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JPRS L/8420

25 April 1979

TRANSLATIONS ON WESTERN EUROPE
(FOUO 25/79)



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EUROPE



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THEATER NUCLEAR FORCES

ITALY

ITALY SHOULD HAVE MORE ACTIVE ROLE IN MEDITERRANEAN

Milan CORRIERE DELLA SERA in Italian 12 Mar 79 p 5

[Article by Fabrizio Carte: "A More Active Role in the Mediterranean for the Italian Navy"]

[Text] In recent months, together with the delicate events in the Near and Far East, the quantitative and qualitative level of the Soviet fleet in the Mediterranean has progressively increased and this March has reached an exceedingly high profile. The proximity of the 2 very new aircraft carriers, Minsk and Kiev, of 3 powerful guided missile cruisers, of 4 guided missile destroyers, of 10 submarines (2 of which are missile-launching nuclear subs), and of a very high number of logistics and supply units to the Italian coast constitutes an unusual event which has attracted the attention of NATO Headquarters and that of the Italian Navy. After having operated in the Eastern Mediterranean, the naval force moved to the Ionian Sea and the Straits of Sicily and, divided into two groups, now appears to be steaming toward the Tyrrhenian Sea and westward of Sardinia.

Near the coast, the Russians' activities have been closely watched continuously by naval units and helicopters of our navy.

It certainly is not a case in which to be alarmed. The substantial Soviet naval presence in the Mediterranean has been going on continuously for 15 years. In addition to a sizeable nucleus of modern, well-armed surface vessels, numerous submarines, some nuclear, amphibious units and a large number of auxiliary ships, which are equipped, among others, for intelligence gathering and electronic warfare, operate in the Mediterranean. There is, as is well known, the simultaneous presence of the U.S. Sixth Fleet.

In the NATO framework, the American naval presence is certainly indispensable and signifies a precise commitment on the part of the U.S. for the defense of the allied countries. There is no doubt, however, that both the Russians and the Americans, by means of their fleets, pursue goals of national policy which make our sea a constant arena of confrontation subject to periodic flare-ups.

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In this framework, what is the position and function of Italy which lives on the sea and whose economy is fueled 90 percent via maritime routes? The Italian Navy is undertaking operations which require the use of modern equipment and the maintaining of an efficient command and control structure, requiring timeliness and little publicity. The status of all naval forces operating in the Mediterranean is constantly observed and updated, but the fact remains that the Italian Navy, despite some modern equipment and an efficient organization, does not possess the wherewithal necessitated by Italy's position and naval obligations.

The possibility of playing a role of active, and not secondary, presence (with due respect to the allies), the possibility of undertaking a credible action with the aim of stabilization and collaboration within the confines of the Mediterranean Sea and, finally, the possibility of bringing about the steps toward mediation between Europe, between those countries which geography has deemed to be on southern shores, are all connected with and subordinate to the acquisition of more "weight" with regard to naval power, which, as the case has it, is not to be excluded when one considers the resources the country has set aside for defense.

France, in pursuing a policy of independence and active presence, has already reinforced its Mediterranean fleet a long time ago.

The importance of naval power as an aid to the policies of those nations involved has been evidenced in an irrefutable manner by recent international events in which naval deployments of the two superpowers played a significant role.

The gaining of popularity of world interests regarding the Mediterranean area, confirmed by the quantitative-qualitative balance of the two superpowers' fleets present in our basin, brings forth, in an urgent and dramatic way, questions regarding the adequacy of our political program for the protection of economic development, stability and national security.

In the past, and unfortunately in more recent times, someone stated that Italy was an "unsinkable aircraft carrier"; we would not want, for the lack of political foresight, the same judgment to be held but with a slight mutation resulting in a "landing wharf" open to transit by anyone.

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COUNTRY SECTION

FRANCE

MITTERRAND INTERVIEWED ON CRISIS, PSF'S FUTURE

Paris PARIS MATCH in French 16 Mar 79 pp 50-53

[Interview with Francois Mitterrand by Michel Gonod and Laurence Masurel]

[Text] It was while returning from Longwy, where he went to support and cheer up steel-mill workers, that Francois Mitterrand learned of the Chirac "coup" without great surprise. Since the day after the parliamentary elections, he had actually predicted "the inevitable confrontation between Giscard and his former prime minister." A month ago, the Socialist Party [PS] had already requested the convocation of a special session of the Assembly on the matter of employment, but to no avail. In the minds of Mitterrand and his followers, this time it was therefore appropriate for the PS, in order to succeed, to join in Jacques Chirac's initiative, which would have been inconceivable just a few weeks ago. In an exclusive interview on the following pages, Francois Mitterrand answers the questions which everyone is asking about the crisis, unemployment, government policy and the recent and surprising "alliance" between the PS and the RPR [Rally for the Republic]. He also explains himself at length concerning the future and his party's divisions, which particularly worry him on the eve of the socialist congress of Metz (6 April), and on the Union of the Left, in which he still believes. It was at his home in Paris on Rue de Bievre in his office, an attic filled with files and books, that Francois Mitterrand defined his position for the PARIS MATCH inquiry.

PARIS MATCH: You have joined with the RPR to obtain the convocation of a special session of Parliament to examine employment problems. Are the limits of the majority, or of the opposition, in the process of changing?

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FRANCOIS MITTERRAND: Our priority is the fight against unemployment. We care little about parliamentary procedure and whoever takes the initiative if we can help to rally public opinion against the Giscard-Barre policy of recession.

PARIS MATCH: Yet Mr Barre said Monday evening on television that progress was being made, inasmuch as he has reestablished the balance of France's foreign trade. What do you think of that?

FRANCOIS MITTERRAND: The foreign trade balance is a very important factor among the major balances necessary, since it determines the value of our currency and reduces our indebtedness. In this respect, Barre has been a better manager than Chirac. But this result has been obtained only by a recession of our economy. With the motor of domestic production running at a slower rate due to lack of consumption and with imports considerably reduced as a result, the balance for which Mr Barre takes credit is resembling a state of lethargy more and more. If I may say so, when nothing will be moving any longer, the balance will be perfect. Industrial production remains at the 1974 level. Everything is at a standstill. The result: an economic and a social crisis. And they will be amazed when the nation becomes annoyed. It seems to me that that is already beginning.

PARIS MATCH: The prime minister also said: "Since 1958, there has been decolonization and the establishment of institutions. Today, it is a question of adapting our economy to the world context." Do you share this analysis?

FRANCOIS MITTERRAND: If Mr Barre is telling the truth, what a condemnation of his predecessors! What an official statement of failure for Valery Giscard d'Estaing, in charge of making economic choices for 10 years. What! They have finally noticed today, and only today, the failure of our economy to adapt, and after 20 years of the Fifth Republic? I would like to add that Mr Barre calls "adaptation" what is most often only France's submission to the international division of labor and production desired by multinational capitalism. Rightist governments have already lost the battle of the computer, of the agricultural-food sector, of shipbuilding. They are in the process of losing the battle of the iron and steel industry. It is high time that they disappear.

PARIS MATCH: Mr Barre has also said: "France is now faced with the matter of survival." Is this your opinion?

FRANCOIS MITTERRAND: France will survive after Mr Barre, let him rest assured. And after Mr Giscard d'Estaing as well. I think that it will survive even better.

PARIS MATCH: Caught up in its own internal problems, is it possible for the PS to adopt a sufficiently detached position to make an overall or global analysis of the political-economic situation?

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FRANCOIS MITTERRAND: I have constantly discussed national and world affairs without limiting myself to my party's internal debates. I denounced the Chinese attack on Vietnam after the Vietnamese attack on Cambodia and after denouncing the regime of the shah, I believed that the threat to peace came less from the Far East than from the events in Iran, where (necessary) revolution is taking place in one of the most sensitive spots in the world, where there is competition for control of oil and access to the Indian Ocean. I have vigorously alerted public opinion with regard to nuclear proliferation. And all in the name of my party. Just as I warned a very fragile Common-Market Europe against American economic imperialism, among many other things. And I was not the only one. No, I do not believe that the PS deserves this reproach.

PARIS MATCH: Isn't it surprising to submit a joint text with the PC and RPR?

FRANCOIS MITTERRAND: In our opinion, the fight for employment and for a change of policy precedes parliamentary rivalries.

PARIS MATCH: Has Barre served his time, as some say? Should he leave?

FRANCOIS MITTERRAND: Increase in prices: 10 percent per year. Before Barre, with Barre. Unemployment: one million more unemployed since Giscard d'Estaing was elected president of the republic. Growth: less than 3 percent per year when more than 5 percent is required. Those are Giscard's results. We might really ask: What good is Barre?

PARIS MATCH: Are you worried about the coming year? Could the Longwy situation be duplicated in other areas?

FRANCOIS MITTERRAND: I am concerned: unemployment can only rise. The Giscard-Barre policy does not make it possible to reestablish growth at an adequate level. This is tragic for production and for all the social and human problems caused by this situation.

PARIS MATCH: If you were in the position of Giscard-Barre, what would you do?

FRANCOIS MITTERRAND: This is a question which means nothing or everything. The political context and all of the economic measures which would determine the social policy would be completely different. I do not have to put myself in the context of the Giscard-Barre policy. If you read more closely the proposals which I will make at the Congress of Metz, you will find the components of my answer.

PARIS MATCH: But if the left had won in 1978, would there be the crisis of the iron and steel industry, the strike of the SFP [expansion unknown] and 1.5 million unemployed?

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FRANCOIS MITTERRAND: The crisis of the iron and steel industry already existed, but it would have been handled differently. I advise you to refer to the Socialist Party's proposals under the title of "An Ambition for the Iron and Steel Industry." They were published recently. Similarly, in the name of my party I submitted a plan to fight for employment, which involves a whole series of economic and social measures. Therefore, we would not be in the same situation. As for the strike of the SFP, it would have no reason for being.

