted the Argentine surrender at South Georgia.

Argentina Lifts Fuel Rates 30%

By Shirley Christian

New York Times Service

BUENOS AIRES — The government of Argentina raised fuel prices 30 percent Tuesday in the first measure of a new economic stabilization program, but it extended a bank holiday for a third day as it worked to draft a broader plan, which is expected to be announced Wednesday.

There were signs of widespread differences within the government over how to confront inflation that is running at an annual rate of more than 600 percent, a fiscal deficit thought to be 7 percent of gross national product and the increasingly strident demands of foreign creditors for restructuring of the state-dominated economy.

A two-day bank holiday was called over the weekend to allow time to draft the plan, but it was extended through Wednesday, when the measures are expected to be announced.

Agriculture Secretary Ernesto Figueras threatened to resign during Monday's heated discussions in the presidential palace, reportedly because he supports farmers' demands for an improvement in the rate of exchange they get for the dollars they earn in exports.

Farmers have long argued that they subsidize inefficient industry and the immense bureaucracy through the low exchange rate they get and through a series of retentions, or export taxes.

Farm leaders said Tuesday that Mr. Figueras apparently had fought off an idea within the government to reverse a policy of gradually eliminating retentions.

Other measures to be taken are expected to include a currency devaluation of 10 to 15 percent, further tariff reductions on imports and "rationalization" of public administration. The government has always refused to order widespread dismissals of workers, but it is now talking about a program to encourage retirements by state employees.

Press Cuttings

from Broad Street Associates

THE WALL STREET JOURNAL - 3 AUG 1988
EUROPE

Shultz arrived in Argentina for a three-day visit. Argentina's foreign minister said the trip underscores U.S. support for his country's return to democracy.

Argentina Begins to Unveil Elements of Austerity Plan

AP-DOW JONES NEWS SERVICE

BUENOS AIRES - Argentina announced the first elements of an austerity program aimed at narrowing the state budget deficit and curtailing triple-digit inflation, and government ministers pleaded with the nation to give the plan a chance to work.

Meantime, a bank holiday declared for Monday and yesterday was extended through today.

Late Monday night, the government announced a 30% increase in utility rates and a plan to reduce public-sector employment. Yesterday, seeking to reassure Argentines, presidential spokesman Jose Lopez said the rate increase would be the only one for two months, and job cuts would be made voluntarily.

Other elements of the government's program are likely to include a probable currency devaluation and an easing of foreign-exchange regulations.

Agriculture Minister Ernesto Figueras met yesterday with farmers and ranchers angered over a reported plan to force them to exchange export earnings at a lower rate. Speaking to reporters afterward, he said: "You will see. . . . Once the confusion passes, the agriculture sector will be OK."

The case for credit controls on the feckless leprechauns

Economics



Christopher
Huhne

AS THE United States staggers into the position of the world's largest debtor, the Europeans should be wary of the moles in their own eyes. After all, most of the little European countries have been borrowing and spending on a scale that makes the Great Communicator look like Uncle Scrooge before his conversion. Both Ireland and Denmark are proportionately more indebted than Brazil, the Third World's largest debtor.

The smaller you are as a sovereign borrower, the more you can get away with. Anybody who believes, with the theorists of efficient markets, that all available information is taken into account in the price of traded securities has not looked at the history of sovereign debt. The United States is far from the worst profligate.

The US had a public debt owed overseas of about \$252 billion at the end of 1986, which is a lot. However, the US is also a very large economy. As a share

of national income, this debt ratio — the same ratio often used as a yardstick for Third World debtors — was just 6 per cent.

Compared with the smaller European countries, this is frugal. Little Austria owes a mere 10 per cent. Sweden has a modest debt-income ratio only double that of the US. Then the fun starts. The EIU's figures* show that Belgium owes 23 per cent of income; Iceland 35 per cent; Greece 43 per cent; Portugal 48 per cent. Vying for top of the European league, with just over half of income owed in debt, are Denmark and Ireland. By contrast, Brazil has a debt-income ratio of 37 per cent.

Building up this much debt demands professionalism, not the sort of dilettante efforts made by Congress and the President since 1980. The spirit needed to inform the truly dedicated debtor is that of the country priest who persuaded the Irish Government to build an international airport in the middle of nowhere at Knock, so that the pilgrims could visit his shrine. Who needs to measure the return against a test discount rate, let alone apply cost-benefit analysis, when God is on your side?

External debt is usually built up because of current account deficits on the balance of payments, which are often (although not always) associated with government budget deficits. You can look at this two ways: an economic way and an accounting way. The economic way is to say that a move to budget deficit is often associated with higher spending or tax cuts, which boost demand in the economy. Some of that leaks out into imports and worsens the deficit.

The accounting point is that each sector's surpluses or deficits have to add up, by identity, to other sectors' surpluses or

deficits. If the government borrows more, another sector has to save more. If its own nationals do not save more, or its company sector does not save more, then it has to be foreigners.

The smaller countries' budget deficits have been impressive. The maximum size of the US general government deficit was 3.8 per cent of national income in 1983. In the same year, the only small European countries which had deficits smaller than the US, relative to their income, were Finland and Norway. The average for the small countries was 5.1 per cent.

But how do the markets let the governments get away with it? Although large relative to their economies, the little Europeans' debts are tiny. Ireland only owes \$14.5 billion. The little European countries — and Australia and New Zealand too — are also benefiting from the belief that people like them honour their debts.

There is nothing surprising about all this. In a complex world in which it is hard to take all relevant factors into account, it is inevitable that capital markets work by rule of thumb. One rule of thumb at present is that Western Euro-

pean countries are full of good, solid chaps. That is why the difference in the yield on German and Irish Deutsche-mark fixed interest stock is less than half a per centage point.

This sort of rule of thumb is how the banks got themselves into such hot water during the 1970s, when they believed former Citibank president Walter Wriston's dictum that countries never default. After all, if the interest rates on sovereign debt had really reflected the risks in lending to Latin America, they would have been so high that the countries would simply not have borrowed.

In 1979, the spreads — the difference between the cost of funds charged to the lender and the cost of funds paid by banks to each other on the inter-bank market — for Argentina and Mexico were just under 1 per cent, whereas the spread for France was $\frac{1}{2}$ per cent.

If the Wriston rule was not operating, how else could one conceivably justify charging France a tiny $\frac{1}{4}$ per cent less than Argentina? When the banks ultimately were unable to suspend their own disbelief, they did not insist on, say, spreads of 5 per cent or even 10

per cent above the cost of funds to compensate for risk. They just stopped lending voluntarily altogether. Rules of thumb can be favourable — and they can collapse and reverse themselves.

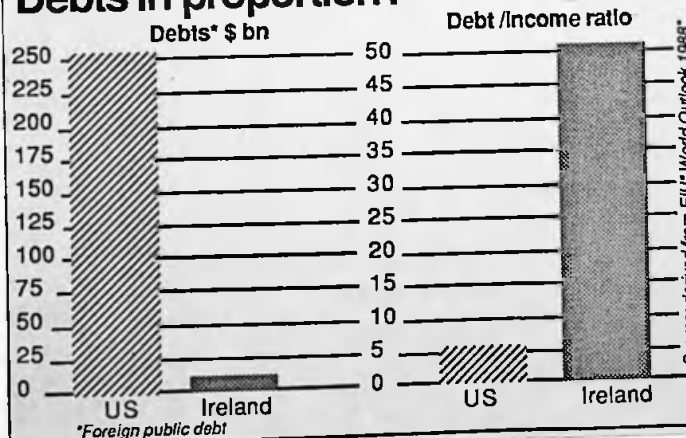
The moral is not to be blinded by the supposed infallibility of the marketplace, and particularly of financial institutions. The rules of thumb operated by lenders are not necessarily either in their own or even the public interest.

As Lord Keynes wrote: "A 'sound' banker, alas, is not one who foresees danger, and avoids it, but one who, when he is ruined, is ruined in a conventional and orthodox way with his fellows, so that no one can really blame him. It is necessarily part of the business of a banker to maintain appearances, and to profess a conventional respectability which is more than human. Life-long practices of this kind make them the most romantic and the least realistic of men."

This is partly but not merely a case for central bank supervision. It is a justification for some public view to be taken about the desirability of particular types of credit. Given the way the world really works, the Chancellor's line that, in a free economy, you set interest rates and let the markets decide is surely misguided. Abroad, the Treasury is already converted to currency intervention. At home, the Treasury should really not be indifferent to whether credit is available for housing or consumption — thus boosting demand and prices — or for investment — thus eventually increasing supply and reducing prices. Bankers need more than an invisible hand. They need a guiding touch as well.

*The Economist Intelligence Unit: World Outlook 1988, 40 Duke St, London SW1, £95.

Debts in proportion?



Disabled too early for compensation

Jack Ashley on the plight of the injured ex-servicemen who are victims of an accident of legislative timing

MARGARET Thatcher's well-known concern for those who have served in the armed forces is being put to the test this week. She has on her desk a proposal to provide compensation for a group of ex-service personnel who were damaged by negligence.

They are the hapless victims of an accident of parliamentary timing. For the last 40 years, servicemen and women disabled by negligence were denied the right, enjoyed by all other public servants, to sue for negligence. Starting in 1981, a vigorous campaign to change this was fought by MPs and angry injured ex-servicemen.

Some of the servicemen's experiences were horrendous. As a Marine, Martin Kettrick was abseiling down a cliff on a training exercise when an NCO cut the rope. He suffered a broken spine and severe internal injuries. Barred from suing, he struggles to manage his wheelchair-ridden life. Chief Petty Officer Snowy Clingham was working with a civilian over the side of a ship and crashed 40 feet when the support rig disintegrated. The civilian received substantial compensation. Clingham received sympathy.

Victory day was 8 December 1986. George Younger, the Secretary of State for Defence, announced that the Government

had decided to support Winston Churchill's Private Member's Bill to give all service personnel the right to sue for negligence. Those injured between that date and the enactment of the Bill would get ex-gratia payments. The five-year campaign had borne fruit — but not for the campaigners. Kettrick, Clingham and others who had campaigned so effectively were told they were excluded.

