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21 September 1979

WEST EUROPE REPORT

(FOUO 53/79)

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THEATER NUCLEAR FORCES

INTERNATIONAL AFFAIRS

EUROPEAN PERCEPTIONS OF SALT II, TNF ISSUES PRESENTED

General Problems

Bonn EUROPA ARCHIV in German 10 Aug 79 pp 455-460

[Article by Gregory F. Treverton: "The SALT II Agreement-Content, Significance, and Some Problems"]

[Excerpts] Agreement's Effect on United States

There is no need to point out that Salt II cannot solve all strategic problems for the United States; no SALT treaty can do that. But on some essential points, SALT II nevertheless does introduce improvements as compared to SALT I. SALT II for the first time establishes numerical parity between both sides; the United States Senate raised this demand already during the ratification of SALT I when the Soviet Union was allowed a larger number of missiles as compensation for the alleged superior quality of American technology. Now the Soviet Union for the first time must reduce the number of its strategic offensive weapons, specifically, in the amount of 250 launch devices. Naturally, the Soviets will select their oldest systems for scrapping; nevertheless, the mere fact that weapons must be scrapped is significant.

SALT II does not solve the problem that causes American strategists the biggest headache: The increasing vulnerability of their land-based Minuteman ballistic missiles. There is hardly any doubt that large and accurate Soviet missiles with multiple warheads will be in a position toward the beginning or the middle of the eighties almost completely to wipe out the siloed American ICBMs in one surprise strike. Whether there is any real threat corresponding to this theoretical possibility continued to be a vehemently debated subject. SALT II at any rate cannot eliminate such a threat and that is something we have known since the 1974 Vladivostok summit meeting between President Ford and Secretary-General Brezhnev.

But SALT II at least puts a limit on the Soviet capability for mounting a destructive first strike. Because the Soviet sea-based missiles are not sufficiently accurate to wipe out siloed missiles, the limitation to 820

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land-based MIRV-ICBMs, as agreed upon in SALT II, in combination with the limitation to a maximum of ten warheads per missile, has the practical effect that the Soviet Union will have a total of no more than 9,000 warheads available for a surprise strike against the American missile silos. That is a limit--for the worst case--which one can adjust to with one's planning. Besides, the restrictive treaty provisions on the modernization of existing systems see to it that all land-based Soviet ICBMs--apart from the one type which both sides are allowed to develop newly--in spite of all imaginable technical improvements in the final analysis must retain the same size and the same engine characteristics as before.

In the area of verification, SALT II brings progress. An example here is the ban on the production and introduction of the Soviet SS-16. Another example consists of the counting rules that were agreed upon. It says in the treaty that every silo, which, depending upon its construction design, may contain one missile with multiple warheads, basically is to be counted as a launch device for MIRVed missiles, regardless of what actually is in that silo. Accordingly, the Soviet Union must accept the fact that about 100 of their ICBMs with single warheads are to be counted as if they were MIRVed because--and so long as--they are installed in silos suitable for MIRV. According to the counting rule, "once a MIRV, always a MIRV," the Soviet missiles of the SS-17 and SS-18 types--even if they have a single warhead--are to be charged fully against the Soviet MIRV contingent because they were tested with multiple warheads.

Undoubtedly, verification will become increasingly difficult, the more the SALT process moves out of the sphere of purely quantitative arms limitations into the sphere of qualitative arms limitations. But in SALT II it was possible at any rate to subject individual sectors of missile technology--of which a few years ago it was still believed that they are not verifiable, in other words, multiple warheads--to control. SALT II openly accepts a truth which actually was always obvious and that is that verification is in the interest of both sides and that both sides therefore to a certain extent must depend on cooperation. SALT II upgrades the role of the permanent advisory commission which will serve as a forum for the continuing exchange of arms data and for the purpose of raising doubts as to whether the partner's behavior is in keeping with treaty provisions.

Real and Apparent Problems of the SALT Agreement

The SALT debate in the United States unfortunately has less substance than it seems on some important points. One amendment clause, which the Senate might possibly add to the treaty text, concerns the only obviously "asymmetrical" provision of the treaty according to which the Soviet Union may retain its 308 "heavy missiles" while the United States does not have such huge missiles and according to the treaty is no longer allowed to build them. Indeed, the United States never placed any value on having

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such missiles; the United States would not build any, either, even if it were allowed to do so. The problem of the Soviet "heavy" missiles instead consists in the fact that the Soviet Union--if there were no SALT limit on "fractionation"--could distribute the throw weight of every missile over several dozen warheads.

The current debate presumably assigns too much weight to the verification problem³. There is hardly any doubt that, even in the best of all worlds, the United States would not be in a position to discover every Soviet violation--even the smallest one--of the treaty. Presumably however the United States will in any case be in a position to recognize a treaty violation by the Soviet Union which is of military significance. The fact that concepts such as "presumably" have to be used naturally tells us how problematical the whole affair is. It is and remains far more a matter of opinion rather than a question of physical capabilities. Undoubtedly, the loss of the observation stations in Iran is making it more difficult for the United States to verify the SALT agreements; but this loss undoubtedly can be extensively compensated by means of other, abundantly available systems or it can be made up again in the longer run.

Anybody who insists that each individual SALT provision must be totally verifiable according to certain technical procedures turns an apparent problem into a real problem. This approach would be understandable if verification were so unambiguous a matter that one could say: Either we know whether the Russians are cheating or we do not know. But things are not as simple as all that and the problem is further complicated by the fact that most verification systems are secret for good reasons. Verification is simply a pretext for some senators to stop SALT II which they do not like; for others, it is a way out to get around problems which are inherent in the treaty itself; and for still others it is an argument that enables them to tie tactical flexibility in with the great demand for the preservation of national interests in the course of the ratification debate. But just as a bad treaty should not be approved only because it is verifiable, so should a good treaty not be discarded only because it does not meet an unrealistic--and unnecessary--ideal standard of verification.

Naturally, SALT contains problems that cause worry for the Europeans. They are significant but this is not the place for discussing them in detail⁴. But even these problems often are not viewed correctly or are being misrepresented. SALT II covers not only the Soviet "grey-area weapons," such as the SS-20, which do not threaten the United States but which do threaten Western Europe. Some of those weapons systems could play a role in future arms control negotiations; there is much to indicate that they should be included in SALT III. The failure to take those weapons into consideration however goes back to SALT I and at that time that was a requirement put up by the western, not by the eastern side. It was the United States who--in full agreement with its allies--resisted the Soviet demand that SALT should also include the so-called "forward based systems"--in other words, the air forces of the United States and other NATO countries that can reach the territory of the Soviet Union with nuclear weapons.

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The worry about the protocol for SALT II likewise extensively misses the point. It is feared in Europe that the United States is allowing itself to be pushed by the Soviet Union into continuing to abide by the limitations on sea-based and land-based cruise missiles even after the expiration of the official period of validity of the protocol. The Soviets will certainly try to do that; the protocol after all in combination with the "joint declaration" provides that "cruise missiles" are to be placed on the agenda for SALT III. But the question as to what is to be done with the above-mentioned agreements on cruise missiles will not be decided in the course of the SALT negotiations but elsewhere. If NATO should decide, in the context of modernizing its European-earmarked nuclear forces, also to introduce land-based and sea-based cruise missiles with greater range, then the United States SALT delegation will be bound by that decision. At any rate, it is to be expected that the United States Senate will insist on making any extension of the protocol's period of validity dependant on its approval. If we then also take into consideration the general public opinion climate in the West, it seems impossible that the United States could, in SALT III, be ready to enter into an agreement on cruise missiles that would not be backed up by the allies.

SALT and the Strategy of Deterrence

There is much confusion in the American SALT debate. First of all it deals with entirely minor and then again with quite general questions; sometimes it involves special technical problems and then again it relates to Soviet African policy, to atmospheric things, such as the question as to whether one could afford to trust Moscow at all. In between there is certainly also a discussion as to what strategic deterrence is based on and how it works; but that part of the debate is much too short.

The unrestrained tempo of the Soviet armament drive undoubtedly is cause for concern. SALT was by no means able to attenuate the Soviet arms effort to the extent that had been hoped for once upon a time. Nevertheless, one will hardly be able to say that things will go better in the future without SALT. Greater United States expenditures in the field of strategic armament are inevitable. One essential step in that direction is President Carter's decision in favor of the MX missile which is to correct the vulnerability of the Minuteman system.

But it so happens that the MX perhaps--to paraphrase a statement by de Gaulle--is the solution of a problem but at the same time it self constitutes a problem. Somehow deployed in a mobile manner, the system cannot be reached by a Soviet surprise attack. At the same time however the MX will be a highly efficient and accurate missile which, in turn, could threaten the Soviet land-based ICBMs with a surprise first strike. The problem arising from the vulnerability of the ICBMs however is incomparably worse for the Soviet Union than it is for the Americans: About 70 percent of the Soviet strategic warheads are installed on fixed, siloed missiles whereas on the American side that would come to only about one quarter.

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Possibly, the Soviet Union, if it finds itself facing this dilemma, will follow the American example and likewise establish a mobile--and therefore survivable--system of launch devices. This means higher arms expenditures for both sides but also more stability. In the meantime, historical experience hardly provides any cause for the optimistic expectation that the Soviets would willingly follow the Americans in their interpretation as to what stability really means. Precisely if a SALT agreement were not to materialize, the Soviet Union could find itself forced to increase the number of warheads in its missiles or also to seek its salvation in an ABM system. At any rate, a situation might arise during the late eighties in which the Soviet land-based ICBMs are vulnerable while the American ones are no longer vulnerable; and it is not at all certain whether that would serve the cause of stability. Besides, verification remains a problem: The United States may be convinced that the deployment system for the MX is not verifiable for the Soviet Union; whether a similar system, applied to a Soviet "MX" on Soviet territory, would likewise be verifiable is something that remains to be seen.

The problem consists not so much in the incongruity of the weapons but rather in their concept. When the idea of cooperative arms control by the superpowers was still hotly disputed--in other words, at the time of the conclusion of SALT I and beyond--there was sufficient coincidence between the strategic concept of the United States and the practice of arms control. The treaty on the limitation of missile defense systems (ABM treaty) was the clearest example here. Defending cities against a nuclear attack was considered undesirable because it seemed suitable to undermine the enemy's confidence in his own ability to achieve deterrence by threatening a massive retaliatory blow. Today there is far less consensus of the goals and the means of deterrence; there are hardly any generally recognized strategic criteria for arms policy decisions; and the concept of arms control is even exposed to the charge that it has lost its orientation and long ago ceased to be consummate with security-policy goals which it is supposed to serve.

