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Andropov Agenda

Soviet Boss Takes Aim At Lax Working Habits To Rouse the Economy

The Drunk, Corrupt and Idle Are Targets as He Seeks Image as a Tough Leader

Power Struggle Not Over Yet

By DAVID BRAND

Staff Reporter of THE WALL STREET JOURNAL

MOSCOW—A Western diplomat here saw what he terms "an extraordinary sight" the other day. The tall, stooped figure of Soviet party leader Yuri Andropov emerged from Gosplan, the state economic-planning agency, climbed into a government car and drove inconspicuously away, followed only by one other car.

In the land of the grandiose gesture, that's extraordinary on two counts, the diplomat says. The late Leonid Brezhnev never went anywhere without his cortege of black Zils ostentatiously leading the way along Kalinin Prospekt. And why, the diplomat asks, "would Yuri Andropov go to Gosplan and not make Gosplan go to him?"

Out of such small items are legends manufactured and the course of the Andropov regime divided. This enigmatic, almost ascetic-looking man, who has been at the party's helm a bare 80 days, is clearly trying to win a reputation as a "can-do" leader determined to bring some sort of order to the chaos of the Soviet economy. From behind the towering yellow walls of the Kremlin offices the watchword of his regime is emerging: "discipline."

Mr. Andropov has begun to push the more corrupt Brezhnev officials out of office and replace them with technocrats or with men who have a tough law-and-order background, apparently with instructions to weed out corruption and improve labor efficiency. In recent weeks there has emerged a campaign against absenteeism, sloppy work and alcoholism. In the past few days, for example, workers taking time off to do their daily shopping have found themselves stopped and questioned by police.

"Andropov has a true ideologist's impatience," declares Roy Medvedev, the Soviet historian, who is himself under pressure from the regime. "He wants to show himself a strong and a hard leader dealing strictly with all those who violate the law."

But as with much else in this country, nothing is quite what it seems. A number of critical voices in this city see Mr. Andropov's campaign for discipline and against corruption as an attempt to present himself as "Mr. Clean" and thus discredit his political rivals, mostly Brezhnev appointees who continue to hang on to their jobs. Many are also skeptical about his ability to do more than tinker with an economic system that, with its absence of planning control for managers and lack of incentives for workers, cries out for fundamental reforms.

"Yes, he's moved faster than many thought," says a U.S. government official here, "but the prescriptions are the same as with any new leader here—don't change the system but make the old one work."

Cracking Down

Nor is Mr. Andropov's campaign tied only to the work ethic. There are signs that this regime intends to break no opposition from activists for any cause that lacks the official stamp of approval. Members of a tiny independent trade-union movement have been arrested, and organizers of an independent peace group and even of a freethinking Marxist group have been harassed or arrested. "Those arrested in the spring and summer are coming up for trial, and harsh and long sentences are expected," Mr. Medvedev says. "Some people are still free, but they're under increasing pressure."

Not everything that emanates from behind the Kremlin's stern facade is necessarily Mr. Andropov's doing. Although Western diplomats believe he is in a much stronger position than Mr. Brezhnev was at a comparable point in office, a drama of power is still being played out. The probable leading players: Konstantin Chernenko, who was Mr. Brezhnev's preferred successor as party leader but lost out to Mr. Andropov, and who is said to be very ambitious but not very clever; Politburo member and Ukrainian party boss Vladimir Shcherbitsky, who supported Mr. Andropov but now is building his own career, and Defense Minister Dmitry Ustinov and Foreign Minister Andrei Gromyko, both believed to have greatly increased their influence by backing Mr. Andropov.

Although Mr. Medvedev maintains that "it's impossible to see anyone in the Politburo who sincerely supports Andropov," many Western observers and knowledgeable Russians believe that given time he will be firmly in control. "We're looking at the smartest leader here since Lenin," declares one Western diplomat. Others describe him as "modest," as "a dedicated reformer" or as "articulate." West German leaders are known to have been highly impressed by his grasp of the complexities of nuclear-missile numbers when they met with him recently.

