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JPRS L/9016

3 April 1980

West Europe Report

(FOUO 16/80)

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WEST EUROPE REPORT

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COUNTRY SECTION FRANCE

MICHEL PONIATOWSKI: MAN BEHIND GISCARD'S REELECTION CAMPAIGN

Paris LE NOUVEL OBSERVATEUR in French 4-10 Feb 80 p 30

[Article by Thierry Pfister: "The Recruiting Sergeant"]

[Text] Ponia is back. The canary yellow sweater, which emphasizes his imposing portliness, attracts the eye of everyone who enters the Strasbourg hemicycle, as he surprises television viewers on occasion. An actual treatise should be written on the relationship between Giscardism and the sweater. This garment recently made it possible for Finance Minister Valery Giscard d'Estaing to distinguish himself, to project a relaxed image, the same one Jimmy Carter and his entourage later sought using the same method. Today, wearing a sweater is the rule for everyone who works at the Elysee, perhaps because the president imposes minimal heating.

Faithful to the role he has played for 20 years by Giscard d'Estaing's side, Michel Poniatowski may currently be seeking to popularize that Giscardian trade mark, while at the same time supporting the official publicity campaign in favor of saving energy. For the prince has taken up his pilgrim's staff again and has already gone back to work to insure the reelection of his friend Valery. He is going to cover France, mobilizing the Rotary and Lion's Club rosters, inviting the university staffs and people in the liberal professions to come and hear the conferences he organizes, flanked by a member of the government, in behalf of the Institute of Political Perspective which he founded 2 months ago. The goal is simple: To make officials and opinion leaders aware that the international situation is serious and that it is thus advisable to play the safe card and keep at the head of the country a man who is familiar with the great issues of the times.

Above all there is no question of any talk about domestic policy. In Montpelier, where the first meeting of that electoral precampaign was held, the local officials of the UDF [French Democratic Union] and the Republican Party thought they had done well in decorating the hall with their posters. Before the conference began, Michel Poniatowski's team had made all those partisan traces disappear and put up the little, soberly red, white and blue, Institute of Political Perspective posters. Isn't the chief of state president of all Frenchmen?

At this type of meeting Ponia unreservedly indulges himself in his pet subject: futurology. Standing in front of a planisphere, he juggles with geopolitics, economic and military balances, demography and biology. He does it with enough assurance to impress is audience, but not with enough force to compel conviction. The report on the superpowers is detailed at length. They have been unsuccessful in running the planet. It is time to take our own destiny back into our hands before the military machines that control the Soviet Union and the United States set the fatal gears in motion. And if the current crisis should only be a period of tension before the return of detente, the French attitude would make it possible to gather the fruits of normalization first.

One slogan could sum up the developed diplomatic analysis: "The planet wants to be governed at the center." In the summer of 1970, by establishing an identical diagnosis for France, Michel Poniatowski provoked one of those political tempests that he loves. At the time he could enjoy himself because his prognosis was correct. Even if that is the case once again, it remains to be seen whether France has the wherewithall for that policy. To take up the leadership of a nonalined movement, it is still necessary to offer it other goals besides a selfish withdrawal to the safeguarding of national interests. In addition, there must be a voice capable of making itself heard before trying to rally people. Now that voice is terribly lacking in France.

Documents and Testimony

Moreover, the Giscardian electorate is hardly ready for that behavior. It remains profoundly affected by Atlantism and in Montpelier several voices were raised in the hall to reproach the conference-goers bitterly for France's lack of solidarity toward the United States. Margaret Thatcher's style obviously suited them better than the Elysee's caution. And when Michel Poniatowski lampooned Jimmy Carter as "that cowboy who remains by his horse's side," there was much gritting of teeth.

