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30 March 1979

TRANSLATIONS ON WESTERN EUROPE
(FOUO 19/79)



WEST

EUROPE



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AUSTRIA

CHANCELLOR DISCUSSES DOMESTIC SITUATION, MIDDLE EAST

Hamburg STERN in German 16 Feb 79 pp 85-96

[Interview with Bruno Kreisky, chancellor of the Federal Republic of Austria; date and place not given]

[Text] Kreisky, Bruno; born on 22 January 1911, son of an industrial manager, Realschule graduate; law student; graduation as doctor of laws. At the age of 15 entered Socialist Worker-Youth; at the age of 25 condemned in the so-called "Socialist Trial" for high treason; in prison for 22 months, after that in Sweden as a refugee from the Gestapo. As an emigre Kreisky organized resistance against Nazi domination in his homeland. After the war he entered Austria's diplomatic service. In 1953 he became secretary of state in the Office of the Federal Chancellor; foreign minister in 1959 and in 1970 federal chancellor.

Today Kreisky, a workhorse of the Socialist Party of Austria (SPOe) is oldest in service of the government chiefs of Europe. The chancellor of the small republic, which is independent of the big power blocs, has great international influence. Together with Willy Brandt and the Swede Olof Palme he leads the "Socialist Internationale." Kreisky, scion of a Jewish upper middle class family, has had particular involvement in Near East politics--usually on the side of the Arabs.

In November of last year the self-aware statesman suffered a defeat in the national plebiscite on the introduction of atomic energy into Austria: Kreisky was for it and 51 percent of the people were against it. The veteran tactician swallowed this political reverse--and had himself designated as the "general plenipotentiary" of his party. Kreisky's latest gambit: he shifted the national elections, originally planned for October of this year, to an earlier date by a half year in order to exploit his present popularity. On 6 May Kreisky wants to enter his third period of office after an election victory: "I want to remain federal chancellor until 1983."

The STERN reporters, Juergen Petschull and Klaus Liedtke, talked for all of 6 hours with the regent of the Danube republic about: socialism a la Austria, Kreisky's attitude toward his Jewish past, his controversial attitude

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toward Israel, his relationship to neighboring West Germany and East Germany, to his son and to handmade Austrian foot gear.

He'd Like To Be Just a Little Bit Marxist

STERN: Herr Chancellor, you are considered to be the "purest Social Democrat in Europe."...

Kreisky: ... I like this description--but my friends, Willy Brandt and Olof Palme, and many others have earned at least equal merit for their services to international social democracy.

STERN: But after 8 years of official service as chief of government of the Austrian Republic you are also being decorated by friend and foe with titles which are not quite so appropriate to a Social Democrat--but more befitting a monarch. You are called "Emperor Bruno I" or "The Sun King."

Kreisky: I consider that enormously stupid, but during my life I have had to deal with so many stupidities that I have learned to get along with them.

STERN: You are bothered when people call you authoritarian?

Kreisky: Out of deepest conviction, since I have been able to think politically, I have been a Social Democrat. I want to make social democracy a reality in my country, which means: to confer upon the individual citizen the most far-reaching franchise and responsibility. This can hardly be called authoritarian!

STERN: Though you may not be authoritarian yet you are an authority. Your reputation as a statesman and also as a political tactician corresponds within and outside Austria approximately to that of Adenauer in his best time in the Federal Republic of Germany.

Kreisky: The comparison is a little lame: I come out of a political camp opposite to that of the conservative Adenauer. To be sure, it often happens--I am very sorry to say this--that people of the classical bourgeoisie say: "The trouble is you are in the wrong party." But that's a completely wrong inference. I could never have been a member of another party; I would rather not have been a politician at all. For me my primary impulse has always been to change things; for me that would have been impossible in a conservative party which at the best only wants to do some retouching; nor would it have been possible among the liberals, who think that the world in which we live is the best of all possible worlds. Maintenance of the status quo would have offered me no justification for going into politics, for this sacrifice of all private life, of leisure, this readiness to submit oneself to everyone's public criticism, to be judged all the time by people who are frequently unable to judge anything--these things are not very pleasant.

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"With Regard to Schmidt: I Am a Little Man in Comparison"

STERN: How did you get into politics? What was decisive for you here, the impulse to improve the world, altruism, a need for power?

Kreisky: I can answer that only in a historical context. I come from a bourgeois family. In 1927 out of genuine conviction I entered the Socialist Youth and then occupied a trusted post in the Worker Youth. At that time, for reasons of principle, we didn't want public offices for Social Democrats. My strongest wish for myself was to become a journalist in a party newspaper and to be able to mold opinion. In the fascist period our lot was persecution, imprisonment, emigration. Also I was in jail for 22 months and just like Willy Brandt and other German Social Democrats I emigrated to Sweden. We adhered to our way of thinking and after the collapse of fascism, we returned with our way of thinking.

STERN: Are you really a Social Democrat or a Socialist?

Kreisky: For me social democracy and democratic socialism are equivalent terms. I certainly do not think of socialism the way the communists do, who believe that they have made it a reality at the moment when they seize power. For me democratic socialism is a political principle, a goal and not a concrete form of society. This involves especially that question which must be repeatedly asked, namely, how much can and may society do for the individual without destroying his individuality?

STERN: In other words, not total state planning and providing?

Kreisky: By no means. A Democratic Socialist may not say: I relieve man of a maximum of responsibility for society and for his own life but rather I confer upon him a maximum of responsibility for society and hence for his own existence.

STERN: Mr Chancellor, we are interested in knowing the extent to which you have translated your conviction into practical politics. Now, for almost 8 years you have been a part of the government. With what sort of balance do you mean to appear this year before the voters and what would be the looks of a direct comparison between your politics and that of the Federal Republic of Germany under the latter's social-liberal leadership?

Kreisky: I'm inclined to think they cannot be compared in that way. Helmut Schmidt has incomparably greater and more difficult problems to deal with than I do. This is a difference corresponding roughly to the difference in the populations; you have 62 million people and we have almost 8 million. By comparison I am a little man....

STERN: ... Modesty is an affection ...

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Kreisky: ... here I am on the Vienna Ballhausplatz, sitting in an old house which dates from the days of the monarchy. All that sort of thing is really a little bit too much for the means at our disposal today. That's why I often see myself as someone who has inherited a gigantic castle and whose resources are just sufficient to furnish a single wing of the building. To the latter extent we have been quite successful.

STERN: You have furnished your house in accordance with social democratic ideas. Of which of the interior appointments are you especially proud?

Kreisky: First and foremost: it is naturally a prerequisite to the realization of social democracy that one should have some influence in the economy or upon the economy. Anyone lacking that must fail. We have such influence.

STERN: You have nationalized the economy.

Kreisky: Partially. That heavy industry, the energy economy and the big banks belong to the state, to the people, is not to be entirely credited to us. Since the war even our conservative opponents in the people's party have worked with us in this direction. Besides, for us "nationalized" never means "expropriate" because as early as the thirties Austrian capitalism had collapsed. After the war its scanty remains had become ownerless property and were finally taken over by the state. Moreover, I do not consider a fully nationalized economy to be the ideal form, but prefer rather a mixed economy; a healthy mixture of privately and nationally controlled economy. We Social Democrats are now by no means "leftist dreamers." We already clearly recognize that a welfare state can be supported only by a modern successful industrial state. We have made Austria into a modern industrial state. We have only about 2 percent unemployed, in other words we have full employment and our inflation rate is now 3.5 percent. We may confidently present such a record to everyone's inspection.

STERN: And in the past year, in terms of the individual worker, you have had only 20 minutes of strikes....

Kreisky: ... I am sure that figure is exaggerated. That is much too big. Just a moment--I'll have somebody check that right now. (Picks up the telephone, asks, "Hello, how much lost worktime did we have last year as a result of strikes? Would you kindly find out?") So, they just said that we had less than 1 minute, about 20 seconds, but we'll get the exact figure right away.... (Telephone rings. Kreisky speaks with a specialist.) All right, now I have it exactly: in 1976 the striking time of workers in Austria totaled 6.3 seconds. In 1977 we had 0.1 second of striking.

STERN: That seems to be the absolute world record. How do you calculate this figure after the decimal point?

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Kreisky: In 1977 in the Radio Dispatcher Office for taxis in Vienna, 43 employees stopped working for 2 hours. Converted to an annual basis and to the total working time of all employees this comes to 0.1 second.

STERN: And so total social peace prevails in the Republic of Austria. Has the class struggle been done away with?

Kreisky: Not entirely, but we have conferred upon employees not only codetermination but also coresponsibility and therefore--and of this we are proud--we have a functioning social partnership.

STERN: How does it function?

Kreisky: We have regular contacts between the socially and economically relevant forces in the state not only between the tariff partners.

STERN: In other words a sort of permanently concerted national-economic activity?