It was a wretched and unacceptable anomaly, so I took Martin Kettrick along to see George Younger at the Ministry of Defence. The minister's response was sympathetic but negative. There was no justification, he declared, for retrospective legislation. It mattered not at all that numerous precedents of retrospection were quoted.

It was clearly time to enlist that champion of British troops, the Prime Minister. The heroine of the Falklands would surely never stand by while such injustice was meted out to members of the forces. Sure enough, when I brought it to her attention, she undertook to look into it.

Kettrick and his colleagues were encouraged. Having served loyally, they felt betrayed by the Ministry of Defence, but the Prime Minister gave them new hope. It was suggested to Mrs Thatcher that the retrospection issue could be by-passed by establishing a trust fund to provide ex-gratia payments to those who were injured before 8 December 1986. Payments would go to those who could show evidence that their injuries were probably due to negligence.

The Prime Minister's answer merely echoed that of the Minister of Defence. She felt — somehow — that the trust fund proposal did not surmount the retrospection principle. She objected that it was an open-ended scheme which would "cause distress and embarrassment to former servicemen alleged to have caused injury to others".

This reply was couched in sympathetic terms but did nothing to allay the bitterness felt by some of the victims. To meet her objections, it was suggested that to avoid an open-ended commitment, claims should be considered only from those injured in an accident which led to an official investigation and a conclusion of faulty behaviour, equipment or procedure. To overcome the problem of retrospection, it was suggested that the ex-gratia payments should compensate only for costs and suffering experienced after the decisive date, 8 December 1986.

Whereas it took the Prime Minister almost three months to reject the earlier proposal, she turned down this attempt to meet her objections in three weeks. She still felt concerned about the distress which might be caused to those alleged to have been responsible for the damage — this from a woman many people believed to be more concerned with victims in general than with perpetrators. She felt that the limitations proposed would not be either "proper or possible" and that paying only for costs and suffering experienced after December 1986 was arbitrary and had no bearing on the principles at stake.

On her desk today lies a third proposal, and with it the hopes of many disabled ex-service personnel. I have suggested that if the principle of no retrospection meant that people should not even be asked in private about alleged negligence in the past, it was venerating "no retrospection" to the point of absurdity. But if it was a sticking point, then ex-gratia payments could be based only on the written evidence available. There is no doubt that there would be sufficient to rectify the major cases of injustice such as Martin Kettrick, Snowy Clingham and others.

There can be argument and negotiation on detail but the point of principle for Mrs Thatcher is that while those injured after the prescribed date have a legal right to seek compensation, those damaged before that date have an overwhelmingly powerful moral case for help with the costs and suffering they have endured since.

There is a limit to the extent to which one can lean backward to meet ministerial objections. But there is surely also a limit to the reasons and excuses which can be put forward to deny justice to disabled ex-servicemen. The Prime Minister now has the opportunity to show that she has reached that limit — and is prepared to translate sympathy into action.

The author is Labour MP for Stoke on Trent South.

Bankers welcome Argentine reforms

THE ARGENTINIAN government's package of economic reforms yesterday was greeted by international bankers as an important step towards securing an agreement with the International Monetary Fund, on which negotiations seem to be drawing to a close.

Argentina may be ready to meet its advisory committee by late August, bankers said.

However, serious doubt remains as to whether the reform measures can be implemented.

The government announced an immediate 30 per cent rise in all public service and utility charges, hoping by this move to get the continuous pressure for price rises out of the way, enabling it then to freeze charges for the next two months. Inflation for July alone is expected to run at around 25 per cent.

Meanwhile, the 48-hour closure of all banking and foreign exchange facilities was extended for another 24 hours to enable the authorities to hammer out final details of their austerity package.

With only nine months to go before the presidential elections, the ruling Radical party needs to

**From John Eisenhower
in Buenos Aires**

use this opportunity to create a slightly more favourable economic climate and to provide the sort of quick fix that will persuade the IMF and foreign commercial banks to give the government in Buenos Aires new loans.

Argentina is negotiating with the IMF for a \$1.2bn standby together with \$1.5bn in fresh funds from private foreign banks to help pay the \$4.9bn annual service charge on its \$56bn of foreign debt.

The anti-inflation measures, essentially a voluntary agreement with private sector business to hold price increases down to 5 per cent as long as possible, are likely to be made known later today.

The central thrust of the government's strategy, at the IMF's behest, is to cut public spending and a fiscal deficit amounting to more than 10 per cent of GDP.

Independent experts say that the sort of timid measures revealed or leaked so far are unlikely to last much more than three months.

Press Cuttings

from Broad Street Associates THE  TIMES

3 AUG 1988

Argentina costs soar

Buenos Aires (Reuter) — The Argentine Government yesterday announced a 30 per cent increase in the cost of public utilities and services. The presidential spokesman, Senor José Ignacio López, said it was the first of a series of measures to be announced over two days to reduce the public-sector deficit and fight rising inflation.

He said that after the rise tariffs would be frozen for 60 days. A programme to sell off government-owned buildings, reduce the use of government cars and aircraft and rationalize central administration costs is to be introduced, as well as an early retirement scheme for public-sector employees.

An eye on the monitors

Channel 4 may take media monitors to court
over unauthorized programme recordings.

Steven Dunne reports on this growing industry

Earlier this year Channel 4 became the latest broadcaster to discover that its programmes were being systematically recorded by private companies and sold for profit. Unlike others before it, Channel 4 is threatening legal action against the media monitoring industry. Apart from breach of copyright, Channel 4's revenue from sales of current affairs videos to programme participants, and their PR companies, are being hit.

Monitoring is an industry whose fortunes are closely tied to the booming public relations sector. Its basic operation is to record television and radio broadcasts, assess the news content of all programmes and inform clients (or potential clients) if, and in what context, their organization is mentioned or featured. The monitoring agencies then offer the relevant broadcast in the form of a transcript, video or radio cassette. In effect, they are the broadcasting equivalent of press-cuttings services.

Minimum charges are approximately £25 for a radio cassette and £50-£60 for a video. A transcript starts at about £25.

Until recently there were three main companies serving the whole of the UK, all based in London: Telex Monitors, Modern Media Monitoring (MMM) and Speedex Monitors.

Their successful growth is founded on the greater emphasis organizations now place on the way they present themselves to the public.

The PR companies, entrusted with the safekeeping of their clients' public image, are turning in increasing numbers to the monitoring industry to obtain information.

If all news and current affairs programmes were devoted to promotional or publicity material, companies could plan their own monitoring in-house, on a selective basis. Obviously this is not the case and in order to react quickly to any negative or critical broadcasts, PR companies need the cheap, efficient service monitors provide.

This is particularly the case where private companies are involved in situations where fortunes in potential damages hinge on the content of a single transcript. For instance, the PR department of Townsend Thoresen, in the aftermath of Zeebrugge, obtained every relevant broadcast to assess legal and public relations ramifications.

Government departments are also heavy subscribers. MMM established itself during the year-long miners' strike by supplying "rush" transcripts of all pertinent news coverage to the Department of Energy.

In the wake of the Guinness and Barlow Clowes scandals, City institutions are particularly image-sensitive. Even foreign countries, particularly those getting a bad press, are employing monitors. South Africa, Chile and Iraq regularly order material through their London embassies.

The Argentine Interests Section, located in the Brazilian Embassy, is a well-informed client of MMM. It has bought all relevant TV and radio interviews with domestic politicians from the outbreak of hostilities in the Falklands to the present day.

In 1984, Special Branch descended on MMM's offices after the shooting of WPC Yvonne Fletcher outside the Libyan Embassy. According to a Libyan diplomat inside the building, embassy staff were only alerted to the demonstration upon which they fired by an attempted broadcast sale.

That monitors have stepped into a gap in the market is not in doubt. The question of legality, however, persists. The industry is quick to point out that government departments, including the guardians of copyright law at the Department of Trade and Industry,

are valued customers. The irony is not lost on Don Christopher, head of legal services at Channel 4. "The DTI are as confused as anyone about copyright law but their use of monitors cannot be used to justify breaches of copyright."

So, will legal action get the go-ahead? "We'll make a decision on economic grounds. Monitors are only an irritation. If legal costs exceed lost revenue we may not proceed."

Brian Rose at MMM is unsurprised. "Frankly, they couldn't cope with the volume of orders we process. Broadcasters condone our operations to prevent that demand falling on them."

Roy Addison, chief press officer at Thames TV, agreed. "Our machinery couldn't cope with their workload. Besides I'm not concerned about monitoring. As long as we get a credit on the video or transcript, I believe it is good publicity. And TV-am saw no problem once information is deemed to be "in the public domain".

Perhaps one insight into this lack of concern is the fact that broadcasters have begun using monitors themselves. TV-am and Granada both declared themselves "occasional users of the service".

Roy Addison summed up the dilemma. "Some time ago a director asked me to acquire a *Panorama* video from the BBC. I'm still waiting. An agency would have had it round in two hours."

Alfonsin attempts to revive his withered laurels

Stephen Fidler and Gary Mead on Argentina's belated effort
to cure its economic problems

ONE of Argentina's most popular television programmes is a US import depicting the daily life of an American family invaded by a small, ugly creature from outer space called Alf. Alf is always coming coming up with bizarre schemes which go wildly wrong, to general hilarity for the audience but to the chagrin of his tolerant family. Alf's catchphrase is, in the Spanish dubbing, *no hay problemas* (there are no problems).

Another weekly television programme which takes a satirical look at Argentina, has hit on the idea of referring to the country's president, Mr Raul Alfonsin, as "Alf." His catchphrase is *hay problemas!* (there are problems).

A belated attempt to cure those problems is now being made by Mr Alfonsin's Government, almost five years after he took office in December 1983, with a package of wide-ranging economic reforms. But he is running out of time.

Fresh presidential elections should be held by June 1989 and if Mr Alfonsin's radical party is to stand a chance against the confident Peronist opposition he has to shed his cartoon character credibility and bring the economy to heel.

Both he and Mr Juan Vital Sourouille, the Economy Minister, are widely unpopular. Mr Alfonsin's one claim to a place in history is that he returned Argentina to democracy following the debacle of the Falklands invasion in 1982. But Mr Alfonsin knows his laurels have withered.