Resistance against SALT II is to a good extent aimed against the premises of strategic arms control which claimed validity for a decade. The treaty's opponents argue, looking at it quite specifically, not against SALT II but in favor of strategic superiority⁵. They contradict the thesis to the effect that strategic parity also means stability. Instead, they stick to the idea that strategic superiority provides political influence and could be decisive in the outcome of a crisis between the superpowers.

There is a whole series of problems which would have to be thought out more thoroughly than is being done currently in the debate on SALT II. That includes for example the fundamental question as to the role which negotiations on strategic arms limitations should play in western defense planning and in East-West relations. That also includes the very difficult issue as to the future development trends in strategic arms controls. Above all one would have to figure out whether it is wise to move on from SALT II, such as

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it is now, directly toward SALT III, especially if the American negotiation concept were to be aimed primarily at drastically reducing the permissible totals. That would increasingly aggravate the nuclear strategy problems which NATO faces in Europe.

At any rate, it would be a shame if the SALT debate were to get stuck on secondary detail questions or if the treaty were to fail only because it naturally cannot come up to the excessive expectations to the effect that it supposedly should solve all of America's strategic problems.

FOOTNOTES

3. This view would probably also be approved by the more thoughtful critics of SALT II, such as, for example, Paul Nitze.
4. See Lothar Ruehl, "The SALT II Agreement and European Interests," on pp 461 ff in this issue. A good analysis of European problems connected with SALT can also be found in Christopher Makins, "Bringing in the Allies," FOREIGN POLICY, No 35, Summer 1979. The author has published an investigation of the problems of the "grey area" and the options for NATO in FOREIGN AFFAIRS, Summer 1979, entitled "Nuclear Weapons and the 'Grey Area,'" pp 1075 ff.
5. See, for instance, the article by Colin Gray in the issue of THE WASHINGTON QUARTERLY, winter 1979, devoted to SALT.

Specific European Concerns

Bonn EUROPA ARCHIV in German 10 Aug 79 pp 461-472

[Article by Dr Lothar Ruehl, correspondent, Second German Television Channel, Brussels: "The SALT II Agreement and European Interests"]

[Text] The Vienna agreement on the "limitation of strategic offensive weapons"¹ is not aimed at a limitation of strategic armaments as such but rather at a limitation of arms increases in the strategic nuclear weapons arsenals. It is marginal in terms of its design and effect. The hard core remains untouched.

Development Tendencies in the Strategic Force Ratio Under SALT II

In the context of SALT II, the United States--provided it is able to do that in accordance with the status and objectives of its armament program--could have about 17,000 targetable nuclear attack warheads ("force loading") for strategic delivery systems while the Soviet Union could have about 14,000². This margin for increase, on the basis of the status as of the beginning of 1979, leaves the United States room for about 8,000 nuclear force loadings that could be aimed at various targets (status as of 1 January 1979: 9,200, extreme limit according to SALT II 1985: about 17,300)

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--in other words, a permitted growth rate of about 87.5 percent. For the Soviet Union, the increase margin in conformity with SALT II comes to about 9,000 nuclear force loadings, that is to say, 280 percent on the same basis (status as of 1 January 1979: 5,000, extreme limit in 1985: about 14,300)³.

This option for an increase in the targetable attack potential using central strategic systems is asymmetrical on both sides because, on the one hand, the MIRV technology in American armament still is ahead of the Soviet one whereas, on the other hand, the Soviet armament effort develops its modern MIRV warheads with a larger number of individual warheads on the newer missile weapons. From about 2:1 in 1979, the American superiority in targetable strategic force loadings will shrink to about 1.2:1 in 1985, if American plans are carried out and if American estimates on Soviet arms increases prove to be correct. The numerical ratio would then be roughly 11,500: 9,500, plus or minus 5 percent⁴. The ratio in the target attack options of both SALT partners, related to the number of operational and targetable individual weapons for strategic delivery vehicles would accordingly, at the end of the period of validity of SALT II, would be on the American side in the form of a rough parity with a marginal advantage in terms of numbers.

The question therefore cannot be whether SALT II, related to the subject of the treaty, creates a recognizable disadvantage for the United States; instead, the question should be whether the concept of quantitative parity of central strategic weapons in the bilateral ratio is in keeping with the security need of the United States and the interests of the European NATO partners. In connection with SALT II it is furthermore necessary to analyze the broader strategic environment with the dynamics of the strategic competition between the two world powers and the changes which might develop by 1985 or immediately thereafter in the international conflict structure between East and West. In practical terms, the question is this: Does SALT II leave the United States sufficient strategic weapons to preserve its security and effectively to screen its allies or other protected countries?

This question, to be sure, must be projected against the geopolitical and strategic reality, not against the background of abstract assumptions about nuclear war which one side could start with a sudden raid-like attack against a thousand missiles in silos and which for this purpose, in one throw, would cause at least 2,000 thermonuclear detonations, continent-wide, as the first strike against the sovereign territory of the enemy.

The Vienna SALT II texts by themselves cannot supply a valid answer and that is already indicated by the extreme margins for the increase in bilateral strategic armament efforts. An agreement which permits theoretically to make up to 17,000 weapons operational, when only about 11,000 are planned, cannot give us any information about the actual force ratio

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at the end of its period of validity, not to mention its further effects on the distribution of strategic power during the decade after the next. The American treaty negotiators in Vienna pointed to the "SALT process" (Brzezinski⁵) also because of this obvious lack of instrumental value, in terms of stabilization, deriving from a strategic balance--no matter how carefully adjusted--between the two SALT partners.

The American SALT negotiators (Earle) consider the clause on the limitation of launch weight and throw weight for new ICBMs to the heaviest figures actually deployed upon the conclusion of the treaty (Article IV, Paragraph 7) to be one of the key provisions⁶. All Vienna agreements in this area are to work in the same direction: To limit the increase in the targetable warheads. Soviet interest in an optimum increase in the number of missiles and launch devices by means of the MIRV technology was evident since 1972.

Only for SALT III did Foreign Minister Gromyko in 1978, in addressing the Special United Nations General Assembly on Disarmament in New York, hint at a "substantial reduction" in strategic weapons although there was no indication as to whether the Soviet foreign minister was talking about launch devices or force loadings. Within this broader prospective, we come to the practical question as to the targetable attack potential of the strategic nuclear forces and the reserve potential in the central U. S. arsenal which can be held in readiness for NATO purposes in Europe, that is to say, for participation in the SACEUR strike against Soviet and Eastern European territories.

Once again the Vienna agreement by itself cannot give us any adequate information but it does leave relatively broad leeway for each of the two partners until the end of 1958 for each partner's planning of strategic forces and their conversion to modern weapons systems--a leeway which each side can fill out or leave open. That also applies to the decision to deploy ICBM systems in a land-mobile mode, in other words, for the armament option which is most important in strategic and security-policy terms and which will become available during the period of validity of SALT II.

The ceiling for strategic delivery vehicles and their launch systems or platforms at 2,250 however is higher than the ceiling which Henry Kissinger tried to get in SALT II in 1974-1976 and which was 2,160; nevertheless, in terms of its effect on the bilateral armed forces, it hardly differs from the lower one (the difference relates to the compensation for the Soviet "Backfire" bombers which were exempted from the SALT limitations and for which the Americans expected 240 in the strategic configuration by 1985). The reduction of this ceiling of 2,250, as specified for 1982, in SALT III, by means of the "considerable and essential reduction in the number of strategic offensive weapons" (third chapter of the declaration in SALT II)--which is provided for as negotiating goals in the "Joint Declaration"--by about 25-30 percent and the reduction of MIRV-ICBM from 820 by a similar percentage would considerably reduce the target

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attack capability for military attack planning against small and hard targets (such as rocket silos) especially if this were to be connected with a reduction in the number of single warheads in the MIRV systems. Would that critically impair the American capability of covering militarily relevant targets in the Soviet Union in order to strengthen NATO defenses in Europe?

The answer is directly related to the target accuracy of the American systems and the survivability of the ICBMs of those that are installed in fixed silos. This survivability of the "Minuteman" (1,000, including 550 triple MIRV Minuteman III and 450 Minuteman II [Missiles]) will presumably be heavily reduced starting in 1982-1983 if the hypothesis of the threat assumes a strike against the silos without adequate warning and launch preparations. The realism behind such an assumption is not a subject for debate here. Arithmetically, up to 100 percent of the 1,000 silos could be hit and destroyed. The threat springs above all from the Soviet SS-19 and also from the heavier SS-18. The SS-18 is recorded in the SALT II agreement with ten warheads and the SS-19 with six warheads (entered as "RS-20" and "RS-18" in the stipulated agreement on Paragraph 10, Article IV, of the treaty).

SALT II entitles the Soviets by the end of 1985 to deploy 300 ICBMs in the RS-20 weight category (American designation: SS-18) and along with that 520 RS-18 (SS-19). In other words: 3,000 plus 3,100 would equal 6,100 ICBM-MIRV warheads in fixed missile systems. If, along with American experts (for example, Lodal), we assume that there are two such accurate warheads for the neutralization of each missile silo, then the Soviet forces with two-thirds of their SS-19 potential could doubly cover all Minuteman silos in North America without having to use the less accurate SS-18 missiles which are suitable for massive thermonuclear multiple attacks against vast target areas.

The Minuteman force, which so far is the only accurate and fast--reponse component, in keeping with the requirements of a flexible escalation strategy, for the external support of the European deterrence potential of NATO, thus is faced with a mathematically heavy risk already during the running time of SALT II. SALT II was unable to remove this objective (technical) threat from the valuable "Minuteman" because it does not provide any radical and verifiable reductions of MIRV systems. (In this connection, of course, the one-sided American renunciation of an increase in the number of warheads in Minuteman III from the present three to seven, which would be fundamentally possible according to the wording of the agreement, is relativized.)

The right of the SALT partners to one, each, new modern ICMB type, in combination with the upper MIRV-ICBM limit of 820 launch units, is essential for the strategic balance and the preservation of the options with MIRV-ICBM also for the NATO partners in Europe. Prior to 18 June

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1979, President Carter gave the go-ahead for the procurement of, initially, 200 MX-ICBMs which could be deployed with a total of 2,000 thermonuclear warheads of greater accuracy and which could also be stationed in a land-mobile manner. They can partly compensate for the threatened Minuteman III potential of 1,650 warheads.