Kreisky: What we have is not in any sense institutional. The strength of our system lies in the fact that we have strong trade unions whose strength, however, consists in the fact that they know what they may reasonably expect of the other side.

STERN: ... The other side--by that you mean private and state employers?

Kreisky: Yes. In this situation everyone considers whether in critical situations he ought to leave the negotiating table and in almost all cases he doesn't leave it because he knows very well that he must return to the table. And so what is the use of needless threatening gestures? Each side knows the other's strength. It is a situation similar to that of the superpowers in world politics.

STERN: In other words there is no longer any class struggle in the classical sense?

Kreisky: Once, borrowing a term from psychoanalysis, I called our system a sublimated class struggle. It is now a matter of distribution struggles among the aggregate of workers. In this distribution, besides wages and salaries and entrepreneurial profits, the prices of the goods produced are naturally just as important; because in the end what matters is what one can buy in the market for the earnings of his labor. And we must take care that no one shall get for his money too many packages containing goods which are inferior or small in quantity.

STERN: A state consumer protection in other words?

Kreisky: We have passed laws protecting the consumer. That seemed to me to be urgently necessary for although it is true that thanks to the power of

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the trade union the exploitation of the labor force has diminished nevertheless there has arisen and there is still arising a new problem which I once went so far as to call "exploitation in the marketplace."

STERN: Meaning that you want to slaughter the sacred cow known as "free market economy" in Austria piece by piece?

Kreisky: No.

STERN: Somewhat like wage and salary rates, among you also prices of basic nutrients such as, for example, bread, milk and meat, are negotiated between producers and consumers.

Kreisky: Between representatives of producers and representatives of consumers, yes.

STERN: A year ago you introduced a 30-percent luxury tax on imported goods.

Kreisky: Not on all goods. A 30-percent added value tax on goods of the highest standard, which are in Austria imported goods such as automobiles, furs, jewelry.

STERN: What does the state do with its surplus revenues?

Kreisky: With them we try to improve our foreign trade balance, but especially we finance socially useful tasks such as environmental protection, hospitals, drinking water supply, etc.

STERN: To use a somewhat touchy expression: Are you, in other words, on the best road to state planning of the economy?

Kreisky: We plan the prosperity and the future of our country and its people; this often necessitates state interventions and controls. In other words we have a framework planning economy which leaves the free entrepreneur a maximum of liberty. It is certainly the task of every government which is conscious of its responsibilities to create hedges against threatening and coming crises. You see, ever since I have been in charge I have stood like a watchman on a tower and have at all times been on the watch for crisis symptoms, ... wherever there is a cloud in the sky. Then, I called to my friends: "Friends, a crisis is coming, we must do something to deal with it!" I would rather warn too much than too little because if I were ever to overlook a symptom then people would say rightly: Why did you put Kreisky up there in the tower?

STERN: But you seem in spite of your foresight to have overlooked one thing: you wanted to put the already finished atomic power plant in Zwentendorf into operation but the people have voted against it with a vote which while barely 51 percent was nevertheless a sufficiently clear mandate.

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Kreisky: I have for 20 years been dealing with the question of nuclear energy. Only a few years ago I was still no friend of atomic power; but after long thorough study of the really difficult and ponderous subject matter, after numerous conversations with internationally recognized specialists I have come to the conclusion that atomic energy is the only economically rational, environmentally acceptable and reliable source of energy. It was only after that that I supported the introduction of atomic energy into Austria.

STERN: Then why didn't you assume responsibility for it? You certainly have a majority in parliament and you could have put through nuclear energy without a referendum on the part of the public.

Kreisky: I have already said: a maximum of responsibility for man is the most important goal of social democratic politics.

STERN: One of the citizens to whom you have assigned this responsibility is named Dr Peter Kreisky--your son. He has spoken at public meetings against your nuclear energy policy. Does this represent a split in the family?

Kreisky: That my son has views other than mine I can naturally not complain about and I shall certainly not forbid him to express his opinion openly. But there is one circumstance which certainly does not please me: when, for example, many hundreds of people come to an antiatom demonstration in Klagenfurt not because somebody named Peter Mueller is talking there but because Peter Kreisky is talking there! They enjoy the exciting feeling that the boy is making an appearance against the old Kreisky. But that is more his problem than mine. That's something that he must deal with.

STERN: Isn't it simply demanding too much of the citizen to have a plebiscite on atomic power since certainly hardly anybody has enough expert knowledge for something like this in which even experts are not in agreement? In other words why have the responsible politicians imposed this burden on the citizen and not themselves decided upon a "yes" or "no?"

Kreisky: Once again I say: I have fought for atomic power and at the same time fought for holding a popular referendum...

STERN: ... And you suffered a defeat.

Kreisky: I certainly won't deny that. The decision went against me. Certainly that is a defeat. On the other hand I was the first in Austria to bring about the referendum. For that I am given a high score even by those innumerable citizens who voted against nuclear energy. For if we hadn't done that, but had pushed such a portentous decision through simply by a bare parliamentary majority, then the next election would have turned into an emotionally loaded fright election centering on the question of nuclear power. In such a case there would no longer be any voting on the issue of the further course of our successful social democratic politics. I didn't want to

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wreck all of that with the Zwentendorf problem! And so, in accordance with the will of the people, we are now passing a law forbidding the use of nuclear power. This law could be suspended only through a new national plebiscite. Thus the topic has been got out of the way.

STERN: But in so doing you seem to have developed a patent method of holding on to government power if you are going to use a national plebiscite to eliminate prior to an election every topic which may be critical for you and your party.

Kreisky: Tell me, what do we mean by democracy? What is the better way of dealing democratically; to strive at all times to be in accord with the popular majority or to ignore it? It is not democracy to have uninterruptedly a semicivil war in the country, uninterruptedly to have the police armed for warfare with tear gas and hoses against marching demonstrators. Such a state of affairs is in my view much more dangerous for democratic government than bowing before a national referendum. One can't limit practicing democracy only to democratic holidays every 4 years during an election.

STERN: The Austrian popular vote against atomic energy has internationally large psychological effects, perhaps even practical effects. Do you believe that other governments of countries in which atomic energy is likewise the subject of dispute will follow your example and allow their people to make the decision?

Kreisky: I know that my friends and colleagues outside are saying: For God's sake, what has Kreisky been doing to us again? Yes, but allow me to state clearly: I have no recipe for others. I am not about to get my colleagues' chestnuts out of the fire; it is my concern to carry out a policy in Austria which guarantees a maximum of social tranquillity and franchise.

STERN: What are the economic effects of the prohibition of nuclear energy? In a couple of years will the lights go out in Austria?

Kreisky: The lights will not go out, but it will have large economic consequences naturally. In Austria we have a petroleum reserve of 30 million tons. During the lifetime of a single nuclear power plant such as Zwentendorf we would have been able to generate a quantity of energy corresponding to this entire oil supply. Another figure: if a positive vote on our part had served to give a start to about 50 nuclear power plants in Europe which are now under construction or planned, then that would have saved a quantity of oil amounting for the oil producing countries to a loss annually of 50 billion marks. From this one can draw the conclusion that there are not only capital interests behind nuclear power, but there are at least equally massive material interests lined up behind the prevention of nuclear power. OPEC is not indifferent naturally to the question of whether or not we can liberate ourselves from their enormous monopoly?

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STERN: Meaning, that the Kreisky government has involuntarily rendered an inestimable service to the oil producing countries?

Kreisky: I would not say that. Certainly it is not only the oil producing countries which are very interested in the outcome of referendums for or against nuclear energy, but also the western oil companies.

STERN: Mr Chancellor, the national referendum on the Zwentendorf Atomic Power Plant was in other words, to adopt your estimate of the matter, a kind of advance partial decision for the Austrian elections of 1979. In other words a bad omen. It was not the only such omen in recent days: your party cut a rather poor figure in the elections in Vienna and in Steiermark; the party had trouble in connection with the job of the commissioner of Austrian television, the office being filled against your wishes by the conservative Gerd Bacher. You are having trouble with your "crown prince," finance minister Androsch, because he is conducting a tax consultation business on the side....

Kreisky: ... but now you're painting everything deep black--just like the Austrian People's Party.

STERN: We have just been reading the Vienna newspapers.

Kreisky: That's what I thought; almost all of them think it's their task to topple the government.

STERN: But the newspapers also carry cheerful news, for example, that you--and this pleases all the citizens--want to control the bureaucracy more rigidly.

Kreisky: The outgrowths of the bureaucracy! It is precisely in a young democracy like that of Austria that functionaries and officials have a relatively marked tendency to acquire a magisterial odor. I don't like that and it must be changed. Functionaries and officials are not lords over the citizens but are obligated to provide services to the citizens. For this reason we have, for example, created a complaints office called the "people's attorney." Through this office the citizens can make complaints whenever in their opinion they have been improperly treated by bureaucrats either materially or with respect to procedure. The mere fact that such an effective complaint authority exists and that all officials and functionaries are obligated to keep that authority informed by itself has a psychologically very positive effect upon the relationship between the bureaucracy and the citizens.