There will be those, particularly outside the country, who will argue that the new economic austerity package does not do enough to attack the chaotic fiscal system which is the main cause of the country's problems.

Economists such as Mr Paul Luke of Libra Bank, the London-based consortium bank which specialises in Latin American lending, say a large measure of the blame for the country's economic plight should be laid at the door of the tax system.

In a country of 30m people, only 50,000 pay income tax, which accounts for just 1.5 per cent of measured gross domestic product.

Mr Luke says a reform of the tax base is badly needed. At twice the average income, he points out, the marginal tax rate is 16 per cent.

At the same time, Argentina's public enterprises have been notoriously inefficient, requiring huge transfers of resources from the Government. Over the last 18 years almost \$47bn has drained into the public sector. Of that, 40 per cent came from central government; another 36 per cent remains as unpaid debt. The World Bank has encouraged measures to address the problems, but much remains to be done.

The black economy is huge, encouraged by inflation. It is estimated that the black economy is almost two-thirds the size of the official economy and has been growing. This may be why industrial output dropped 23 per cent between 1974 and 1985, but industrial use of electricity grew 51 per cent over the same period.

Yet any package to tackle inflation which depends on a tight monetary policy will be regarded with scepticism.

The 1985 Austral plan, designed as a shock treatment for inflation, foundered after early success, partly because the money printing presses continued to work overtime, driven by the fear of what would happen to shaky provincial banks if they were denied access to the central banks' discount window.

Bankers agree that, of the major debtors, Argentina provides the greatest challenge to the conventional approach to the debt crisis, which calls for new money from commercial and official lenders and appropriate economic adjustment. Thus it represents the greatest challenge to the Baker Plan, outlined by Mr James Baker, the US Treasury Secretary, in 1985.

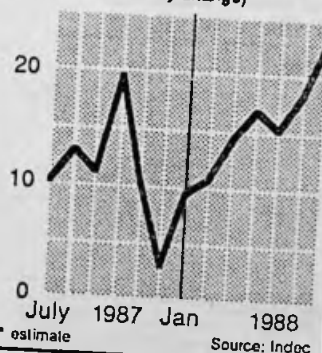
With the elections holding out the prospect for populist Peronist rule in Argentina once more, those who are betting on a successful resolution to the problem within the context of the conventional approach to the debt crisis are in a minority.

Enormously powerful vested interests in Argentina will collaborate to prevent the success of the plan. The General Confederation of Labour, Argentina's central trade union organisation, has already promised to fight any measures which will depress even further the living standards of its members.

At the same time a large number of inefficient manufacturers who depend on state contracts for their income will do their best to frustrate the

Argentina

Inflation (% monthly change)



already crippled plans to privatise the public sector.

Together, these two sectors are already planning their future relations with the politician who now claims to be the most popular man in Argentina, Peronist presidential candidate Mr Carlos Saul Menem.

Though Argentina is going through relatively hard times it is far from being devastated.

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

- 3 AUG 1988

A nation which complains because its per capita consumption of red meat has dropped from more than 100 kilos a year to about 70 is hardly suffering in the way which Ethiopians or even Brazilians would understand.

Equally, it is difficult to escape the sense that, up to a point, Argentina's problems are largely of its own making.

The late General Peron,

Argentina's former president, determined that Argentina would have a form of national socialism in which the state would own and run all major - and a number of minor - industries.

Thanks to Mr Peron, Argentina now has the most powerful trade unions in Latin America and a series of nationally-owned industries which are inefficient and expensive to maintain. It has the only oil industry in the world which consistently makes a loss.

But Mr Alfonsin's judgment is right in one respect. What Argentines care about is not the ritual being played out in the Federal Appeal court, where a weary group of ex-army officers are on trial for their responsibility for the Falklands fiasco. The ordinary person who, when the banks did not open on Monday this week, went into the nearest supermarket to panic-buy food and household goods, is more concerned about inflation and prices than generals and human rights.

Wealthy and white-collar Argentines are increasingly alarmed by the prospect of their standard of life dropping to a level they generally regard as being more appropriate to their poverty-stricken Latin American neighbours. For a growing number of their fellow countrymen, that standard is just around the corner.

Ratio of total interest payments to exports (%)

	1982	1983	1984	1985	1986	1987
Latin America	41	36	36	35	36	31
Argentina	54	58	58	51	53	56
Brazil	57	44	40	40	41	35
Chile	50	39	48	44	39	27
Mexico	47	38	39	36	38	28
Venezuela	21	22	20	26	33	26

Source: ECLAC

Argentine puts up prices 30%

PUBLIC utility rates in Argentina were ordered up by 30 per cent yesterday in the first state of an austerity package expected to include reductions in state spending and voluntary price restraints by business.

Banks were closed on Monday and Tuesday to prevent speculation while the Argentine Government put together the rest of its programme, which is expected to include price restraints.

Public works minister Rodolfo Terragno said yesterday the increases were "difficult to assimilate". He hoped the consumer would be compensated by a

60-day freeze in public service rates following the rise and by price restraint in other sectors of the economy.

An austerity programme, designed to eventually control inflation and the state deficit, is necessary if Argentina is to satisfy credit conditions of the International Monetary Fund.

The nation needs an estimated \$3 billion to \$4 billion in international financing to close the balance of payments gap for this year and next and to service its \$62 billion foreign debt, the third largest in Latin America after Mexico and Brazil. — (UPI)

Press Cuttings

from Broad Street Associates

FINANCIAL TIMES

- 3 AUG 1988

ARGENTINA announced austerity plans as doubts grew about the country's ability to service its \$56bn (£32.7bn) foreign debt. Page 16;
Background, Page 5

Argentina gives austerity plan details after IMF pressure

By Gary Mead in Buenos Aires and Stephen Fidler in London

ARGENTINA yesterday released details of a new austerity plan, involving sharp rises in charges for state services and cuts in spending, as doubts grew about the country's ability to meet interest payments on its \$56bn (£32.7bn) foreign debt.

The measures are believed to be in response to pressure from the International Monetary Fund to cut public spending and bring inflation down from more than 20 per cent a month.

Argentina has fallen between \$850m and \$900m in arrears on interest payments to commercial banks, creditor bankers said yesterday. Many payments to banks are already more than 90 days overdue. When this happens banks in the US are required to lower the accounting status of their Argentine loans and set aside extra provisions against them.

Mr William Rhodes, chief negotiator of Citibank of the US and head of the advisory committee of Argentine bank

creditors, said the committee would meet next week.

The International Monetary Fund has cancelled two remaining tranches, totalling SDR330m (\$450m), of loans to Argentina agreed last year. This means that a \$150m disbursement from commercial banks, linked to the IMF disbursements, will not be made - contributing to a severe short-term need for funds.

If governments led by the US - Mr George Shultz, Secretary of State, is in Buenos Aires today - arranged a bridging loan to help the country out of its short-term difficulties, they would need to be satisfied that new financing would eventually replace it.

The country is seeking \$1.2bn in standby credit from the IMF, and an Argentine letter of intent on this may be in place in two to three weeks. But such funds would not be available until the autumn.

Argentina has badly missed inflation targets under the pre-

vious IMF package and the IMF executive board has been demanding strong action before agreeing any further funding.

Under the plan, electricity, gas, telephone charges and fuel oil prices will increase by 30 per cent immediately. The government has said it will then hold public sector prices stable for two months. To cushion the effect of the increases, salaries for state employees are to be raised by 25 per cent. They will then be frozen.

The administration is looking for a voluntary restraint on price increases of 5 per cent a month from the business sector. The government is meeting leading industrialists today to discuss the package, after which it will announce further details.

It is also planned to cut state spending to reduce the fiscal deficit, currently in the region of 7 per cent of GDP.

Alfonsín attempts to revive his withered laurels, Page 5

Argentina to reform economy

By Gary Mead in Buenos Aires

ARGENTINA'S banks were shut yesterday as the government prepared to announce a new economic package today aimed at bolstering foreign confidence in the country's faltering economy.

Argentina is on the brink of a fresh "war against inflation," according to Mr Jose Lopez, presidential press spokesman. Inflation was running at 18 per cent in June. Figures for July, due on Friday, are expected to show inflation up to 23 per cent.

The unscheduled two-day bank holiday was sprung on the Argentine public late on Sunday evening. It was designed to halt financial speculation in advance of an official announcement of the new package.

The economic changes being considered are tied to the government's hope of signing an agreement for a new standby loan from the International Monetary Fund, an agreement

which Argentina hopes will bring it \$1.2bn in fresh money as well as unblock the disbursement of more than \$400m outstanding from an accord signed a year ago.

An Argentine delegation returned from Washington at the weekend after discussions with the IMF on the country's inability to meet interest payments on its foreign debt of \$56bn. These total nearly \$5bn this year and Argentine officials have said the country is not in a position to pay.

In spite of local Argentine reports that an agreement has been reached on a new IMF loan, no official announcement to that effect has been made and it is believed that any new agreement hangs on the success of the planned economic changes.

Structural changes now being considered by the Argentine government are thought to fall into five key areas.

- Closing the gap between the

commercial and financial, or free-market, rates of exchange of the Argentine currency, the austral.

- A devaluation of the austral by as much as 10 per cent.

- Tightening monetary policy, implementing credit controls and permitting interest rates to climb. At the same time public sector spending would be dramatically cut.

- A wage and price freeze.

- Removal of tariff controls over a range of imports; placing manufactured exports on a financial or free-market exchange basis; and keeping agricultural exports on the commercial, lower rate of exchange.

The attempt to impose a price-wage freeze could meet with stern opposition from the General Confederation of Labour, Argentina's powerful trade union organisation, which lends its political muscle to the opposition Peronists. Ecuador debt warning, Page 4

Ancient cocktail

A 200-year-old lump of Antarctic ice will freshen up a drinks party tomorrow at the Bat and Ball, Hambledon, Hants. Cut recently from a glacier on the Graham Land peninsula by men from the Royal Naval patrol ship HMS

Endurance, it is to be sold by the cube to raise money for a £1 million body scanner at Queen Alexandra Hospital, Portsmouth.