PARIS MATCH: Would there be austerity just the same?

FRANCOIS MITTERRAND: There would not be any more oil in our subsoil, I grant you that. But no national effort is possible without social justice.

PARIS MATCH: Do you think that there might be a "majority accident" which would cut short the existence of the current National Assembly? Do you believe that there will be parliamentary elections before 1981? And if so, why?

FRANCOIS MITTERRAND: Immediately following the election of 1981, I have no doubt of it. No president of the republic will be able to live with this Assembly. But I do not rule out the case that parliamentary elections may take place before, because of the Giscard-Chirac rivalry. The majority accident is likely and will be preceded by many skirmishes.

PARIS MATCH: In the event of a serious crisis, would you be willing to participate in a government of national unity?

FRANCOIS MITTERRAND: A government of national unity generally provides a camouflage for a rightist government when too many failures force it to accept such a situation. Only a world war would justify such a possibility. Fortunately, despite the risks which I have mentioned, we are not in that situation!

PARIS MATCH: At the congress of Metz, will the future of French socialism be at stake?

FRANCOIS MITTERRAND: This congress is as important as the Epinay congress. Since our party was founded, this is the first time that it is faced with such a decisive choice that the future will be different, depending on what takes place.

PARIS MATCH: This will therefore be a fight of paramount importance for you and for your party?

FRANCOIS MITTERRAND: For the Socialist Party, yes. For myself, no. At Epinay, I had no thought at all of becoming first secretary of the Socialist Party, an unexpected situation which has changed my life--daily absorbing tasks, continual trips in France and abroad and the necessity of devoting

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my time to building a party which has become the first in France. I did so wholeheartedly, but after 8 years I also feel the need to transfer this responsibility to others. I would do so at Metz if I were assured that the policy of Epinay would not be threatened.

PARIS MATCH: Which doesn't mean that you would leave the party, that you would retire?

FRANCOIS MITTERRAND: I would not carry out the same role, that's all.

PARIS MATCH: Are you among those who accuse Rocard of a "rightist drift"?

FRANCOIS MITTERRAND: I do not accuse him of that. A party cannot be uniform. The term "rightist drift" is a polemical term, intended to be offensive. I don't use it. But there is a logic in history. The principles defined at Epinay and observed since then marked the anchoring of the Socialist Party in the classes of which it is the natural representative. As a result, it has rediscovered its authenticity. If it integrates the ideas, events and hopes which each day brings, I will be delighted. If it allows itself to be swayed by fashion, I will be worried. Look how the right is reacting. Everything which is conservative in France is watching for the least sign which could indicate weariness or retreat on my part. I find that very normal. It is an honor for me to be considered the main adversary by big capital and by the right.

PARIS MATCH: Your alliance with CERES [Center for Socialist Studies, Research and Education] is not very well understood.

FRANCOIS MITTERRAND: I don't know what you are talking about.

PARIS MATCH: It is nevertheless your objective ally.

FRANCOIS MITTERRAND: I made an appeal for unity without exclusivity and that applied to CERES as well as to others. But don't take that for a proposal of a certain situation: that appeal dates back to 8 July.

PARIS MATCH: And Pierre Mauroy? Do you still have faith in him?

FRANCOIS MITTERRAND: It is one of my rules not to impugn anyone working at my side and discharging along with me the responsibility of the Socialist Party. Pierre Mauroy and Michel Rocard are today at considerable variance with me. But that in no way detracts from their good qualities, which I recognize.

PARIS MATCH: Do you feel bitter, angry, a feeling of ingratitude?

FRANCOIS MITTERRAND: Bitterness, anger, no. A feeling of ingratitude . . . sometimes. But I don't dwell on those things.

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PARIS MATCH: It is said that an agreement has already been reached for unity around you at the congress of Metz. Your moderation toward men who have been critical of you for a year would tend to confirm this.

FRANCOIS MITTERRAND: That's really rushing things! I want the most general kind of understanding. But in an atmosphere of lucidity. Two political policies cannot be proposed at the same time. The Socialist Party would seriously hurt itself in the process. It is up to the militants to make a decision. I have refused and will refuse to allow a small circle of initiates to replace them.

PARIS MATCH: To be more precise, according to this rough agreement, you would continue as first secretary and Rocard would have the green light to be the PS candidate in the presidential election of 1981. Is this a probable scenario?

FRANCOIS MITTERRAND: That possibility is not out of the question, no more than others.

PARIS MATCH: You have never thought of resigning after March 1978?

FRANCOIS MITTERRAND: We have gone from one success to another. Why resign? Between 1971 and 1978, the Socialist Party has not stopped growing. And if, at the time of the parliamentary elections, we remained below our hopes --and the polls, we were still the only party to gain in percentage, 4 percent. Then there were the by-elections and we continued to advance. I had no doubt of it!

PARIS MATCH: Do you believe it is still possible to speak of the Union of the Left while your communist partners attack you every day?

FRANCOIS MITTERRAND: Everything depends on the way in which the situation is viewed. As a political formula for close association of our two parties around a joint program, the Union of the Left has suffered a blow because of the communists. It has lost a good deal of its credibility in public opinion, which implies, and not without reason, that if there were a majority schism in the next two years, it would be very difficult to establish a coalition of the left similar to that which we formed in 1972. But the union of popular forces, translated politically into the Union of the Left, stems from a very deep need. It is constantly debated on an electoral level. Within the Socialist Party, we are all in favor of an agreement with our partners, an agreement which would leave no room for ambiguity; we desire a treaty of nonaggression in the meantime. It is up to the PC to reply. What I ask of the Socialist Party is that it becomes, even more than it is now, the stimulus of popular forces. If it does, it will win its historic battle. And all of French politics will be organized around it. Which is one more reason why it should continue its political strategy.

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PARIS MATCH: On what basis could a dialog with the communists be resumed?

FRANCOIS MITTERRAND: It is hard to say, since the PC is unpredictable. For us it is simple: on the basis of realities. What is important today is unemployment, recession, the destruction of industrial potential and the ruination of certain regions. Let us debate and therefore, let us meet.

PARIS MATCH: Would you be surprised if Georges Marchais telephoned you tomorrow morning?

FRANCOIS MITTERRAND: I wouldn't be surprised at anything. But that isn't likely, since the PC's main concern is not to have a great Socialist Party at its side. I have never concealed the contradiction of our strategy, which we realized immediately: the left was able to win only through unity and yet that victory was conceivable only if the communist-socialist ratio of power, formerly to the advantage of the communists, were reversed. The PC, I understand, was unwilling to accept it and finally broke because of the obstacle.

PARIS MATCH: Do you still believe today that the PS isn't able to win alone?

FRANCOIS MITTERRAND: Not yet. We are totally independent, or autonomous, depending on which expression you prefer. We are not asking anyone's permission to act. But with 23 percent of the votes, as is the case at the present time, no doubt more in June for the European election and even more for the presidential election of 1981, I hope about 30 percent, this is not enough to govern alone in a democratic country. A strong relative majority would nevertheless considerably change the realities of French politics. We have not arrived at that situation. Our progress is linked to the loyalty of our choices.

PARIS MATCH: You believe that our foreign policy is "stale," that France has something to say and is not saying it. Exactly what do you have in mind?

FRANCOIS MITTERRAND: Regardless of how you look at it, it is still a half-baked policy. We are not in favor of NATO, but we accept the measures which reincorporate us into its framework; we are in favor of a new policy with the Third World, but nothing useful in this respect is proposed; we are in favor of disarmament, but we participate in rearmament; we are against an increase in arms sales, but we propose a tax on arms purchases and not on sales--because we are a seller; we preach noninterference in the affairs of foreign countries, but we take part in internal conflicts which give rise to them; we invent a European monetary system, but we neglect compensatory amounts, etc. Everything else is similar. The Yaounde debate held public opinion for a half-day, while the Phnom-Penh debate took years.

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PARIS MATCH: Apparently you miss De Gaulle?

FRANCOIS MITTERRAND: That's not what I mean.

PARIS MATCH: Kurt Waldheim, the UN secretary general, says that the world is going through the most serious crisis since the Cuban affair in 1962. Is that your opinion also?

FRANCOIS MITTERRAND: I think he is right.

PARIS MATCH: Are you pessimistic?

FRANCOIS MITTERRAND: I am not a fortune teller. But we must understand that an atomic war is possible and that if no great ideas and no great program is implemented for the peaceful organization of the world, it is doomed. Particularly as a result of the proliferation of atomic weapons. Neither Teng Hsiao-ping nor Brezhnev nor Carter wants a world war, of course, but the stockpiling of arms, irrational antagonisms and the shrinking size of the planet are bringing us closer to atomic war, unless . . . We do not note that the great powers of this world are aware of this "unless." Yet a man like Brezhnev is a man of peace, I believe. China is not an offensive power. Carter is certainly a good man, with no thoughts of fighting it out. But apparently no one feels that something more must be done if war is to be averted.

PARIS MATCH: What are some of these initiatives that you want?

FRANCOIS MITTERRAND: A League of Nations was organized at one time, but that did not prevent war. The United Nations needs to undergo a transformation. I do not seek a directorate of great powers, but those with superior arms should understand that they must proceed boldly with disarmament and that a policy of atomic nonproliferation must ultimately be implemented. Arbitration must become obligatory. The Court of The Hague is now of marginal importance and yet it dominated the thoughts of men of progress not so long ago. The great ideas of arbitration and collective security are growing dim even while the urgency exists.