"The Red Cat in the Bag Has Been Dead for a Long Time"

STERN: Are Social Democrats in Austria, like their fellows in Germany, continuously being presented with political platitudes like "Freedom or Socialism"--an election slogan of the CDU, which moreover was thought up by an Austrian, by the ORF commissioner, Gerd Bacher?

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Kreisky: The Austrian People's Party never was squeamish in their choice of methods. For example, once they used an election poster which showed a Socialist with a backpack and in the backpack was a red cat. The cat was intended to symbolize bolshevism and the whole thing was intended to assert that the Austrian Socialists after the election would let the bolshevist cat out of the bag. But the voter is not quite so dumb as many like to believe--neither your voters nor ours. The red cat, in other words, has been dead for a long time.

STERN: Do prejudices still exist among you such as those which continue to be widespread amongst us, for example, the belief that Social Democrats and Socialists want "to take our granny's little house away from her?"

Kreisky: We really do still have that sort of thing. I'm glad you mentioned it: since we have been in the government we have cofinanced nationally more than 180,000 privately owned homes and privately owned apartments. And while the threat had been held up to the farmers that we Social Democrats would drive their last cow out of the stall today the problem is precisely the opposite--today we have too many cows in Austrian agriculture.

STERN: You are one of the leading international Social Democrats and are reputed to be an expert on the Near East. You have more friends in the Arab world than in Israel although you are of Jewish origin. You have criticized the state of Israel so vigorously that you have even been reproached with anti-Semitism.

Kreisky: Before I come to speaking of the Near East problem I must at the outset say something about my Jewish origin....

STERN: ... In newspapers and archives one continuously reads "Bruno Kreisky, Austrian chancellor, Jew."

Kreisky: You know, that is the posthumous victory of Naziism which leaves the yellow star still hanging on an individual even up to the present day. That is the posthumous victory of Hitler except that people no longer immediately think about annihilating the individual involved. What is the point of the whole thing? What is the difference between the origin of my family and the origin of any other Austrian?

STERN: Why did you leave the Jewish religious community?

Kreisky: Because I am an agnostic.* Some of my ancestors, paternal and maternal, did the same thing.

* Agnosticism is based on the principle that one cannot know anything of an absolute being or god and hence the question as to his existence must remain undecided.

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STERN: And yet under national socialism you were persecuted as a Jew and put in prison.

Kreisky: That is not exactly right. I was not persecuted as a Jew but as a Socialist. For that reason as early as 1935 I was persecuted, condemned and incarcerated by Austrian clerico-fascism which was not anti-Semitic. In 1938, immediately after the establishment of Hitler dominance in Austria, I was jailed by the Gestapo as an illegal Socialist. Only after months in prison I was forced to leave the country.

STERN: Nevertheless, don't you feel yourself to be particularly bound to the common Jewish destiny? Certainly, many members of your family were also persecuted and killed by the Nazis.

Kreisky: That was an historic catastrophe and the destructive will of fascists certainly lay most heavily upon the Jews. But it also led to the extermination of the Polish intellectuals and many others since after all Nazism necessarily began as a war within the populace and ended as a war between peoples, and so millions and millions of Jews and non-Jews became its victims. The genocide--and that seems to me to be the most important fact--began with the Jews and ended with all those others who fell victim to the war. But I will tell you who my executed relatives were: there was Ludwig Kreisky, one of the most determined defenders of German education in Czechoslovakia; there was Otto Kreisky, an attorney in Vienna, a member of a German liberal student union; there was a sister of my father, Julia Schnuermacher, and her husband who was a rather conservative old Austrian officer; also executed in Berlin was a German Social Democrat, Arthur Kreisky, who cooperated with the Czech resistance movement. Suicide ended the life of Julius Felix, a high judge in Vienna and my mother's brother. It is those things which were at issue here which have made the Jews into a fated community. If one wants to overcome this communal fate then it is anti-Semitism which must be overcome.

STERN: In other words you wish to make clear that it is neither as a Semite nor as an anti-Semite but as a Socialist that you engage in that criticism of Israel's politics which has repeatedly excited so much attention?

Kreisky: I make this criticism on the basis of my general Socialist position.

STERN: In other words you will not allow yourself to be driven into a special position of loyalty toward Israel?

Kreisky: I am an Austrian. I have a duty only to my country--just as my ancestors had--and to my ideals.

STERN: Now the state of Israel exists in this country in which earlier the Palestinians were at home--already about 3 decades ago. Surely you do not want to deny the right to existence of the state of Israel?

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Kreisky: Quite on the contrary; there a civilizing achievement has been carried out which is unique in its kind. In addition there is the fact that it is the only asylum country for persecuted Jews which is open to them a priori. But for me there is another problem which is also important: What is to happen to the millions of Palestinians who also have a right to a homeland. If the state of Israel, which is responsible for this problem, is unable to solve it then there exists the danger that Israel may become something like a crusade-state and can only continue to exist by being defended with fire and sword--until the others have acquired more fire and more swords....

"There Might Be a Danger of Israel's Becoming a Crusader State"

STERN: For such expressions you have been branded by the Israelis as a traitor.

Kreisky: By the conservative Israelis. I also have many friends in Israel.

STERN: In the Arab world you have more friends....

Kreisky: ... especially because I have been vigorously criticized repeatedly in Israel for my views regarding the Near East question.

STERN: You were one of the first important statesmen to advise the Israelis to negotiate directly with the Egyptian president, Sadat.

Kreisky: Yes. But at that time I was still greeted by scornful laughter from the Israeli newspapers. And when they made no progress some of them besought me to establish initial contacts with Sadat.

STERN: How did you establish this contact?

Kreisky: The most important and most visible step was perhaps the fact that I brought opposition leader Peres to Salzburg to a meeting with Sadat. This made Begin nervous because the opposition leader was the one who had begun the conversation with Sadat. Sadat had hesitated to have any conversation with Begin at all. That's the way it was!

STERN: In other words in the foreground of the great conversations between Sadat and Begin and long before the meeting in Camp David you conducted Israeli politics secretly?

Kreisky: I did not actually engage in Israeli politics or in Arab politics. I have only attempted with the means at my disposal to establish contacts and to express views. President Carter naturally has quite different capabilities.

STERN: You certainly have more sympathy for President Sadat than for Begin--you described the latter not long ago in an interview with a Dutch newspaper as a "petty-minded person."

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Kreisky: I meant that he has reacted to a great gesture of historic importance in the manner of a shopkeeper or as we would say less offensively, "Greissler" [old miser]. If he feels insulted by this then I apologize for it because I didn't want to insult him, but the characterization I cannot retract. The shaft has left the bow and I may perhaps be permitted to add that in my opinion and on the basis of my knowledge Begin was granted the Nobel Prize for Peace somewhat too early. Too bad that Ezer Weizman didn't get it.

STERN: What did Weizman achieve?

Kreisky: All that I want to say now about this matter is that someday there will be more information available about it.

STERN: Mr Chancellor, your brother, Paul Kreisky, lives in Israel. Things are said to be not going very well with him. Are you actually supporting him?

Kreisky: That is a bad chapter. My brother has been used against me under false pretenses by people who are my enemies. Once he is said to have played in a film the role of a beggar at the wailing wall. The picture of this scene was shown throughout the world in order to declare that I allow my brother to go begging; and nothing was said about the fact that it was movie scene. People have used him against me in the most disgraceful way. It is true that for a long time his health has not been so good. Years ago he suffered a head injury in a sports accident and is still suffering from the aftereffects. I am supporting him with a monthly sum which corresponds roughly to an Austrian income. He receives additional amounts every quarter. In addition he has a small pension from Austria and one in Israel. An honorary consul who is one of my friends is, so to speak, his protecting patron in Israel. But in addition he has a grown son. I have met him several times in Israel and in Austria.

STERN: Now we are coming to more personal matters. We have heard that every Austrian citizen can telephone you through your private number, 37-12-36, whenever he wants to discuss anything with you...

Kreisky: ... they include a very small number of nuts and stinkers, but most of the people who have telephoned me want to discuss matters which are personally important to them; troubles with officials, financial problems or they may want to discuss political things. Also, many of them just want to see whether I am really at the telephone and they greet me in a friendly way.

STERN: What telephone calls have you received in recent days?

Kreisky: After the referendum on atomic energy a woman called me, for example, from a Viennese district and said that sometime I would have to do something about the fact that her landlord leaves the light in the vestibule on all night--although we're supposed to be saving as much energy as possible.

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STERN: And--have you done anything about this?

Kreisky: I sent somebody over who exchanged a friendly word with the lady and the landlord. Today a peasant woman called me whose household goods are about to be auctioned off. She asked whether I could not help her? Since I was also unsuccessful in getting her a payment respite (the amount was over 23,000 schillings) I told the woman that I would lend her the necessary money for a transitional period.