Finally, the speech given by Poniatowski was far from endorsed by the Elysee. The prince, once more, is taking artistic license. Of course, he does see the chief of state two or three times a month, not to mention hunting parties. But does he express the thoughts of the Elysee to the extent that he lets on? There is some doubt. Valery Giscard d'Estaing did not hesitate to take his friend out of the government after Poniatowski's repeated political failures. He did not forgive him the election of Jacques Chirac as mayor of Paris. Today he allows him to prepare the ground for his future campaign but he still reserves the possibility of disowning his loyal swordsman.

Poniatowski does not seem to take offense at this. He has chosen to exist through Giscard d'Estaing and be satisfied with it. He takes advantage of it by amassing documents and testimony which he transfers to the National Archives from time to time. Having written several historical treatises and working currently on a life of Louis-Philippe, Michel Poniatowski is convinced that a man's place in history is a function of the written tracts he has left behind. Thus, he is grooming his image in an attempt to stand out, which is hardly easy when one counts among his ancestors a French marshal, an Austrian field marshal, a Polish king and archbishop, not to mention d'Artagnan, nay Talleyrand.

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CSO: 3100

COUNTRY SECTION FRANCE

U.S. ALLEGED MISTAKES INTERPRETED AS POSSIBLE SLYNESS

Paris PARIS MATCH in French 22 Feb 80 pp 34-35

[Article by Arthur Conte: "An Unsettling Idea: What If Carter Was a Pawn?"]

[Text] What if the turkeys were foxes? And if the Americans, far from being marionettes on a string, were pulling the strings themselves? And if Jimmy Carter were a simple pawn, moved around on the chessboard by the real "powers" in America, four or five remarkably poised and shrewd operators?

And if, far from being naive, American policy was to the contrary one of exquisite cynicism and rare virtuosity? If the "Establishment" which guides it were so Machiavellian as to exploit for its own purposes, Carter's weakness--using it, in fact, as a royal alibi?

This theory exists, and has serious defenders: that a small group of men, in the Pentagon, in the State Department, and at the head of the clandestine services, who hold "the real seats of power" in America, have in fact remained in complete control of events around the world from start to finish for at least the last 4 months. The Soviet Union, Iran, and Islam, would all have been manipulated. But, surprising as it would be, such a theory has been developed with arguments so telling and with such striking internal consistency, that it deserves to be more widely known--and in any case by our readers.

So here we go.

Deliberately, and with cold calculation, to obtain an end consciously chosen, four or five of the "strategists" in question, could have decided to avail themselves of the first pretext to come along to bring the shah from his first Mexican residence in Cuernavaca to American territory. This would have been calculated to provoke an immediate violent reaction from Khomeyni's supporters and to ignite a grave Iranian-American incident, which could then be easily exploited to unleash the patriotic furor of the whole American people. It could have been foreseen, ideally, that this would provide a worthy excuse for freezing Iran's enormous assets in American banks, send sizeable air and naval forces to the Persian Gulf and, manu militari [translation unknown], guarantee the security of the wells and refineries in southern Iran.

The Scenario at the Embassy Foreseen Before the Crisis

The "powers" would have been sure from the start that Khomeyni's Iran would react brutally. They could have been sure, also, of getting a green light from Carter to bring the shah to American territory: both because of his humanitarianism in general, and more particularly because a demonstrably very ill monarch was in need of care, the pious Carter could not oppose such a request; and, for good measure, Governor Nelson Rockefeller and Richard Nixon would intervene with all their moral suasion, to have the old sovereign welcomed to an American haspital. The rest would happen by itself...

Suppose this is true.

Let us imagine the plot is unfolding as foreseen. Under pressure from Rockefeller and Nixon, Carter gives his endorsement. The shah is hospitalized in New York.

Within 48 hours, extremely violent demonstrations break out in Tehran.

American authorities make no move toward either evacuation or even serious protection of the American Embassy in the Iranian capital. (One detail, reported by certain subsequently repatriated diplomats, is even more troubling: the American diplomats had been under orders as early as October to take refuge in the Canadian Embassy in case of an attack on their own. This says that all contingencies, possible or even imaginable, had been contemplated before the crisis,--including direct attack on the American Embassy.