His health is widely rumored to be poor—his ailments, depending on the informant, range from heart disease to diabetes. Please Turn to Page 10, Column 1

What's News—

Business and Finance

TOYOTA AND GM PLAN to build a small car jointly in the U.S. Sources close to the negotiations said a formal contract could be approved as early as this week. The companies would invest as much as \$300 million to produce a car designed by Toyota at an idle GM assembly plant in Fremont, Calif.

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France's economy worsened under the Socialists, mostly because the government's initial plans had serious flaws, an OECD analysis says. The confidential study says Mitterrand's bid to improve the economy through wage boosts and higher social spending backfired badly.

(Story on Page 3)

Gulf's Swiss holdings were sold to two affiliates of the Royal Dutch/Shell Group. The company also said it's interested in selling its marketing operations in Britain.

(Story on Page 4)

A strike at Renault's plant in Flins is over, with production scheduled to resume today at the company's biggest facility. But manufacturers and unions still have to settle some of the problems the job action posed.

(Story on Page 2)

A U.S. recovery was presaged by December's 1.5% rise in the leading economic indicators report, analysts say. The advance was the largest since September 1980 and the eighth in the last nine months.

(Story on Page 4)

Indonesia is seeking \$1 billion from banks to offset its balance of payments deficit and falling oil prices. The loan, currently being assembled, would be Asia's second-largest commercial credit.

(Story on Page 24)

Banks remain uneasy about debt troubles in Chile and Venezuela but are welcoming European borrowers. Greece will get a \$500 million loan to finance its budget deficit and Sweden and France will borrow soon.

(Story on Page 17)

U.S. interest rates will rise in coming weeks but then turn downward, economists predict. They contend that the Treasury's huge borrowing needs will put upward pressure on rates, at least briefly, while a weak economic recovery is likely to lead to further declines.

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The Eurobond market is looking increasingly attractive to U.S. companies because of the cheaper interest rates. Analysts predict another booming market in 1983.

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Brazil's creditors are balking at a rescue plan presented last month. Even if the package is assembled, bankers say, Brazil would need billions of dollars of additional loans.

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U.S. sugar refiners are worried that Brazil may renege on contracts to supply raw cane sugar. The Brazilians are seeking higher prices.

(Story on Page 26)

China's trade surplus ballooned in 1982 to a record \$4.6 billion. Imports fell 12.8%, to \$17 billion, while exports rose 3.5%, to \$21.6 billion.

(Story on Page 12)

Calls for a credit easing came from some smaller Western industrial nations meeting in Davos, Switzerland. Former Chancellor Schmidt supported the arguments put forward by Norway and Finland.

(Story on Page 17)

Chase Manhattan faces conflicting orders from courts in Britain and the U.S. A U.K. judge told the bank to ignore a New York grand jury's request for records related to Marc Rich & Co., a British oil trader.

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The Editorial Page

Economist Robert Mundell argues that the world debt crisis can be resolved by creating a world central bank and returning to the gold standard. Page 14.

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World-Wide

REAGAN'S BUDGET aims to trim deficits, but boosts military spending.

The president's fiscal 1984 budget calls for a deficit of \$188.8 billion. That would fall gradually to \$117 billion in fiscal 1988 if Congress backs his five-year plan to slow spending and boost taxes. But the new budget requests \$238.6 billion in Pentagon spending, a 14.2% increase.

The budget represents a victory for traditional U.S. Republican economics over the supply-side positions supported in Reagan's previous two budgets.

BUSH ARRIVED in Bonn to start a 12-day European visit.

The American vice president said the main purpose of his trip is to consult with Washington's allies on the medium-range arms talks going on in Geneva with the Soviets. Bush is scheduled to visit seven countries and the Vatican.

The visit is being welcomed in conservative government circles in Bonn as a long-overdue reinforcement in a propaganda war with the Soviets.

SHULTZ WANTS U.S.-Chinese ties put on a sound basis.

The American secretary of state, who is now in Tokyo, said he hopes it will be possible to put the issue of U.S. support for Taiwan "in the background." Shultz will hold talks with Japanese leaders and then go to Peking Wednesday.

Shultz said a dispute with China over textile exports to the U.S. is a difficult matter, but not one of principle, like Taiwan.

Fighting near Beirut killed three people. The artillery and rocket duels were between rival Christian and Moslem factions. In a separate incident, an Israeli soldier was killed in an ambush in a rocket attack from territory controlled by U.S. Marines in Beirut.