STERN: Your private money?

Kreisky: It is, so to speak, semiprivate. For such and other socially especially needy cases I have set up a fund here in the chancellor's office in which, for example, I place the honorariums which I receive as federal chancellor for lectures and articles. The fund also includes money obtained from newspapers which I have sued for false reporting concerning me and who have then been required to pay me compensation. Taken altogether it amounts to about 100,000 schillings (15,000 marks).

STERN: What does Bruno Kreisky do when he isn't politicking? What are you reading right now?

Kreisky: The memoirs of a Russian diplomat which, as a matter of fact, I bought in the GDR during a state visit. He was a participant in developments during Stalin's time and he has described these developments very graphically and with historical accuracy. Then, also, I'm reading an American book about space research and another about German social democracy.

STERN: Do you go in for sports?

Kreisky: I enjoy playing tennis and play it fairly regularly, but I'm not especially good at it. I am a member of the Vienna Club. One of my partners is a former criminal-court official who used to be a convinced communist.

STERN: That brings us back to domestic politics: Are you considering a sort of radical decree in Austria which would keep extremists, in other words communists in particular, out of public services?

Kreisky: For heaven's sake! Sufficient for me is the trouble people have been having with that in the Federal Republic of Germany.

STERN: And so you have no fear that communists as teachers will corrupt Austria's children politically?

Kreisky: No! I'm against communism, but I have no fear of communists. In Austria one must deal with them politically, not administratively.

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STERN: What do you think--in this connection--about Eurocommunism?

Kreisky: Not very much. I don't believe that that will be a viable movement of historic permanence.

STERN: Do you think that Eurocommunism is a Trojan horse from which the rulers in Moscow will one day emerge?

Kreisky: That I don't know, but neither can I exclude it. The Trojan horse tactics were recommended--I believe--back in the days of the Seventh Communist World Congress. That wouldn't be anything new. But here what is obviously involved is the attempt of communists to behave democratically for so long a time until they shall come to power within the framework of the existing constitution. Hitherto, communists in power have not been ready democratically to yield it up again.

STERN: You once said: "It is the tragic fate of the revolutionists of the past that in their old age they must stand around at receptions in evening dress and wearing their decorations."

Kreisky: State appearances are what I most hate in the business of politics.

STERN: So you don't like formal evening clothes; but you're said to be a style-conscious man who likes to wear expensive tailor-made suits, tailored shirts and custom-made shoes.

Kreisky: I am a quality-conscious consumer. I would rather buy expensive things that last than cheap things which I'm continually having to replace. That sort of thing turns out to be much more expensive in the long run. (Kreisky leans back in his chair, lifts up both pants legs and points to his black leather shoes.) Look, these are shoes made by a good master shoemaker. That is Austrian quality workmanship. By now they have been many times resoled, but they still look quite passable--it was in these shoes that I marched into emigration in 1938 after my imprisonment by the Gestapo.

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FRANCE

SOVIET 'MULTINATIONALS' IN WEST DISCUSSED

Paris VALEURS ACTUELLES in French 5 Mar 79 pp 34-35

[Article by Francois Labrette: "The Kremlin's Multinational Companies"]

[Text] When Moscow employs capitalist tactics, the result in France is the Commercial Bank for Northern Europe, an institution scrutinized in Jean Montaldo's recent book. And the result throughout the world is hundreds of "Red multinational companies."

"An American recession would have serious international consequences not only for the dollar, but also for the credibility of the United States, that country's leadership, and Western unity. On the other hand, in the congressional elections of 1 November, President Carter successfully hurdled his most difficult obstacle. He can now continue to act with authority. Will he do it? We can only hope he will."

This comment is taken from an 18 November 1978 report prepared by the research department of the Commercial Bank for Northern Europe (BCEN). There would be nothing surprising about a bank displaying so much concern for "Western unity" were it not for one characteristic of this particular establishment: it is the French branch of the Soviet Gosbank and Vneshtorgbank.

In his book "Les secrets de la banque sovietique en France"--published by Albin Michel--the journalist Jean Montaldo attempts to shed light on Eurobank's operations, Eurobank being the BCEN's other name.

He who pays, calls the shots. And the documentary evidence presented in Montaldo's book shows that the funds of the French communist apparatus are in the hands of the Soviet bank. Yet at the same time, this bank steadily continues to conduct itself like an orthodox capitalist institution.

To such an extent that the Soviet bank is as mistaken as other Western banks in estimating certain situations. For example, a Eurobank official returned from an April visit to Iran reassured by what his contacts there had told him. One of the latter had informed him that "even if the Shah were to abdicate in 4 years, as rumors indicate he might, he is convinced the military

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have already made provisions for his succession." Hence the situation was favorable to active involvement in the Iranian market.

This ambiguity--if it is not, indeed, duplicity--is the lot of the entire banking and commercial web the Soviet Union has woven in the Western world. The bank Jean Montaldo examined in detail is but one of some 90 Red "multi-national" corporations. It is also one of the oldest: it was in 1925 that Moscow bought the BCEN from a group of White Russians. Previously, in 1919, the Soviets had purchased the Moscow Narodny Bank of London, also from White Russians. With the Russo-Iran Bank founded in Tehran in 1923, these establishments long remained the sole points of contact between the Soviet economy and the rest of the world. They were sufficient for an autarkist regime.

Increased East-West trade in the 1960's prompted Moscow to multiply its branch banks: the Ost-West Handelsbank in Frankfurt in 1962, the Wozchod Handelsbank in Zurich in 1966, the Donau Bank in Vienna in 1974, and the United East-West Bank in Luxembourg. Meanwhile the Narodny Bank of London had established two branches: in Beirut in 1962 and Singapore in 1971.

At the same time, their assigned purpose underwent change. From purely commercial banks they were transformed into speculative establishments. By its dealings in the dollar money market, the Eurobank gave the Eurodollar its name. As for the Narodny of Beirut, it seems to have become specialized in the selling of gold outside usual commercial channels. For instance, it is reported to have discreetly transferred 5 tons of gold to the oil-rich emirs.

Writing in ITT's review PROFILS a year ago, the journalist Andres Garrigo commented as follows on the United East-West Bank: "The Soviets have discovered the quiet charm of the Luxembourg tax paradise. Since 1974, this bank has been conspicuously engaged in large-scale arbitrage transactions with short-term deposits in strong currencies."

But capitalist speculation demands skills which Soviet bankers sometimes lack. They learned this the hard way in 1975 when the Donau Bank lost 1 million dollars placed with the Allgemeine Wirtschaftsbank a few months before it failed. That same year, the Narodny Bank of Singapore lost 60 million dollars in the bankruptcy of the Mosbert group of Hong Kong.

The overall balance-sheet is far from being in the red, however. Again in 1975, the Ost-West Handelsbank posted profits of 4 million dollars. Jean Montaldo reports that from 1973 to 1977 the BCEN amassed profits of more than 170 million francs, including 35 million francs the last year.

Banking speculation and loans are not sufficient, however, to cover the Soviet Union's foreign currency needs. The USSR also has to sell its products in world markets and, therefore, establish commercial firms in foreign countries. Obviously the simplest thing to do is sell raw materials such as oil.

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The Soviet oil companies Nafta-Belgium and Nafta-Great Britain did not hesitate to fill the gap left in the European market by defaulting Arab producers during the 1973 Yom Kippur war. In 1975, Nafta even operated directly against OPEC by offering its oil at a 10 percent discount.

Little by little, Nafta has changed into a conventional Western oil company. It has large storage facilities in Antwerp and a chain of service stations in Belgium and Great Britain. In this way, a Soviet company gets to sell Arab oil to Western motorists. Admittedly there is a reciprocal situation in Finland where American service stations market Russian oil imported by Teboli, a Soviet firm.

Other easily sold raw materials include diamonds and lumber: diamonds by the Russalmaz company in the Federal Republic of Germany and Belgium, lumber by Rusbois in France, Ruslegno in Italy, and the Russian Wood Agency in Great Britain. Fish and shellfish caught by the Soviet fleet--the world's largest--are also processed and exported: in France by Fransov, in Belgium by Belso, in Italy by Sovietpesca, in Spain by Pesconsa, and in Sweden by Joint Trawler.

These companies experience little difficulty marketing their products. The same is not true for those Soviet subsidiaries attempting to sell manufactured goods in the West, automobiles for example. The American FORTUNE magazine described this problem as follows in its February 1977 issue: "Soviet consumers may be willing to buy a car knowing that no spare parts are available, but not Western consumers. After-sale service is not a Soviet strong point." This accounts for the difficulties encountered in Western markets by Avtoexport and its subsidiaries: Scaldia-Volga in Belgium, Matreco Bil in Sweden, Koneia Norge Bil in Norway, and Konela in Finland. And even in Africa where Avtoexport is the sole Red "multinational company: represented in Cameroon by Cateco and in Nigeria by Waatego Lagos.