In the event, the said embassy is attacked and taken over in one stroke by a mob that will be described as demented, and which in large part will be, but in whose midst several excellent agents of our strategists would also be working.

Moreover, the diplomats taken hostage are treated in the most inhumane way, eyes blindfolded, wrists bound, while spokesmen for the "conquerors" make haste to proclaim themselves ready to judge them as war criminals.

The scenario from this point unfolds ineluctably.

Indignation spreads through the whole American populace.

Carter can call for public prayers for the victims.

Worldwide indignation is such that in one single stroke Khomeyni's revolution loses all its prestige.

The Soviets, unable to give moral support to the embassy seizure, lose the complete confidence which up to then Khomeyni and his supporters reposed in them.

Carter begins to get into the spirit of the game as he sees his popularity curve taking a sudden upward swing.

Iranian assets in "civilized" banks everywhere can be freezed effortlessly. The turn-around in the American people is so complete one can even easily imagine the Congress voting a sensational increase in the military budget and funds for the CIA.

"Spoil" Kabul for the Cummunist Camp

Already the American fleet is heading toward the Persian Gulf.

If such was the intention of the "powers", the operation succeeded right down the line.

Let us imagine now another operation going on at the same time.

Let us suppose that CIA agents had the ability to complicate at will the relations among the Afghan Communists in Kabul. Let us try to tell ourselves that the Americans were so successful in their meddling in Afghanistan, so effective, that they ended up making the country ungovernable, all the communists suspicious of each other and massacring one another. The idea was to "spoil" Kabul for the communist camp, as Tehran had been "spoiled" for the American camp after the shah's defeat.

Would not a country so great, which had successfully presided over the stunning miracle of a Sino-Japanese alliance, and which accomplished the feat of creating a "greater Asia" right in Moscow's face, have sufficient resources to upset a capital as sensitive and naturally tumultuous as Kabul?

In any case, let us make believe this was the case.

So, the scenario continues to unfold with impressive precision.

The Soviet Union is obliged to intervene militarily in Afghanistan.

In turn, to incur the indignation of the entire world.

In turn, to incur the deadly wrath of Islam.

Pakistan rides high on its "atomic" spurs.

Khomeyni himself has to disavow the Russian intervention.

Global uproar is so great that the hostage incident in Tehran suddenly seems insignificant in comparison to "the death of a whole people."

Carter becomes more and more enamored of virile speeches and the "powers" have the chance to get everything they want.

The protest against Moscow is such that, for a while, Islam was ready to call America to the rescue: Pakistan, in fact, did.

Hatred of the Soviet world would almost eclipse the hatred of Israel and, in passing, it is even possible to reassert NATO's dominance over the West European countries.

To conclude, nothing else remains but to send the shah to Panama where, in order no doubt to facilitate negotiations for the return of the hostages, he is kept on a "pocket island" as in a deluxe prison, an island cell.

Incredibly Naive or Masterfully Calculating

In such a hypothesis, it is obvious that America wins across the board; America that counts its winnings, Russia its misadventures. Ironically, at the very time when one hears it said that the Army has taken power in Moscow, it is in a way the American Army which really pulled it off in Washington.

This is only a theory, and therefore has only relative merits, and certainly should not be accepted as revealed truth. It is open to quite a few doubts and criticisms. For example, it is difficult to imagine the shah having a cancer which requires surgery, at just the right time and just the right place, in order to facilitate the diabolic designs of our new James Bonds.

It is also difficult to imagine great responsible leaders toying with the lives of 50 hostages in such a cool and cynical way. In bringing the shah to America for his operation, no one could have foreseen the reaction of the Iranian people, much less the form this reaction would take. Even though Carter be weak and bewildered, it is hard to go from there to thinking he would be an instrument of such designs, like poor Rubempre in the claws of the new Vautrin. Finally, the Soviets in their own right would have been very naive to have been "taken" in so spectacular a way.