The block, which has been found to have no impurities, will be handed over in a black polythene sack by Capt Tom Sunter, Endurance's commanding officer. His helicopter is to be diverted to the legendary cricket pitch, opposite the pub, on the way to a meeting in North Wales.

Alfonsín prepares 'war on inflation'

THE BANKING system in Argentina was shut down yesterday for 48 hours as President Raúl Alfonsín's government grappled with the last details of an austerity package to be announced today.

It represents the administration's chances of setting up a last deal for more loans from the International Monetary Fund and foreign commercial banks before President Alfonsín's term of office ends in 1989. It also represents the last opportunity to get the economy looking relatively healthy in time for presidential elections next May when the ruling Radical Party's candidate will face a severe threat from the populist opposition Peronist Party.

Satisfying these twin pressures poses the hardest task for government economists. The Presidential spokesman, José Ignacio López, described the austerity package as "a war against inflation", pointing up the Radical Party's fear that the current parlous state of the economy will prove its undoing at the polls. Inflation is surging ahead at between 350 and

From John Eisenhammer
in Buenos Aires

400 per cent a year; the foreign debt rises inexorably while growth has halted.

While denying any intention of a price and wage freeze, which the powerful trade unions backing the Peronist presidential candidate, Carlos Menem, have said they would reject, the government is relying on private sector industry voluntarily to hold down price increases for as long as it can. More problematic will be getting the vast public sector unions to accept wage curbs.

The new programme needs to appear effective enough to persuade the IMF to grant Argentina fresh loans. The Treasury secretary, Mario Brodersohn, and the president of the Central Bank, José Luis Machinea, returned from Washington on Sunday confident that they will get a \$1.25bn loan from the IMF. This will provide the lever to get a further \$2bn from the commercial banks.

Euro farewell to 'Nicko'

SIR Nicholas Henderson, the chap who did a brilliant job for Britain as ambassador in Washington during the Falklands crisis but lacked the stomach for the scrap between the rough, tough contractors in the Channel Tunnel boardroom, yesterday quit as a director of Eurotunnel.

He was chairman of the tunnel group when (to the surprise of many) it beat all its rivals, including Sir Nigel Brookes' consortium, to win the right to build the tunnel.

He later wrote a book exposing the behaviour of the top construction men on his board; they were "at odds with themselves and there would often be shouting between them across the table," he lamented.

His successor as chairman, Lord Pennock, equally failed to control the board and for a time it looked as though Eurotunnel would cave in.

It was only when the rasping Alastair Morton was called in as

I'll always be a Thatcher weeps lonelyheart Carol



CAROL: Phones herself

IN Florida for the weekend wedding of **Chrissie Evert** and **Andy Mill**, the Prime Minister's 35-year-old daughter **Carol Thatcher** tearfully told her companion **Lynda Carter** she is fast reaching the sad conclusion that she will never be a bride herself.

Miss Thatcher's statement confirms the fears of friends who have noted of late that

she is indeed cutting a lonely figure cycling to and from the Fulham home where she lives alone, since her romance with tailor **Tom Gilbey** ended in acrimonious circumstances last year.

Only recently she confided in them that she avoids what she calls "the high-tech definition of loneliness" — no calls on the telephone answering machine — by ringing herself up on the other private line in her flat.

"Loads of my friends who are locked into doing the school run

to the local comprehensive and running homes view enviously my freedom and independence.

"Socially, being single doesn't matter at all. Nowadays, even if you invite couples to dinner, the chances are that someone won't be able to make it at the last minute," she bravely insisted.

"Anyway, Mother taught me to invite people round to talk to, not to balance numbers."

The last time Carol showed signs of fretting about her single status, her mother went round and redecorated her flat.

Press Cuttings
from Broad Street Associates



2 AUG 1988

It was Mrs T who once wrote to me telling embarrassing tales of how her daughter "so much enjoyed visiting Big Ben" in her youth.

But in teenage years it was Carol who talked of raising a family while twin brother Mark was adamant that he was going to remain "a play-boy bachelor". His Valentine's Day wedding to Texan used car dealer's daughter Diane Bergdorf 18 months ago reversed all that.

Even Miss Thatcher's professional life has amounted to little since she left the Daily Telegraph "by mutual agreement" following a row with its editor, the PM's favourite Falklands hero, Max Hastings, who is now unlikely to become Sir Max in the foreseeable future.

● NOW dubbed the Restless Rover around Downing Street, Mrs Thatcher faces a non-stop travel programme the moment she comes back from her 27,000-mile Far Eastern tour.

After only two days back at "the office", she will motor to Cornwall for ten days before flying north of the border in her bid to recapture the Scots. Then it's Spain in mid-September, Poland in October, America in November and Greece in December.

Argentina plans 'war on inflation'

THE central bank in Argentina has declared a two-day holiday, apparently to calm money markets before the announcement of an anti-inflation plan expected to include a major devaluation.

Although the central bank's announcement on Sunday did not explain why the banks and money exchange houses were shut, financial observers said the measure was to prevent wild fluctuations in the exchange rate while the government's economic team put the finishing touches on an emergency financial package.

The government has not made any official statement as to what the anti-inflation plan will contain, but newspapers have speculated the measures will include a 10 per cent devaluation and a 10-per cent tax on agricultural exports.

Presidential spokesman Mr Jose Ignacio Lopez said on Sunday night the programme would constitute a "war against inflation" and include "a rigorous programme of austerity in public administration and state companies."

With the austerity plan, the government hopes to attain a credit of \$1.2 billion from the International Monetary Fund and new international private financing ranging from \$2 to \$3 billion to close the balance of payments gap in 1988. — (UPI).

Prices up by 30 p.c.

ARGENTINA has increased the cost of all public utilities and services by 30 per cent.

This was the first of a series of measures to reduce the public sector deficit and fight rising inflation, presidential spokesman Jose Ignacio Lopez said.

A programme to sell off government-owned buildings, reduce the use of government cars and aeroplanes

and rationalise central administration costs would be introduced in the next few days, as well as an early retirement scheme for public sector employees.

Banks

Lopez said the increase in tariffs, effective from today, was aimed at guaranteeing the financing of the public sector. He did not quantify the effect of the measures.

Argentine banks and for-

eign exchange houses were closed today as the government announced the package.

Lopez said the measures would include modifications to the foreign currency regime.

This would reduce the gap between the two exchange rates used for foreign trade, set daily by the Central Bank, and for financial transactions, set by a free market.

ARGENTINA PLANS to unveil measures to tackle its economic crisis and its growing arrears on payments to foreign creditors. But the expected economic measures may come too late to head off a confrontation between Argentina and international bankers.

By PETER TRUELL

Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—Argentina was expected late yesterday to start unveiling a series of measures in an attempt to come to grips with its pressing economic problems and its growing arrears on payments to foreign creditors.

But the expected economic measures may come too late to prevent an impending crisis between Argentina and its bank creditors over the country's \$40 billion of foreign-bank debt. Already, some interest payments on foreign-bank debt are more than 90 days overdue, and the country has altogether built up about \$2 billion of interest arrears on its \$54 billion foreign debt, U.S. and foreign bankers said.

Moreover, despite talks in Washington the past few days, Argentina apparently won't sign a new accord with the International Monetary Fund for at least two weeks.

Loans Canceled

The IMF also has just canceled \$450 million in undrawn loans remaining from an accord signed with Argentina last year, according to bankers. Argentina hasn't been able to draw on those loans because it failed to meet economic targets agreed with the IMF. A further \$150 million in bank loans, the last slice of a \$1.95 billion bank loan agreed on last year and linked to those IMF loans, also probably won't be lent now, further compounding Argentina's payments difficulties.

Argentina's new economic measures, which probably will be announced piecemeal over the next few weeks, are aimed at reducing the government budget deficit and cutting inflation, which recently has soared to around 25% a month, U.S. and Argentine sources said. The first measure will probably be a devaluation today of the austral, Argentina's currency, of as much as 10%, and other changes in the country's foreign-exchange policy.

In particular, Argentina is expected to transfer its industrial exports and some other parts of its foreign trade to the free-market exchange rate from its official controlled rate of exchange. This would prepare for the eventual unification of the exchange rate for the austral.

The measures are likely to be unpopular in Argentina and may, at least in the short term, further dim the ruling Radical

Argentina Likely to Unveil Series of Economic Changes

Party's chances in next May's presidential elections. Some observers already are speculating that the Radical Party's presidential election candidate, Eduardo Angeloz, may seek to distance himself from President Raul Alfonsin's government following the measures.

The new measures, which have been discussed with the IMF in Washington this week, should eventually allow Argentina to sign a new economic program. Such an agreement could give Argentina access to about \$1.2 billion in new IMF loans.

Several bank-debt interest payments originally due in May fall more than 90 days past due late this week, and if Argentina fails to make those payments, big U.S. banks may decide to place their Argentine medium-term and long-term bank loans on a non-accrual basis, U.S. bankers said. That means banks would only account for interest they actually receive, rather than accruing it automatically. Such a move would make raising further loans for Argentina much more difficult, these bankers added.

Bargaining Power

Argentina probably has more than \$1 billion in readily available foreign-exchange reserves that could be used to pay off some interest arrears. But the country apparently is wary of using such funds to pay off its arrears.

Dissipating its reserves before forthcoming talks with its bank creditors could weaken its bargaining power, and Argentina wants assurances of further bank financing before spending its meager reserves on servicing bank debt, Argentine and banking sources said.

Argentina is expected soon to ask its bank creditors for as much as \$2 billion in new loans.

Such bank credits may be difficult to gather. Bankers are skeptical of Argentina's ability to solve its problems, particularly because the country's economic and debt-servicing difficulties are likely to become increasingly politicized as the presidential elections near.

The Argentine economic measures also are expected to include provisions to try to rein in wages and prices, although these may not be announced for some days. Inflation in Argentina totaled an estimated 25% for the month of July alone, compared with rates last year of only 3% a month.

Press Cuttings

from Broad Street Associates **THE GUARDIAN** 2 AUG 1988

Falklands food grouse

A serviceman's complaint that food delivered six-weekly to the Falklands has gone off by the fifth week has been referred to the Defence Secretary, Mr George Younger.