Problems are even more critical with heavy equipment sales despite the fact that Soviet prices are lower than average prices for equipment made by Western competitors: as much as 40 percent lower for machine tools and 20 to 50 percent for farm machinery.

Results appear to be slightly better in the light consumer goods market. Ocean shipping is, however, the only sector in which Soviet competition is really alarming. Soviet freight rates are on the average some 20 percent lower than international rates, primarily because of the Soviet seaman's low pay.

Moscow currently controls 10 percent of the shipping traffic between Hong Kong and the west coast of the United States. In traffic emanating from the Soviet Union this percentage rises sharply: 75 percent with the GDR, 84 percent with Great Britain, and 95 percent with Japan where, however, no Red multinational companies are established because of the absence of a peace treaty.

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The network of shipping agencies, all Sovinflat subsidiaries, is particularly dense. The Transworld Maritime Agency is present in Belgium and the Netherlands, and Morflot in Canada and the United States where Sorfracht also operates. In France, the Soviet shipping agency is Sagmar; in Finland, Sama; in Italy, Sovitalmare and Dolphin, etc.

Karl Heinz Sager, vice president of Hapag-Lloyd, explained to FORTUNE: "The Russians set about becoming a maritime power not for the sole purpose of obtaining foreign currency. This effort has to be judged in terms of political and strategic interests. When the Soviets transport cargoes of manufactured goods from the West they can do what they want when these cargoes are on-board."

The height of absurdity was certainly reached last year when General Dynamics, an American firm, had F-16 fighter aircraft parts shipped to a NATO country via Soviet freighters.

Strategic interest, but also industrial espionage. The Soviets readily enter into partnerships with Westerners to establish joint companies engaged in those advanced technology fields in which the Soviets lack expertise. For instance, in the electronic data processing field they formed partnerships known as Elorg in the Netherlands and Elorgdata in Finland. Elorg's Dutch partner who owns 20 percent of the capital stock and manages the firm, explained: "In the long run, Elorg not only opens the door for the sale of Soviet computers in the West but also enables the Soviets to develop their computer industry"

This man no longer has any illusions: in April 1976, his senior Soviet assistant was expelled from the Netherlands. For espionage.

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FRANCE

SHIPYARDS BUILDING SUBSIDIZED VESSELS FOR POLAND

Paris L'EXPRESS in French 10 Feb 79 p 86

[Article by Agnes Rebattet: "Shipyards: A Suicide Contract"]

[Text] Four ships, 5 million working hours: The Polish order to France seems "providential." However, it is without enthusiasm that Jean Reyrolle, president of the La Ciotat Shipyards, and Pierre Loygue, president of the Atlantic Shipyards [in St Nazaire], are negotiating with the Polish ship-builder, Polish Ocean Lines. It is also without illusions that they are trying to wring some concessions from them.

In order to obtain this last-chance order, an oxygen tent for an industry that is choking to death, the French Government has not shown itself parsimonious in its methods, and is giving a royal present to Poland. Indeed these ships, half freighter, half container carrier, will cost more than 1 billion francs to build, but will be sold at half price to the Poles. The government will pay about 350 million francs, and the shipyards will have to absorb 200 million in losses. It is a ruinous order: between government subsidies, the loss to the yards and the sum of 120,000 francs per job per year--the amount of the salaries and fringe benefits that must be financed.

In the case of La Ciotat, the two Polish ships represent 2 million working hours, scarcely half of the total capacity of the yards; but for 6 months 4,300 workers will have jobs. It is inadequate, of course, so that the yards are trying to diversify: to include repairs, which cause angry reactions on the part of the workers of the Terrin [firm] in Marseilles.

In St Nazaire the situation is hardly less brilliant. Orders are thinning out: three ships are to be delivered this year, three others in 1980, and a single one in 1981. Pierre Loygue, however, hopes to obtain rapidly the construction of a hydro-electric power station on a barge, for the Americans. It would be a "first," and an opportunity for the Atlantic Shipyards to put themselves on the promising market of floating factories. This is a dream that Pierre Loygue has indulged in for some time, but which has never taken concrete form: "The Polish order will permit us, meanwhile, to keep up the present rhythm of 34 working hours a week: That's enormous!"

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A year of tight negotiations will have been necessary to snatch this suicidal order away from the Finns and the Spaniards. At first, Poland wanted 18 ships. The bill would have been too large for the French government, which reduced the number of ships to four. The others will be built partly in Poland, partly in Finland and in Spain. Poland wins on all counts: She can build this kind of vessel herself, but she prefers to devote her shipyards exclusively to orders for export--which makes it possible for her to be paid in cash. This provides her with the foreign currency indispensable to her balance of payments. For her own fleet, she purchases from foreign shipyards at the "Polish price," and, better still, on credit. And what credit! The discount paid when the order is signed, which represents 30 percent of the value of the ship, is refinanced by French banks at a rate below that of the market, to be reimbursed in 12 years. The 70 percent remaining will be paid in 7 years at the OECD rate of 8 percent.

The Poles can thus acquire an inexpensive fleet and compete with European shipbuilders on the north Atlantic. They will be unbeatable--like the Soviets--who are exciting the fury of Western shipbuilders. By charging freight rates from 18 to 40 percent below prevailing rates they have already cornered 20 percent of the container carrier traffic of the Third World between East and West.

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FRANCE

ROCARD'S STATUS IN PSF WEIGHED

Paris LE NOUVEL OBSERVATEUR in French 12 Feb 79 p 31

[Commentary by Kathleen Evin "Michel Rocard's Dilemma"]

[Text] Meeting Sunday 11 February in Paris in the third basement of the National Assembly, the 131 members of the executive committee of the PSF [French Socialist Party] were to take in cognizance different opposing motions and to compare positions in order to see if it were possible to come to an immediate agreement. At the close of this meeting, the motions remaining were to be sent to each section of the party to be discussed and voted on. At the Congress of Metz on 6, 7 and 8 of next April, the number of votes which will go to these texts will determine the power relationship between the different currents and, in consequence, their representation in the leading authorities of the party.

On the eve of this executive committee meeting, Michel Rocard faced a hard dilemma: either to agree to play the loner until Metz, thus running the risk of seeing himself marginalized by arriving totally behind Francois Mitterrand, Pierre Mauroy and--who knows?--maybe even CERES [Center for Socialist Studies, Research and Education], or else to choose synthesis immediately, in that case agreeing to conclude without glory a contest which he himself started 10 March 1978. "At any rate," explains one of his partisans, "we will not have really lost, because our ideas, those for which Michel is fighting, will have been included in the foundation. And it will be a good while before this contest, which we have started, is over."

In the meantime, this "democratic debate" which has agitated the PSF for nearly a year in the end will not make it lose an inch of ground with the electorate, at least if one believes the results of a Sofres poll published 5 February in 10 regional daily newspapers. Thirty-seven percent of Frenchmen questioned felt that it has grown stronger. As for Michel Rocard, for 42 percent of those questioned he is still the best candidate for 1981, a percentage which becomes 50 percent among "socialist sympathizers."

If the polls replaced the Congress, then Michel Rocard would already be at the head of the Socialist Party, and Francois Mitterrand would now have all

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the time necessary to carry off at Latche the "Louis-Napoleon" promised at Gallimard nearly 10 years ago. But the reality is much different. Indeed, at each public meeting, each militant meeting, each luncheon with the rank and file and the local leading citizens, whether in Gard, Pyrenees-Orientales, Alpes-de-Haute Provence, the North, the Lorraine or the Rhone, Michel Rocard has been able to say that he was, together with Francois Mitterrand, the only socialist leader during this difficult period to be able to fill the halls and arouse the enthusiasm of his audience.

"One hundred fifty persons at Ales, 300 at Banyuls, 500 at Bezier, and everywhere a terrific reception...Tens and tens of letters of support are arriving from all party federations He's going strong!" Michel Rocard's "team," installed in their offices at 98 Rue de l'Universite, are following the evolution of the winning side from moment to moment.

And with these on the whole very encouraging results, the most optimistic are hazarding estimates. The prophesy of a close collaborator of the deputy from Yvelines, on 7 February "The Rocard motion? Today it would receive at least 24 percent."

Eternal Suspicion

Nothing is less certain. The first tally among the PSF federations would in fact give less than 20 percent of the votes to a motion signed by Rocardians alone. How can one explain the disharmony among this "majority of ideas" which seems to be falling apart around Michel Rocard when he is calling for a party more absorbed by social and economic realities, a less dogmatic political language, a really original socialist plan, the expansion of the Union of the Left to other mass movements; and the fact that he still remains strongly minority in his party? There are essentially two reasons:

The first is evident and is explained by the profound attachment of the majority of militant socialists for Francois Mitterrand, the man who in 1971 made a success of the union of the socialists, who signed the "Common Program," who made the PSF the leading party in France. By saying on "Cards on the Table" on 15 January that the reasoning of his strategy led to the elimination of the present first secretary, Michel Rocard, even in his partisans' opinion, made a mistake.