But, as long as we realize that in our age anything is possible, we cannot fail to see in this theory a certain coherence. To this extent, at least, it should be understood. Even if it does not help to dissolve the mists that envelop us, it at least has the merit of clarifying some unexpected aspects of the problem.

Nevertheless, it in no way changes the general lessons we have been able to draw from the events. Quite the contrary, it bids us, for our pwn part, to exercise even more caution and reserve.

If it be true that there is "conspiracy" everywhere, then we should be more circumspect than ever.

Let's face the facts: either America is incredibly naive, or masterfully calculating.

Either it is the plaything of a president who is weak and demagogic, among other things, or it is in reality led by five or six men of the first caliber, a "junta" of rare talent.

Let it also be understood: either Russia is in a strictly defensive posture, or it is laying the groundwork in Afghanistan for a policy of vastly greater scope.

Either Russia, ravaged by a bitter succession struggle, doesn't know which way to turn, or the succession has already been resolved, without our knowledge, and the new master is already exercising in Afghanistan his new power.

We cannot be absolutely sure either in Washington or Moscow, where the truth lies, or which forces in either country are dominant.

Chess Games With Poker Chips

In one case as in the other, this is all the more reason for us, the French, to remain on the sidelines of these prodigious and all too somber chess games, with their surrealistic poker chips. Let us remain content to see what happens while waiting for the skies to clear up.

We should hold ourselves apart, in reserve, all the more because we could at any minute have to employ our good offices--infinitely precious if the situation should suddenly deteriorate--in the service of peace.

We will never get tired of saying it: for us, this is not the time to tie ourselves down.

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CSO: 3100

COUNTRY SECTION FRANCE

DTCA GOVERNMENT AERONAUTICS DIRECTOR INTERVIEWED

Paris AIR & COSMOS in French 12 Jan 80 pp 10-13

[Interview with Gen Georges Bousquet, director of the DTCA (Technical Directorate of Aeronautical Construction); date and place not given]

> [Text] Engineer General Georges Bousquet, technical director of aeronautical construction, kindly agreed to comment, for the readers of AIR ET COSMOS, on the very important reform of his directorate, which took effect on 1 January, in an interview which we publish below on the new organization of the DTCA.

[Question] The DTCA has just been radically reorganized. Can you give us the reasons for this reorganization?

[Answer] First of all, I should make it clear that the missions of the DTCA have not changed. Its functions remain identical with what they were before. Within the General Delegation for Armament (DGA), its activity, which involves military and civilian aeronautical equipment as a whole, is carried out in close liaison with, on the one hand, the general staffs and the General Directorate for Civil Aviation, and on the other hand, the various branches of the aeronautical industry.

The preceding organization had been set up some 30 years ago. Many changes have occurred since that time, among which we can mention, in addition to the evolution of equipment and the increase in its performance capabilities and its complexity, the appearance of the notion of weapons systems integrating equipment and weaponry, the international dimension of most of the programs, and the evolution of the industry itself. Moreover, the organization of the departments of the Ministry of Defense has been greatly modified with the creation of the General Delegation for Armament.

In the face of all these changes, it was necessary to seek the best possible adaptation of the structures of the DTCA and its services, and this is the purpose of the new organization that was just established on 1 January 1980.

[Question] What does this reorganization consist in?

[Answer] This reorganization concerns the central administration of the DTCA and the services attached to it.

As regards the Central Administration first of all, the ministerial decree of 12 December 1979 puts the official stamp on an organizational change already in effect, in experimental form, since 1977. The purpose of this change was to adapt the DTCA's organization better to that of the DGA.