PARIS MATCH: You mean that there are no more barriers, no more judges?

FRANCOIS MITTERRAND: There are some wise men. Do they have ideas? Courage?

PARIS MATCH: From time to time, do you feel like retiring from political life?

FRANCOIS MITTERRAND: What man of action doesn't think of that?

PARIS MATCH: To write books on subjects which interest you?

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FRANCOIS MITTERRAND: Everything interests me. But writing, like the rest of it, is a victory in itself.

PARIS MATCH: Less than politics sometimes?

FRANCOIS MITTERRAND: No doubt I am made for politics rather than for writing.

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COUNTRY SECTION

FRANCE

GISCARD-CHIRAC RECONCILIATION HINTED

Paris PARIS MATCH in French 30 Mar 79 pp 46-47

Article by Michel Gonod: "Peace Soon Between Chirac and Giscard?"

Text Valery Giscard d'Estaing and Jacques Chirac are going to meet soon. All the conditions are fulfilled for the Gaullist leader to go and smoke the pipe of peace in the big chief's wigwam. The latter wants to and Chirac expects to. The last time they met in November, they spoke for 45 minutes about the excavation of Les Halles and nothing else. Since then much troubled water has run under the bridge of the majority. Last month, Claude Labbe, invited to the Elysee as chairman of the RPR Rally for the Republic parliamentary group, told Giscard: "Mr President, it is imperative that you meet Jacques Chirac." Claude Labbe did not beat about the bush. Explaining to the president that one could not speak seriously of reconciliation in the majority as long as Chirac would be deprived of the respect due his present and past qualifications, he had affirmed: "Without us, there is no parliamentary majority consequently without us there is no government. Therefore it is unusual that the leader of our movement is never consulted. In addition, Claude Labbe had added, 'we are tired of hearing the prime minister speak scornfully of the political order, as if he was not part of it. Nevertheless, it is the RPR which offered him a district in Lyon where he could have been elected easily.'"

It is quite probable that this speech did not please Giscard, but he did not indicate it at all. Realism in politics must dominate feelings. It must be believed that Labbe probably has been heard, since today Giscard declares that he is ready "to console those who think they are suffering." The Elysee declares that the president does not intend to "play on a split in the RPR" (and still, one confides how easy that would be...)

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and that, at any rate, new elections will not do France any good. In short, it is not the great love, but honest cohabitation. The history of relations between Giscard and Chirac remains to be written. Like in all passions, somber pages would be more numerous than the rose-colored pages. Remember March 1976 after the cantonal elections: the Left swept up the biggest stake. Giscard speaks to the French. He is sad. He announces that Chirac will be the coordinator of the majority from now on. That will then go from bad to worse, until the spectacular resignation of Chirac 4 months later. Three years have passed. Here we are again on the eve of the cantonal elections. The political situation has changed. It has developed in a rather favorable direction for the UDF /French Democratic Union/. The results of the first round of the cantonal elections indicate it. With its thousand candidates, it obtains 21 percent of the votes, which would place it ahead of all the parties, if we made a transposition on a national scale. In fact, the PS had the best score with 27 percent of the votes, but it fielded 1,600 candidates, 600 more than the UDF. As for the RPR, it maintains itself at its 1973 level with 12.5 percent for 800 candidates. Under these conditions, Giscard can take a step in the direction of the Gaullists without appearing to give in to the latter's demands. For contrary to a widely held opinion, the chief of state keeps himself very well informed about politicians' maneuvers. He knows very well what is happening in the group meetings and in the corridors of the Palais Bourbon. He knows very well that the breaking point had almost been reached on the second day of the special session of Parliament when Chirac, attacked verbally by the socialist, Georges Fillioud, was not able to answer because the President of the Assembly had not opened the microphone before which he had gone with great pains to sit down. At that minute, everything almost collapsed. Pierre Messmer admitted it later: "I was at the point of voting censure to protest against the divisions of the majority and against the complaisance with which one allowed the RPR to be insulted by the opposition."

The second round of this special session will take place in one of the two investigative committees set up on the demand of the Gaullists: the committee instructed "to collect the facts regarding sources, organizations and means of diffusion of public information." An extensive program! In the RPR, they amused themselves by drawing up a list of government disorganization on the subject of information. The compensating amounts?

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The minister of agriculture says: "The problem is not solved." The chief of state declares a few days later: "It is solved." The iron and steel industry? Who can say today how many layoffs there will be after the many and contradictory official statements. The liability tax on wealth? The UDF initiates the bill with the support of the minister of economy, but the prime minister opposes it. The price of gasoline? Monory announces last fall that it is going to drop and Barre says the opposite. The SFP expansion unknown? The prime minister says at the RTL expansion unknown microphone: "I have seen the file at close range and I declare that if it was opened completely there would be no lack of sensational subjects." Then nothing more. To those who want to know what there is in this famous file, he answered solemnly: "Impossible, it is not intended to be published." In fact, what is being concealed in the name of no longer valid principles, is a generalized deception. There are 300 official vehicles for 3,000 employees; there are extended estimates; thefts of equipment (cables, cameras). One mentions, among other things, the exorbitant cost of an introduction for a broadcast of Antenna 2: the SFP invoices it at Fr 300,000, when a private company had offered to do it for Fr 18,000. There are also an impressive number of temporary workers who cost two and one-half times more than the enterprise's salaried personnel. There are finally the fees payed regularly to people who do not have anything to do with television. There are the sensational subjects which Raymond Barre has kept for himself.

The investigative committee has plenty to do if it wants to try to find out why the French are underinformed, when they sometimes feel bludgeoned by the media. It is not enough to go look under the stones, it will be necessary to say why and how certain things were concealed there. "It will not be a revolutionary court," Claude Labbe warns in the name of the Gaullists. Besides, the approach to the problem is not the same, according as one appeals to the RPR and UDF which share the leadership of the committee. A Giscard leader pointed out the other day to dampen the ardor of the Gaullists: "Is it not Jacques Chirac, who announced, on returning from his trips abroad, some fabulous contracts we have not heard anything about since? Is it not he and his circle who concealed from France the gravity of the disease which was to cruelly carry Georges Pompidou away?" The RPR, on its part, will not limit itself to demonstrating that public information circulates poorly because of incompetence or because of inconsistency. It also wants to

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demonstrate that antiGaulism prevails in some editorial staffs, especially television and radio. Jacques Chirac is harsh on this matter. "I am the victim of a new gang of four, he declared the other day on a television stage. It is made up of the Duhamel brothers, Mougeotte and Elkabbach."

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COUNTRY SECTION

FRANCE

OUTLINE FOR A NEW NATIONAL ECONOMIC POLICY

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[Interview with Christian Stoffaes, adviser at the Ministry of Industry, by Guy Poquet: "For a Liberal-Oriented Change in the Economy"; place and date not given]

[Text] After the great electoral fright of March 1978 the French leaders decided to initiate a process for the transformation of the French economy. Indeed, they acquired the conviction that France's economy must be the subject of a far-reaching liberal--oriented change whose source of inspiration was to be sought in the German model, that is, limited intervention by the government, increased competitiveness of firms on international markets, national consensus and little challenge of work related values, but especially acceptance by employers and trade unions of a certain degree of concertation which cannot occur without effective decentralization of decision-making both within businesses and political institutions.

But in France is such an orientation compatible with the mentalities, the structure of the economic apparatus, the customs acquired by the public administration and business executives for decades? Christian Stoffaes, adviser of the Minister of Industry,* author of "The Great Industrial Threat," a work in which he analyzes the new dimension of international economic relations and the strategies that flow from it, explains here the new lines of French economic policy. He underscores in particular the considerable efforts which French industry will have to deploy to readjust itself to international realities and the at times socially painful measures which those responsible for economic policy will have to take in order to organize

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the country's activities on the basis of the dictates of the new Saint Simon-ist doctrine.

However, while a certain degree of consensus points to the need for readjustment of the French economy, a lot is needed for the approaches of various economists to converge. That is why, to throw light on the important debate that has just opened, FUTURIBLES asked Jean Matouk, professor of economics, for his thoughts on this economic policy. For Matouk the latter is dangerous because it leads to explosive growth which from an economic and social viewpoint is untenable.

Question: France's means of adjustment to the new international economic realities are now at the focus of a debate among economists. The dominant spirit among economic policy-makers and which you defend is that of a return to liberalism and a competitive economy. Yet, voices continue to strive to check the damage of an internationalism deemed to be both archaic and dominated by the multinational corporations. Why do you reject such an analysis?

Answer: Even if it is arbitrary to place limits on progressive signs, the internationalization of the economy is a relatively recent phenomenon which has characterized the present era for several decades now. If we consider the trends that have been in evidence for the past 30 years we find that we have gone beyond a further stage since 1973 and that itself has changed the nature of the problem. The emergence of the Third World as well as the domination of international trade by some countries and their multinational corporations present particular challenges to the French economy whose period of readjustment will certainly be long and painful.

In the face of such a situation the temptation is obviously great to brake the painful adjustment process. But in that case would we not run the risk, having 2 million unemployed in 3 to 5 years, witness runaway inflation, and witnessing all the same in the last analysis the bankruptcy of important economic sectors which lose their competitive position? It is however possible to discuss the option between free trade and protectionism. I would rather characterize these as offensive and defensive policies, for they do not boil down merely to a policy involving the opening up or closing of borders. Rather, they concern a country's entire economic policy, that is, measures of economic reactivation, the control of equilibriums at the macro-economic level, as well as measures involving the structures of all sectors of the economy.

The choice favoring an offensive stance can be defended as follows: First of all this option has succeeded for some countries. Germany and Japan are two such models. They have been able to take the path of internationalization by specializing in innovative economic activities and those with a large degree of value added, by reducing their investments in short order in declining sectors, and by using a whole series of structural techniques. Such a strategy is thus possible.