Pope John Paul's trip to Poland will start June 18, the country's church leaders announced. An episcopal letter read in churches throughout Poland called on the country's military authorities to declare an amnesty for those convicted under martial law to create favorable conditions for the pope's visit.

The 50th anniversary of Hitler's accession to power was marked in West Germany. Chancellor Kohl said the human race "was disgraced in the name of Germany." He urged his compatriots to heed the lessons of 1933 and said they could not shirk responsibility for the past.

EC budget contributions are likely to be on the agenda when French Foreign Minister Claude Cheysson meets today in London with Britain's foreign minister, Francis Pym, and the chancellor of the exchequer, Geoffrey Howe. Britain wants a rebate on what it considers to be an unfairly high payment.

Italy's coalition government is nearing collapse again because of political infighting for control of the state-owned energy conglomerate, Ente Nazionale Idroelettrico. Control of the company is mainly divided between the Christian Democrats and the Socialists, the two biggest parties in the coalition.

Political parties in India stepped up their campaigning for key elections in New Delhi. Saturday's elections have taken on increased importance following losses suffered by Prime Minister Gandhi's party in recent state elections. Gandhi reshuffled his cabinet over the weekend in apparent reaction to those election setbacks.

Canada's opposition leader stepped aside after failing to win enough support at a Progressive Conservative Party conference. But former Prime Minister Joe Clark called for a new leadership convention and said he'll be a candidate.

Turkey's ties with the EC will be discussed at a meeting in Bonn between Turkey's foreign minister, Ilter Turkmen, and West German Foreign Minister Hans-Dietrich Genscher. The two officials are also expected to discuss the issue of Turkish "guest workers" in West Germany.

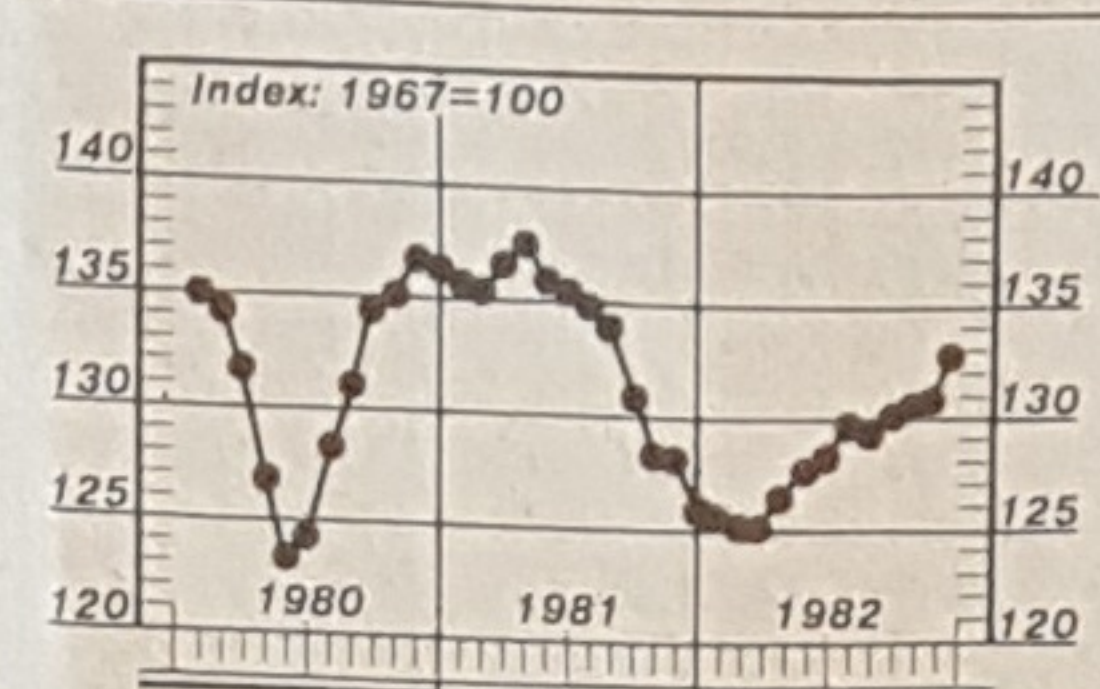
Any serious arms-control proposal will be considered by Britain but London still considers the "zero-option" the best solution, Foreign Secretary Francis Pym said. The British official said success in U.S.-Soviet arms talks depends on convincing the Soviets that balanced and verifiable measures are the only way forward.