The second reason is more hazy: despite his protestations and his record of service to the Left, Michel Rocard is still eternally suspected of "leaning to the right." His popularity with the UDF [French Democratic Union] electorate and the fact that he is opposing Francois Mitterrand, the socialist symbol of the Union of the Left, do him a disservice. Even if he is ir-reproachable, the doubt remains.

And they work against him, even as far as such spectacular support as that of LIBERATION or of the director of the magazine ESPRIT.

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Aware of these contradictions, the militant socialists think they have found the solution: keep Mitterrand and Rocard--and Mauroy, of course--in the party leadership at the same time, the virtues of one compensating for the shortcomings of the others, and vice versa. Besides, when all is said and done, it is towards this so ardently desired synthesis that the socialist leaders are moving. They will achieve it, no doubt. But in what conditio..

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WEST GERMANY

FOREIGN OFFICE SECRETARY DISCUSSES WORLD ECONOMY

Bonn EUROPA ARCHIV in German 10 Feb 79 pp 65-72

[Article by Guenther van Well, state secretary of the Foreign Ministry, Bonn: "Political Aspects of the Change in Structure of the World Economy"]

[Text] The structure of the world economy, as it first developed after the war, was stamped by a dualism: On the one side the industrial nations of the West with a dominating leading power, the United States, and on the other side the less industrialized "peripheral" areas, which came into the picture as suppliers of raw materials and as buyers of industrial products. Although the Soviet Union formed its own gravitational field within its sphere of influence, even the Council for Economic Mutual Assistance (CEMA) belonged in essence to the peripheral areas. The division which has been made into the "three worlds" was more politically motivated: It sprang from the antagonism between the United States and the Soviet Union, the antagonism between the two systems, which the developing countries did not want to identify with either economically or politically in the long run.

Since then much has changed. The most important structural changes can be described as follows:

--the shifting of the economic and political centers of gravity among the Western industrial countries,

--the emergence of the developing countries as independent political and economic factors,

--the formation of a modus vivendi based on a policy of detente between the East and West, and the increasing participation of the CEMA countries in world economic events.

The Structure of Cooperation of the Western Industrial Nations

About 70 percent of the world trade is still conducted among the Western industrial countries. This share has changed only slightly

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since the beginning of the 1960's. However, this fact conceals the shifts which have arisen within the group of Western industrial countries. These shifts can be characterized under three headings:

- the relative decline of the weight of the United States,
- the development of the European Community (EEC),
- the rise of Japan.

In the year 1960, the United States still received a share of 55 percent of the gross national product of the Western World, and in 1977 this figure was just 38 percent. In the same year, the EEC's share was 32 percent. The United States is still the leading economic power of the West and thus of the world. But it is encountering limits to its economic potentialities:

--In the Vietnam War, it had to learn that a war cannot be financed on the side, but that it leads to inflation if the demands on the national product are not whittled down.

--The decline of the dollar shows that in the long run even the American balance of payments deficit cannot be financed "by the government's own resources." For the first time, in a departure from its former policy the United States has fallen back on its reserves in the International Monetary Fund (IMF) and has had to raise foreign-currency loans.

--The United States is today importing about half of its oil requirements. With that, it has become dependent on foreign countries in a key area of its national economy.

--Since the oil crisis, the economic development of West Europe has for the first time been influenced less than formerly by economic growth in the United States.

Under Presidents Nixon and Ford, American policy already took into account this development: Through the stressing of interdependence and the Atlantic partnership, through the thesis of the three centers of North America, Europe, and Japan, and through the founding of the International Energy Agency in Paris and the political upward revaluation of the OECD.

However, the most conspicuous proof of the existence of the new situation is the world economic summit meetings. Politically, this signifies that responsibility can be borne only jointly by North America, Europe, and Japan.

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The Reshaping of the Western "Order of Codetermination"

One needs only to recall the unilateral, drastic measures taken, without the consultation of the partners, by the American President in August 1971 (the so-called Connally shock, involving the abolition of the convertibility of the dollar, the introduction of an import levy, and other decrees), to realize what a great distance the United States has traveled in the international coordinating of its economic and monetary policy up to the time of the Bonn world economic summit meeting in July 1978. The first signs of an American readiness to make its own economic policy the subject of consultation with the Western partners appeared with the visit of Federal Chancellor Schmidt to Washington in December 1974. With his return visit to Bonn in July 1975, President Ford declared to the press that the economic policy of the United States must form a whole with that of the EEC. In the talks themselves Ford had made it clear, with the spirited assistance of Kissinger, that in the future the United States, in spite of the only small share of its foreign trade in the gross national product of the EEC, nevertheless wanted to coordinate its economic, credit, and monetary policy closely with its European partners. With that, the cornerstone was laid for the subsequently ensuing world economic summit conferences in Rambouillet, Puerto Rico, London, and Bonn.

If it was the case that earlier--that is, before the termination, sealed on 15 August 1971, of the world monetary system of Bretton Woods--the functioning of the cooperative mechanism of the Western national economies could be guaranteed through international organizations such as the IMF, GATT, and the OECD, because in them the policy of the United States was the determining factor, then in the course of the 1970's and increasingly so following the oil embargo of October 1973 new structures for cooperation among the Western industrial nations had to be found which took into account the increased weight of West Europe and Japan. Thus the idea of trilateralism (North America, EEC, Japan) gained ground.

The reshaping of the Western "codetermination arrangement" in the economic sphere, which took on its initial form in the world economic summit meetings, found its parallel in the greater American readiness to coordinate its foreign policy and, to an increasing degree, its security and disarmament policies. The NATO Council has thereby been given a welcome shot in the arm. On several occasions, NATO sessions have taken place with the participation of national and governmental leaders.

Although the Big Four meeting in Guadeloupe at the beginning of 1979 was looked upon as an informal exchange of opinions without there being an intention to deal with institutionalization, nevertheless its summoning made plain how strongly the necessity is felt to coordinate policies on a partnership basis, and it made it clear also that above all the President of the United States considers important a deepened exchange of ideas with West Europe even in the preliminaries to political decisions. How the new cooperation structures between North America,

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West Europe, and Japan will finally present themselves in consolidated form, and whether the existing organizations will be reformed or will be supplemented by others, cannot now be precisely foreseen as yet. Political shifts in emphasis, the integration of new determining factors into the international order, frequently take place only slowly and in a dialectical process, since there are many promoting, inhibiting, and counteracting forces at work. However, the main trend is already now perceivable: In the economic and political sectors it boils down to a greater participating of the West Europeans and Japanese in the Western decision-making process, to a more extensive "policy-sharing" between North America, the EEC, and Japan.

As for West Europe, the EEC and its foreign policy component--the European Political Cooperation (EPZ) organization--has by now already developed into an organizational foundation for codetermination. France, Great Britain, the FRG, or Italy in their respective individual roles do not provide the weight which legitimizes this claim to participation. What is decisive is the fact that the EEC partners are uniting their weight and their voices. Only jointly can the EEC call into play the influence of Europe. It is therefore not by chance that the EEC--represented by its council and commission presidents--is taking part in the world economic summit meetings. The more effective the EPZ becomes, the greater will become the pressure to include it as well as an institution connected with the Western coordination of policies. Only when this point is reached has the European-American dialogue reached that level which corresponds to the requirements of the world situation and of European unification. A prerequisite for West Europe's continuing and growing role in the world economy and world politics is the inner development of the EEC. The European Monetary System and the scheduled direct elections [for the European Parliament] will bring substantial advancements in 1979. Increasing prosperity in the EEC and the new stimulants to European integration will also ensure greater political stability in Europe. But greater stability will also increase the political impact of the EEC. This is becoming apparent even today in its attractiveness to those countries of Southern Europe which want to become members, in its relations with the countries of the Mediterranean area, Africa, Asia, and the Caribbean, and also in the creation of the EPZ. By means of this instrument, the EEC and its member nations are more and more converting their economic and political weight into jointly exerted political influence.

The Growing Importance of Japan

The rise of Japan to the position of a leading industrial nation is one of the most noteworthy events in more recent economic history. Today, Japan's share of the world trade is 9 percent. From 1960 to 1978, its share in the gross national product generated in the OECD sector rose from 5 percent to 14 percent. Japan is today the economic center of gravity of the Far East. However, the rapid economic

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development of Japan was not without problems for the world economy. Since the Japanese economic growth was borne to a significant extent by its exports, surpluses in the current account balance arose which created disequilibria. Therefore Japan is today faced with the task of shifting its emphasis to the advancement of its internal growth, of purchasing more goods, and of exporting capital.