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Then, France is extremely dependent on raw materials. It imports such primary products to the tune of 100 billion French francs a year. Since the economic independence of the Third World entails a strong tendency for price rises in this connection, the bill that France has to pay threatens to become steadily higher. Yet, such a bill will indeed have to be paid if we wish to bring about far-reaching changes in the daily lives of the French people. We do not always gauge clearly what our civilization owes to the abundant supply of energy. The payment of this bill can be effected only through the export of our manufactured products. Indeed, despite the effort in the direction of greater competition and higher productivity which still remains to be done, our agriculture will be unable to compete with the extensive agricultural sectors of the new countries and we shall thus be unable to export large amounts of agricultural products. The same is true of services. We shall therefore have to place our bets unquestionably on manufactured products and this option necessarily involves an opening up. For the protectionist strategy would entail retaliation by our trading partners. It is well-known that a cut in imports involves a reduction of exports through chain reaction whose model was provided by the depression of the 1930's.

Finally, for many businesses the size of the French market continues to be too small to be able to achieve specialization and efficient production costs. There is of course the European alternative proposed by Jean-Marcel Jeanneney. French industry being overly integrated into the European market, no longer is anyone really naive enough to believe that protectionism within the borders of France is possible. What is suggested, then, is protectionism at the European level. One should not forget, however, that Europe, like France, is highly dependent on raw materials and one again meets the problem mentioned earlier. Furthermore, there are divergences of interest among the European partners: To be persuaded of this one need only consider the negotiations in which Germany, already highly integrated into international trade, is opposed to the relative protectionist measures proposed by France.

Yet, valid arguments could be advanced in favor of a defensive strategy.

The first lies in the difficulty of the change to be brought about. The recession that we are experiencing is one of long duration which mandates unpopular measures, the closing of many concerns with marginal efficiency, far-reaching changes in the policy of territorial improvement in which some regions will suffer particularly from this crisis of redeployment. It seems to me that it is on this political and social obstacle that we run the risk of stumbling most of all. Will the important changes prompted by the recession not frustrate the policy of adjustment? In other words, will the benefit match the cost?

The second argument involves risk. To follow a strategy of international integration obviously signifies becoming dependent on the world. During the depression of the 1930's those countries which suffered most from the drop in international trade were the ones which were the most highly integrated and the most industrialized. France's relative stability at that time was probably

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due to its protectionism whereas the excessive integration of Germany (which had a 40 percent unemployment rate in 1932) and the risks taken by that country during the same period were partly responsible for the consequences with which we are familiar. The question today is to know whether the risk posed by integration into international trade is credible in the long term. The process of internationalizing the economy and the emergence of the Third World will certainly engender countervailing shocks. Some countries will be unable to stand them and will choose to withdraw on themselves. Britain or the United States, for example, thus threaten to adopt defensive strategies. But there will certainly always be a core of countries that will play the game of international trade and those will increase their power and their revenues: Germany, Japan, Brazil, and China today fall in that category. One should not conceal the fact that such a policy entails risks, but I believe that they are fairly moderate on the whole.

Finally, the third argument for a defensive economic policy is tradition. The era of the opening up of borders during these past 20 years is unique in our history. France's protectionist traditions unquestionably go back to the passage of the Civil Code and the distribution of agricultural land among a large number of small landowners. This agricultural protectionism, which was very pronounced, by the same token engendered partially protectionist attitudes in other sectors. Now, despite the country's modernization the problem continues. Few French people wish to expatriate themselves, so much so that French firms are obliged to pay very high compensation, compared to Germany or the United States, to those who agree to work abroad. This is a significant fact which proves that we are not yet very wide open on the world.

These, among others, are the various sides of the debate. It is a full-fledged one since what is involved is choosing between political power on one hand and income or quality of life on the other without forgetting that the latter would be effected at the expense of income and consumption but also of political influence. Indeed, the country which withdraws on itself in the economic field is no longer capable in any way of pursuing an effective foreign policy. Germany and Japan begin to offer, by way of contrast, eloquent examples despite their demilitarization.

Question: This strategic option is obviously suggested to you by the diagnostic that you make of the recession. For you, in contrast to the 1930's, this recession is not macroeconomic. You have indeed asserted that what is involved is a cybernetic recession of the decision-making processes in economies that are open to the outside. What does that mean?

Answer: The causes of the existing recession in some Western countries are to be sought in the manner in which they make their decisions. The depression of the 1930's challenged the traditional dogmas of classical economic theory which postulated that equilibriums are automatically restored following periods of instability. It is John Maynard Keynes who demonstrated that equilibrium at the full employment level does not flow necessarily from the free forces of the marketplace. But his ideas took several years to become accepted because

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a complete revolution of minds was necessary. The Keynesian ideas which we have followed for the past 30 years and the liberalization of international trade are at the origin of the increased mass consumption and exceptional growth levels that we have experienced. Even though the present recession is not of the same order of magnitude as the depression of the 1930's, we are nevertheless involved in a long-term recession from which countries are emerging with more or less success. Before 1973 one could see a certain convergent trend among Western countries: Europe was catching up with the United States while Japan was catching up with both of the former. It was thought that structures were gradually going to resemble each other more and more. However, since 1973 the Western world seems to be on the way to becoming more heterogeneous. There are now several types of Western countries and this idea is beginning to be reflected in the collective terminology. There is talk of the lead group, the bottom group, and naturally the middle group in which France finds itself--at this time.

Why these differences? The analysis of the economic organizations of the various countries, of their success or failure, takes us beyond Keynes. Macroeconomic techniques and policies of economic reactivation are in fact no longer sufficient to restore equilibriums. This is very evident in the case of Britain which has suffered from an excess of Keynesianism in the past 30 years and in the case of France where policies of Keynesian economic reactivation have stumbled on the catch of foreign bargaining power and the fatal "stop and go" system. That is not surprising: Economic reactivation and the policy of high employment check gains in productivity, make possible the survival of inefficient production units, and undermine the competitiveness of an economy, thus making it unsuitable for international trade.

In contrast, the acceptance of a certain limitation of potential growth, that is, a policy of controlled growth such as that which Germany has been pursuing for the past 15 years, permanently forces the production apparatus to be competitive, makes possible the automatic elimination of marginal firms, obliges businesses to make investments to achieve greater productivity, and finally provides long-term assurance of sounder growth. Desirable stabilization policy is that which consists in pursuing economic growth following an upward slope that is always slightly lower than maximum productive capacity.

Finding a way out of the recession thus implies an ideological revolution of the same type as the Keynesian revolution, and it could be called a revolution in industrial policy. Concepts are to be reviewed as is the operation of the decision-making processes in industry. The long-term policy has to be preferred over the short-term one. A government which pursues a policy of controlled growth is obliged to accept a level of unemployment slightly higher than if it followed a full-employment policy, and obviously what is involved there is a difficult trade-off in a democratic political system. One may wonder in this respect whether countries such as Britain or the United States are not suffering from a democratic system incapable of highlighting the benefits of long-term policy: The Keynesian techniques of full-employment policy, used by American Democratic Party officials as well as those of the British Labor Party to reactivate their economies, have all ended up in failures.

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It is also appropriate to review government-business relations. All governments intervene in the economy and all pursue an industrial policy, even if the term has a bad press. But their economic models are very different. These differences must be analyzed and one should question what is done in the realm of conversion, support to sectors in decline, and advanced technology policy. Within the economy the interrelations between distribution structures and industrial production structures also deserve thought. Let us take by way of example the role of multinational corporations: Germany and Japan both possess powerful international networks of business firms which permanently provide inputs to their industrial setups regarding demand trends, relevant markets, promising sectors, new sources of competition, and other data. It is in this connection that one can truly talk of cybernetics. These multinationals are incidentally different in the two cases. In Japan they are integrated into the major groups which use them as instruments for controlling the economy over-all. In contrast, in Germany fairly independent concerns may be involved which have contractual relations with small- and medium-sized businesses. I believe that these multinational corporations represent an essential means to bind the fabric of the small- and medium-sized businesses to foreign markets. These smaller firms, lacking the financial means or the critical volume to be able to afford commercial networks abroad, should take advantage of collective structures of this type. Yet, there is a total absence of such an arrangement in France. It is necessary to find analogous ones adapted to our industrial model.

Additionally, it is necessary to review the structure of our economy and the respective roles played by the major groups and the small- and medium-sized firms. The possibilities are several. For example, Japanese industry is organized around four major conglomerates which, either through their direct affiliates or through their subcontracting network, control the entire economy. In contrast, in Germany there is a much more liberal structure in which the major groups coexist with the independent small- and medium-sized businesses. Financing structures and the role of banks also assume considerable importance. In Japan banks are the industrial policy instruments of the large concerns while in Germany the banks are much more decentralized. In France this banking structure, undoubtedly too highly centralized, makes the funding of small- and medium-sized firms difficult. Finally, while in the 1960's we effected a certain amount of consolidation, this has often ended up establishing conglomerates without true industrial rationale rather than with vertically well-integrated channels.

Before 1930 it was the reign of the microeconomics of Adam Smith and of the classical economists that held sway. Keynes then taught us the science of macroeconomics and the techniques of aggregate intervention, but he did not speak of industrial policy. To offset the recession, I believe that we should now concentrate on an intermediary level, that of economic sectors, of the linkages among economic units, on what we now begin to call mesoeconomics, use the best that competition has to offer, the most efficient thing that government intervention provides as a function of our traditions and national peculiarities. The market economy is a conceptual abstraction which does not have

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the same meaning in Japan, the Federal Republic of Germany, the United States, or the Third World. Let us know how to invent a French industrial model.