Emergency talks in Belgium were held by the cabinet over a decision that threatens to topple the coalition government. The immediate issue is whether a militant Franco-phone will become mayor of a Dutch-speaking town. But behind the dispute is a deepening split on a range of key economic issues.

More talks in Kabul aimed at reaching a political solution to the situation in Afghanistan were held by a special UN envoy, Diego Cordovez. The UN envoy met with Kabul's foreign minister, Shah Mohammad Dost. No details of the talks were disclosed.

Thousands of Ghanaians expelled from Nigeria crossed the border into neighboring Benin en route to their homeland. They were expelled from Nigeria for being illegal aliens. Ghana's decision to open its borders over the weekend was the first time it has done so since September.

U.S. Leading Indicators



COMPOSITE KEY INDICATORS of future economic activity rose in December to 132.8% of the 1967 average from a revised 130.8% in November, the Commerce Department reported.

Hardest Commuter In Europe Shuttles From Arctic Circle

Finn Lyng, Greenland's Man In European Parliament, Says: "Not Always Fun"

By THOMAS KAMM

STRASBOURG—When Finn Lyng isn't commuting from one continent to another to go to work—taking two planes, a ferry, four trains and 36 hours to get there—he is likely to be riding a dog sled, a helicopter or a motor boat through the ice and cold of hyperborean Greenland.

It's all in a day's work for Mr. Lyng, who as Greenland's sole representative at the European Parliament—and the parliament's only part-Eskimo member—has to endure some rather tiresome peregrinations to accomplish his duty.

"I cross the Atlantic to go to work all the time," Mr. Lyng says. "There's a four-hour time difference, which means that I never get a good night's sleep. I barely get adjusted here (before) I go back to Greenland."

Greenland is really on the American continent, and is larger than all of Europe, but politically is part of Europe because it's an autonomous region of Denmark.

So, once a month, when the European Parliament convenes for a week-long session in Strasbourg, Mr. Lyng travels farther than any other member to get here. Once arrived, one of his primary missions is to abolish his job. It's not that he's trying to avoid the commute; he and Greenland want to pull out of the EC because they feel that its emphasis on agricultural and trade issues doesn't address the particular problems of a land whose economic mainstay is fishing. (And on that issue, they feel the EC is a hindrance rather than a help.)

"Those Damn Eskimos"

He would love to give his blue armchair in the wood-paneled hemicycle of the Palace of Europe to someone who wants it. At a time when Spain and Portugal are clamoring to join the Community, he says, people probably think, "There must be something wrong with those damn Eskimos. Everyone wants to get in, they want to get out."

As is, Mr. Lyng is rarely in anyway. "Most of the time I walk out," he says. "I feel I waste my time in the plenary. I stick to subjects that are relevant to our situation."

It isn't easy for Mr. Lyng to find things he deems relevant to Greenland.

At its latest session, for instance, the parliament debated the import of Japanese cars in the European Community (Greenland has no road network), helicopter noise (hardly one of the more pressing problems in a largely uninhabited land) or the stuffing of geese for foie gras (not a staple fare in Greenland; most Greenlanders fish or hunt seals.)

Nevertheless, Mr. Lyng feels "it is necessary for Greenland to have a seat in the parliament at this time. There's a lot of important lobbying to do when we are on the verge of leaving the community." (In fact, the EC's cumbersome legislative process makes a decision on this a long way off.)

He sees his chief job as intelligence gathering. "I can keep my finger on the pulse and make reports back home," he says. "I can keep my ears open and see what people say about fisheries and sealskins, which are very important to us."

For whatever purpose, once a month Mr. Lyng hops on a plane from his home town of Nuuk (also known as Godthab), the capital of Greenland, to Sondrestrom. From there, he takes a four-and-a-half-hour flight to Copenhagen. Then he takes a midnight train to Rodby, Denmark, followed by a ferry to Puttgarden, in West Germany, and then the train rides resume, first from Puttgarden to Hamburg, then from Hamburg to Offenburg and finally—a day and a half after leaving Nuuk—he arrives in Strasbourg.