But according to SALT II the United States also has the right to replace all 550 Minuteman III missiles with MX by the end of 1985--in other words, America can replace 1,650 warheads on 550 fixed ICBMs with 5,500 warheads on 550 land-mobile and accordingly relatively well-protected ICBM systems. This example shows that the Vienna texts by themselves do not yet have any relevance in armament policy and strategic terms but that they become relevant only in combination with the one-sided decisions on options which are available within the SALT II framework. To be sure, Article I of the "Protocol" stipulates that, by the end of 1981, mobile ICBM launch devices may be neither deployed, nor may they be used for flight testing of missiles; but, as of 1982, they are again available for these purposes according to the Vienna agreement.

Because the MX also makes new warheads of greater accuracy and target reliability in the terminal flight phase, the United States can provide safety for its ICBMs against silo-accurate enemy warheads and moreover can increase its attack capability by a larger number of more targetable and accurate warheads. Converted to MX, the permitted number of 820 MIRV ICBMs with 8,200 individual attack force loadings and with a CEP reduced as compared to Minuteman III, could, even increase of a reduced detonation value, combine greater target attack capability with a greater weapons reserve and practically secured survivability of launch systems.

Within the framework of SALT, the United States after 1985 could have more targetable and more accurate thermonuclear warheads in its ICBM forces than has been the case so far with the Minuteman class. The United States could keep more weapons ready, than has been the case so far, in its central target planning for special purposes of screening Western Europe by covering more suitable targets in the Soviet Union. Whether the United States can do that does not depend on SALT II but on the American armament program, on the production capacity, on the financial expenditure, and on political factors in America itself: Does America, the world power, want to take the step across the armament threshold to the field of land-mobile ICBMs on a broad front and, in so doing, fill out the extreme limits, set by SALT II, down to the very last nook or does it not? What limitation goals does it contemplate for SALT III?

Here we come to the question which the American negotiators raised in 1972 in Moscow in their unilateral declaration⁸ as to whether a deployment of land-mobile ICBM launch systems would "not be compatible with the agreement's goals." At that time, the U. S. delegation for SALT I withdrew its suggestion as to a ban on the deployment of such ICBM systems and postponed the problem to the SALT II negotiations. The assertion that such systems

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would be incompatible with the purpose of the interim agreement running until 1977 need not by itself be applicable to the SALT II agreement which is to run until 1985.

The 1979 Vienna treaty only bans "mobile launch devices for heavy ICBMs" (Article IX/1.d) on the ground (so-called air-based ICBMs on aircraft are permissible but, in the treaty category of ASBMs with a range of more than 600 kilometers, would fall within the SALT II limitation so that they would reduce the number of land-based ICBMs including the MIRV-ICBMs, piece by piece; see Article II, Article V/1 and 2, and Article IV/13). The supplementary agreements in the "Second Stipulated Declaration" for Article II/1 of the treaty says that, after the protocol is no longer in force (that is to say, the protocol which bans land-mobile ICBM launch systems until the end of 1981), "mobile ICBM launch systems" are subjected "to the pertinent limitations which are provided for in the treaty and which apply to ICBM launch systems unless the contracting parties agree that mobile ICBM launch systems may no longer be deployed after that time." Because mobile launch systems for "light" ICBMs are not a subject of the Vienna treaty, both partners have a free hand in deploying such land-mobile systems as of 1982.

Disagreement on the treaty content and the treaty purpose regarding this point however cannot be ruled out, depending upon how Soviet Union determines its own interests in grand-mobile ICBMs. American interest was reversed after 1972, when the silo-ICBMs became highly vulnerable. But MX, according to the treaty definition characteristic for "heavy" ICBMs--greater launch weight or greater throw weight than that of the heaviest of the "light" ICBMs which each side has deployed upon the conclusion of the treaty (Article II/7)--is definitely a "light" and not a "heavy" ICBM. It is thus not covered by the ban in Article IX. According to initial Soviet semiofficial declarations and also according to official hints in Vienna itself⁹, this disagreement of course could also relate to the planned launch systems for the MX because the treaty (in Article IV/1 and 2) bars the new construction of additional "fixed ICBM launch systems" (fixed ICBM launchers), as well as any change in the position of such launchers. Several supplementary agreements were recorded for Article IV in Vienna but none were introduced for Paragraphs 1 and 2. The Soviets could maintain that a land-mobile deployment of MX launchers, according to American plans for a MAP launch organization, with up to 45 different launch points for each launch system in tunnels, would be incompatible with the provisions of Article II/1 and 2. This raises a question of definition between "fixed" and "mobile" as related to "launcher" and to the technical concept of "container" which is not reluctant to the treaty test. Accordingly, in case of MAP, it would not be the number of "fixed launchers" that would be increased but only the number of "containers" which are not covered by the treaty; there would be no change in the precise position of launch systems but only in that of missiles in their transport containers which at the same time are the firing containers for the launch. The MX would not be a "mobile" deployed ICBM.

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A controversy on that score would be bound to lead to a political conflict as to compliance with or circumvention of the treaty obligations by the United States. The alternative on the Soviet side would be the deployment of land-mobile light ICBMs in a weight category which would correspond to that of the SS-19 (RS-18) ICBM. In SALT II, in one specific agreement (conference on Article IV/8), for the duration of the treaty, renounced the production, flight testing, and deployment of SS-16 ICBMs (Soviet designation RS-14); in that renunciation they in particular included the third powered stage of the missile, the re-entry vehicle, and the target system. The Soviet Union thus could also consider this additional obligation as irrelevant if MX were to be deployed in a land-mobile manner prior to 1985 or if Minuteman III were to be provided with a mobile launch system. This question will become acute between 1982 and 1985, if agreement is not achieved before that on the permissibility of MAP deployment (8,000-9,000 different launch points, that is to say, also systems, for 200 MX launch units according to the current American plan) and/or on the continuing ban on land-mobile light ICBM systems. It would seem that the MX would be operational as of 1986, in other words, after the end of the Vienna treaty's period of validity.

This complex is of tremendous interest for the European NATO countries. The advantage of a secured MIRV-ICBM attack capability on the part of the United States armed forces against Soviet targets and a large reserve of targetable warheads in the SALT-committed strategic arsenal would be counterbalanced by the disadvantage of land-mobile ICBMs in the Soviet Union which would make a meaningful limitation of the number and stationing areas for the Soviet IRBMs, especially the SS-20, even more difficult than it already is. The Soviet obligation not to produce and deploy the SS-16 (RS-14) here relates not only to land-mobile launchers (which are not expressly mentioned in the stipulated agreement) but above all to a weapons system which can be exchanged and confused with the SS-20 IRBM. Thus, this renunciation serves the verifiability of SALT II in that the possibility of converting SALT-free SS-20 IRBMs into SALT-restricted SS-16 ICBMs by inserting a third powered stage, is considerably hindered and formally barred. But in this way the technology of the SS-20 IRBM class--which just about touches the outer limits of SALT according to various characteristics (range, powered stages, launch weight, throw weight, launcher)--be kept free of SALT II through a specific agreement. In terms of the stability of deterrence and arms control it would also have been conceivable that the Soviet Union might have renounced the production and deployment of the SS-20 for the sake of external backup support for the SALT II agreement and the restriction of the "grey area"¹⁰ around SALT, although the currently flight-tested range of this IRBM with three warheads, amounting to 4,600 kilometers, is below the lower range limits for SALT-II-restricted ICBMs which is 5,500 kilometers (Article II/1).

Soviet behavior with relation to the SS-16 points to the priority concern with keeping the SS-20 beyond suspicion under SALT and introducing it into

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the Soviet rocket forces as an essential component. The American SALT partner was able neither to force nor to purchase such a Soviet renunciation in SALT II.

Parity, Disparities, and Effects on Europe

The SALT II agreement accentuated and updated some critical problems for European security interests and the strategic unity of the North Atlantic alliance territory with respect to the Soviet Union, which cannot be renounced for the sake of Western European security in the shadow of Soviet military might and the latter's medium-range attack weapons that cover the entire Western European periphery. These problems existed prior to SALT II and prior to the modernization of the Soviet medium-range systems. They could not be involved by the Vienna agreement, the way the negotiations had been laid out since the conclusion of the Moscow SALT I agreement. They were left to future negotiations, perhaps under SALT III. But the SALT II agreement must be interpreted also in the light of these special European problems because the United States cannot separate its own security, as the protective and leading power of an alliance with countries on the other side of the Atlantic from the security of Europe and because arms control in bilateral American-Soviet relationships also have an effect on Europe--in a manner different from the effect on North America.

The points of contact between SALT II and Western European security are found on various levels: The higher levels of Western security policy and strategy and the subordinate levels of deterrence on the European continent and the defense of Western Europe by NATO. Apart from the (above covered) problem of the ceiling for central strategic weapons systems and their survivability, especially the silo ICBMs, the critical contact points involve the following:

The Soviet concept of strategic weapons, that is to say, practically, SALT and the longer-range American nuclear weapons systems which are stationed in Europe and which can hit Soviet territory from their launch bases;

The noncircumvention clause according to Article XII of the Vienna treaty in relation to the armament options of NATO in Europe;

The effect of the treaty protocol on these options for the modernization of the long-range systems of regionally committed nuclear weapons of NATO in Europe (LRTNF--Long-Range Theater Nuclear Forces);

The basic principles and goals which were contemplated in the Vienna "Joint Declaration" on the agreed-upon follow-up negotiations for SALT III:

The disparity which is being accentuated between East and West by medium-range Soviet nuclear weapons below the SALT limit (5,500 kilometers);

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The treaty effect beyond the bilateral relationship between the two SALT partners, particularly with regard to weapons systems that can be used in a non-nuclear mode, such as, cruise missiles with a range of more than 600 kilometers and similar vehicles.

All of these contact points are in a multiple interrelationship with NATO's ability to manage controlled, target-effective escalations and consequently to carry out the deterrence function of the NATO strategy of flexible defense response.

Since the start of the SALT process it has become clear that the Soviet Union considers all nuclear weapons systems to be "strategic" which can hit Soviet territory from any launch bases. This concept is asymmetrical so long as the Soviet Union negotiates exclusively with the United States whose territory cannot be reached by comparable Soviet systems. To be sure, the United States since 1969, in SALT I and SALT II, was able to reject the Soviet demand that American FBS be charged against American "strategic weapons"; but the problem remains for SALT III. At any rate, the modernization of the Soviet nuclear medium-range attack potential by SS-20 and the "Backfire" bomber (TU-22M) dramatized this entire topic complex and thus began to alter the international discussion base on the asymmetrical Soviet concept of security and arms controls, presumably to the disadvantage of the Soviet Union. But it remains to be seen in SALT III whether the SALT process will lead to a generally balanced strategic East-West relationship. SALT II does not reveal any tangible approaches here, except for the parity principle itself which, in turn, is penetrated by the indirectly recognized right of the Soviet Union to its own ICBM heavy-weight class for the 308 existing SS-18 (RS-20) missiles. The principles of "equality and equal security" of both SALT partners--taken over from the Moscow SALT I agreement and included in the preamble of the Vienna treaty--do not provide any clear indication as to the quality of the strategic interest balance which is supposed to result from the continuation of the SALT process, initially on the basis of SALT II.