Question: The great dependence of France on raw materials is aggravated according to your analysis by the fact that French industry has not achieved the critical volume to fight competition. Compared to the resources available to France, does this not constitute a handicap that is truly difficult to overcome?

Answer: We are considerably behind, and catching up involves unemployment, structural changes, geographic changes too, and thus time and suffering. The French are surprised that after 30 years of very strong growth things should deteriorate. But the growth levels of this period were possible only by virtue of our enormous lags of productivity in agriculture before. An entire body of underemployed laborers in that sector turned to industrial work during these 30 years.

We have experienced some industrial success and France is beginning to carve a niche for itself in some international oligopolies. In the automobile sector, for example, we occupy first place on the European market. We are also very competitive in the aeronautical and professional electronic sectors in the world market. However, we in fact lack critical volume in many sectors and this is what determines the nature of the effort that we must undertake.

It will be necessary that we concentrate more some of our production in major French multinational corporations. To be sure, economic concentration is not a panacea, and in those sectors which have a highly fragmented market--for example, machine tools--this does not represent a sound solution. In such sectors which are the most numerous, small- and medium-sized firms excel and, while continuing to be small, can easily become competitive at the international level. In contrast, other sectors mandate larger size--such as in the chemicals sector or in the agro-food sector. So far in France we have strived especially to do business in agro-foodstuffs through cooperatives whereas this sector with advanced technologies, marketing and distribution networks at the international scale.... It is truly scandalous that we used to export unprocessed agricultural products abroad and then imported them in processed form at three times the cost. That is why future structural policies must contribute both to reinforce the major groups in some particular channels and to improve the environment of the small- and medium-sized firms to enable them to better play their role in the redeployment process (financing, export, ensconcement abroad, and so on).

Question: Is it then a matter of making businesses once more the principal motive power of economic activity?

Answer: Precisely; responsibility for redeployment is to be placed on businesses. In part we must seek our inspiration in Germany which has a model that corresponds fairly closely to our European temperament. This means that

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it is necessary to restore much more autonomy to businesses and to consider them as essential organizations for society. An analogy is made with economic warfare: In this view businesses are the armies and the body social should pamper them as it used to pamper the army a century ago. Consequently, without speaking of exempting them from taxation it is appropriate to mitigate the constraints which burden them. The advances to be achieved in this field are not lacking, all the more so as the French do not yet have an industrial mentality. Having experienced industrialization somewhat reluctantly, the French still look down on industry and view businesses a little like defendants. It is necessary that we emerge from this Manichean attitude and make of business firms places of social consensus. To liberate businesses does not signify to return to the liberal pattern of the 19th century in which the capitalists could do what they liked but to transform them into genuine human communities where power and decision-making would be shared and delegated to a much greater degree. At all levels of the hierarchy and in all sectors of national life, notably the educational system, it should be necessary to cease considering the industrial firm as a place of exploitation, even a certain form of hell.

That is possible and countries such as Germany or Sweden have pointed the way: There the spread of incomes in industry is much narrower than in France, the decentralization of decision-making and the placing of responsibility at all levels of the hierarchy are much more evident, and forms of joint management are beginning to be introduced. We must look to that alternative and there, too, one can talk of cybernetics. In this case it is Marx who should be left behind: The system of production can no longer be the privileged domain of the class struggle and exploitation but contrariwise the place of industrial democracy. It seems entirely possible to me to conceive self-managed and yet efficient businesses. While self-management often contradicts mobility and efficiency, that is because the need for security constitutes an important element of human nature. When individuals express their aspirations they often ask for security in the first place. It is easy to see that it is the public and private enterprises which have the greatest amount of difficulty in readjusting because it is more difficult for them to lay off workers, to reshuffle work stations, to make their manpower mobile, and so on. That is why one of the essential tasks today is to seek methods of [worker] participation and self-management compatible with mobility and efficiency. If the laws of the marketplace were allowed to operate with all their force while spreading modernization, adjustments that have to be accepted in some cases, that is, would they not learn better that the long term cannot always be sacrificed in the interest of the short term? It is for this reason that De Tocqueville rejected political democracy in the 19th century. However, political democracy has given evidence that it is able to make long-term choices. Why would the same not be true of industrial democracy?

Question: On the basis of the strategy that you have just outlined, which major alternatives would you advocate for France's industrial policy?

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Answer: This policy, initiated in part 6 months ago, must first of all be a policy of liberalization and of making businesses more responsible. The policy must also make it possible to remedy the structural weaknesses of the French economy. The government can play a role in the elimination of numerous archaic features which subsist, but it is now appropriate to consider that priority must devolve on industry. Indeed, some of the weaknesses of the industrial sector are directly connected with the protectionism pursued for 30 years now in other sectors.

Additionally, measures are certainly to be taken in the banking sector. The banks still evidence too many conservative behavioral aspects, putting too much stress on guaranties and drawing back when it comes to assuming industrial risks. This stems in part from imperfect competition among banks and such deficiency is incidentally imputable to the government and its system of regulating credit and the financial market. It is thus necessary to make more flexible the rules of competition among banks by eliminating their cartel-like aspect, that is, by insuring the maintenance of large national banks capable of having networks abroad and by increasing the number of regional and local banks which are not responsible to central organs and which could assume risks more easily, even at the price of bankruptcies in case of unwise decisions. We in France live with the memories of the trauma of the pre-World War II financial scandals and that is one of the reasons which explains the straitjacket of regulations which limits recourse to the savings of the public. If the price to be paid is the difficulty for small and dynamic firms to secure credit, I believe that it is an excessive one: The borderline between banking risk and industrial risk is badly positioned.

I return to the liberalization of firms in order to mention that this cannot occur without a liberalization of the conditions of dismissals. To mitigate the rules in this area means to improve unemployment compensation. But while the protection of the unemployed worker is a collective responsibility, it is up to the community and not to businesses to assume it lest their competitive position be undermined by forcing them to employ an excessive number of workers. This means that it is necessary to invent mechanisms for the replacement, training, and so on of workers in conjunction with the payment of unemployment compensation. I believe, for example, that it would be possible to increase the number of French workers abroad. Many young unemployed workers would not refuse to go and work for 2 or 3 years in a French firm of the Third World if they were given the means to leave and if they were assured acceptable compensation as well as their reintegration when they returned to France. A special effort could be deployed in this direction. That would make it possible to absorb the unemployed young and to better integrate France into international trade.

Our industrial policy should also be premised on mobility to a greater degree. This involves a significant revamping of our policy of territorial improvement. An industrial nation is one where some regions have a fairly dense industrial fabric. In this respect the Paris industrial center undoubtedly constitutes

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an antimodel because of its excessive concentration. In contrast, the industrial entities of southern Germany are fairly good models: German cities and villages are fairly close to each other and several industries are ensconced in the countryside. When a firm folds, it is easy for the workers to find employment in another. But in such French regions as Brittany, southwestern France, or the estuaries, highly scattered industries experience much difficulty in redeploying. When a plant closes in a region where it is the only one within a radius of 30 kilometers, it is a catastrophe without any solution.

The policy of territorial improvement must thus be revamped and premised on the livable nature of population centers. While for the past 20 years the government has pursued a housing policy under the pressure of events and scarcity and has built fairly haphazardly (low-cost housing, close suburbs, and so on), it is now time to seek the means of a modern industrial model and to put the stress on its qualitative aspect (individual homes, urban development, and so on). It is necessary to resist the temptation to defend a rural model which belongs to the past. A modern society lives in cities which offer a certain number of amenities. And while the city rubs shoulder with the plant in the hell of the collective subconscious of the French people, it is appropriate on that score, too, to proceed with the elimination of outdated ideas and to look the future in the face.

France's industrial policy is also a policy in some weak sectors such as that of small- and medium-sized businesses that we should better equip for the era of internationalization. I have already mentioned this. Industrial policy is furthermore a policy of innovation and a fundamental point is involved here. Innovation in the field of products is the fact of essential specialization among developed countries. Those who know how to plan new products, to develop them on the market, and then to export them will be those who will become more affluent in the future. It is thus necessary to acquire in very short order new product sectors and to abandon no less rapidly sectors turning out products which have become commonplace or outdated. This implies making a special selection of means of industrial research, removing those processes which check innovation, encouraging cadres and engineers to establish their own firms, and setting up adequate mechanisms to this end. This is not one of the least important aspects of an industrial policy.

Question: For you this industrial policy--you have mentioned it more or less implicitly on several occasions--cannot occur without some policy of social progress. However, can the developments that you envision not be analyzed as a return to capitalism, if not pure capitalism at least a very tough, inexorable variety for all the marginal businesses?

Answer: Yes, definitely. But one should take care not to confuse things. One could perceive in the model that I propose a socialism compatible with freedom of trade and of the market place, one which is still the essential source of not only our economic but also our political and social progress. It entails effectively the elimination of deadwood. The government should refuse to support businesses in trouble lest it stymie the process of adjustment. By means of such support short-term gains are obviously achieved but a

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damper is put on the reallocation of resources and in the last analysis one becomes involved in short order in British "stop and go"-type vicious circles. The abandonment of sectors and businesses which are no longer competitive is the direct consequence of the increased responsibility of firms. If you are responsible and free you are also responsible for paying for your failures.

However, I believe that the introduction of a certain degree of self-management, that is, the control by workers of decision making can help reduce these risks. Indeed, numerous failures have had management as their cause. Now, if cadres or trade unions had their input in the management of their firms, some measures would perhaps be adopted more easily. In my opinion social policy does not mean defending deadwood. Quite the contrary, such protection constitutes a long-term antisocial policy. What must be socialized is the human organization known as the firm through reform of the enterprise rather than the economy through the planning of investments. For me planning means strategy but this does not signify that the government must itself effect the redeployment.