Scrambled Schedules

It's not the most direct way to get here, but, strange as it may seem, it's the quickest. Mr. Lyng is the victim of unhelpful plane schedules.

Only three planes a week leave Greenland, and Mr. Lyng would have to leave on Fridays if he wanted to fly all the way to Strasbourg. But then he would actually waste two days waiting for the opening parliamentary session on Monday afternoon. By taking the next plane out of Greenland on Monday morning, however, he arrives in Copenhagen too late to make more direct flights to Strasbourg, so he has to rely on the ferry and trains to get him here by midday Tuesday.

And in order to be back home for the weekend, Mr. Lyng leaves Strasbourg a day before the end of the parliamentary session, so he spends more time traveling than he does in Strasbourg. "If I want to be here all the time, I have to be away 10 days to make

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Policy and Purpose

A Statement of the Aims of This Newspaper

The Wall Street Journal begins publication today of a new daily newspaper designed specifically to serve executives in Europe active in international business.

It is staffed, edited and printed in Europe. Its purpose is to fill three needs:

—The need for the most authoritative, timely news affecting international trade and investments, whether these developments occur here in Europe, in the United States, the world's largest market, in Asia, the world's fastest-growing market, in the Mideast or elsewhere.

—The need to save you time, through careful selection by sophisticated editors of the essentials, to spare you wading through torrents of unevaluated words each day.

—And, most important, the need for trustworthiness. The only information that is useful is information that is accurate and unbiased.

The Wall Street Journal believes it is uniquely equipped, through experience and resources, to fill those needs.

World Economic Outlook

We begin publication at a time of grave economic uncertainties in Europe, in the U.S. and around the world. Reliable information will be indispensable, as never before. Understanding will be invaluable. Our editors are determined that you will get both.

Dow Jones & Co., which publishes The Wall Street Journal, has been serving the information needs of men and women in business for 100 years. (On the editorial page today you will find the philosophical principles that guide us in the making of a business newspaper.)

In the U.S., an opinion survey conducted for Time magazine some years ago found the Journal to be the most trusted American newspaper. In the past five years, the Journal's circulation has grown 35%, far outdistancing the growth of most other major newspapers and magazines. Circulation today is more than 2 million, the largest of any newspaper in the U.S. and well over double the circulation of the New York Times or Washington Post. It is almost equal to the combined circulations of Business Week, Fortune and Forbes.

We mention this as evidence that the Journal clearly is recognized as without any peer in its authoritative and comprehensive coverage of American business. Our Asian Wall Street Journal, published in Hong Kong and Singapore, has earned a similar reputation among Asian business and political leaders for its coverage of the Far East.

The new Wall Street Journal in Europe hopes to earn your confidence by applying the same standards of trustworthy, independent news coverage. It will draw freely on the resources of its sister publications in the U.S. and Asia. It will draw also on the Dow Jones News Services, the AP-Dow Jones international news services and other Dow Jones enterprises. More than 50 full-time Dow Jones business reporters and editors here in Europe, part of a world-wide news team of more than 475, all will be working to produce a publication useful to you, a publication tailored to the unique needs of the busy, active international executive.

No National Bias

Two other characteristics you will find in this new newspaper:

—Though its roots are undeniably American, its news columns will not be those of an American newspaper. Nor will they reflect the perspective of any particular European nationality. They will be marked by the impartiality and detachment appropriate to an international readership. At the same time, we will not default on one of this newspaper's unique and unchallenged strengths: the most authoritative coverage of U.S. business available anywhere.

—We will not dilute our usefulness by attempting to be all things to all people, or just a business section in a general newspaper. Nor will our focus be narrowly financial; only 9% of our U.S. readers work in the financial community. We will concentrate our reporting efforts wholeheartedly on the broad world of international business, and those political and social forces and light vagaries that affect it or help one to understand it better. Through such understanding, we hope to help our readers find new business and investment opportunities, avoid costly mistakes and make wiser decisions.