These principles, which the Soviets demanded in 1972, via the legitimate political claim to equality with America, as a world power, point to a strong Soviet interest in preserving a sufficient nuclear attack potential of strategic effect in the SALT framework with respect to the United States in order to safeguard the Soviet need for security against all imaginable opponents and opposing alliances in the manner of a strategic allaround defense. Such a claim, which is pointed up by individual Soviet negotiation moves under SALT I and again under SALT II, would either lead to a permanent release of Soviet nuclear weapons systems with a range of less than 5,500 kilometers in a continental deployment or to additional Soviet contingents of nuclear weapons with greater range within the framework of a future arms control agreement. During the SALT I negotiations already the Soviets until 1972 had demanded that the strategic bases of the American SLBM forces overseas be taken into consideration and that the

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British and French SLBM forces be compensated for, by means of an additional contingent of SLBM and missile boats, in the same number, on the Soviet side. The demand for a treaty ban on technology transfer involving cruise missile systems to other countries, raised under SALT II, points in the same direction.

In this connection, the noncircumvention clause in the Vienna treaty likewise assumes a political significance which goes beyond its limited although not yet clearly technical effect. It is aimed at the noncircumvention of the treaty obligations "by means of another state or other states or in some other way" (Article XII). Does it follow from this that the United States perhaps is not allowed to transfer any more SLBMs to Great Britain, unless the number of those systems were to be charged against the American SALT contingent for 2,250 and 1,200? The treaty provides no answer and supplementary agreements were not recorded in protocol on that in Vienna. This question can assume practical significance only if Great Britain wanted to replace its 64 American Polaris SLBMs and to increase the number while the United States would be exploiting not only its freedom to increase its weapons to 820 MIRV-ICBMs but would also want to deploy the then still available peak of 380 MIRV-SLBMs (up to a total of 1,200 MIRV missiles). This assumption is improbable but it points up the problem complex involved in the bilateral nature of SALT.

The noncircumvention clause clearly covers the Vienna protocol which, by the end of 1981, forbids the deployment of land-based and sea-based cruise missiles with a range of "more than 600 kilometers" (but which does allow development and flight testing). But it so happens that it does not contain any ban on technology transfer and this is important in view of the Soviet demand advanced for that in the SALT II negotiations because the Soviets now cannot assert that such a ban would be in keeping with the sense of the treaty. We may assume that the Soviet Union will interpret the noncircumvention clause extensively in order to hinder, if at all possible, any outward [foreign] deployment of American systems with a range of more than 600 kilometers.

Premier Kosygin in Moscow on a certain occasion seems to have asserted that the United States intends to get around the SALT limits by means of the deployment of nuclear weapons systems with greater range in Europe with the help of NATO and he thus seems to have indicated Soviet treaty policy against "Pershing II" with a range of 1,800 kilometers and cruise missiles with a range of up to about 2,500 kilometers in Western Europe¹¹. If this impression would be confirmed, then a conflict over SALT II would be the consequence. It would test the readiness of the United States to engage in a conflict. But it would also be capable of blocking the intended armament control offer of NATO to the Warsaw Pact; how should the NATO countries be able to negotiate with the Soviet Union on bilateral limitations on the deployment of nuclear weapons if the Soviet Union maintained that such weapons of American origin may not be stationed in Europe because

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they would there have the effect of getting around the SALT II agreement since they would be "strategic" weapons aimed against Soviet territory? That nuclear weapons with a range of "more than 600 kilometers," according to the logic of the Vienna agreement, can be considered to be "strategic" regardless of the protocol and thus for the entire duration of the treaty, that is something that can be justified with the provisions which, for example, place ASBMs with a range of more than 600 kilometers in the strategic category and the SALT limitations (II/4).

Here there is one thing that might have a disadvantageous effect for the West and that is that the protocol outlaws the use of all cruise missiles with a range of "more than 600 kilometers" on ships and land bases, regardless of whether or not they carry nuclear arms, until 1981, and that Article II/8 of the treaty defines cruise missiles as delivery vehicles for weapons employment without any reference as to nuclear warheads. Even after the protocol is no longer in force, the "cruise missile" as such is still included in the treaty in terms of definition. SALT II therefore, independently of the significant and aftereffect of the protocol, contains a treaty approach toward the recording and limitation of all cruise missiles (from which the unarmed RPV systems for reconnaissance and air target illustration cannot be distinguished externally--Third Conference on Article II/8).

But would it really be in the interest of the Soviet Union to advocate such a thesis and thus generally to make all nuclear systems of such range automatically a subject of further SALT discussions with a view to SALT III? This question could be answered positively in the Soviet sense if Moscow were to propose a deployment ban for systems of that kind which have not yet been stationed, until some negotiation result has been achieved, in other words, a "freeze" which would preserve the status quo of deployment. The entire LRTNF modernization planning of NATO would thus be frozen in the shadow of SALT or it would become an object of international arms control propaganda which could be offensively pushed against the NATO countries.

Whether the Soviet government will or will not undertake such a political move on the SALT chessboard will probably also partly be determined by the Soviet deployment plans concerning the SS-20 IRBM and the "Backfire" bomber. There is hardly any doubt that the SS-20 is a weapons system of highly continental-strategic value for the Soviets in covering their Eurasian periphery to the West and East and thus a weapon to be used in achieving predominance of the forefield [approaches].

The number of SS-20 launch systems in the Soviet Union at the beginning of 1979 according to official NATO analysis¹² was 108 in 12 position complexes of nine, each, deployed on vehicles; 63 of those systems were aimed against Europe in a Western deployment, including one third in position from which the missiles could have reached both European territory and the Near and Middle East. NATO assumes that every launcher will

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be equipped with two or three missiles so that it will be able to fire several salvos in case of position change and rapid reloading. This means that, during the first half of 1979, up to 189 SS-20 missiles, with up to 567 nuclear warheads (triple MIRV system), may have been ready for use against Europe. The existing number of missiles for reloading the launchers in the position areas however cannot be recognized.

For 1982, by which time the SALT II protocol is no longer to be in effect, NATO assumes that there will be a total of 254 deployed SS-20 launch systems in the Soviet Union, including 171 in a western deployment against Europe; in case of one, each, missile with a triple MIRV, that would mean 513 warheads and in case of three missiles per launcher, that would give us more than 1,500.

What a "freeze" of deployed nuclear attack weapons systems would mean to the operational balance of forces involving these units in Europe is illustrated by the current numerical ratio between the roughly comparable systems¹³:

| | Soviet Union in Europe | NATO in Europe |
|----------------|------------------------|---------------------|
| LRTNF vehicles | Approximately 1,400 | Approximately 590 |
| Warheads | Approximately 2,440 | Approximately 1,260 |

Here, systems are included on the NATO side which actually would be committed for SACEUR strike only conditionally because they are components of national strategic forces, such as the 40 Poseidon-SLBMs with 400 warheads on five American SLBM boats (which are already covered under SALT II and which moreover reserve their remaining 40 SLBMs with another 400 warheads for the central U.S. target plan for strategic warfare). That also includes the 64 British SLBMs with Polaris A-3 with a total of 192 warheads which constitute the nucleus of Great Britain's strategic deterrence and which can be held back as the weapon of last resort. Finally this includes 118 French systems which are reserved for the same purpose and which are not available to NATO. Real LRTNF systems are only the 156 U.S. F-111 bombers and the attack aircraft on American aircraft carriers as well as the 35 French Mirage-IV bombers.

This force ratio thus only shows the presumable arms control volume in the West, not the reduced attack capability. Because the disparity grows with continued SS-20 deployment in the medium-range spread, the final conclusion, in looking at SALT I, must be that this agreement does shield Europe but does not give it any plus in terms of security under the global parity ceiling. In terms of SALT III prospects, this means that SALT II does not offer a sufficient basis for strategic stability in Europe and that, in the course of further arms control policy, much more consideration will have to be given to the strategic unity of the North Atlantic Alliance territory, the flexible escalation capability of the Western powers, and thus also the practical feasibility of NATO strategy for the protection of Western Europe than has been the case in the SALT process

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so far. The NATO countries of course can negotiate on a marginal superiority of additional LRINF weapons systems in return for a corresponding limitation on Soviet systems but they cannot negotiate on the entire growth potential.

FOOTNOTES

1. The wording of the treaty can be found on pp D 368 ff.
2. This emerges from the calculation of the numbers of individual strategic weapons systems permitted on both sides according to SALT II and the number of warheads for each MIRV system recorded by each side as well as the permitted maximum figures for MIRV warheads and the ALCM limitation on 120 heavy bombers.
3. Statistics based on the annual report of American defense secretary Harold Brown, dated 25 January, 1979 "Annual Defense Report FY 1980", p 71; excerpts in German will be published in the next series of EUROPA-ARCHIV).
4. Brown's communication to the 1979 Nuclear Planning Group, information from author.
5. In addressing American press correspondents on 18 June 1979; see also the report by Jan Reifenberg in Vienna, FRANKFURTER ALLGEMEINE ZEITUNG, 19 June 1979.
6. American chief negotiator Ralph Earle in talking to the author on 16 June 1979 in Vienna.
7. Jan Lodal in 1979 in a lecture in Atlantic Bridge, Hamburg.
8. For the text, see EUROPA-ARCHIV 17, 1972, p D 402 f.
9. Author's information.
10. Ruehl, "The Grey Area Problem," Christoph Bertram (ed.), "Beyond SALT II," IISS London, Adelphi Paper 141, pp 25 ff.
11. Author's information.
12. Author's information.
13. See also the description in Richard Burt, "Reducing Strategic Arms at SALT," Adelphi Paper 141, loc. cit., p 11, and Ruehl, ibid., pp 26-27.