Question: Do these prospects make you optimistic without reservations about the future of the French economy?

Answer: A year ago the prospect of a victory of the Joint Program made me pessimistic. Indeed, the left, as it was constituted at the time, would have pursued a typically defensive policy. It would have stimulated consumption, increased social transfer payments, and supported losing operations. Nationalizations would have obviated the closing of some plants, which incidentally constituted the unspoken goal of some of those favoring that measure. Short-term economic reactivation would have made it possible to reduce unemployment somewhat, but the country would very soon have witnessed a foreign trade deficit and a recessionary spiral with all the political instability that that implies. One could say that, considering the difficulties of the French economy and the degree of dissatisfaction, we eluded such a risk only through a miracle. But perhaps, too, there was an awareness among the public of the true problems of real strategy that have to be faced despite the handicap that the majority party's 20 years in office constituted and despite the new aspect which the left had then assumed. People still came to see that it was necessary to choose between the perpetuation of a "stop and go"-type process and efforts at adjustment, harsh ones but which probably constitute sound long-term policy.

I am therefore a little more optimistic today. While the economic policy pursued by the government is sound policy, I would however reproach it with not doing enough in the social realm, namely, as far as the decentralization of decision-making is concerned. In contrast, it would be necessary to tackle Social Security with courage and an innovating spirit. But each thing can come in its time. What is involved here is not something that can easily be established. Progress has been realized: The liberalization of businesses, the refusal to support firms in trouble, opposition to stimulating the economy [excessively], progress in reducing spreads in income (low wages), improved

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condition of manual laborers, policies that are less favorable to farmers and merchants than in the past, and other measures. Obviously, much remains to be done: Tax reform, Social Security reform, tax on capital gains, and especially the economic and political decentralization of decision-making. But perhaps all of this can be accomplished only with the participation of the Socialists in the government--a sacred unity for the sake of the economic struggle, as in 1914 with France's conversion to a war economy. While I believe that we have taken the correct path, I am not at all sure of being optimistic in the long term. Indeed, we are not done with our difficulties, notably regional economic difficulties, and we shall always have elections coming up. With a democratic system such as that of France, it must be something of a miracle to be able to pursue an unpopular policy in the long run. But one must place one's hope in French democracy to find the means of the French industrial model adjusted to the realities of the year 2000.

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COUNTRY SECTION

FRANCE

BARRE LETTER STRESSES NEED FOR FISCAL RESTRAINT

Paris VALEURS ACTUELLES in French 26 Mar 79 pp 16-17

[Text] "Revise the direction in which the state is going": this word of order came from the president of the republic to the Council of Ministers on 28 February. The same day, Mr Raymond Barre was addressing a personal letter to each of the members of the government. We publish it in full. We have emphasized its severity.

"Subject: Preparation of the 1980 Budget.

"The first budgetary labors for 1980 show that the projected financial law for 1980 will present very serious problems for the public finances. A simple restatement of the 1979 credits, combined with the rate of growth in volume which it is possible to anticipate today, is impossible because of the large deficit that it would cause.

"That is why at this moment when preparation of the budget is beginning, I must personally call your attention to the necessity of mastering the difficulties which state finances are passing through.

"In spite of the efforts made in 1977 and in 1978 to limit the budget deficit to a supportable amount for our economy and compatible with the defense of our currency, the slowdown in economic expansion is severely reducing receipts while the expenses of economical and social intervention continue to increase rapidly.

"State borrowing will henceforth be used to pay interest on the state debt.

"This situation, which explains the difficult position that our country has been living in since 1974 cannot be treated with indifference and must be progressively put right. As the overall fiscal pressure has today reached a very high threshold, a rigorous effort for slowing down public expenses must be undertaken. This objective is essential both on the political plane and on the economic plane.

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"The budget minister will have sent to you the necessary technical information for the preparation of the proposed finance law for 1980 in this sense.

"As of now, I very especially call your attention to the importance that I attach to the following guidelines:

"1. I hope that a budgetary body will be constituted alongside you. This budgetary body should associate, under your direct authority, high public employees who will have responsibilities both to the central administration and to the outside services of your department. I can see only advantages in associating representatives of the Budget Ministry in this body.

"This body will have as its mission to present to you proposals for economies, for management changes and for redeployment of your resources, by engaging the administrations themselves in the effort of making corrections.

"2. In administrations as a whole, the quest for greater productivity should be systematic; the economic context in which we have been placed imperatively demands a change in our behavior. Respect for financial constraints must as of now take the first rank among the concerns of the administrations placed under your authority and it must postulate a permanent revision of ends and means. The redeployment of credits is the only realistic technique for revising the services voted on which often justly constitute one of the topics of criticisms made of Parliament. In this spirit, I consider that the present level of the effective public agents permits the administration to ensure their new missions; furthermore, suppression of jobs corresponding to the reduction of certain tasks must take place.

"3. No doubt you will believe it to be necessary or opportune to undertake new actions. I am not hostile, with a double condition: that they be among the priorities already defined by the government and that you propose real economies in order to ensure their financing. These economies must be significant both for their budgetary value and for their political impact on public opinion. I will refuse to examine any request which does not answer those conditions.

"4. I observe finally that many proposals for fiscal exonerations or alleviations are regularly submitted to me. These are often translated into a noticeable reduction of budgetary receipts, out of proportion to their economic and social interest. Such fiscal measures do not constitute an instrument for intervention: on the one hand they are difficult to measure before they are put into operation and they rarely reach the beneficiary who is initially anticipated. In an inverse sense, the habit has been acquired of presenting new measures 'gauged' on new resources: this method, which would end up by dismantling the budget, cannot be accepted.

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"I therefore hope that you will be willing to make these guidelines completely respected in the strictest way by the directors and service chiefs who are placed under your authority.

"At this moment when the enterprises, with the aid of the state, are carrying out a deep and difficult conversion in their structures and in their activities, public opinion would not understand that the government is devoted to revising the way in which the state operates.

"You must personally watch over the definition of the renunciations which these choices imply. As of now it is necessary to abandon all ministerial particularism for the sake of the national interest.

"The state budget is not continuously created throughout the year. Its execution should be carried out with respect to the initial appropriations voted by Parliament. It is not proper that I should be constantly taken up during the year by requests tending to overflow the budget and thus to work outside the necessary annual distribution in order to master the evolution of the public finances. I believe that it does not belong to the services of the different ministries nor to the members of the ministerial cabinets to engage or to contract works that would lead to the unavailability of voted credits.

"The budget of your department is a part of the budget of the nation. Governmental solidarity is therefore essential for the proper execution of the state budget.

"Raymond Barre"

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COUNTRY SECTION

ITALY

LEGITIMACY OF NAVY'S SPECIAL FORCES' QUESTIONED

PSI Accame's Comments

Rome AVANTI in Italian 20 Feb 79 p 10

[Article by Falco Accame, member of parliament responsible for the Defense Section of the PSI leadership: "Many Questions Regarding the Armed Forces' Special Units"]

[Text] From the ESPRESSO we have learned that a special unit, made up of Navy raiders, received orders to stand by to assault the hotel of presumed red brigade members at Salice Terme. This has been confirmed by the ministers of defense and internal affairs in their reports to the joint commissions held in the Chamber of Deputies last February 9. From IL CORRIERE DELLA SERA, dated Sunday the 11th, we now know that numerous special units of the armed forces spread throughout the land exist. From IL GIORNALE NUOVO, dated the 16th, we have learned of the existence of a "changing guard" among the special units (but we do not know who the noncommissioned officer-in-charge is!) Parliament also has learned of the existence of these special units from the news media. Some call it routine administration. For us, on the other hand, this signifies grave unknowns. Who ordered the makeup of the special units? Who provided the funds for the new equipment? In which budget do they appear? What sort of legal training have these men received? If they are killed, what benefits are provided? Are they volunteers or draftees? Is the use of the units of the armed forces called for when replacing the special units of the Carabinieri and the police even if the latter were to be available? Have the special units of the armed forces been set up because those of the Carabinieri and the police are not sufficiently reliable? Has one bothered to find out if a particular ideology is exhibited in common within these special groups? The minister, in the Defense Commission, in his 9 February reply stated, 'according to the commissioners' bulletin, that: "The law at present in force contains numerous norms which call for the possibility of use of the armed forces with regard to the maintenance of public order if the normal forces of public security in an emergency are incapable of carrying out their task, provided the court has issued such a request." Now, with regard to the planned raid at Salice Terme, it

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cannot be said that that was a case in which the "special units" of the Carabinieri or the police could not be called on. Also, it cannot be stated that the use of the unit was ordered by the court, in view of the fact that it was kept totally in the dark about the whole episode; this has been confirmed by the ministers themselves. Therefore, was the use of the bold raiders at Salice Terme legitimate? According to us it was not, and furthermore, it raises very grave questions, among others, as to why the Carabinieri and the police were totally left out. The police, through their union representatives, have expressed deep concern over what has occurred. But, as was stated, above, the problem is even graver and deals with the criteria which are to be used regarding the use of military forces. During the discussions of Law 382, NORMS AND PRINCIPLES OF MILITARY DISCIPLINE, the proposer of the bill himself, Segni, forcefully made known his worries regarding the use of armed forces not clearly spelled out in the constitution. A possible indirect participation of the armed forces, as happened when the attempt against Togliatti took place or on the occasion of Moro's murder, has been justified by the government with the claim that in those circumstances all of the police in Italy were committed and that a request for the armed forces to cooperate directly with the public order forces was made. In the case of Salice Terme, this certainly was not the case. Furthermore, the construction specifies that the use of the armed forces is essentially one directed abroad and not inside the country. With regard to what the Italian constitution requires of the armed forces, it is worthwhile to recall what constitutionalist Giorgio Lombardi wrote on the subject in his work, "Contribution to the Study of Constitutional Duties," edited by Guiffre, page 442: here the author clearly mentions "the unconstitutionality of any legislative measure whatsoever which, in accordance with Article 78, introduces new limits to objective situations and modifies, even temporarily, the competence of the constitutional system excepting internal defense causes."