Although the confidence and loyalty of our readers in America have caused us to grow into the largest newspaper in the U.S., we have never sought bigness, only usefulness. We will be guided by the same purpose here in Europe. We do not seek a mass audience. We seek a class of readers who are mostly in responsible business and professional positions, fairly affluent and well-educated. This is the type of select readers we have attracted in the U.S.: 88% of the top executives of America's 800 largest publicly owned companies are Journal readers. They are men and women for whom time is scarce, understanding is invaluable and reliable information indispensable.

We hope that in the months ahead we will prove the new Wall Street Journal in Europe to be essential to meeting your information needs—and will earn your trust. We invite you to send us your reactions and suggestions. As our predecessors said in the first issue of The Wall Street Journal in the 1880s, "We are proud of the confidence reposed in our work. We mean to make it better."

Norman Pearlstine
Editor and Publisher
Warren H. Phillips
Chairman, Dow Jones & Co.

Compromise Move

Reagan Budget Asks Cuts In Spending, New Taxes, In Bid for Democrats' Aid

A \$188.8 Billion Deficit Seen For Fiscal 1984; Money For Defense Still Climbs

Counting on Huge Tax Boost

By KENNETH H. BACON

and ROBERT W. MERRY

Staff Reporters of THE WALL STREET JOURNAL

WASHINGTON—President Reagan's new budget reflects a sober conclusion that the nation's economy and his administration are in trouble and that political compromise offers the only path to the lower deficits necessary for sustained economic growth.

The budget Mr. Reagan is sending Congress today contains grim numbers and

For an examination of President Reagan's defense-spending proposals, see story on page 22.

unpleasant choices. For the fiscal year 1984, starting Oct. 1, it forecasts a deficit of \$188.8 billion, down only slightly from the record-shattering \$208 billion of red ink now projected for this fiscal year. The deficit would fall gradually to \$117 billion in fiscal year 1988, assuming Congress adopts a five-year plan to slow spending and to boost taxes by a huge total of \$448 billion starting in fiscal 1986.

The president's budget message warns that deficits "must be decisively and steadily reduced" in order to allow sustained, noninflationary economic growth. But even if the White House were to get all the deficit reductions it wants, the budget assumes that unemployment and interest rates will remain uncomfortably high for years to come.