Up to now, Japan has shied away from making political use of its economic strength. Only recently does it seem to have been exerting a more political influence, such as in its turn towards the ASEAN [Association of Southeast Asian Nations] countries, in the Japanese-Chinese agreement, and in its closer relations with Australia and New Zealand. The political influence of Japan in the Far East will increase, especially when Japan succeeds in establishing a better balance in its foreign economic relations. Even vis-a-vis the United States, the exchange-rate shifts of the yen to the dollar are likely to be in the direction of strengthening the political position of Japan. This will not adversely affect the close cooperation between the two countries. But the influence of the yen will impart more weight to the Japanese voice in Washington. The triangle America-Europe-Japan can only profit from this.

The Third World as a Power Factor

Among the developing countries, a twofold movement can be observed:

- the economic advances of the developing countries as a whole, and
- the increasing differentiation in the economic development of these countries.

After being released into a state of independence, the young nations of Africa and Asia wanted to stand on their own feet economically as well. This movement was finally joined by the states of Latin America, which wanted to free themselves from the influence of the United States, this being felt by them to be oppressive. Economic development was to make possible political emancipation, and independence--nonalignment--was to promote economic growth. Up to the beginning of the 1960's, the developing countries sought to obtain the economic aid which was essential to this end in a bilateral manner and on the basis of their nonaligned status, in connection with which their positional value was seen against the background of the East-West antagonism. To the extent that the East-West confrontation was diminished and the process of detente got under way, the political positional value of these countries declined in terms of the East-West constellation. The consequence was that the developing countries were now anxious to collectively give effect to their interests as the group of the nonaligned or the "77" countries. They utilized the United Nations and their majority there as the political instrument for the pursuit of their interests.

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Between 1950 and 1975, the gross national product of the developing countries increased more than fourfold. Nevertheless the economic and thus also the political weight of the developing countries remained slight up to the beginning of the 1970's. This situation changed with the oil crisis, which showed for the first time what a determined action by a group can bring about. Not till now did developing countries get political influence, either directly as oil suppliers or indirectly as countries affected by the oil price increase and thus as potential allies of the industrial oil consumers. The political triumph of the developing countries in the oil crisis at the same time laid bare the areas of interest of these countries. Since then, the OPEC countries have been clearly distinguished from the rest of the developing countries. Besides the oil countries, those countries with intermediate incomes which boast of the highest growth rates are also making themselves felt more and more. For these countries, what is important in the future is no longer so much development aid as it is access to the capital markets. Especially prominent in this group are the so-called threshold countries--countries which along with persisting relatively low per-capita incomes are in certain areas, such as in steel and textiles, quite competitive. Among these are for example Brazil, South Korea, and Mexico. This development already took place before the oil crisis, but it was only in the recession which emerged in the wake of the oil crisis that it became especially clear, because the industrial countries then began to feel their competition much more strongly.

Oil countries as well as threshold countries are awakening more and more to the responsibility which they bear for the development of the world economy and thus also for political stability in the world. The Western industrial nations ought to help these countries to live up to their responsibility. The effective way which they can help them in this connection is to resist protectionist measures, which prevent these countries from playing an increasing role in the world economy and with that also in world politics. This should not exclude temporary protective measures in special cases, such as for example in the textile industry. What is important is that the path to an increasingly more substantial participating of these countries in the world economy is not blocked.

What has been lacking so far is an institutionalized recognition, so to speak, of the changed role of these countries. An initial attempt in this direction was the North-South dialogue in Paris. Another path is now being taken for the first time in the OECD on a trial basis: Certain developing countries are to take part in the work of the newly established steel committee. In the IMF, Saudi Arabia has been granted the position of an executive director. On the side of the developing countries there stands in the way of a comprehensive solution their worry about a possible schism, and in the industrial countries the hindrance is their concern for the workability of their own consultative mechanisms. It would be a step forward if the basis could be broadened

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and if in the future dialogue could be carried on more extensively through the agency of the EEC. Following the structuring of the relationship of the EEC to the so-called AKP [Africa-Caribbean-Pacific] nations in the Convention of Lome, the cooperation agreements between the EEC and its southern neighbors on the Mediterranean, the Euro-Arab dialogue, and certain agreements between the EEC and South American nations, the last important step in this direction was the EEC-ASEAN ministerial meeting in Brussels in November 1978, at which a closer degree of cooperation was agreed upon. In the Western industrial nations there is moreover a growing readiness to fashion, from the idea of an Integrated Raw-material Program with a Common Fund, an instrument for more stable raw-material relations which is economically sensible and acceptable to all the participants in the economic exchanges.

Position of Soviet Union and East European Countries

The development of a more extensive participation on the part of the Soviet Union and the East European countries in the world economy cannot be separated from the policy of detente. To be sure, even in the time of the Cold War there were trade relations with East Europe, but these were rather insignificant in scope. Even though the differences between the economic systems were above all held responsible for this situation, nevertheless trade with the East was characterized by the primacy of politics: They did not want to become dependent on one another, and they wanted to have the other side profit as little as possible from their own economic resources.

The journey from the recognition of both superpowers that they could eliminate each other only at the price of their own existence, up to the awareness of a joint responsibility by the West and the East for world peace, took its time. In the course of this development, the political obstacles to an expanded economic cooperation faded into the background. Interest in Western capital, in Western technology, but also in Western wheat won through. Industry in the West considerably increased its commitment in East Europe. Since 1970, the commercial exchanges of the state-trading countries with the Western industrial countries have increased fourfold (although their share in the total commercial exchanges have changed only slightly). This trade grew more rapidly than the trade of the CEMA countries with each other.

If economic cooperation was a precursor of detente to begin with, then detente is unthinkable without a development of economic relations. The Soviet Union is thereby assuming a bit of the responsibility for the "capitalist" world economy. The most striking sign of this change is the borrowing from euro markets, which meanwhile is estimated to amount to over \$40 billion. Not only the interest rates in the euro markets, but also the economic factors which affect the Western capital markets thus become elements of the economic development of the state-trading countries: Price rises in the EEC and the United

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States, the American current-account balance deficit, the exchange rate of the dollar--all this can no longer leave them indifferent. Therefore it is only logical if the West increasingly presses for a stronger participation by the Soviet Union and the East European states in the responsibility for the world economic system, inclusive of developmental aid. Thus, Federal Chancellor Schmidt declared, following the Big Seven meeting in Jamaica at the end of December 1978 in which national and governmental leaders from industrial and developing countries took part, that with the approval of the other participants, he will be supporting a participatory role of the Soviet Union and the East European states in the Integrated Raw-material Program with the Common Fund.

Today, the extent of the economic exchanges with the state-trading countries is essentially limited by their requirements and their financing potentialities. They resemble the threshold countries with respect to where their interests lie. Even though trade with the East makes up only 5.6 percent of West German foreign trade--and only 3.9 percent of the trade of the EEC--it would nevertheless be not only economically but also politically a mistake to shield their markets from competition from the state-trading countries. For the state-trading countries of East Europe, trade with the West is an essential element of their economic development. But for the West as well, trade with the East remains important. Here also what needs to be done is to help the East European countries with their difficulties in adapting to the requirements of the Western markets, without sacrificing the West's own interests. The conciliation of economic interests will also, if it does not lose sight of the goal of the continually greater integration of the state-trading countries into the world economy, lend a new quality to the political relations between them. This became clearly perceivable with the visit of the Soviet national and party leader, Leonid Brezhnev, to Bonn in May 1978: An economic cooperation agreement keyed to a 25-year period was concluded, and in the "Joint Declaration" on this the interest of each side in the economic well-being of the people in the partner country was emphasized. There was no longer any talk about the economic downfall of the other, but rather about mutual interests in a fruitful and stable economic exchange.

The Opening Up of China

The most recent decisions of the Chinese controlling bodies to modernize and to decentralize the economy of this most-populated country on earth, to carry out with the help of the Western industrial nations industrialization projects of great magnitude, and to launch an extensive technology transfer process, will have effects on international economic relations and on investment and capital-market decisions by numerous countries which are not as yet completely foreseeable. In view of the considerable raw-material reserves of China, international arrangements

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with respect to raw-material policies will be influenced in the longer run. The increasing intertwinement of China's interests with the Western national economies will lead to closer political relations and will have a stabilizing effect. China's own interests in orderly, peaceful international conditions will grow. With a rising production capacity with respect to exportable goods, China will become an important economic center of gravity in Asia--something which will also have political consequences.

Long-range Trend: More Integration

In the long range, developments are tending toward a greater integrating of the world economy. The key word "interdependence" aptly characterizes these developments: The industrial countries need the developing countries not only as raw material suppliers but also as sales outlets, and the developing countries want to sell their raw materials and finished goods in the industrial countries in order to be able to finance their economic build-up. The state-trading countries need capital goods and technical know-how for their economic development in exchange for raw materials and finished goods. Of course, all of this was already the case earlier. What is new is the intensity with which developing countries and state-trading countries are taking part in world trade, and what is new is the growing interest of the industrial countries in these markets. The growing extent of these economic exchanges also creates greater areas of friction. Therefore the adjustment processes have to be carefully directed. A more clear revelation of the economic processes and trends, a better exchange of information, more consultations, a facilitating of the direct activities of the enterprises, and facilitation of cooperation among enterprises can all decisively help here. The deepening and spatial extension of the policy of detente, the creation of regional structures for promoting peace and cooperation, and the strengthening of the United Nations would promote the construction of a world economic system which would take more into account the requirements of our modern times and the political as well as the economic and social rights of people.