Lombardi goes on to say that this would refer to "a more widespread and penetrating concept of public order, in no way relatable to factual situations which owe their origin in events of a foreign nature linked to the duty of defense." According to the GIORNALE NUOVO columnist, the armed forces must act unhindered, be it in peace or in war, directed abroad or to the interior. We say no to this thesis. It may be true that in some countries of Latin America, Argentina for example, the armed forces are the guarantors of the constitution: but we do not accept the Argentinian model. Nor do we agree with those who put an eye at this model.

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Commandoes Stationed in La Spezia

Milan CORRIERE DELLA SERA in Italian 11 Feb 79 p 2

[Article by Fabrizio Carte: "Antiterrorist Commandos Operate Throughout Italy"]

[Text] Italian public opinion, because of the recent events of the Moro case, has, with a great deal of curiosity, become interested in a special unit of the navy (with its traditions, its 50-year experience, its exceptional preparation acquired during years of hard work) which has been chosen for very risky actions and thus for operations against specific acts of terrorism.

We will not discuss whether this choice is wise or not, certain in our conviction as we are that the state must defend itself with the best it has at its disposal against any attack, be it from within or from outside the country.

The "bold raiders" of the navy are not a unit thrown together in a short period of time; this unit is made up of men who have placed their whole at the disposal of the state, including their lives. And the state has the duty, if it has nothing better, to use their help, be it in time of war, as has happened, or in time of peace.

For this reason we do not agree with a member of parliament of the Defense Commission, who has some doubts regarding the opportunity of using this unit due to the fact that there already exist 160,000 men between Carabinieri and public security forces.

The reason behind this dissent is very simple. The cause of the discussion is terrorism, in all its forms, including its most savage and senseless. Terrorism is fought by prevention, by continuous and silent work (above all, without the desire to be famous and make the headlines) which is being carried out by SISMI and by SISDE and finally by a capillary net of men and equipment as possessed by the Carabinieri and the police.

When something is needed immediately, one, for many reasons, must not and cannot ignore half a century of experiences and decades of training of men and equipment. One must use that which is the best and nearest at hand.

Obvious security reasons do not permit the revealing of secrets of these units; we can only say that they have no reason to be envious of the best in the world (such as the SAS commandos from the United Kingdom or the GSG 9 from West Germany, the famous leatherheads). These chosen men continue the tradition of those who were able to disable the world's mightiest and best armed fleet, at Gibraltar, Alexandria, Suda, Malta, etc, with classical actions involving extremely bold raids, whose success necessitated

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the prior neutralization of the world's most capable intelligence arm, as the Intelligence Service. All of this cannot and must not be forgotten.

Today the men who make up this unit have only one logistical or administrative base at La Spezia, but they are active throughout the whole peninsula, in the training grounds which range from the Alps to the ocean floor. They are all young, expert mountain climbers, frogmen, and paratroppers. Their unit is of about battalion size, and most of them are raiders originally from the "San Marco." They are screened as to physical status by Navy doctors, given health tests every 90 days and every 3 months they undertake very strenuous tests such as survival courses, alone, at sea or in the mountains.

Their pay is the same as those of the same rank in the army and training takes place in the most diverse localities, both in the North and the South. They are able to go into action immediately, anywhere in Italy, in a matter of hours. All the rest is "top secret."

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Military Discipline Law

Rome IL GIORNALE NUOVO in Italian 16 Feb 79 p 5

[Article by Guido Azzolini: "The Raiders Against the Red Brigades"]

[Text] Rome, 15 Feb--The most recent developments of events linked to the murder of Aldo Moro and his bodyguards has also brought the navy raiders into the limelight. It should be remembered that according to the article in the weekly making reference to the presumed repentant Red Brigade member, the navy's bold raiders should have surprised and captured the heads of the Red Brigades meeting at a villa in Salice Terme.

This fact appeared unusual, and would have been passed over as an imaginary fabrication had it not been confirmed by ministers Rognoni and Ruffini, when last Friday they responded to a series of parliamentary queries heatedly presented to them on the occasion of the joint session of the Internal Affairs and Defense commissions. Actually, the special unit had been placed on alert; its deployment and use would have been perfectly legitimate--it was explained--because the use of the armed forces for the maintenance of public order is called for by state law, upon request by civilian authorities with responsibility assumed by officers of the Judicial Police.

One does not have to go too far back to remember that on the very occasion of Moro's kidnaping, military personnel were widely used under these provisions and conducted searches and manned checkpoints without a dissenting

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voice being raised. The possibility that the navy raiders could be used against the Red Brigades, however, jolted in particular socialist parliamentary members Mancini and, as was to be expected, Accame. Accame, among others, not satisfied with the answer he got on Friday, the other day resubmitted a query in which, after indignantly calling into question the presumed political preferences of the raiders, asked "how is the life of the young career military men taken care of, men who certainly do not want to see themselves as Carabinieri or police substitutes who, by the way, are given economic and legal guarantees in case of accident."

Also, not to mention the fact that the raiders, (they do not number over 100) have been used at length and at serious risk of their lives very recently in the Punta Raisi body-recovery operation without Accame's deigning to show concern over their health. To that should be added the fact that the socialist deputy is considered the major force behind the "Norms of Principle on Military Discipline" (Law No 382, dated 11 July 1978) of which Article 1 states that: "The task of the army, navy, and air force is to assure, in compliance with the oath taken and obeying given orders, the defense of the country and take part in the safeguarding of those free institutions and the common national well-being in case of public disasters."

The same concepts, more or less, are reiterated in Article 2 where the new oath is spelled out, which binds military personnel to "carry out, with discipline and honor" all the duties of one's own state "for the defense of the country and the safekeeping of free institutions." Now, that the Red Brigades are a public calamity is affirmed by many; many also hold that they are at war with the state. There is, however, no one who denies that they want to subvert free institutions. If one cannot use the military for doing what they solemnly swore they would do, why should one pretend that they pledge their oaths in the first place?

Not to raise polemics with the aforementioned deputy (who is very well aware of these matters, having been a naval officer and former head of the Defense Commission), but rather by way of information to our readers: the use of navy raiders in antisabotage and antiterrorist operations and against air piracy was forecast some time ago, more or less at the time of the blitz of the "leatherheads" at Mogadiscio. The very Lufthansa aircraft which was so brilliantly recaptured by the German supercops in Somalia had landed for some hours at Fiumicino airport.

We did nothing to try to detain it, despite a specific request from Bonn. Officially, it was said that there had been a misunderstanding. According to semiofficial sources the DC-9 was let go to avoid any difficulties and also perhaps because of a sensing that the Germans were planning their coup de main.

The explanation provided by other qualified sources, however, is that Italy did not possess men who could bring about a surprise attack on their own, thus avoiding a loss of face by the government.

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We said that men trained for that very special task were not available, but that is not exact. The personnel was there, but it was not readily at hand. Not only were there the navy raiders but at the state's service were other similar groups, composed totally of volunteers, in the paratroopers, the Lagunari, the San Marco Battalion, the Carabinieri and in the Public Security forces.

Each of these groups, with its training and equipment could have been very well used in special and exceptional operations. It was thus necessary to coordinate their use because quantitatively the various units were at that time not numerous. The creation of other special, unique groups composed only of supertrained Carabinieri and policemen would have led to a proliferation of similar units, namely, to a useless and considerable increase in expenditures, keeping in mind the very high cost of training plus the difficulty in procuring very highly qualified personnel to be used in that kind of work, in and of itself exceptional (here used with the meaning of "unforeseen" and "irregular").

Turning back to the navy raiders and thus Salice Terme. They really were ready to take action: the alert system which had been set up to appoint turns for the state's armed forces indicated that they "were up." (Naturally how this permanent revolving guard is regulated is not known.) They would have carried out their mission, without the "ands" or "buts" brought up by Accame. Article 52 of the constitution states that "the defense of the country is holy duty of the citizen." In peace and in war: it is not necessary to make distinctions, especially in cases of emergency.

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COUNTRY SECTION

SWEDEN

NUCLEAR FIRM MUST FIND NEW ORDERS SOON TO SURVIVE

Stockholm VECKANS AFFARER in Swedish 1 Mar 79 p 18-19

[Text] Asea's [Swedish General Electric Corporation] nuclear power program is about to end up in the same deadend as Saab-Scania's Viggen. The domestic market is almost saturated, and exports are being confronted with political and financial obstacles. "But in the long run we are on the right course. It is a matter of hibernating until things right themselves," Torsten Lindstrom, the managing director, says. The question is still if Asea can afford to hibernate. If not, what is the alternative?

In two years Asea's profit has decreased to only a third of what it was during the 1976 boom. Behind this decline is not only the business cycle but also the impact of significantly more serious structural problems. Developments in the energy field have taken turns which no longer coincide with the course ASEA elected. The strenuous efforts of the firm during the 1960's and 1970's in energy technology is on the way to becoming a sort of Viggen problem for Asea.

"Marketing conditions have changed in the last years so that at present we are too heavily engaged in our power side," Asea's managing director, Torsten Lindstrom, says. "We are on the right course for the long run. It is just a matter of surviving until things are back to normal."