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THEATER NUCLEAR FORCES

ITALY

SUPPORT FOR U.S. MISSILES IN EUROPE

Milan IL SOLE - 24 ORE in Italian 12 Aug 79 p 9

[Article by S.A.R.: "The Deployment of 600 Missiles in Europe Is Indispensable to NATO"]

[Text] It is understandable that the announcement of a U.S. plan to reinforce the NATO nuclear potential in Europe with the deployment of 600 medium-range ballistic missiles (MRBM) to include the Pershing II ballistic missile as well as the new cruise missiles may cause concern among that public which is not well informed of strategic problems. However, this is much less understandable judging by the reaction of representatives of the Italian left which is a priori hostile to Italy's being part of this plan together with the FRG, the UK, Holland and Belgium.

In fact, it is not sufficient to state vaguely that such a measure "is in response to American strategic interests and exposes the West to new and grave risks" as did Senator Pecchioli, or to claim, as did Nino Pasti that a "reasonable balance" is already in existence between the Warsaw Pact (WP) and NATO in the field of long range theater nuclear weapons.

With regard to this matter, it will be useful to note that the WP and especially the USSR, has substantially improved its position in recent years. In the 1960's in fact, the USSR enjoyed a quantitative superiority in Europe in MRBM and intermediate range ballistic missiles (IRBM) of the SS-5 and SS-4 type which have large warheads but minimal accuracy: NATO however, globally had a much larger number of forward based systems (FBS): these included all US or allied aircraft based at airfields or on aircraft carriers, capable of a nuclear strike over Soviet territory. For this reason the USSR attempted in vain to include FBSs in the Strategic Arms Limitations Talks (SALT). Furthermore, the WP was decidedly inferior in matter of short- to medium- range theater nuclear forces (ranging from about 10 to several hundred kilometers in range) be it in number of missiles be it in number of warheads or tactical nuclear devices: 3,500 warheads for the USSR versus 7,000 for the United States-NATO.

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This NATO superiority at the nuclear level was needed to balance WP superiority in conventional forces (men, tanks and aircraft) which today has increased slightly in numbers but drastically in quality. In the meantime however, the WP has significantly diminished the gap in nuclear warheads and now has about 5-6000. A new generation of supersonic aircraft, including the MiG 21 through 27 and Su 17 through 20 but above all the TU-26 Backfire intermediate-range bomber (a particular menace to U.S. naval units in the Mediterranean), can now deeply penetrate NATO territory in a nuclear mode. In addition, the precision and invulnerability of the IRBMs have qualitatively improved in a significant manner with the deployment of the mobile, triple-warhead SS-20 missiles. A similar improvement has also occurred in shorter range missiles, such as the latest Soviet model the SS-21, which just recently became operational.

Altogether, the WP today enjoys a quantitative superiority over NATO with regard to theater nuclear weapons in Europe which even the most independent sources, such as SIPRI [Stockholm International Peace Research Establishment] of Stockholm placed at about 1.5 to 1. The rapport, regardless of how arrived at, is markedly less favorable to NATO in long-range theater nuclear or Euro-strategic weapons: the ratio is 8 to 1, including British and France strategic missiles.

While being aware that the USSR has its security problems in Asia and thus a certain war making potential is understandable, West Europeans cannot tolerate an excessive military imbalance on their continent, thus running the risk of increased vulnerability, political vulnerability in particular, in case of tensions with the East. Therefore it is not in the American, but in the European interest that the difference in theater nuclear weapons between the WP and NATO be lessened on our continent. If this will not occur, the American nuclear guarantee would be considerably weakened because in a major European crisis and in view of a pronounced local [nuclear] inferiority, who could blame an American president if he were to hesitate in threatening the use of intercontinental strategic weapons thus risking Soviet atomic reprisals on the American continent and thus total war?

Certainly, some can say that in this way, namely with the 600 missiles, the only ones to get involved would be the Europeans, in a kind of limited nuclear war with Washington still having the final say. On the contrary: it will be the new American missiles themselves which will make NATO's nuclear deterrent in Europe more credible, lessening the probability of conflict. And then, what alternative exists if Europeans have never been willing to assume defense autonomous collective responsibilities, especially nuclear defense?

Negotiation and detente remain: certainly, but even so it is absurd to delude one's self in thinking that the Soviets will consent to give something for nothing, and to agree to reciprocal arms reductions in future SALT III talks or elsewhere without their being convinced of Western will to maintain, at any cost, an adequate East-West balance of forces.

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COUNTRY SECTION

INTERNATIONAL AFFAIRS

INTERNATIONAL TERRORISTS TO HOLD SECRET CONGRESS IN MILAN

Milan CORRIERE DELLA SERA in Italian 30 Aug 79 p 4

[Text] During the secret congress the preventive balance of the various organizations will be discussed -

How the National Palestinian Fund operates and how the financing is apportioned -

Arafat the Generous -

Napalm furs, Carlos's gift to his mistresses -

Within the next 2 months, at an unspecified date, a group of men and women will sit around a conference table in a big European city and discuss their problems. To an outside observer the appearance of the persons seated around the table will suggest that they represent some international organization. Some clearly have their origin in the Middle East, others in South America, others in Japan, and still others in Europe. It might perhaps be one of the subcommissions of the United Nations, meeting to discuss human rights. Or a meeting of officers of one of the multinational corporations to work out the sales program for next year. Both hypotheses would be completely erroneous. These people of ordinary appearance represent the principal terrorist groups of the world, and the most important item on the agenda is the budget--billions of dollars.

The last congress of the international terrorist groups was held at Beirut in September 1978. Delegates were present from the Palestine Liberation Organization, the Red Brigades (Italy), the IRA [Irish Republican Army] (Ulster), the Baader-Meinhof group (Germany), the Red Army Fraction (Germany), the Montoneros (Argentina), the ETA [Basque Socialist Separatist Group] (Spain), and the Red Army Group (Japan).

The minutes of the meeting will serve as an orientation to this year's congress, which may perhaps be held at Milan. Actually, the terrorists' interests have changed radically in the meantime. In 1978 they were willing to agree that the policy of Yasir Arafat, the head of the PLO, was "paying off." By following a line of moderation and political discussion rather than action, he had enabled the PLO to attain a level of respectability and

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acceptance that few would have believed possible.

The Egyptian-Israeli peace treaty has modified that point of view. The terrorist groups of the "refusal front"--the PFLP [Popular Front for the Liberation of Palestine], the general headquarters of the PFLP, the Arab Liberation Front--have grown in stature. Once virtually outlawed by the Fatah and the more conservative elements of the PLO, they are now received with open arms, and Arafat himself has said publicly that he feels the necessity of a "more aggressive" line of conduct. It is Arafat that sets the tune, because it is the PLO that finances the operations of most of the other terrorist groups of the Middle East, distributing among them an amount estimated at \$300 million (about 246 billion lire). Where does this money come from and where does it go? The bank of the terrorist groups of the Middle East is the National Palestinian Fund, created by the PLO, which meets regularly; its last meeting was held at Damascus in January. The money flows into the fund from five major sources:

- 1) A "tax for the struggle for freedom" of 5 to 10 percent, imposed on the wages of the Palestians who are working abroad. The receipts are transmitted to the fund through the PLO.
- 2) Donations to the fund by the other Arab nations. There is no set amount, but it is expected that the Arab governments will give in proportion to their national income.
- 3) Investments. The fund receives large amounts in "allotments" and invests them, partly in short-term interest-bearing loans and partly in stocks that offer solid guarantees (so-called "blue chips").
- 4) Criminal activities, including robberies and protection rackets.
- 5) International aid, usually in kind (arms, for example), but sometimes in the form of "advice," such as furnishing instructors or propaganda experts.

The Palestinians who are working in other Arab countries number about 300,000. The PLO has persuaded their employers to deduct the "tax for the struggle for freedom" at the source, as a kind of income tax, and then turn the whole amount over to the PLO.

The Arab countries that contribute regularly to the fund are Syria, Iraq, Libya, and the People's Democratic Republic of Yemen. Syria pays amply in kind, not in money, maintaining that by sheltering the Palestine Liberation Army it is doing as much as the other countries, if not more. According to the PLO, the countries "that are not distinguished for their generosity" are Saudi Arabia, the United Arab Emirates, Kuwait, Oman, and North Yemen.

Besides contributing to the fund, some countries support their favorite terrorist group with direct contributions. For example, Libya and Syria furnish \$30 million (over 24 billion lire) a year to the General Headquarters of the PFLP, because they are in agreement with its line: to repel

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completely the forces favoring conciliation with Israel, and terrorizing the Israelis by suicide operations.

Besides short-term loans, the fund invests in "safe" stocks. It has a portfolio worth over \$60 million (nearly 24 billion lire), made up of stocks in shipyards, oil companies, television stations, and hotels. These investments are made chiefly in the United States and in the Middle East. There is even an \$8 million (6.5 billion lire) investment in a chicken farm in Syria.

The distribution of the funds to the operational units and the payment of indemnities to the families of the "martyrs" are handled by the Arab Bank, which has its headquarters at Amman, Jordan, and is said to have a strong influence on the everyday banking operations.

In spite of such support, mishaps do occur. Arafat, for example, is extremely credulous, and readily swallows every hard-luck story that is told him, so that any penniless Palestinian group that goes to him for money always goes away with a sizable check. This largesse causes chaos in the financial section of the PLO.

The international terrorist Carlos, famous for his eccentricities and for his hunger for women, had a bizarre system for spending surplus funds. To every woman he had in the world he gave a luxurious fur coat. What they did not know was that the coats were lined with napalm, so that any woman that put one on might be transformed into a human bomb.

The PLO has created an organization with centers in a hundred countries and with paid personnel. The heads of the larger offices in Europe and North America get about \$1,500 (1,200,000 lire) a month and special "entertainment" funds.

The war in Lebanon has cost the PLO about \$100 million (over 80 billion lire) in cash for arms purchases in the communist countries. It is estimated that the PLO lost about 3,000 men in the fighting. Nevertheless, the organization has not been out of money for long at a time.

At the Arab "summit" at Bagdad last November it was decided to allot \$250 million (205 billion lire) to the PLO, besides \$100 to \$150 million allotted for the fighting on the west bank and in Gaza. It turns out that the \$250 million was distributed as follows: \$50 million to the reserve fund; \$50 million to the general fund of the PLO; \$10 million to the families of the "martyrs." Of the remaining \$140 million, 58 percent to the Fatah, 10 percent to the Saiqa, 7 percent each to the PLFP, DFLP [Democratic Front for the Liberation of Palestine?], GHQ-PLFP, and FLA [Arab Liberation Front?], and 2 percent each to the Popular Liberation Front and the Front for the People's Struggle.

Until now the terrorist groups of the Middle East--unlike those of Germany and South America--have refrained from committing criminal acts as a means of raising funds. But the growing cost of terrorism is changing their attitude.