Runway sweeper's runaway sales

A £96,000 runway sweeper labelled A Welsh export to Denmark will travel across Britain today from the Colwyn Bay factory of Danline International.

"It is our first export of a runway sweeper, and the first of four ordered by the Royal Danish Air Force," said managing director Percy Watts yesterday.

He secured the order by flying the Danes privately to Hawarden last month to show them the Colwyn Bay factory which has been supplying the RAF and several British commercial airports for the past six years.

"The RAF has 60 of our machines to keep runways clear of snow, and some of them are in the Falkland Islands," said Mr Watts.

Despite that record he found the Scandinavians sceptical about British quality and delivery, when Danline bought the world rights to a new Danish design of sweeper.

"Having got the same reaction in Denmark, Norway and Iceland I said I would make one of the new design and invite them over to look at it.

"This we did, and eleven days ago the Danes ordered four of them, and we are sending the first to Harwich right away," he said.

The order has given a boost to the company's 32 workers at Colwyn Bay and 98 at Llanrwst, as well as to several North Wales sub-contractors.

Mr Watts said he hoped other countries would now place orders with the company.

Falklands troops 'hunger' probe

A SERVICEMAN'S claims of poor conditions and food shortages being endured by those stationed in the Falklands are to be raised with Defence Secretary George Younger.

In a letter to the minister, Mr John Cummings, Labour MP for Easington, County Durham, said: "The Government has a duty not to forget our servicemen in the Falklands who are performing a difficult and at times hazardous task miles away from their families and loved ones."

Mr Cummings said he had

received a letter from a serviceman, who remains anonymous, claiming food was delivered only once every six weeks - and supplies had virtually gone by the fifth week.

The serviceman also told the MP that letters from home were often three weeks late and mail was continually delivered to the wrong island.

The MoD yesterday denied there were food shortages;

A spokesman said there had been no official complaint about food supplies or mail.

Press Cuttings

from Broad Street Associates **YORKSHIRE POST**

2 AUG 1988

Younger told of Falklands food complaint

A SERVICEMAN'S claims of poor conditions and food shortages being endured by those stationed in the Falklands are to be raised with the Defence Secretary, Mr George Younger.

In a letter to the Minister, Mr John Cummings, Labour MP for Easington, Co Durham, said: "The Government has a duty not to forget our Servicemen in the Falklands who are performing a difficult and at times hazardous task miles away from their families and loved ones."

The MP said he had received a letter from a Serviceman, who remains anonymous, claiming that food was delivered only once every six weeks and that supplies had virtually gone by the fifth week.

Mr Cummings said that the letter, from one of his constituents, suggested "Ministry of Defence indifference to the conditions being endured by Servicemen in the Falklands".

The Serviceman also told the MP that letters from home were often three weeks late and mail was continually delivered to the wrong island within the Falklands group.

The MoD yesterday denied there were food shortages on the islands. A spokesman said there had been no official complaint about food supplies or mail.

Shultz puts pressure on Managua

By Tim Coone in Managua

THE US Secretary of State, Mr George Shultz, is to begin a 10-day tour of Latin America today with the apparent aim of sounding out support for renewed pressure upon the Sandinista Government in Nicaragua.

Mr Shultz starts his tour in Guatemala, where he is to meet foreign ministers of the Central American countries which signed the Esquipulas II peace plan a year ago, with the exception of Nicaragua, which has not been invited.

The recent crackdown by the Nicaraguan Government on its internal opposition, and US proposals to renew military aid

to the Nicaraguan Contras based in Honduras, are expected to be central themes of the Guatemala meeting.

Differences between the ministers make it uncertain whether a joint statement will result from the meeting, however, as the Guatemalan Government has made it clear that it will not join any move aimed at further isolating Nicaragua. Costa Rica is also firmly opposed to the renewal of military aid to the Nicaraguan rebels.

Mr Shultz's task to rally support for a last-ditch offensive against the Sandinistas before the Reagan administration

comes to an end has been made more difficult by the recent election of hard-line leaders to the directorate of the Contras.

Mr Shultz will then continue his tour to the Southern Cone of the continent, with stops in Argentina, Uruguay, Brazil and Bolivia before returning to Central America.

The Mexican Government, which has not been included in Mr Shultz's itinerary, issued a statement at the weekend rejecting "any foreign intervention and the use of coercion and force" which might undermine the Esquipulas agreements.



Press Cuttings

1 AUG 1988

from Broad Street Associates



THE INDEPENDENT

Argentina tries to stem hyper-inflation

BUENOS AIRES (AP) — Argentine banks and foreign exchange houses will be closed today and tomorrow while the government implements a new anti-inflationary economic package.

César Jaroslavsky, a member of the House of Deputies, announced the closure after meeting President Raul Alfonsín but refused to comment on the contents of the package. President Alfonsín and the Economy Minister, Juan Sourrouille, were reported to be awaiting the return from Washington of the Treasury Secretary, Mario Brodersohn, and José Luis Machinea, president of the central bank, to put the finishing touches on the new package. The two officials met executives from the International Monetary Fund last week in an effort to obtain new loans, including a \$1.2bn (£700m) stand-by credit,

to help pay interest on the country's \$53bn foreign debt.

Banks and other financial institutions are usually ordered to shut their doors up to 48 hours in Argentina to facilitate major changes in economic policy and prevent speculation.

No official announcements have been made regarding the package, designed to drastically cut inflation which ran at 320 per cent over the last year. Prices in June alone rose 18 per cent. Newspapers speculated it could include a 10 per cent devaluation of the austral, modification of the two-tier exchange rate system and higher taxes on farm exports. The package also was reported to include a rise of up to 26 per cent in public utility and transport rates and a request for businessmen to voluntarily limit price increases to 6 per cent in August.

Ex-chairman sees the light

DIPLOMAT Sir Nicholas ("Nicko") Henderson has retired from all Eurotunnel's boards. He was its first chairman in 1985, stepping down in 1986 though remaining a director until now.

Sir Nicholas, British Ambassador to Washington at the time of the Falklands conflict, is also a director of Tarmac and of Hambros (where he's staying put).

Of Eurotunnel, he said yesterday: "I'm a great be-

liever in the Channel Tunnel. It's always going to have problems but I'm sure they'll be surmounted."

Co-chairman (with Frenchman Andre Bernard) Alistair Morton is trying to raise private sector finance towards a high-speed Kings Cross rail link for the Channel. But Trafalgar House and French builder Bouygues, are laying rival plans.

fishing news international

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Left: the 13-knot *Vieirasa Ocho* — the latest freezer stern trawler from the Vigo yard of Astilleros Espanoles.

Spain's ten-ship contract

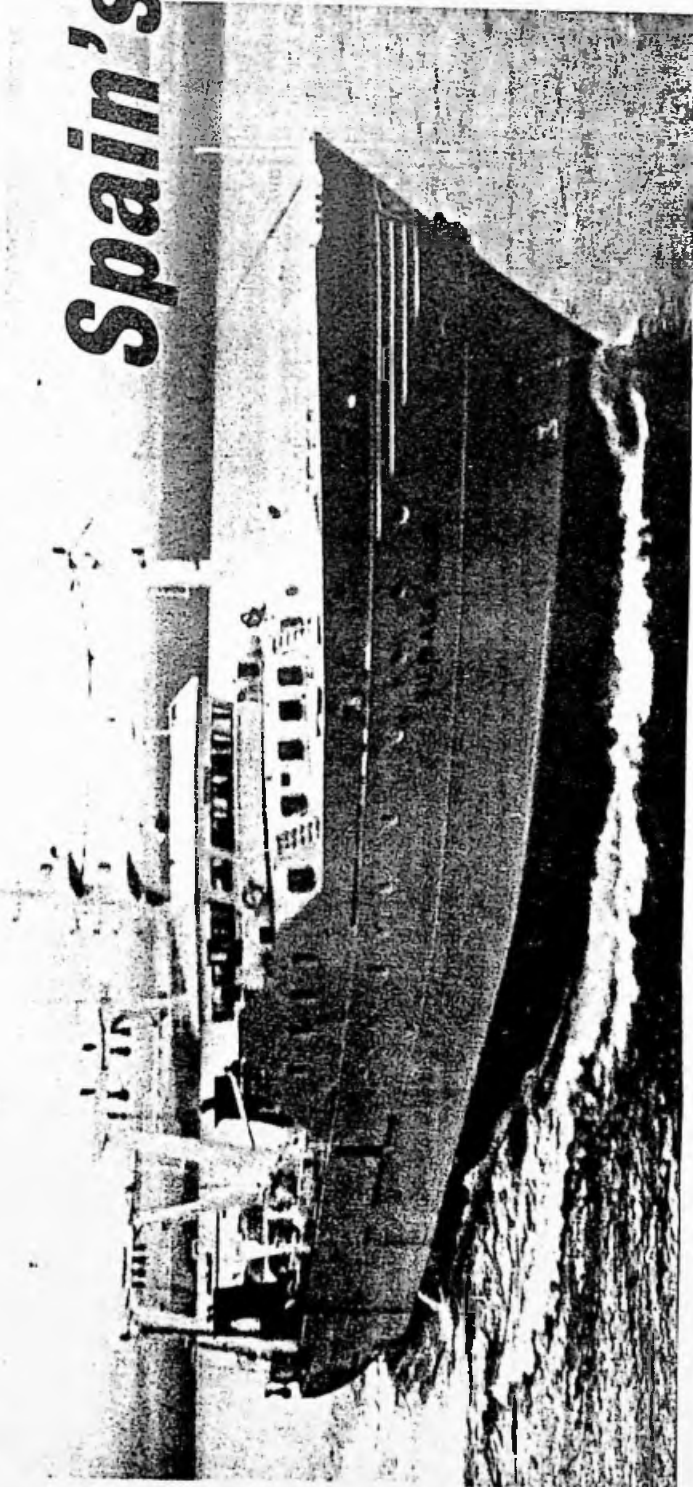
SPAIN'S Astilleros Espanoles shipbuilding group has clinched a major order to deliver ten freezer trawlers to Morocco for operation off the Canary Islands.

This latest contract for 108 ft (33 metre) freezer vessels brings the number of fishing ships on the group's order books to 44.