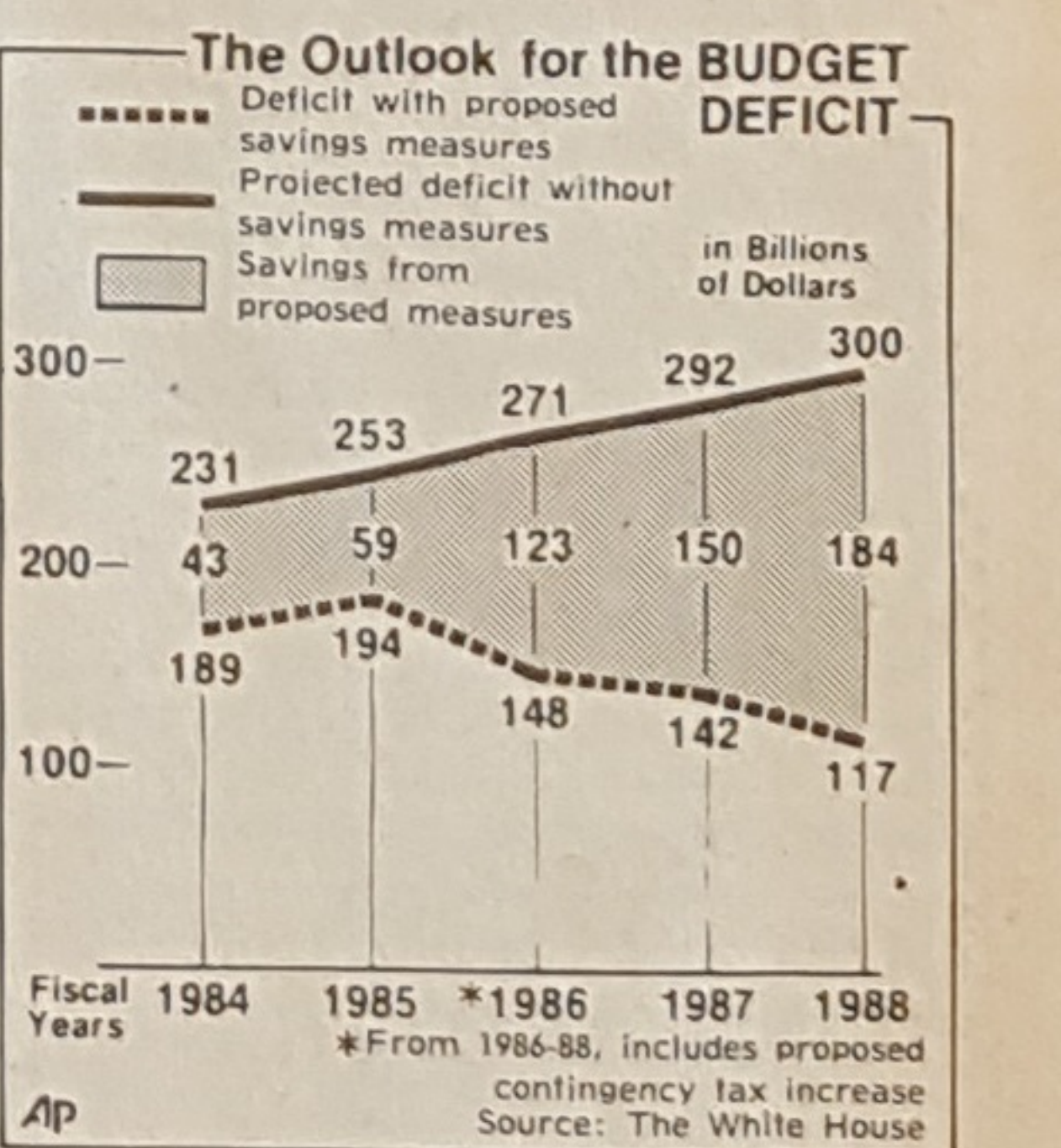
The President's Preference

Nevertheless, the new budget represents a triumph of traditional Republican economics over the supply-side hopes reflected in Mr. Reagan's last two budgets. By proposing large future tax increases and a bit less defense spending than he initially wanted, White House aides say, the president is signaling a preference for political accommodation over confrontation.

It's too early to tell if Mr. Reagan will be flexible enough to make the new strategy work. Congressional Democrats—and many Republicans as well—will press for deeper military cuts than the president thinks prudent. There will also be pressure to raise taxes before fiscal 1986; Washington business lobbyists generally expect passage of some tax increases this year. In addition, the new budget advocates continued cuts in nondefense spending at a time when Democrats and some Republicans are deeply worried about further reductions in aid for the needy and are pressing for new programs to create jobs.

Yesterday Rep. Dan Rostenkowski (D., Ill.), chairman of the House Ways and Means Committee, said on a televised interview program that he takes "a dim view" of the Reagan proposals for further cuts in social programs because in the last session Congress cut those programs "very much to the bone."

But the budget does at least package domestic spending cuts with modest defense



reductions and large tax increases in a way that could lead to compromise. Deficit-worried Senate Republicans and White House aides have been urging Mr. Reagan to take this course for two years. "This budget," says Sen. Slade Gorton of Washington state, a Budget Committee Republican, "is more pragmatic and less ideological than the budgets of the last two years." Sen. Lawton Chiles, a Florida Democrat on the Budget Committee, says that unlike last year Mr. Reagan's budget is "something we can work with."

Wall Street, in turn, will be encouraged by Mr. Reagan's retreat from his earlier insistence that the 1981 tax cuts would prompt enough economic growth to melt away large deficits. The new budget "starts with realistic economic assumptions and realistic measures for getting the deficits down," says Allen Sinai, a money-market economist at Data Resources Inc. "Both these changes are very reassuring," he says, in comparison with last year, when Congress and the financial markets rejected the budget as unworkable. "We won't do any worse than the string of deficits the president is projecting and we may do a lot better," he adds.

As a result, Mr. Sinai and other economists expect interest rates to stay at about current levels, allowing the nascent recovery to gather momentum. Last year, rates rose, blocking an expected recovery; Wall Street

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