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Such groups in the Middle East as well are now getting a substantial part of their income from protection rackets, smuggling, petty crime, and fraud. It is said that PFLP, (HQ-PFLP, and PLF, whose base of operations is at Beirut, are all engaged in this kind of activity.

The PFLP is said to have been responsible for the theft of the cargoes of six ships at Tripoli, Lebanon, committed last year, and for the pillaging of several other small vessels used in the arms traffic.

The Russians, either directly or through their Cuban satellites, have always been active supporters of the various liberation movements, both with money and by furnishing services (read: training).

At this very moment in South Yemen, in 3 camps at Hauf, Mukalla, and Al-Gheidha, about 700 Cubans, backed up by 1,500 Soviets and 116 East Germans, are training terrorist groups from all over the world. Recent trainees at these camps have included members of the German Red Army Fraction and of the South Moluccans of the Netherlands. In addition, a new Dutch terrorist group returned home this month after intensive training. It is said that this group, the Rood Verzetsfront or Red Resistance Front, numbers only a dozen members, and although little is known about them, the antiterrorist services in Europe expect that within the next few weeks they will put the lessons they have learned into practice.

It appears that another terrorist training camp, 300 kilometers south of Tripoli, in the locality of Sebhah, has put members of the IRA and of Palestinian groups through its training program.

The fact of sharing services and training programs has led the international terrorist groups to collaborate in an unprecedented way in terrorist actions.

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INTERNATIONAL AFFAIRS

BRIEFS

NEW ANTISHIP MISSILE--Plans for a new long-range antiship missile called the Briaereo are currently being studied by a group of Italian companies that includes OtO Melara, SISTEL, SNIA-Viscosa, Selenia and Marconi Italiana. The Breda Meccanica company is also reported to be interested. The missile in question is said to be derived from the Franco-Italian Otomat antiship missile developed jointly by OtO Melara and now being sold to Italy, Venezuela, Peru, Egypt, Libya, Nigeria and the Philippines. The Briaereo is to be capable of supersonic speeds with a range of 200 to 400 kilometers; it will replace the Otomat, the range of which does not exceed 180 kilometers (with a data link). The Briaereo is to be developed in a coast defense version and to become operational during the second half of the 1980's. [Text] [Paris AIR & COSMOS in French 25 Aug 79 p 45]

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COUNTRY SECTION

FEDERAL REPUBLIC OF GERMANY

INFLATION RATE OF FIVE PERCENT PROJECTED

Oil, Taxes, Construction

Hamburg STERN in German 16 Aug 79 pp 103-104

[Article by Juergen Kurth and Herbert Uniewski: "Price Development: This Is How We Are Being Fleeced. Oil Crisis, Increase in Value-Added Tax, and the Building Boom Spur Inflation"]

[Excerpts] Four months ago, when oil appeared to become scarce and the economic upswing was threatened, Bonn's Minister for Economics, Otto Graf Lambsdorff, was still calm. The FDP politician pacified the minds by his reassurance that the economic growth of the Federal Republic will not be slowed down by the energy shock. He was right--but his composure is nevertheless gone. For the wave of price increases which is rolling toward the population these days is causing the count "considerable worries." And not only him: A STERN survey made clear that citizens of the Federal Republic fear rising prices even more than energy crises.

Thus it is more than merely an economic blemish for Lambsdorff when he must admit that, even though the economy is booming and skilled workers can hardly be found anywhere, prices are rising again at a threatening pace. If price increases at the beginning of the year stood at around 2.9 percent, they rose as high as 4.5 percent in July. And Lambsdorff's experts have prepared him that price increases will exceed the 5 percent mark during the next few weeks.

In actuality, however, the citizens are already now being fleeced by inflation to a far greater extent. For the Federal Statistical Office in Wiesbaden measures the monthly increase in prices on the basis of the cost of a certain "basket of goods"--on the basis of approximately 900 goods and services which a household needs for daily subsistence. This basket of goods was put together in 1970 and is obsolete. It is therefore at present being revised by the statisticians and is being adapted to the actual consumption habits. Were it available in up-to-date form already today, the rate of inflation would already now lie clearly above 5 percent.

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Self-Regulation Urged

Hamburg STERN in German 16 Aug 79 p 106

[STERN-Interview with President of the Federal Bank Otmar Emminger:
"Entrepreneurs Must Exercise Price Discipline"]

[Text] STERN: Dr Emminger, at the beginning of the year the Federal Bank predicted price increases of 3 - 3 1/2 percent for 1979. But now we have already reached 4 1/2 percent. Did you miscalculate?

Emminger: There is a good explanation for the present development: The oil price explosion alone, which could not be anticipated and which we cannot influence, has driven up prices by an additional 1 - 1 1/2 percent.

STERN: Are the OPEC countries thus responsible for the inflation?

Emminger: For the main part of the additional price increase, yes. But in addition we are also facing a "home-made" increase in prices. The price increases of 9-10 percent in the construction sector are a visible example of this.

STERN: And how will this go on?

Emminger: It is almost inevitable that during the next few months we will have a "5 in front of the decimal point" as far as the rate of price increase is concerned. However, if the prices for petroleum products will not continue to rise, but instead, as I believe, will rather decrease slightly, the rate of price increases beginning in October will depend mainly on domestic price factors.

STERN: These influences can be guided by the Federal Bank.

Emminger: Yes, but not in a solo performance. We will do everything to prevent the home-made prices from going through the roof. The Federal Bank can, for example, cool off the overheating in the growth of the construction industry, so that in this areas orders are shifted to the next year, when we will perhaps desperately need them. And in general it can make it more difficult to pass cost increases on to the consumer.

STERN: But that is not enough.

Emminger: Certainly not. In order to fight inflation successfully, the Federal Bank's policy of putting brakes on economic growth must be supported by discipline on the part of the entrepreneurs in holding the line on prices and a frugal financial policy of the government. During the coming months unions and employees, too, will be expected to show a great deal of understanding.

STERN: Would this pay off?

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Emminger: Most certainly. Assuming disciplined conduct on the part of all those who are involved, the price increase in 1979 could be limited to an average of 3 1/2, at the most 4 percent. This includes the realization that the effect of the oil price explosion cannot be compensated for by additional price increases.

STERN: Thus far the unions have demonstrated this realization.

Emminger: Correct. This is why the moderate position of the unions must at all costs be honored by price discipline on the part of the entrepreneurs.

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FEDERAL REPUBLIC OF GERMANY

STERN REPORTS U.S. FORCES HIRE GERMANS AS PARAMILITARY WATCHMEN

Hamburg STERN in German 30 Aug 79 pp 166-167 DW

[Report by Juergen Roth: "German Mercenaries for the U.S. Army"]

[Text] The Mannheim labor office procures Germans as watchmen for the U.S. Army and as smoke rocket launchers for barrack service and maneuvers.

At 0200 they were awakened: Alarm. "We heard tanks. Shots were fired," recalls Walter Karlus [Footnote: name has been changed], 42, "We had to get out and climb in the jeeps, put on steel helmets, and gas masks, and take rifle. At some distance from the camp we erected antitank barriers and set a smoke screen." What sounds like a nightmare from the last war was experienced by Karlus himself as a participant in the last reforger maneuvers of the U.S. Army and in an American uniform. Karlus is a German state citizen, a trained roofer, now unemployed, living in Mannheim.

When the labor office sent him to 301 Lillienthalstrasse in Mannheim-Schoenau service as a civilian watchman was planned. In fact, however, he found himself in the "labor service" (LS) of the American barracks.

In the stockroom he got the usual olive green outfit with a belt, black jump boots, rank insignia and his name attached to the shirt. Roll call was three times a day: the master sergeant inspected uniforms and boot shines. In order to be properly trained one went to Kaiserslautern for 2 weeks: arms training at the shooting range, brief infantry and combat training ("tanks from the left, low flying planes from the right"), handling the gas mask in the tear gas bunker ("unpack mask, change filter").

Karlus was amazed by his unsuspected talent. He was the best marksman in his training group. His chief decided to send him to a training course for sharpshooters in Bremerhaven. But Karlus refused, and he did not want to take part in more maneuvers either, despite the additional bonus. Then suddenly there was talks of dismissal. Karlus, who was fed up with playing war, preferred to resign before getting fired. The result was that the Mannheim labor office refused to pay unemployment insurance benefits for 4 weeks.

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That was a hard blow to the unemployed because he has to take care of a wife and five children aged between 5 and 15. Since Karlus experienced two severe falls while working as a roofer, he finds jobs only occasionally. He could not afford his apartment and since then has had to live with his family in two rooms in a settlement for homeless persons. Social care benefits hardly suffice to buy what is most essential.

Karlus complained in vain to the labor office about the notation that stopped the payments. He pointed out that he was sent to the "LS" under false specifications and that his service with these U.S. authorities was anything but a civilian service. But the labor office was stubborn.

Department chief Alwin Badstieber told STERN that people looking for jobs get sufficient information on their work in U.S. barracks. He said that he cannot find anything negative in offering such jobs. If people, in contrast to Karlus, explicitly claim that they cannot carry out such duties because of reasons of conscience, payment of benefits to them will not be discontinued as punishment. Helmut Koller, acting director of the Mannheim labor office, became more explicit: "We have no job to perform for the U.S. Army. We have nothing to do with the military. That is out."

But the "labor service" that was set up in 1945 as a watch unit for the U.S. Army stood its test long ago as a paramilitary unit, although the troops statute says that it belongs to the civil service and that it cannot be used in combat. The only U.S. smoke battalion in Europe, for example, is an LS unit of 900 men, half of them being Germans.

Next to the Germans, former Poles, Lithuanians and Latvians form the backbone of the unit of about 7,000 men. Their value to the U.S. Army was outlined by the former U.S. Commander in Chief, Gen Michael S. Davison, in a brochure issued on behalf of their 30-year anniversary. The LS unit was praised therein for its "exemplary preparedness to sacrifice and its devotion to its work." The brochure was printed in three languages: English, German and Polish.

