Western Europe Review

25X1

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WESTERN EUROPE REVIEW

Sweden: A Look at the New Government	22
The new minority Liberal government will attempt to put its own stamp on programs already under way and to test the political climate in preparation for parliamentary elections next fall.	
Austria: Referendum on Nuclear Power Plant	25
Voters are likely to approve the start-up of the country's first nuclear power re-actor in a referendum on 5 November.	
Socialists Meet in Vancouver	28
This year's Socialist International Congress, to be held in Vancouver from 3 to 5 November, will consider the general theme of "Peace and Development."	

Next 8 Page(s) In Document Exempt

25X1

West European Stance on Arms Collaboration

At the biannual plenary meeting of the Independent European Program Group (IEPG) next week, the West Europeans are likely to welcome the latest US proposal to share weapons production more equitably. At the same time, the representatives will be looking for additional signs that the US is serious about its commitment to a "two-way street" in arms production and sales.

Background

The West European interest in a more balanced relationship was kindled in part by NATO's desire to adjust its defenses to offset changes in the military capabilities of the Warsaw Pact, particularly its enhanced capability to mount an unreinforced attack as well as its deployment of increasing numbers of new weapons. The latter trend is of general concern because it is eroding the qualitative edge which NATO has traditionally relied on to offset superior Pact manpower. On the other hand, the Pact's increased ability to launch an attack with little warning is regarded with particular concern by West Europeans who would bear the brunt of it.

West Europeans see the issue of arms collaboration in the broadest possible terms. To them, the need for improved cooperation in this area involves political and economic objectives and relationships as well as military ones. Their concern about blunting the East's ability to launch an unreinforced attack, for instance, has more to do with a desire to feel comfortable about pursuing closer relations with the East than with an expectation that such an attack is imminent or likely in the near term.

The Arms Dialogue

For West Europeans, key tests of the US commitment to a "two-way street" in the arms trade are increased purchases of West European weapons and sharing of US

1 November 1978

technology. At a recent meeting of the Conference of National Armaments Directors (CNAD), West Europeans welcomed new US proposals designed to reduce procurement costs and share more of the weapons trade. They saw the proposals as a sign of good faith, but wanted additional details on what weapons categories might be involved and how the proposals relate to the issue of increased arms collaboration among West Europeans.

While the Allies share the US interest in reducing arms procurement costs by harmonizing development plans and production schedules, they also want to maintain and enhance a West European arms production capability in order to sustain their political influence in the Third World and improve their leverage vis-a-vis the US and the USSR. Since the onset of the discussions about improving the West European share of the arms trade, the Allies have questioned the willingness--or even the ability--of the US to depend on foreign suppliers for important technology or for entire weapons systems.

The West Europeans are taking a hard look at certain issues:

- -- West Europeans see the first element of the US proposal, bilateral memorandums of understanding between individual countries and the US, as a way to facilitate fair competition by avoiding "buy American" legal requirements. Seven Allies have signed such a memorandum and others appear likely to do so in the future. The West Europeans want to ensure, however, that in the event of conflict between a bilateral project and a multilateral one undertaken by the IEPG, the IEPG project will have precedence.
- -- The Allies see <u>co-production of specific</u>
 <u>weapons and equipment</u>, which involves
 the sharing of technology, as a positive idea. But they would like the
 concept extended to permit the production of West European systems--like the
 Franco-German Roland missile--by other
 West European countries.

1 November 1978

-- West Europeans have welcomed the US proposal for the eventual purchase of entire "families" of West European arms by the US. But they would like to know which weapons the US is prepared to identify for West European production, and they want assurances that, in the future, US industries will not be able to nullify or undercut an agreement. They are also anxious to know how national arms production capabilities will be preserved.

Another important issue is a need to take the interests of the smaller Allies into account. This is likely to be the task of the next country to chair the IEPG beginning in the spring of 1979--perhaps Norway, a small country with a significant production capability. The smaller Allies are wary of agreeing to production subsidies and dual production arrangements without obtaining assistance to maintain and develop their own industries. These views are taken seriously by the other Allies. At the recent CNAD meeting, the British representative declared that the IEPG may as well disband if the interests of the smaller Allies cannot be accommodated.