The ships, which will have a 29.5 ft (nine metre) beam and frozen holds of 350 cu. metres, will each be powered by a 1160 bhp main engine. Nine of the vessels are for the Phiasud company and the tenth for the Sactma company.

All ten ships will be completed at the Vigo-based Barreras yard of the Astilleros Espanoles group, whose latest delivery is the 3000 hp freezer stern trawler *Vieirasa Ocho*.

She has a length between perpendiculars of 223 ft and has been completed to the highest class of Lloyd's Register by the yard for owners Vieira S A.



MOTHER SHIP'S BARTER

Below: The work on *Trudovaya Slava* will be completed by Globe Engineering (Hull) Ltd after 15 months of negotiations with the Russians.

THE 16,389-ton and 549 ft. long Soviet mother ship *Trudovaya Slava* arrived in the River Humber, England, late last month for conversion work to be carried out under a new-style barter deal.

Globe Engineering (Hull) Ltd. is to complete work on the 5640 hp ship, which will include fitting refrigerated sea water tanks, through the deal struck by J. Marr (Seafoods) Ltd. after 15 months of negotiation.

Marr Seafoods' Nick Bowen said: "This contract is the direct outcome of a rapport we have established with the Russians over several years of chartering vessels like this for processing at sea in the herring and mackerel fisheries.

"A lot of the hard currency they were earning through us was being spent on vessel repair work in

places like Las Palmas. We saw the opportunity for a barter deal as they began to look for conversions and upgrades as well as routine work."

Payment will be in vessel charter, processing services and fish products.

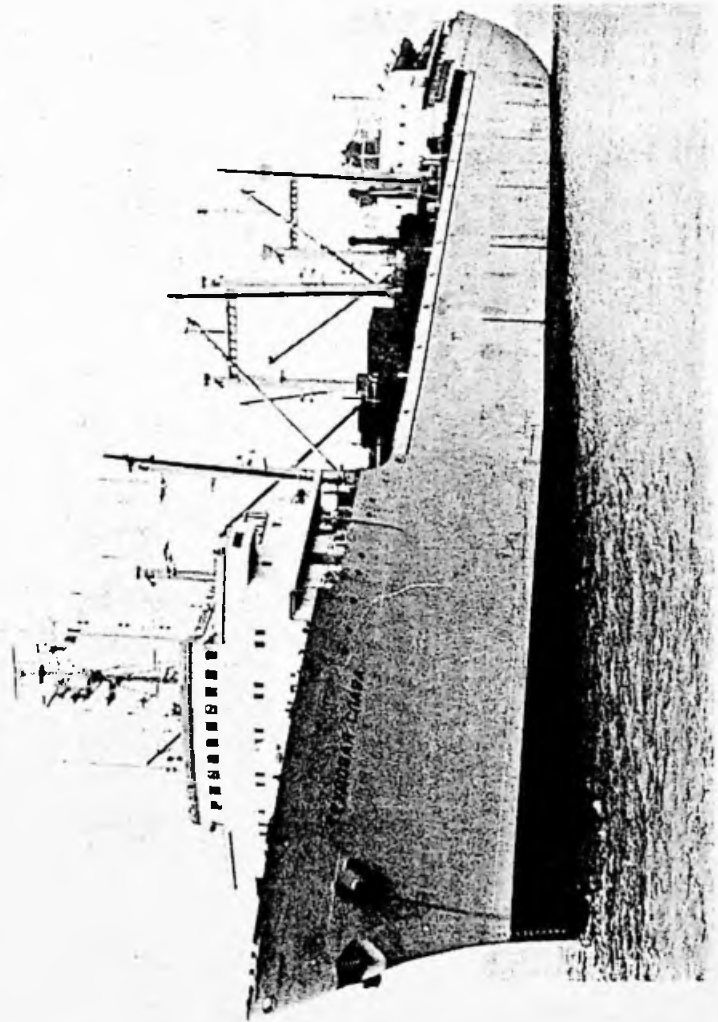
The customer is Latrybrom (The Latvian Fishing Association) of Riga and, if the Russians are satisfied, there could be further deals as there are more than 100 vessels of this type in the Soviet fleet. Many more are likely to need conversions.

The technical contract on the *Trudovaya Slava* is a joint effort by Marr Seafoods and the Aberdeen-based naval architects Johnson and Smart, which has

designed many fishing vessel conversions carried out in Hull.

The major structural addition will be six RSW tanks on the top deck capable of holding 120 tons of fish at a temperature of 0 deg. C. They will be positioned directly above the factory deck, which is to be equipped with new conveyors, hoppers and grading machinery so that graded and processed fish can be fed into the former fish pounds prior to freezing.

The main repair work will be the complete overhaul of four of the six 800 hp diesel generating sets providing the ship's main power supply and the re-tubing of refrigeration condensers.



As Soviet orders drop... Poland builds for

Holland and Iceland

THE Polish Centromor shipbuilding organisation has delivered a freezer stern trawler with 155 tons a day freezing capacity to Dutch owners Kennemerland. Three more smaller trawlers are on order for Iceland, too.

Kennemerland's freezer is of the B-674 class and she was delivered last month. Her name is named the *Tetman Hette* (KW 20) and she is a stern ramp trawler of 308 ft (94 metres) overall length and having a beam of 52.1 ft (15.9 metres).

Her main engine is a Swiss-designed Sulzer diesel developing 4400 kW, made under license in Poland, and she is using Baader machines to deal with herring and mackerel catches. Fillets are being frozen in horizontal plate freezers and whole fish in vertical freezers.

The *Tetman Hette* was due to start her fishing career with Kennemerland on herring.

The other three vessels — stern and multi-purpose ves-

sels — are scheduled to enter service between the end of this year and August 1989.

Poland's shipyards have produced many large and small vessels for home and the Soviet fleets, plus exports, over the years, but the Soviet orders have declined in recent years.

However, fishing vessel production is still extensive with orders for floating canneries, huge trawlers, tuna ships and others. Yards building fishing vessels include the Wisla with smaller craft, the Ustka with cutters, and the Polnocna with huge B-400 trawlers and B-406 tuna seiners, plus other types.

It is the Polnocna yard which is building the trio of trawlers for Iceland through Centromor. Due to be

delivered by the end of this year is a B284-type vessel for owners Hradfrysthus Breid- dalinga HF.

This class of vessel is a double deck stern trawler with a ramp having an overall length of 109.5 ft (33.4 m), breadth of 28.2 ft (8.6 m) and a draft of 13.1 ft (4 m).

The class is designed for bottom trawling on trips of up to ten days with a maximum crew of 16 and features of the hull include a bulbous bow, transom stern, long forecastle and wheelhouse forward.

Polnocna is building the vessel to suit local fishing and classification rule requirements and the specification includes a Bergen Diesel of 1820 hp at 750 rpm, driving a four-bladed CP propeller in a fixed nozzle.

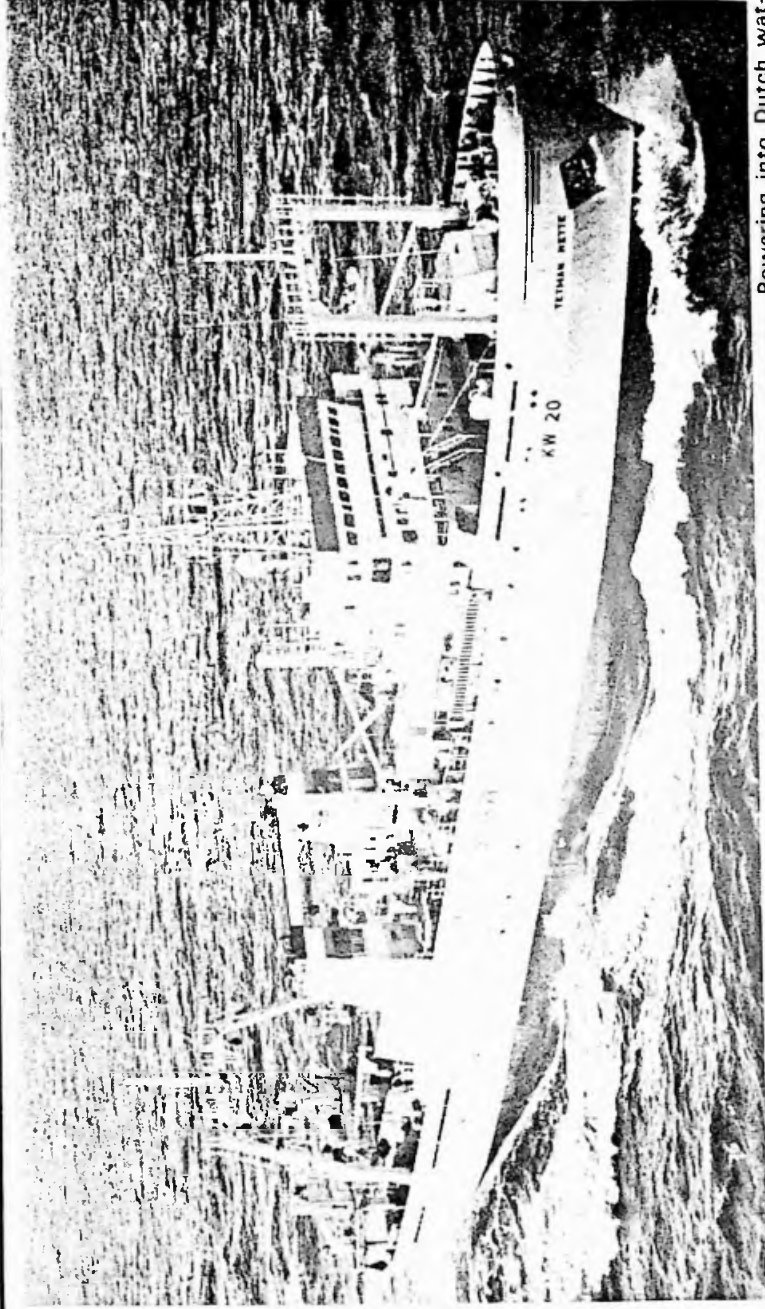
The class is designed for filleting and freezing the catch, being fitted with a reception tank, three bleed- ing tanks, two plate freezers and a tunnel freezer.