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COUNTRY SECTION

FRANCE

PCF MEMBERS OPPOSE NEW APPROACH TO DISSIDENT INTELLECTUALS

Paris LE NOUVEL OBSERVATEUR in French 23-29 Jul 79 p 32

[Article by PCF members Gerard Molina and Yves Vargas*: "To Speak, To Dare To Speak..."; passages between slant lines published in italics]

[Text] It is not good form in the PCF [French Communist Party] to say that at this moment there is no political perspective and that the bourgeoisie has taken the offensive. Right away, a person in charge, an official or a "hi-fi" intellectual will remind you of /"the perspectives opened by the 23d Congress"/, and will spare you neither the /"union of the rank and file"/ nor the /"self-management"/ concepts, without one ever knowing whether it is a question of strategy or incantation. In any case, these perspectives have the paradoxical virtue of being unable to solve any concrete problem. It is not by accident that the leadership of the CGT [General Confederation of Labor], faced daily with the struggle of the workers, was led to declare bitterly: /"The profound disappointment felt by a great number of militants and workers after the March 1978 elections persists, especially because of the lack of new perspectives in politics[...]" (the conclusion drawn by the national confederal committee of April 1979, cf. LE PEUPLE No 1060, p 33).

This absence of concrete perspectives is /a contrario/ demonstrated by the first meeting of the Central Committee, held after the 23d Congress (21 June). At the time of that meeting, George Marchais defined three spheres of activity for the communists: the firms, the young, and the intellectuals. But, in order to /"make the right decision"/ a central committee for each of these issues would have to be formed. And that, 5 weeks after the congress! What the devil did they speak about at the 23d congress if concrete problems were not analyzed? What is a perspective--a strategy--that misjudges its field of application since it needs a central committee to give it an outline?

* Members of PCF, successful candidates in the "aggregation" in Philosophy, animators of the "Communist Debates" collection, Maspero.

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In short, did the 23d congress define a strategy, or was it satisfied with drawing a line? A line of demarcation which, unable to settle the political question regarding the historic failure of the left, permitted a settling of accounts. Roland Leroy is presented as the debtor, but it would be rash to pretend that his account is settled until his discount rate has been evaluated. In the meantime, in FRANCE NOUVELLE, Felix Damette, member of the Central Committee, painstakingly tries to give the line some breadth, and overloads self-management and the rank and file of the union with qualities of class struggle.

Does this mean that nothing is going on in the Communist Party? Does it mean that March 1978 and its after-effects had no fallout? Not at all: what is happening in the PCF ... is that the PS [Socialist Party] has lost ground in the elections! The phrasing may be surprising but the paradox is not an affectation of style: it is the actual reality of the happy communique in which the "rebalancing" (on the decline) of the left is presented as luck for the workers. As though the just war on reformism could be satisfied--glorified--by the disgust the masses have for "politics" (ecological vote, abstentions) or by their move back toward the right. If the celebration of the "rebalancing" of the left is to be taken seriously, it would mean that the party leadership has given up the idea of coming to power, and prefers to stay put in "municipal self-management." In the long run that will lead the whole left into defeat, for everyone knows that municipal elections are political elections which imply the prospect of coming into power. Neither the "Common Program" nor the "Communal Contract" of the PCF won the municipal elections of 1977: if the municipal elections were a victory for the left, it is because they are in keeping with the future dynamics of March 1978. These dynamics do not exist anymore and nothing replaces them; in addition, the PCF would make a mistake if it had illusions regarding the virtues of municipal self-management for, compared to the power of the state in our country, no municipal autonomy exists (not political, administrative, or electoral).

What also happened in our party was the "you-will-see-what-you-will-see" idea, announced at length by George Marchais: the reconciliation of the leadership with the intellectuals. Marchais shook hands with Elleinstein. They did not embrace, for each one believing himself to be Jesus, feared the other one's kiss. Let us say it: PARIS MATCH prevailed over the political department, going over the heads of the militants and the officials. What inspired poet could sing the praises of the startled look on the face of the communist who is witnessing the political ballet that makes Elleinstein the darling candidate of the party (March 1979), the unmentionable and infamous social-democratic devil (April 1978-May 1979) and the symbolic representative of Marchais (June 1979), and finally the star speaker at the next celebration at the HUMANITE?

In more general terms, the party is preparing a mini-congress for intellectuals: a central committee, preceded by opinion columns in HUMANITE, an unprecedented event. To put it plainly, the leadership has lost the

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battle in the "anti-establishment dispute"; it gives the floor and the columns to the intellectuals. Of course, in the process, it gives them autonomy within the party, creating, at most, a small permissive party for their own use: a central committee in the form of a congress, a new magazine "open to all(?) trends. Thus the "dispute" is /"settled"/. But this is in quite a different area from the one in which the question was raised: that is, to find out the political reasons for the failure in March 1978. This "settling" takes place in the realm of the spectacular to which it had been reduced and into which it had been trapped by the popular press: that of the /"discontent of the intellectuals"/, of /"the freedom of speech"/, of /"internal democracy"/. Thus the party opens a path for the intellectuals, one that is watertight on the left and porous on the right. In a party that gives up the revolution, one can talk of anything, even of revolution.

We have no illusions regarding this /"opening up"/; all the more since it permits that LA NOUVELLE CRITIQUE, FRANCE NOUVELLE, and LA PENSEE be liquidated, papers in which grumbling was an acknowledged fact. On the other hand, L'ECOLE ET LA NATION and ECONOMIE ET POLITIQUE are kept on, in spite of their acknowledged decrease in circulation (because there the "hi-fi" intellectuals set the pace). Moreover, a weekly publication will not have the (technical) means to carry a debate to its conclusion, as a monthly publication could have done, as had been done sometimes by LA NOUVELLE CRITIQUE. No doubt the party will become fashionable, but fashion is not part of a Marxist debate. Fashion is for syncretism, false pluralism, and an undisciplined interdisciplinarity. The fashion is to be anti-Marxist; and it is not an accident that the most pertinent analyses of the "new philosophy" come from Marxists who are not members of the party, such as Dominique Lecourt¹ or Regis Debray². That is because the party has forgotten how to use, within its organization, the weapon of Marxist criticism. It is urgent today that one come back to the confrontation of ideas; of ideas and not just moods; of philosophical, scientific, and literary ideas, no doubt, but also of political ideas.

Sometimes the communists feel that between the texts of the PCF and those of the bourgeoisie there is no other way, no other analysis possible which would allow them to question the policies of the party, without rejecting them or changing sides. This is changing with the increase in communist writings and publications that escape the institutional control of the party machinery. It is no longer true after the publication of a very stimulating, short essay by Etienne Balibar, Guy Bois, George Labica, and Jean-Pierre Lefebvre: "Let Us Open The Windows, Comrades".³ This text should enable a number of Marxist revolutionaries to find a political and theoretical ground on which to found their thoughts and their practice. It is much more than an analysis of the political situation in France and of PCF strategy, since it develops propositions for fighting and concrete intervention.

Of course, this revolutionary current lacks the "material means" for its development. The "Communist Debates" collection, various magazines,

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published in Paris as well as in the provinces, are a beginning. A network of correspondents and broadcasters would have to be developed in order to provide an exchange of analyses and experiences. Were it only to answer the militants who wait and ask with insistence: /"What are you going to do? Not only write, but do? ..."/.

FOOTNOTES

1. "Dissidence or Revolution", Maspero.
2. "Intellectual Power in France", Ramsay.
3. Maspero.

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COUNTRY SECTION

ITALY

'K FACTOR' ANALYSIS: COMMUNIST IMPEDANCE OF GOVERNMENT

Milan CORRIERE DELLA SERA in Italian 12 Aug 79 p 1

[Article by Alberto Ronchey: "Arguing About the 'K Factor'"]

[Text] The political essence of the Italian crisis is the impossibility of bringing about a governmental changeover, which implies abuses and impunity of power, multiplication of centrifugal thrusts and difficulties with regard to direction and control of complaints. This condition of "stalemated democracy" which has been going on since the end of the war, coincides with the rising of a powerful communist party, which embodies most of the alternative's aspirations but does not lead to the alternative itself. Many have discussed, in the past months the nature of this chronic obstruction, this "K Factor," starting from Bettino Craxi to Norberto Bobbio, from Alfredo Reichlin in L'UNITA to Eugenio Scalfari in LA REPUBBLICA. But the now daily dispute is too important for misunderstandings and suspicions to spoil the objective data relating to the topic to be discussed.

What is exactly the "K Factor?" The answer may be found in the simple observation that wherever in Western Europe there is a communist force (significant as in Italy, median as in France or minor as in Spain), no governmental changeover takes place because the left never attains a majority. If communists and socialists altercate, it is impossible for the stronger of the two parties to prevail on its own. If the two parties coalesce, their votes do not attain a majority. If the two parties do not coalesce but also do not combat one another, the fluctuating electorate becomes uncertain, confronted by the parties' vagaries, though the electorate may nourish a great desire for governmental change.

In Italy the "K Factor" is of a certain importance, while elsewhere this is not so. However, it so happens that the communists, tainted as they are with their specific name and background cannot rise to the occasion of representing a governmental alternative, one legitimized by the electorate, in spite of an attempt at revisionism geared to Western European times and conditions. Their very presence pushes socialists to maximalist positions and even impedes socialists or social-democrats from representing the alternative (which however is done successfully in the case of Northern Europe.)

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To label one's self Eurocommunist is not sufficient unless this is coupled with a specific time framed revision. Perhaps the double communist-socialist left may at times enjoy notable but haphazard successes, only later to fail when decisive trials are at hand, almost as though obeying a dictum which has the inevitability of a chemical reaction. In Spain, socialists and communists win over the Madrid, Barcelona, and Valencia city administrations in addition to half the main county seats, only to go on to lose the political elections. In France they attain 54 percent of the votes in the 1977 municipal elections, but lose presidential and parliamentary elections. In Italy the Italian Communist Party (PCI) came as close as it ever would to closing the gap separating it from the Christian Democrats (DC) during the 1975 local elections winning in such centers as Rome, Turin and Naples. However, in the 1976 political elections, the very threat of overtaking (the DC) caused an increase in DC votes and in this year's elections, Berlinguer's party lost a large number of votes it had gained.

Why is it that the left, when there is a communist presence, appears to be "worthy of governing cities, but not the nation?" Given interpretations may vary, but it appears as though eurocommunist revisionism still is not satisfactory. Is there a measuring device which would allow the evaluation of the PCI's evolutionary insufficiency? That device does exist, is beyond personal opinion, and simply put, is nothing other than the insufficiency of direct (universal suffrage votes) as well as indirect (coalition capable forces) consent available today to the PCI. Nor can it be stated that in a society such as Italy's, opinions expressed by the electorate and the other parties be the result of manipulation through hostile or other means (as was at one time possible in influencing the media, cultural industry and school, today more influenced by Gramscian hegemony).