25X1

1 November 1978

Turkey's Justice Party: Stand-Pattism in the Ascendancy

Suleyman Demirel, Turkey's most durable politician, confirmed and perhaps even strengthened his domination of the Justice Party at its convention two weeks ago. Senator Kamran Inan, who had hoped to make a respectable showing against Demirel in the race for chairman, got only 88 votes from the 1,550 delegates and lost his seat on the governing board. Demirel's overwhelming victory conceals serious problems, however. Although the rightof-center party is still Turkey's second largest and Demirel remains popular with the peasants who are its most numerous constituents, the party's electoral base seems to be shrinking. To no small degree the shrinkage is due to a growing belief that the party under Demirel lacks dynamism. But beyond that, Demirel and his party are caught between the forces of urbanization and modernization on the one hand, and a traditionalist reaction to those forces on the other. Turks who put a high value on the modernizing process appear to be drifting toward Premier Ecevit's Republic People's Party, while traditionalists voters are turning toward the more radical parties on the right--particularly the fast-growing, neofascist and pan-Turanist Nationalist Action Party. Thus, although the Justice Party will probably hold on to most of the peasant vote, it may suffer slow erosion on both the left and the right.

Not even Inan himself expected that his challenge would lead to Demirel's immediate ouster. Because there had been a strong undercurrent of dissatisfaction at some of the provincial congresses, however, many observers thought Inan might attract two or three hundred votes at the national convention. A tally of this size probably would have forced Demirel to appoint Inan and some of his followers to key positions; it might even have set the stage for Demirel's eventual deposition.

Inan's crushing defeat greatly reduces his own political prospects, but the complacency now evident in the Demirel camp seems ill-advised. In the first place,

1 November 1978

12 SECRET 25X1

Inan was hardly the ideal challenger. As a Kurd with a foreign wife, he drew hostility from his nationalistic, ethnocentric Turkish colleagues, and his dry and didactic speaking style was no match for Demirel's patented brand of peasant folksiness. Even those who had been highly critical of Demirel in private often found themselves succumbing to his oratory and voting for him. The minuscule vote for Inan, in other words, is not an accurate measure of Demirel's strength within the party.

Nor do the party's electroal prospects warrant com-The convention delegates, most of whom were placency. middle aged, almost seemed to assume that simply because the party had been in power for 12 of the last 14 years, it would be back in government again before long. could be right, but at the moment the trends do not favor The party's share of the vote has been declining over the years: whereas Demirel was able to form an all-Justice Party government in the late 1960s, he has recently needed the support of smaller rightist groups--the pan-Turanist, neofascist Nationalist Action Party and the Islamic fundamentalist National Salvation Party--to achieve a legislative majority. The need to keep these fractious partners mollified, in turn, was one of the chief factors contributing to Demirel's reputation as a do-nothing premier. To complete the vicious circle, it was this reputation that prevented the party from arresting its slow decline, thus making a coalition with parties such as the NAP and NSP even more necessary.

Moreover, Turkish businessmen, long a prime source of financial and electoral support for Demirel's party, are becoming increasingly disenchanted. They would like to see a "grand coalition" between Ecevit and Demirel, on the theory that such a coalition could better solve Turkey's enormous and internal security problems. But knowing that neither politician is willing to consider the idea, recognizing that business is doing fairly well under Ecevit, and doubting that a Demirel government would serve them any better, many of them are drifting away from the Justice Party.

In the first several months after his government fell last December, Demirel gave few signs that he was coming to grips with these problems. His energetic

1 November 1978

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performance at the party convention and in the few weeks preceding it has heartened many party stalwarts. Moreover, the sheer strength he showed at the convention will make potential dissidents think twice before breaking with him. But if he fails to maintain the momentum he has generated, and especially if he fails to stimulate a search for new constituents, the party's long-term prospects are not bright. With a politician of Ecevit's skill to its left and two strident parties to its right, the Justice Party will have trouble just maintaining its present strength--much less gaining on its opponents--without more vigorous direction from the top.

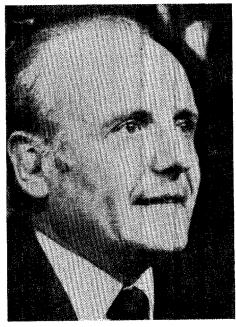
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1 November 1978

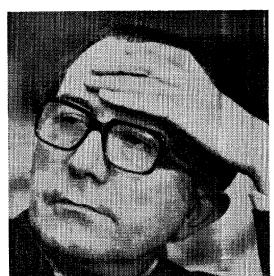
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Italy: The Politics of Economic Issues

The firmness of the Andreotti government's support will soon be tested by parliament's consideration of several complex economic issues closely linked to Italy's broader political problems. Many of these issues, such as pension reform and wage restraint, impinge directly on the conflicting interests of the Christian Democratic and Communist parties -- the two major components of Prime Minister Andreotti's parliamentary majority. After a summer of inconclusive polemics on ideological matters, such questions may provide the first indications of the parties' commitment to the current governing arrangement and of their willingness to make politically difficult choices on sensitive economic issues. Meanwhile, some of Andreotti's opponents apparently hope to exploit these problems and create strains that might eventually bring down the government.