Two heading machines, plus one filleting and one skinning machine, will be fitted and conveyors will take the fish to glazing and packing stations.

A shrimp line would include a grading machine, packing equipment and conveyors, while this class of vessel has a 125 cu. m fish hold to store fish in ice in 70 litre boxes at 0 deg. C, or frozen shrimp/fish in cartons at -28 deg. C.

Of ten tons more deadweight — at 130 tons — is the B-285 class ship for owners Hopnes HF. This is a class with multi-purpose capabilities, being designed as a double-deck stern ramp trawler, gillnetter and purse seiner.

Designed to comply with class +100A1 stern trawler ID +LMC, IMO stability rules plus those of the State Directorate of Shipping of Iceland, the B-285 vessel has an overall length of 114.4 ft (34.9 m), moulded breadth 29.5 ft (9 m) and draft 12.7 ft (3.9 m).



Powering into Dutch waters after her delivery from Poland is the 308 ft (94 metre) long freezer stern trawler *Tetman Hette*.

skinning machines are specified for this class, along with two horizontal plate freezers and a packing table. The vessel's hold is to be of 185 cu. m.

Centromor is receiving enquiries from western owners to build new fishing tonnage and can offer financial packages tailored to the individual needs.

It is able to construct vessels from around 50 ft (15 m) upwards to any specification to suit the requirements and rules of the operating area.

A hydraulic deck crane will be installed to assist in switching her from one method of fishing to another and the work will be carried out in port, rather than at sea.

The craft will feature a Becker rudder and be powered by a Cegielski-Sulzer 6 ASL 25D main engine of 1320 bhp at 750 rpm.

Heading, filleting and



The Mount Challenger — starting late in the Falklands after her UK crew was sacked following fishing trials.

Fears for Falkland fishing ventures

VESSEL owners with ships fishing off the Falkland Islands are getting concerned about the future of their long-term operations following "substantial losses", writes IAN STRUTT.

Poor catch rates, coupled with high licence fees and heavy transport costs in this distant fishery, are giving the operators a very tough time.

The costs of fishing off the Falklands are "the most expensive in the world", according to one owner.

Pressure is likely to be put on the Falkland Islands government to lower the licence fees and an announcement on licensing policy for the 1989 season is pending. However, the fees for next year will not be set until mid-September, after this year's first season has been scientifically assessed.

Lewis Clifton, London-based representative of the Falkland Islands government, told FNI: "The Falkland Islands government is aware that there has been a considerable reduction in market prices for *Illex* squid and hake compared with the previous year and on which licence fees have been based."

British joint venture ships have been particularly hard-hit, Alan Johnson of Witte

— licence fees and catch rates knock operators

Boyd told FNI. "The British ships have had it tough. It's our first year down there and we have had to learn the hard way.

"We've had to modify our trawls, unlike the Spanish and the Polish, who have been down there for eight to ten years.

"It's a question of hanging in, as the Americans say, and looking at it in a constructive way after a full year to see what can happen then."

Asked how much the British ships had been losing off the Falklands, Mr. Johnson said: "The amount of money is substantial."

He forecast that pressure will be applied by all fishing nations to get the licence fees reduced, especially for the *Illex* squid ships which have hit exceptionally difficult marketing conditions.

Transport costs from the Falklands to Europe and the Far East are \$300 a ton, yet *Illex* prices have dropped by 50 per cent and they are piling up in the cold stores.

The Falklands first season got under way well on February 1 with *Loligo* squid catch rates of 40 to 50 tons a day, but they did not hold up as in 1987 and then rapidly deteriorated, forcing vessels on to hake in March when the *Loligo* disappeared.

However, the hake were only 300 to 600 gram fish and the European market is well supplied. The *Loligo* came back at the end of May, with catch rates of five to 15 tons a day, which paid better than the hake.

Finfish catches were low in July and a Witte Boyd ship transhipping in Montevideo, Uruguay, found 25 Spanish vessels tied up. Polish and Japanese ships fished on, however, but found Pat-

agonian herring which were only ten to 15 cm long.

Mr. Johnson said that the UK-Falklands joint venture stern trawler *Lord Shackleton* will pay a total of £175,000 for her all-species, all-areas, licence this year to make her fishing flexible, but the economics mean that catching *Illex* squid has been out of the question.

"You cannot go on for ever just proping the thing up. You've got to look at it objectively and on a commercial basis," Mr. Johnson said.

Scientists

"It certainly needs some positive thinking for 1989." He aims to closely question scientists on prospects for 1989 in October or November this year.

The two-trawler Seamount joint venture, which the Scottish-based oil industry company Seaboard Offshore started this year, has been a disaster.

The *Mount Kent* fished for under two weeks before needing time consuming repairs carried out at Punta Arenas, Chile, while the *Mount Challenger* returned to the UK from Spain and paid off her crewmen. She is expected to go under Spanish management.

ADVANTAGE OF: in far south of Chile

FISHING ships from Poland, Korea and the UK operating in the South Atlantic are among those which have taken advantage of new repair facilities at a yard set up last year in Punta Arenas, Chile.

Fernando Rusowsky, who took over as commercial director of the shipyard — SAEM Strait of Magellan Shipyard Ltd — some four months ago, told *FNI* that he sees Punta Arenas becoming a bigger centre for fishing ship repairs and crew transfers in the near future. He is expecting developments on the chandlery and gear side, too.

He also said that more Polish stern trawlers will be using SAEM's facilities there following his visit to Europe in July to meet customers.

Repair facilities for big fishing ships do not exist in the Falklands and vessels which are operating in the South Atlantic and are in need of overhauls and urgent attention often have to head north to use the extensive docks at Montevideo, in Uruguay.

However, Mr. Rusowsky points out: "You need at least four days to sail from the Falklands to Montevideo. We are 1.5 days sailing from the Falklands.

"We can offer good facilities very far south in the world. They can be used for large repairs and general maintenance of vessels.

"Our policy is to charge reasonable rates despite being on our own in the area." The yard, he says, wants the fleets to get back to the grounds quickly so that they can operate profitably and so the yard can offer to carry out the general maintenance work.

SAEM's extensive docking facility was opened early last year as a joint venture between the vessel builders and repairers Asmar of Chile and Sandock-Austral of South Africa. The yard sub-contracts some work to the Asmar workshops nearby in Punta Arenas.

Report by IAN STRUTT

It is situated in the Strait of Magellan in fairly shallow water so there is a rail system running out over 1000 ft into the Magellan Channel and vessels are docked using a cradle system. The rails then run for a further 380 ft on land to dry dock the vessels.

Around-the-clock repairs can be carried out on request and the system can handle vessels up to 393 ft long and with a breadth of 78 ft. The maximum docking draft is 21.3 ft and the lifting capacity, 4000 short tons.

Full repair facilities and services are available at the yard, according to Mr Rusowsky, and he says that the yard being in a freeport is an advantage.

Spares

"All the work for foreign vessels is very easy, as we can stock spare parts and paints from foreign countries without paying import taxes."

The yard is well connected despite being so far south, according to Mr. Rusowsky. There are daily flights to Santiago in Chile and even local duty-free shopping facilities for crews.

Fishing vessel crews can also live on their vessels while the repairs are under way as all services — even direct dial telephones — can be hooked up.

Representatives of the main classification societies are on hand locally, according to Mr. Rusowsky, who says that the management skills for the yard have been drafted in from the well-established Asmar concern.

About 80 per cent of the yard's work involves fishing vessels and ships which have been in for repairs so far include a Korean squid jig-

ger, Polish stern trawlers, vessels in the Pescachile fleet set-up in Chile by Pescanova of Spain, and the *Mount Kent* and *Lord Shackleton* from the UK.

The latter two ships are Falklands joint venture stern trawlers and the work carried out to them included installing Japanese fish processing machinery abroad the *Lord Shackleton* and winch repairs to the *Mount Kent*. She was at the yard for around a month while spares were sent over.

The Polish fleet is very active in the South Atlantic and SAEM has dry-docked five of the county's vessels and carried out repairs on a further seven while afloat.

More dry-dockings are due to be made by Polish vessels following Mr. Rusowsky's trip to Poland. He visited owners Odra at Swinoujscie, Gryf at Szczecin and Dalmor at Gdynia.

Mr Rusowsky expects that five Gryf vessels and three Dalmor ships will be using the yard shortly. The alternative would be Montevideo.

SAEM carried out its first re-engining in June this year when the Pescachile stern trawler *Petanzos* was fitted with two Caterpillar engines of 1200 hp each. The work involved burning through her deck and took a total of 60 days.

Asmar, one of the two partners in the yard at Punta Arenas, has been building purse seiners to Norwegian designs, the first being the 750 cu metre capacity *Don Pedro*.

She was delivered last year after being completed to a design by Skipsteknisk. The vessel is operating highly successfully and more purse seiners are under construction.

French firm pulls out

THE French company Soc. Nouvelle des Peche Lointaines (SNPL) has pulled out of cod fishing.

The managers of this Bordeaux-based concern say they don't believe that France has any chance of succeeding in negotiations with Canada to get good quotas for cod off Newfoundland.

They have therefore decided to sell off the company's last two factory trawlers, with the loss of some 200 jobs.

In 1987, SNPL sold its two 90-metre long factory trawlers, the *Islande* and the *Finlande* to Victory Fishing, which is believed to be associated with the South African Sea Harvest group.

SNPL still owned the vessel *Le Commandant Gue*, which has been lying idle in Bordeaux because of lack of quotas, and also the *Zelande*, which has been fishing off Norway without much success.

After several unsuccessful attempts at distant water fishing in different parts of the world (Kerguelen, Namibia and the Falklands), SNPL changed its strategy to begin a reduction in operations off St. Pierre and Miquelon.

Spanish flagship wins licence

THE RIGHTS of foreign-owned ships fishing Britain's share of fish allocated under the EEC common fisheries

policy are being considered before courts from the UK to Luxembourg.

Late last month the British government was forced to grant the vessel *Grampian Fury*, owned by Pescanova SA of Vigo, Spain a UK licence to fish.

The UK Ministry of Agriculture, Fisheries and Food had reversed its decision not to grant the licence the day before a judicial review of the ministry's refusal was due to be held in the courts.