The object of contention, namely the possibility of a more realistic evolution of a left as is found in Italy, would simply be a matter of internal controversies in a party or two were it not for the fact that it involves questions of general interest, namely the pressing necessity of a governmental changeover. However, invitations to impartial review of the matter are often viewed by the PCI as suspicious intrusions or rejected with polemical expedients.

First of all, there is a tendency within the PCI to confuse chronic opposition to the Italian or French left with occasional defeats on part of the Labour and Social Democratic left wings of other countries. This in reality, is a reflection of the alternation of parties in political systems which allows for differences in succession to power. This is tantamount to forgetting that in the UK, Labour, since the end of the war, had been in power for 17 years, and that in Austria and well as FRG the Social Democrats have been governing for a decade. It also means ignoring the fact that pluralism does not call for any "condition of irreversibility" of power. Furthermore, couched in the impossibility of denying the difference between chronic setbacks and chance defeats, one finds the appeal to party patriotism, bringing to mind also how significant the PCI's ambitions are, and therefore how

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significant the resistance it encounters with respect to the temperate governmental experiences of European social democracies. In other words, the great European social democracies should themselves have changed a great deal and not so their societies, while Eurocommunists would like to change little themselves and greatly change their society. Thus, while attempting to change little themselves and change society greatly, everything remains the same. In this way, Eurocommunists cannot bring about a change in government. Perhaps they may retain an ideology identity, but at the cost of losing practical action, thus reconfirming the "staleated society" dictum the consequences of which are particularly evident in Italy. This means good news for the DC.

The plan dubbed historic compromise has been an expedient to avoid the recognition of how things stood. It involved the covering over and making amends for the PCI's inadequacy in a normal governmental turnover as Italy's second party, by means of the sharing of power between communists and Christian Democrats, easily justified by the state of emergency or by "associated democracy" theories. The opposition, not being able to mutate into government, would make the government absorb the opposition.

But now, with the historic compromise a failure at the polls, the logical hypothesis of an "alternative democracy" has forced the left to adjust to the necessity of present conditions, namely, to be fully cognizant of those middle course forces, of critical opinion, of fluctuating polls, and finally of that "K Factor" which is neither imaginary nor a conceptual machination, rather something to be examined as a factor related to past experience.

All this requires something totally unrelated to neofrontism (as a counter to the failure of the historic compromise) or unrelated to the idea of turning to the shady extremist subcultures to attempt to make up votes the PCI may have lost from the left. It is not there that one will find those decisive forces capable of changing the system of political consensus in Italy. [What is necessary] is that realistic approach needed to conceive that great democratic alternative party. Without it, elections every 2 or 3 years are useless (while witnessing social disintegration), as is useless the denial of the existence of the "K Factor" without analyzing ways to obstruct it and to remove it.

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COUNTRY SECTION

ITALY

FINANCE MINISTER Malfatti ON TAX REFORM

Milan L'EUROPEO in Italian 19 Jul 79 pp 27-28

[Interview by "E.A." with Mr Malfatti, date and place not given]

[Text] Finance Minister Malfatti has a plan to reform the bureaucracy, cut direct taxes, and ferret out tax dodgers: "I'll take care of the tax evaders."

"It is simply not true that there is a fiscal ebbitide running that bids fair to wash out the very principles of the tax reform act, any more than it is true that government inertia is all that stands in the way of a reform process advocated by a handful of enlightened scholars." Italian Finance Minister Franco Maria Malfatti got a tad hot under the collar on hearing the charges lodged against the way our tax collecting machinery is run by Prof Marco Vitale, when they were raised in the course of an interview with EUROPEO.

This is not to say, of course, that everything is fine and dandy. Millions of citizens paid their taxes well ahead of the 30 June deadline. Quite a few of those same citizens, sitting down to figure out their tax bills, had a nasty surprise when they got down to the bottom line. It is common knowledge that inflation has brought with it increases in cash income which push those who get them into a higher tax bracket. The truth of the matter is that inflation makes the already heavy tax burden still harder to bear. Then there is bureaucratic lethargy. Many taxpayers have been waiting for tax refunds for years. Why aren't they getting them?

"I am not at all afraid to admit that the procedure my predecessors devised has not worked well," says Malfatti. "I have already drafted a proposal which would revise and simplify the current procedures, but we need a law, and for that we shall

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simply have to wait until the new parliament is ready to settle down to work again."

[Question] Does it do anything about the way the already voracious tax bite is growing in response to inflation?

[Answer] In the 3-year plan to upgrade and reform the entire fiscal administration, which we put together last year and which has drawn flattering comment from a great many authorities on the question, we stated the ministry's total commitment to deal with that very problem.

[Question] Some economists argue that, given the present economic picture, it would be wise to increase the price of gasoline and to offset that price hike, at least partially, by means of an across-the-board cut in income taxes. What do you think of that suggestion?

[Answer] I have already said that I am opposed to any cut in the gasoline tax. It would certainly be sheer folly to subsidize a commodity which is already in short supply. Our plan, too, calls for an increase in gas prices so as to avoid conflicting with any selective consumption policy. This, however, is a policy issue the new government will have to settle.

[Question] According to Prof Vitale, though, tax reform may well bog down in delays in bureaucratic reforms. And Vitale adduces as an example the possibility that there would be a revival of tax assessment bargaining, thus undercutting the principle of analytical assessments conducted on the basis of searching inquiry. Is this a real danger, in your view?

[Answer] First let me say that Vitale is wrong when he says that there can be no place in a sound fiscal system for one-on-one audits and for negotiated settlements. The truth of the matter is that settlements are provided for, in one form or another, in the tax legislation of both the United States and of France and Germany.

It would be more accurate to say that improper use of the negotiated settlement option in Italy has quite understandably led, with tax reform, to its abolition in connection with income taxes. The idea there was to make absolutely sure that there would be no grey areas at all in relations between the tax authorities and the taxpayer. Even so, it is utterly untrue that I plan to reinstate the negotiated settlement, and Prof Vitale can produce not a shred of evidence to back up such an allegation. And in fact the only proof he adduces is a proposal that was submitted to me by the general tax directorate relating to the poll tax, the inheritance tax, and INVIM. I forwarded that proposal to the technical committee on implementation of tax reform, whose members are all outstanding people

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in the tax field, so as to get their opinion not only on its legality, but also as to its merit and timeliness. The tax directorate proposal calls for increasing the contingency fund limit for collections offices from the present 10 percent to 20 percent, in order to give them some margin of discretion in assessing values in compliance cases.

[Question] In your view, then, there is no deliberate plot afoot to scuttle tax reform. Even so, your own bill on criminal prosecution for tax offenses has drawn fire from a great many critics, who call it clumsily contrived and in fact bad enough to block any positive steps in that direction. Is this really so?

[Answer] All I have to say to that is that the solicitor general of the Audit Office doesn't think so. He says that "we must hope that the bill on criminal prosecution for tax offenses gets back on the track at the earliest possible moment." Now I certainly never claimed that the bill was perfect, and I have on several occasions stated that I am open to any and all constructive suggestion, including the one put forward by Prof Vitale in a fine paper drafted at Bocconi University after the introduction of my bill.

The system we have now does in fact make criminal prosecution for tax offenses inoperative and hence, no matter how clumsy my own proposals may have been, the fact remains that they have given us a chance to resuscitate a delicate matter that has long lain neglected, and to approach it with the utmost fairness since it does have to do with civil rights and yet cannot be allowed to languish under a taboo, precisely because we have striven to adhere to the principles of the reform program, and to the end that we need no longer put up with a tax system which, unlike any other in the world, makes no provision for criminal sanctions or penalties.

[Question] And yet it is true, isn't it, that the bureaucratic machinery hitherto has not proved its capacity to cope with the tasks assigned it under the tax reform act?

[Answer] Of course there have been delays, But we must also remember that in the past 7 years (since the tax reform act took effect) we have had more than ten government crises and three early elections. Even so, some of Prof Vitale's allegations about negotiated settlements and the number of audits assigned each office as a quota as evidence of a lack of serious commitment are utterly without foundation in the day-to-day operations of the taxing authorities in other Western countries. The real problem, if you will, is that of the quality of the audits, with the need to stamp out the pernicious practice of cautionary

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audits and the behavior of some offices tending toward surreptitious resurrection of inductive settlements in cases other than those in which such procedure is expressly authorized by law. This was precisely the purpose of the bureau's 3-year reform plan which, for example, called for the establishment of "service centers" by the end of March 1979. But then the political crisis intervened...

[Question] Practically speaking, though, what is going to be done about staff people, about salaries, and about the professional qualifications of finance ministry personnel?

[Answer] Obviously, we are going to have to have a major commitment on the part of management if we are to have a system that can operate without snags and snarls in its everyday dealings with the public. We are meeting this requirement both by means of reprimands to offices which fail to adhere strictly to the principles of the reform act, and by critical review of all exceptions introduced via legislation -- not, of course, during my own tenure -- to make sure they are in harmony with the principles of the new tax system. We have also developed a number of practical proposals for upgrading the staff and raising professional standards. On the matter of salaries we are wide open, but first we must make it absolutely clear that the financial bureaucracy is sui generis in government, because we dare not risk offering salaries and wages incompatible with a balanced budget. The section on personnel training is one particularly close to my heart. And this is precisely why, for the first time in Italian history, we have introduced as a part of our plan a program for retraining and upgrading the capabilities of the people we already have on the payroll.

[Question] In short, then, in spite of all the political difficulties, you're working to improve the administration?

[Answer] Yes. Just look, for instance, at the fact that since the introduction of the obligatory bill of lading with all shipments of goods, we have run no fewer than 150,000 audits in just these first 6 months.

[Question] Getting after the tax dodgers these days is primarily a matter of beefing up the offices. And yet many citizens get the feeling that measures could be taken against tax cheaters right now, yet nothing is being done. There has been talk of requiring copies of cash register tapes from shopkeepers, and of reforms in the collection of the value-added tax. What is being done along these lines?

[Answer] To tell the truth, there are more than a few doubts as to the effectiveness of requiring cash register tapes. Upon due

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inquiry, we have ascertained that no Western nation uses them for such purposes. And then there could be serious technical problems. If a register breaks down, what do you do? Shut up shop until you can get it fixed? As for the value-added tax, I think you are referring to the question of the rate spread, since only a few months ago we revised the system to bring it into harmony with EEC practice. In this case I can only say that, yes, there is a problem, and that the excessive number of brackets we have now, and, in some cases, their unreasonable level, does indeed encourage evasion. The problem is before us, but we can deal with it effectively only in a peaceful economic context if we are to avoid the danger of worsening inflation, which a reordering of tax brackets might well entail.

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