Both Torsten Lindstrom and his board chairman and predecessor as managing director, Curt Nicolin, are convinced that this will occur. "The energy situation in the world, together with the recession, has reduced investment in energy equipment. A higher rate of investment, especially in Sweden, and a better cost picture will give better results for us, since then we will expand to our capacity," says Curt Nicolin.

For Asea to be able to reach its capacity in the energy field, not only better business conditions are needed but also a significant increase in investing in electricity-based energy equipment, a field in which there is today global over-production, caused not least by the slow-down which has occurred in the nuclear energy programs of many countries. "Here an improvement is inevitable when it is realized that the dependence upon oil must be reduced--benefiting electrical energy," Torsten Lindstrom says.

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It is likely that Torsten Lindstrom is correct in his judgement, but does Asea have the time and resources to survive until this "resurgence" occurs?

In the last ten years the Asea complex has concentrated strongly on the energy sector so far as research and development and manufacturing capacity is concerned. The energy sector has rapidly increased its share of the firm's sales. In 1973 energy constituted 23 percent, of which nuclear power was 10 percent. Asea-Atom, half-owned by the state, has been the spearhead. Asea-Atom accepts nuclear power orders and then subcontracts the deliveries primarily to firms tied to Asea.

Up to now Asea-Atom has been a poor business. Up until 1977 results before profits have been negative, and through 1977 the shareholders have invested 209 million Sw. kronor in additional capital over and above the 100 million Kr. which were invested in the initial capital shares. The future of ASEA is not bright. There have been no new nuclear power orders since 1976. According to Asea-Atom's managing director, Lars Halle, an order is needed every 2 or 3 years to maintain technical competence, and in principle one order per year for a reasonable profit.

One Year's Grace

"We need a new order within 1 to 1 and 1/2 years in order to keep going," Lars Halle says. The company is working hard to get an export order and has good prospects for one from Turkey. In the meantime we are seeking to reduce our dependence upon nuclear power deliveries by making offers for conventional oil and coal fired power plants.

Until the energy sector improves, Asea is dependent upon developments in its other two branches: the industrial and transportation sectors. These together with the energy sector constitute the backbone of Asea's activity.

The three legs are, however, supported by a strong maintenance sector, consisting of three divisions: Standard Products, Semi-Fabrication and Other. The Standard Products' Division makes components for motors, cables, etc., parts which the three main components use in their production and which therefore need not be purchased elsewhere.

The Semi-Fabrication Division primarily supplies steel to the firm's manufacturing units, while the division Other involves installation, wholesale and service activities.

The three-legged organization was created in the beginning of the 1960's in conjunction with Curt Nicolin's becoming managing director. During his tenure as managing director Asea invested large sums in building up its own nuclear energy technology with the goal of Asea's mastering every step and being able to deliver complete units (including the transfer of the produced energy to the ultimate consumer).

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The concern's research and development costs jumped up to 10 percent of the firm's yearly turnover, several percentage points more than international competitors. For many years Asea has accounted for about 10 percent of all research in Sweden.

Marketing Neglected

The strong effort in research has led to Asea's being one of the few firms in the world which can deliver its own nuclear power plant and masters the allied technology. At the same time Asea neglected--or was unable--to develop the sales organization which could capitalize on the results of the firm's extensive research. In 1968 foreign sales accounted for 45 percent of the turnover. Today it is a few percentage points over 50, which, compared with the international activity of other large Swedish firms, is low. The share will, nevertheless, increase more rapidly in the next few years, since orders are now 60-70 percent from abroad.

"Our still low export share stems also from commercial restrictions on our products," Curt Nicolin explains. "In many countries orders for energy equipment are made on the basis of national preference. Countries such as England and France are in practice closed markets; and the United States, which constitutes perhaps 40 percent of the market for energy equipment, excluding the eastern countries, imports just as little as Sweden," Torsten Lindstrom explains.

"Asea's international efforts will be strengthened through a continued development of the marketing apparatus and by direct investments in local production as a means to break into otherwise closed countries," Torsten Lindstrom says. Apparently Asea's management has underestimated the difficulty of breaking into these new markets. The large industrial countries have favored domestic manufacturers and at the best allow only a limited purchase of parts abroad. The underdeveloped countries, on the other hand, have preferred companies with experience in complete plants, and up to now Asea has been lagging internationally.

Rays of Light

What can now improve Asea's situation is an increase in orders in the industrial and transportation sectors. Here the situation seems to be significantly brighter than only a year ago.

"The greatest change during the fall was that we achieved a better utilization of our capacity, which was also increased by successive reductions in personnel. We calculate that just during the first half year under-utilized capacity cost us about 200 million Kr.," Curt Nicolin says. The gross income for the first half of last year was only 274 million Kr., but as a consequence of better utilization during the second half year, it increased to 460 million Kr. for the last six months of the year.

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Of the two divisions it is particularly the industrial sector on which Asea is placing its hopes. "It is here we are going to make our greatest effort in connection with the machine industry's need for steering, control and industrial electronics," Torsten Lindstrom says.

These are areas in which Asea as a business has great experience. Asea itself uses such systems to increase the profitability of its own production. This led to its starting several years ago its own production of robots and steering relays. "Our robot and relay business had had a fine increase of about 25 percent yearly and a good profitability. Here we see a great potential and hence will concentrate on these sectors in the future," says Curt Nicolin.

Wants To Sell Steel

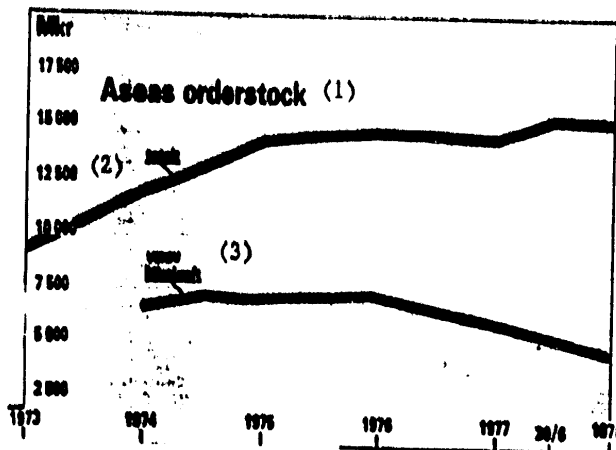
One sector where neither Curt Nicolin or Torsten Lindstrom see any possibility for future growth is steel in the Semi-Fabrication Division. The concern's two steel mills are Surahammar and Kohlswa. Both are doing badly. In 1977 Surahammar lost 124 million Kr. and in 1978 it is about the same. "I don't see any future potential for these two entities," says Curt Nicolin, who would like to see them incorporated somewhere else in the steel industry. "Our units are too small to compete. The problem is also that they are so specialized in their range that they do not fit directly into any other steel producer," Torsten Lindstrom says. At the moment there are no discussions going on with anyone regarding Surahammar and Kohlswa.

While the Semi-Fabrication Division is the firm's only real big loser, the other two "support divisions" Standard and Other, are the concern's two most profitable units. Standard Products is very profitable in boom times because foreign sales then increase greatly. The Other Division has profitable energy operation in the Voxnan Group.

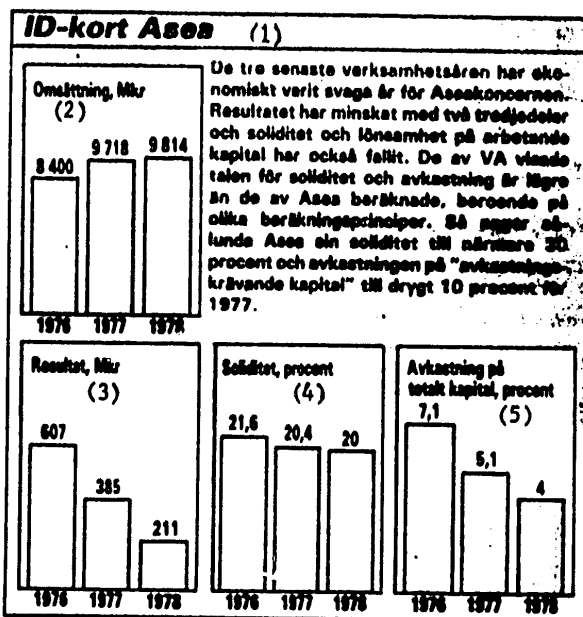
A big problem for the firm's management is inflation. Many of the orders, particularly in the energy field but also in transportation, can only be definitely calculated a couple of years after signing the order. "We are not able to put index clauses in our contracts but must in the original price calculate for inflation. If we figure incorrectly, it affects our margin. Last year our cost calculation was more favorable than anticipated, and this had a positive affect on the result. This year it will probably be the opposite," says Curt Nicolin. It is against this background that he believes that the improvement in profits in 1979 will be modest despite orders and the fact that the utilization of capacity continues to improve.

Additional salt in the wound is the fact that the large order for transformers for Iran in 1977 will be postponed. A future which does not look too bright for Asea if investment in energy does not pick up in Sweden and abroad.

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Key:
 1. Asea's backlog of orders 2. total 3. of which nuclear power



Key:
 1. The last three years of activity have been poor for Asea economically. Profits have decreased by two-thirds, and "solventy" [soliditet] and earnings on working capital have also fallen. "Veckans Affärer's" for "solventy" and returns are lower than those calculated by Asea. This results from using different

[Key continued on following page]

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accounting principles. Thus, Asea gives its solvency at close to 30 percent and returns on "earning-demanding capital" at just 10 percent for 1977.

2. Sales in Millions of Kr.
3. Earnings in Millions of Kr.
4. "Solvency" [soliditet], percent
5. Return on Total Capital, percent

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