The action had been brought by Pescanova's UK-based subsidiary company, which is operating one of an estimated 140 beneficially foreign-owned fishing vessels on the British register. London-based solicitors Watson, Farley & Williams acted for Pescanova.

The number of Spanish vessels fishing their traditional waters west of the UK was severely restricted before Spain joined the EEC, which claims a 200-mile limit. Undaunted Spanish owners simply took advantage of weak UK vessel registration laws.

They registered their ships in the UK, or bought vessels already registered, and made a nonsense of the EEC stocks shareout.

The UK ministry then brought in a licensing system which included a series of

restrictions on crewing and minimum landings in the UK as an effort to ensure the UK got some benefit from the catching of its own stocks.

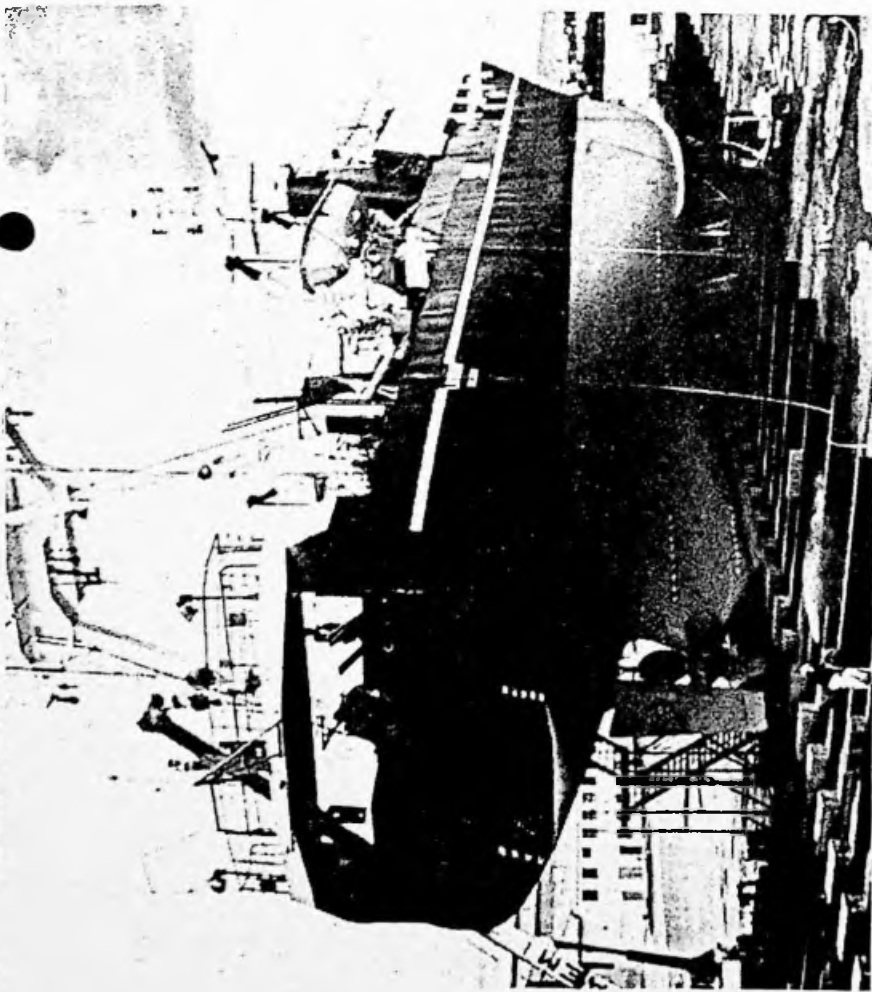
Pescanova owned the UK-registered and licensed vessel *Contessa Viv*, but she sank and the ministry refused to switch her licence to the former oil ship *Grampian Fury* on the grounds that the licence conditions were not being adhered to.

Pescanova's UK company contended that crewing conditions were "not in accordance with objects of the relevant fishing legislation now and, indeed, was in contravention of the Race Relations Act 1976."

Pescanova was granted the licence after agreeing to abide by the conditions and each party is to pay its own legal costs.

Companies operating British-registered, but foreign owned, vessels are challenging UK measures brought in to thwart quota hopping ships, but they are fishing on while the cases continue.

A new fishing vessel register is soon to be brought in under Merchant Shipping Act legislation. It is designed to de-register the flag of convenience vessels and its provisions should supercede the crewing legislation.

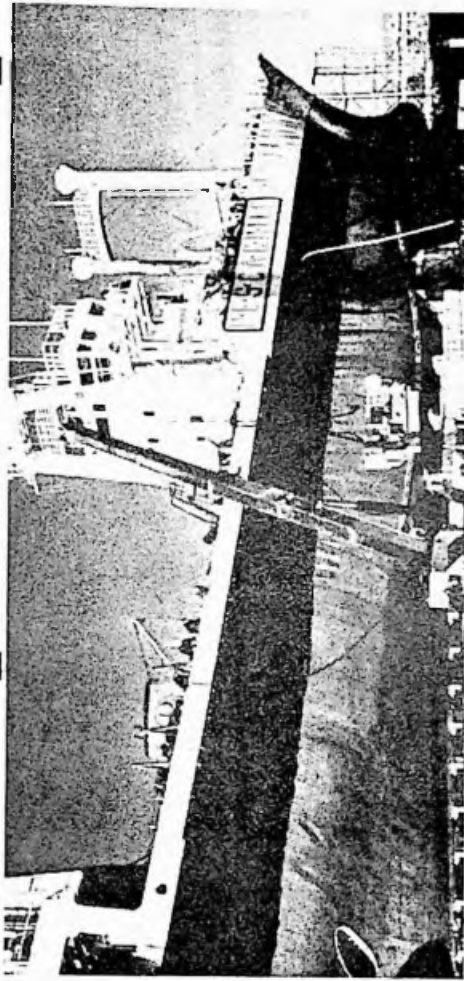


A Polish stern trawler completes a refit on the SAEM railway slip at Punta Arenas, southern Chile. More Polish trawlers are expected at the yard soon.

BOATS & BUILDERS SPECI

FLEETS TAKING

Repair slip



The Pescachile stern trawler *Petanzos* (above) is the first to be re-engined by SAEM. She was fitted with twin Cats (below) in a refit taking 60 days.



GRANTS THREAT

STRONG action is being threatened by the EEC Fisheries Commission in Brussels to match the catching power of Europe's fishing fleets to the fish stocks available.

Only Portugal and Denmark, of all the EEC countries, are within the guidelines of multi-annual guidance policies agreed by the EEC. So, it wants to clamp down on grants to build and modernise fleets in those countries which are already deemed to have overlarge fleets.

Eighty people with fishing interests attended a meeting in Aberdeen, Scotland, last month to hear top EEC officials spell out their policy.

The EEC has the power to freeze national as well as EEC grants if countries do not act swiftly to reduce catching capacity in line with the agreed multi-annual guidance policies.

According to the EEC, the UK would need to reduce its fleet capacity by two per cent on horsepower and three per cent on tonnage by 1992, with 10 per cent of the reductions having to be achieved by the end of this year.

* Japanese buy more pollack

THE JAPANESE import quota for pollack has been substantially increased because it is getting less fish from joint venture operations with US companies.

The quota for April to September is 39,000 tons, which is 80,000 tons higher than last year.

Japan expects to import more surimi from the United States, too. The movement

will help to reduce American holdings, which rose from 4.7 to 5.7 million lb earlier this year.

Meanwhile, the US analogue inventory is twice as high as last year. Holdings reached 19 million lb in the second quarter.

In the first quarter of 1988 Japan exported 2,500 tons of imitation crab to the US, down from 3,600 tons during the same period in 1987.

* Fishing rights agreed

THE Argentine government is to renew existing fishing agreements with Bulgaria and the USSR allowing these countries to fish in Argentine waters.

These agreements reached in Buenos Aires include the right to fish in "zones of the southern seas where waters of Argentine jurisdiction overlap with the so-called economic exclusion zone and the fishing protection zone that the UK established around the Malvinas islands".

But the statement adds that, although the Soviet Union and Bulgaria are among the countries that do not recognise these zones, their ships have not entered them.

The two-year agreement envisages total exploitation of 180,000 metric tons of fish and squid, the use of Argentine ports for re-supply and the implementation of joint-risk contracts between Argentine and Soviet shipowners.

* Inquiry into cheap crews

SECURITY authorities in Taiwan are looking into reports that many of the island's boats have been employing mainland fishermen as deckhands.

According to complaints filed by a number of Taiwan fishermen, the boats sail directly from Taiwan ports to ports in China across the Taiwan Straits.

Once there they take on mainland fishermen to serve as deckhands.

The going price for the mainland crew members is said to be about US\$350 a month, half of which goes to the agent who makes the introduction. But even the US\$175 netted is reportedly

ten times or more the monthly salary of most fishermen employed in mainland craft.

Taiwan fishermen complain that boatowners are using the hiring of mainland crews to hold down wages.

Owners, however, while denying that they employ fishermen from the mainland (as to do so is very much against Taiwan laws) argue that even when they offer much higher pay they are unable to recruit.

Service boat for Falklands

THE Falkland Islands Development Corporation, through its subsidiary Stanley Fisheries has taken delivery of a

TaskForce TF550 Seahorse boat to service a pilot salmon farm scheme.

The 5.5 metres long by two metres wide GRP trihedral craft with forward cuddy is powered by a 30hp Johnson outboard engine which gives a top speed of 20 knots plus for the fish farming operations in and around the Fox Bay area of West Falkland.

The Seahorse is the extra heavy-duty version of the TF550 specifically designed for rough use with hardwood gunwales to take the load and chafe when hauling over the side.



Top farm for sale

SALMONES Antartica was started by the technology transfer centre Fundacion Chile in 1976 to help develop salmon farming. Its success is evident in the 500 or more companies now running farms in Chile.

In the 1987/88 season, Salmones Antartica produced 1000 tons of salmon, worth US\$9.1 million. The estimated harvest for 1988/89 is 1250 tons.

Fundacion Chile has now decided that it is time to sell this well-established farm operation and has called for bids.