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WEST GERMANY

DEBTS, FINANCES OF MAJOR PARTIES EXAMINED

Hamburg STERN in German 1 Feb 79 pp 146-148

[Article by Wolf Perdelwitz: "In the Shadow of Impending Bankruptcy-- Four Bundestag Parties 60 Million Marks in the Red--New Tax-Exempt Contributions To Make Their Treasuries Solvent Again"]

[Text] West German parties in the next two years will invest a good 400 million marks in vote-getting. In prospect are six Landtag elections, the Europe election, and finally the Bundestag election. The hunt for money in all instances precedes the hunt for voters. For no party can pay from its savings for battles in which material is the deciding factor. At the moment they have only debts: the four parties of the Bundestag are in the tick to banks and suppliers for 60 million marks.

The SPD is in the lead for more than 30 million. But its cohorts can sleep soundly. They still have considerable assets in real estate and industrial investments. In contrast, things look very black for the second large popular party, the CDU: the Christian Democrats are broke. Since liabilities exceed assets by 20 million marks, party chief Helmut Kohl, in strict accordance with the law, should actually have filed for bankruptcy. Nor are things going well for its sister party, the CSU. It is sitting on unpaid bills and loans amounting to more than 6 million marks. Only the FDP, for the first time, is rid of its worst worries. It is just under 2 million marks in debt. Four years ago the debt was still 11 million.

The financial distress of the parties began two years ago and became catastrophic in 1978. From 1976 to 1977 the publicly reported income of the four parties slipped dramatically: instead of 355 million marks, only 247 million in contributions, members' dues and public election-campaign assistance poured into the party war chests. West German citizens and enterprises had become weary of contributing. And last year lethargy of contribution finally erupted. In 1976 the four treasurers had still collected a little less than 100 million marks in charitable gifts. A year later it had at least still been 44.4 million.

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The low point then was 1978. The party treasurers opened up their balance sheets to STERN. Friedrich Halstenberg (SPD): "800,000 marks;" Heinz Herbert Karry (FDP): "A very bad year;" Karl-Heinz Spilker (GSU): "A considerable decline in large contributions;" Uwe Luethje, representative of Walther Leisler Kiep (CDU): "Less than 2 million."

There was reason for contributors to hold back: for more than a year 17 public prosecutors' offices across the republic have been investigating 105 cases against firms and industrialists. They supposedly in years before had acted to benefit the CDU and to harm the state: they were charged with tax evasion. The best known victim of the criminal investigation: Nikolaus Fasolt, a Bonn tile manufacturer. Shortly after the investigations became known, he resigned as president of the Federal Union of German Industry.

Fasolt had placed four orders for expert opinions, each for 10,000 marks, from the "European Business Advisory Institute," headquartered in Vaduz (Liechtenstein). In the opinion of the tax auditor they were worthless. Fasolt, nonetheless, entered them as tax-deductible operating expenses in the balance sheets. After deduction of expenses, the money had been transmitted from Vaduz to the CDU's own "Union Management Corporation" in Bonn. Among the 105 purchasers of such expert opinions from Vaduz were the best names in the German economy. In the opinion of the tax investigators, this operation brought in a good 3 million marks for the CDU.

Since the roused public prosecutors have been knocking at the executive suites of prominent businesses, readiness to make generous contributions has slumped abruptly -- at all parties' expense, for this way of helping a party financially and saddling the taxpayer with half the cost as "operational expenditures" had not been exclusively a Christian Democrat racket. Thus, in Mainz the FDP-affiliated "Association for Opening up Underdeveloped Markets Inc." collected tax-deductible dues from members.

Matters were more direct in the case of the SPD. Bundles of cash changed owner right across the table. Albert Osswald, former Hessian prime minister, shamefacedly called the gifts "charitable loans." The messenger came to the house of Rudi Arndt, former mayor of Frankfurt, with a suitcase of money and delivered altogether 1 million marks -- donated by the Berlin building contractor Karsten Klingbell, who occasionally helped out the Union too. When Berlin CDU politician Peter Lorenz was abducted by terrorists, the kidnapers found in his wallet a check from Klingbell that had not yet been cashed.

At the latest, since Fasolt's downfall and the decline in contributions that it triggered, the politicians have been racking their brains again over how they can put their organizations on a solid financial basis without at the same time reviving the old saw about the "state as the parties' self-service store."

Parties today have become modern and expensive service operations. They have the constitutional task of assisting in "forming the political will of

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the people," hence of casting light on political events and expanding political education. They are supposed to enlist new recruits for parliament and win over citizens for the state. They are supposed to influence developments in parliament and government and leave their imprint on the way the government does business. In comparison with these tasks there is by law only very meager income: at most 3.50 marks per election per vote. In addition every member and every patron may annually deduct from taxes up to 600 marks of dues and contributions.

Nevertheless, anybody who wants to contribute more than 20,000 marks runs the risk of having his name and address published in the BUNDESANZEIGER [Federal Gazette] (this is what the law on parties has required since 1967). And resourceful people promptly found ways of avoiding the painful naming of contributors. Sometimes large contributions were simply declared to be "anonymous." Fund-raisers like "National Citizens Associations" or the Dueren tax adviser Werner Hintzen acted as intermediaries in order to keep the actual contributor in the background. For in party financing, "Do good and don't talk about it" applies.

A first attempt to finance parties in a sounder and tidier fashion was the proposed establishment of a common fund in which all contributions should be collected for subsequent proportionate distribution to the parties. The plan collapsed last autumn because the CDE wanted, by means of a loophole, to incorporate in the concept a belated amnesty for earlier tax offenders.

The next attempt was the proposed increase in the tax-deductibility of contributions, on which there was agreement in principle among the parties of the Federal Assembly. Only the amount remained in dispute. The Union would willingly up the previously allowed 600 marks to 10,000 marks. The SPD, however, which had rather live on small contributions, was unwilling to exceed a limit of 3,000 marks. The treasurers will probably settle, albeit grimly, on 4,500 marks. SPD's Halstenberg: "That doesn't help at all. Neither Mr Karry nor Mr Kiep, Mr Spilker or I accept 3,000-mark contributions at all" -- but higher ones, of course.

Finally, a constitutional appeal from the Land of Niedersachsen aims at total freedom: Since contributions for "public, scientific or charitable purposes" are tax-deductible almost without restriction, the Constitutional Court should consider whether the limitation on contributions to parties accords with equal treatment. A decision of the Federal Constitutional Court is anticipated next summer at the earliest. For that reason there will be no clearing away of the financing thicket before then. Federal Chancellor Helmut Schmidt to his intimates: "Until there is a new legal ruling, we'll just wait Karlsruhe out."

There is much more to rule on at the same time. For parties, after all, it is not just "contributions" that are in the twilight zone. Other income might not withstand too strict investigation, either.

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Thus the Federal Constitutional Court as early as 1975 declared it impermissible for parties, as for example the SPD, to dip into the pocket of their own parliamentary members. Every Social Democrat member of parliament in Bonn contributed, sometimes far more than 100 marks a month, to the indirect governmental financing of his party -- by compulsory contributions and more or less voluntary deductions from his state-paid per-diem allowance.

There have been no more of these compulsory contributions since the Karlsruhe decision, but there has not been much change in the supplementary income of 20 million marks a year for the four parties in the Federal Assembly. The parliamentary member's small contribution is now paid "voluntarily." Any back-bencher who would dare not to pay must be prepared not to be renominated in the next election.

Also in the twilight zone is the financial conduct of party-affiliated foundations: the Konrad Adenauer Foundation (CDU), the Friedrich Ebert Foundation (SPD), the Friedrich Naumann Foundation (FDP) and the Hanns Seidel Foundation (CSU). Since they are recognized as non-profit organizations, they can offer large contributors what is denied to their mother parties: tax exemption. And that pays. For big contributors are almost always big earners who have to pass on about half of their income to the government. Thus the state pays half of every 100,000-mark contribution.

"The significance of foundations for parties," writes party researcher Henning von Vieregge, lies primarily in the fact that they "receive government money which for legal reasons can no longer come to the parties from government budgets." More than 200 million marks a year, which in addition is not earmarked.

Thus the foundations can secretly help their mother parties. The "Freiburg Program" of the FDP, for example, was printed and distributed by the Friedrich Naumann Foundation. FDP Treasurer Karry: "One just has to think deviously so as to saddle others with what one would otherwise have to pay for oneself."

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