Prime Minister Andreotti

The pivotal role of economic issues in political developments reflects the high priority the government

1 November 1978

has attached to its three-year economic stabilization program--the so-called Pandolfi Plan--which is designed in part to curb the growing public sector deficit, expected to hit \$40 billion this year.

One of the government's proposals for trimming the deficit involves a reduction in total pension payments over a period of five years--unifying various Italian pension programs into a single system. The draft bill, for example, seeks to impose a maximum ceiling on all pensions, raise the lowest ones, curb "double dipping," and slow the rate at which all pensions increases automatically with the cost of living.

Organized labor has already reacted negatively and announced its intention to lobby for changes when parliament takes up the plan. An especially sensitive problem is treatment of Italy's self-employed and agrarian workers--traditionally supporters of the Christian Democratic Party. Presently, they make only token contributions to their pension funds, forcing the burden of financing the system onto industrial workers--the electoral base of the Communist Party; the Christian Democrats, more than any other party, have used the pension system as a source of political patronage and power.

While the draft bill does propose increased social security contributions by the self-employed and agrarian workers, the labor unions demand that such contributions be raised enough to make the pension system solvent. Labor's position will make it difficult for the left, particularly the Communists, to support the bill in its present form. They will probably push at least some of labor's proposals in an effort to make pension reform cut more deeply into Christian Democratic interests.

Limiting excessive pension benefits for Christian Democratic supporters probably constitutes part of the quid pro quo the government needs to obtain the support of the Communist labor leaders in convincing the rank and file to accept lower wages—the other key part of the government's economic plan. The Communists and their labor allies are already experiencing difficulty urging wage restraint on the 5.5 million workers—about half of Italy's unionized labor force—negotiating new

1 November 1978

contracts this fall. For example, the metalworkers, who often set the pace for other unions, have called in their initial bargaining position for a reduction in working hours and pay raises which could result in an annual increase of 17 to 18 percent in labor cost by 1979.

Moreover, unions representing striking hospital workers have threatened to organize a general strike of public sector employees if the government refuses to grant the hospital workers an immediate pay hike. Andreotti refused and scheduled an emergency parliament debate this week on wage restraint in the public sector. The odds are in favor of a compromise, but Andreotti's forcing of the wage issue has created a difficult dilemma for all of the parties, particularly the Communists. Party chief Berlinguer has clearly signaled the desire to continue supporting government economic policy but, in the event of a government-labor deadlock on wage policy, he would come under strong pressure not to desert the unions.

The Pandolfi Plan's relationship to Italy's proposed entry into the European Monetary System (EMS) has also become a topic of political concern recently. The Andreotti government insists that the EMS, in its final form, must take account of Italy's relatively weak economy and high inflation rate. Italy's EC partners, for example, must assure Rome of adequate support measures—such as flexible exchange rates and the transfer of real resources during the transition period—to close the gap between Western Europe's more prosperous and less developed economies. On the domestic side, the government emphasizes that enactment of the Pandolfi Plan is the key to successful Italian participation in the European Monetary System.

Many political leaders, particularly the Communists and the Socialists, are concerned about the link between the Pandolfi Plan and the European Monetary System. In their view, there is an inadequate trade off between the benefits Italy might receive from participation in the monetary system—such as a reform of the EC's common agricultural policy and the transfer of economic resources to aid Italian industrial development—and the austerity measures Italy would have to adopt in order to participate fully.

1 November 1978

Next 3 Page(s) In Document Exempt

25X1

Sweden: A Look at the New Government

Sweden's new minority Liberal government, which replaced the two-year-old coalition of the Moderate, Center, and Liberal parties, will attempt to put its own stamp on programs already under way and to test the political climate in preparation for parliamentary elections next fall. The three nonsocialist parties have a parliamentary majority and the Liberals probably can count on support from their former coalition partners on many issues. But there are areas of disagreement, particularly over nuclear power development and economic austerity programs. On both these issues, Prime Minister Ola Ullsten and his Liberals may have little choice but to look for support from Olaf Palme's Social Democrats--precisely the development the Center and Moderate parties fear, and precisely the one for which Palme has been waiting.

The Nuclear Issue

Disagreements over nuclear power development brought the previous coalition down. Former Prime Minister Falldin withdrew from the coalition when he failed to persuade his partners to deny research and development funds for continued nuclear power development. Falldin and his Center Party had made an issue of the risks inherent in nuclear power production and waste storage during the 1976 election campaign and had promised to initiate a phase-out of the program by 1985. During his tenure he compromised to some extent, allowing two reactors to be loaded and accepting the eventual operation of two more under strict technical safety restraints. Some powerful Center leaders, despite polls which showed a decline in support for their party and an increase in support for the pro-nuclear Social Democrats, maintain that the party must stick to its moral guns.

The Center Party may find it hard to persuade voters to focus on the nuclear issue in the next election, in part because extensive safety measures legislated in the last several years have eased fears. Polls this fall

1 November 1978

on the nuclear power issue indicated a turnaround in popular attitudes toward the government program. The 57 percent who opposed nuclear power production in 1976 has shrunk to 37 percent, while the proportion in favor has increased from 26 to 53 percent.

The Economic Issue

The Liberals and Moderates may well clash over economic policies. Gosta Bohman, leader of the conservative Moderate Party and Minister of Economy during the coalition's tenure, designed a policy of economic restraints combined with a plan for restructuring industry. The program is credited with bringing about a mild economic recovery this year. Bohman's program will cause job redundances this winter in the shipbuilding and steel industries, however, and Ullsten may try to preserve jobs by propping up the unprofitable shipyards. In so doing, he would undermine Bohman's plan to foster high technology industry and deny aid to uncompetitive industries. The Liberals may feel, however, that they have no choice if they are to win support from labor.

The Liberal's traditional support for social welfare programs could also tempt them to tinker with Bohman's austerity program. Although Bohman had envisaged some easing of the constraints during the election year, the improvement in the economy may not be sufficient to accommodate Liberal objectives.

Political Factors

The nonsocialist parties fear that Liberal inclinations will lead the new government to look to the Social Democrats in the Riksdag--the two parties would have a significant parliamentary majority. The Center Party's singlemindedness on the nuclear power issue probably makes a return to the tripartite coalition impossible, and both policy differences and personal antipathies will make it hard for the Liberals and Moderates to get together. Ullsten may therefore find himself looking toward Palme's Social Democrats.

By courting the Liberals and holding out the possibility of forming a postelection coalition, the Social

1 November 1978

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Democrats hope to bar a return to a center-right, non-socialist government formula. More immediately, Palme sees a tacit alliance with the Liberals as a means of reining in the radical wing of his own party. In pushing ideas such as "economic democracy," the radicals tend to alienate the nonideological, swing voters who are in part responsible for the party's present high standing in the polls.

25X1

1 November 1978

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Austria: Referendum on Nuclear Power Plant

Austrian voters appear likely to approve the startup of the country's first nuclear power reactor in a
referendum on 5 November, but this will not end the increasingly divisive debate over nuclear energy. The
government of Chancellor Kreisky, who has hinted he
would resign in the face of a negative vote, still faces
the problem of locating an acceptable foreign repository
for the spent fuel from the reactor. Lack of a repository has held up operations at the plant since it was
completed in January. Moreover, antinuclear sentiment
now is such that it has spawned sharp differences among
the governing Socialists and has forced the government
to scrap plans for a second reactor.

Although nuclear energy has been a contentious issue from the start, it became even more so earlier this year because of the government's maladroit handling of the Zwentendorf power plant, located 70 kilometers northwest of Vienna and built at a cost of \$410 million. In January, Kreisky flatly rejected a referendum as an unsuitable device to decide the disposition of the plant. The same month the government's premature announcement of a spent fuel storage site near the plant evoked strong protests from a public that had been led to believe that Austria's nuclear waste from the US-supplied enriched uranium would be stored in the US, as proposed by President Carter last October.

The Chancellor, who has publicly declared that Zwentendorf would not start up until the spent fuel question is settled, subsequently tried to get the Soviets to accept the spent fuel, but was rebuffed by Premier Kosygin. The Austrians also made overtures to (and received positive responses from) Iran and Egypt, but demurred when it became clear that such plans were politically unacceptable to the US.

In May, Kreisky reversed his stand on the referendum alternative, a move that was clearly in response to widespread public criticism of the government's indecisiveness and to calls for action by antinuclear

1 November 1978

2.5 SECRET adherents in all three major political parties. The Chancellor's decision came on the heels of talks with US officials in Washington which, according to the Socialists' parliamentary leader, left the Austrian Government in a "very difficult situation" with no basis for deciding what to do next.

In subsequent parliamentary action, the Socialists attempted to line up broad support for its proposed referendum, but were stymied by joint efforts of the opposition People's Party and the strongly antinuclear Freedom Party to cast the referendum as a vote on the general question of nuclear power. Although generally pronuclear, the People's Party refused to cooperate with the government because the Socialists had two years earlier spurned a People's Party offer to cooperate on the nuclear issue. The smaller Freedom Party, taking a cue from the success of the antinuclear Swedish Center Party in the recent Swedish parliamentary election, simply acted to exploit a popular issue. In the ensuing maneuvering on the parliamentary floor in June, the Socialists used their absolute majority to ram through their version of the referendum, in the process provoking bitter confrontations between pro- and antinuclear supporters and with the opposition parties. Ironicially, Kreisky had heretofore eschewed using his parliamentary majority to authorize the start-up of the Zwentendorf plant to avoid such polarization.

Despite the turbulence in parliament, both the Socialists and the Federation of Trade Unions--the most active nonparty supporter of nuclear energy--initially expected the referendum easily to garner the two-thirds majority necessary to start-up Zwentendorf. In September, the polls indicated that the vote would run about 60 percent for, 20 percent against, with the rest undecided. More recently, however, Socialist leaders have become concerned because the anti-Zwentendorf sentiment seems to be gaining momentum and because they fear a repeat of the low turnout of Socialist voters that occurred in the Vienna election early last month, resulting in a setback for the Socialists. Although they continue to believe that only 10 to 20 percent of the electorate oppose Zwentendorf, a large turnout of antinuclear voters could make for a very close vote.

1 November 1978

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In the meantime, the Socialists are trying to exploit divisions within the People's Party, hoping either to improve the referendum's chances of approval or, failing that, to set up a scapegoat for Zwentendorf's continued shutdown. Kreisky obviously looks at the referendum as a major test for his Socialist government while the People's Party is seeking a headstart on next year's general election. Although the issue of US nuclear policy remains in the background, neither party is likely to hesitate bringing it to the fore should there be political mileage to be gained.

25X1

1 November 1978

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25X1

Socialists Meet in Vancouver

This year's Socialist International (SI) Congress, to be held in Vancouver from 3 to 5 November, will bring together Socialist luminaries from around the world to consider the general theme of "Peace and Development." A great deal of spirited debate will be heard and conference organizers will take pains to avoid the appearance of disunity, but the International is still far from becoming what SI President Willy Brandt hoped it would—a Western-oriented "third force."

The conference agenda includes such topics as the world economy (north-south relations and multinational corporations), disarmament, Southern Africa, and human rights. Latin America, the Caribbean, and the Asian-Pacific region will be considered in separate meetings. Just before the main SI Congress, the International Council of Social Democratic Women will meet on the theme of "Violence in Society."

The Dutch Labor Party (PVDA) intends to use the conference to launch an international campaign against President Carter's decision to manufacture components for the neutron bomb. PVDA Deputy International Secretary Relus Ter Beek is expected to address the neutron issue in a speech to the congress on disarmament. Ter Beek hopes to have the support of the Belgian and Luxembourg Socialist parties as well.

The congress is likely to continue discussions of past conferences, encouraging Third World countries to pursue a goal of political and economic development that is neither capitalist nor Communist, but socialist in the Western sense. In past deliberations, the SI has emphasized the concept of national and individual economic rights as an extension of political and human rights.

The support of liberation groups has recently been a source of tension within the Socialist International

1 November 1978



European Socialist Leaders Mario Soares (Portugal), Anker Jorgensen (Denmark), Willy Brandt (West Germany)

and is likely to figure prominently in discussions at the congress.

For some Socialist Party leaders the congress will primarily be a chance to be seen rubbing elbows with other Socialist notables. Canadian New Democratic leader Ed Broadbent is looking forward to participating in the opening ceremonies with Brandt to provide useful exposure in advance of the Canadian general elections which Prime Minister Trudeau says may take place next spring. In the case of Italian Socialist leader Craxi, ties to the International have been emphasized not only as a means to increase his party's prestige in Italy, but also to underline its differences with the Communist Party.

1 November 1978

25X1

29 SECRET

25X1

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Other Socialist leadersoften with Brandt as their
spokesmanseem to look beyond immediate political con-
siderations and to envision a future in which the Social-
ist International might exert greater influence. In
fact, the convening of an SI congress outside of Western
Europe for the first time is a reflection of the desire
of these leaders to increase the involvement of non-Euro-
pean parties. Despite such efforts, however, the Social-
ist International is still an organization in search of
a role.

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1 November 1978

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