In this spirit, there are now four subdirectorates: plans-programs-industry, international affairs, personnel-establishments, and general affairs and administrative subdirectorate. The innovation here consists essentially in the creation of the plans-programs-industry subdirectorate and the subdirectorate of international affairs, and it is justified by the growing importance of these two sectors. Adaptation to the functional departments of the DGA, to which these subdirectorates are homologous, is thus improved.

The reorganization of the services goes deeper. It takes the form of the creation of three new services that replace the old ones (STAe [Aeronautical Technical Service], SPAe [expansion unknown], STTA [Air Telecommunications Technical Service]). Overall, the assignments of the new services are the same, but the distribution of missions is considerably modified.

[Question] How was this new conception arrived at?

[Answer] The previous organization was certainly very well-adapted to the situations that were encountered in the past and that were characterized by more systematic and sharper separation of development and production. On the other hand, the prior organization also corresponded well with the organization of industry, in terms of technical branches. This organization by technology is therefore being preserved, just as it is obviously necessary to preserve the competence and experience of the former services. Care has therefore been taken, in the preparation of the new organization, not to seek change for its own sake, but only better adaptation to the evolution of the context. The guiding principles that inspired this approach are the following:

--the importance of the program directorates has appeared greater and greater in the last several years. It was therefore necessary to create for the programs directorates a receiving structure adapted to the different aspects (development, production, maintenance) of a program. This search for new receiving structures has led to a strengthening of the link between development and production, and consequently to a closer association of the two functions within the same functional units;

--the notion of system is the second guiding principle that has inspired us. It is especially important at the weapons-system level. The growing integration of the systems has thus led us to make regroupings, mainly with regard to equipment and weaponry;

--finally, after concentrating all the functions relating to the aeronautical programs and the various technologies for them into two services instead of three, a central service was set up to combine the coordination functions common to the DTCA as a whole and covering prices, production and maintenance.

[Question] You have thus created three new services. What are the missions of each of these services?

[Answer] The DTCA has, in effect, three new services: two technical services--the Technical Service for Aeronautical Programs (STPA) and the Aeronautical Telecommunications and Equipment Service (STTE)--and one central service, the Central Production, Prices and Maintenance Service (SCPM).

The two technical services have responsibilities of the same nature in each of the technical areas that they are assigned--responsibilities that encompass preparation for the future, studies, development, production and industrial maintenance of materiel. To outline the distribution of technical areas between the two services, it can be said in a very general way that:

--the STPA is in charge of the conduct of military aircraft programs and programs for weapons systems based on aircraft, and is responsible for the civilian-program tasks that are assigned to it. It is in charge of the technologies relative to aircraft as vehicles--that is, those which concern the airframes of airplanes and helicopters, the engines, the materials, and the circuits, the general systems and installations;

--the STTE is responsible for the conduct of the equipment and weaponry programs under the DTCA's competence, both on board aircraft and on the ground, and for the related technologies (piloting, navigation, systems integration, airborne detection, countermeasures, weaponry, reconnaissance, ground detection systems, communications);

--the SCPM, for its part, is responsible for synthesis and general-policy action in the matter of production, prices and maintenance, for questions concerning price surveys and the general elements of prices, aid to the technical services in negotiation of contracts, and the DTCA's general relations with users and the SIAR [expansion unknown] with regard to maintenance.

[Question] You have stressed the importance of the programs directorates in the working-out of the new organization. What is the relationship of these directorates to the new services?

[Answer] The programs directorates are divided between the STPA and the STTE in function of types of equipment.

As regards airplanes and helicopters (with some exceptions--for example, the transformation of an airplane to a specifically electronic function), the programs directorates are all in the STPA. Within an interlocking organizational pattern, the program directors are supported by teams composed of specialists from different areas belonging either to the DTCA itself or to cooperating departments, and thus covering the entire aircraft and weapons system. The program director's responsibility extends to all aspects of the program: technical problems, production and maintenance problems, international aspects, etc. The great flexibility of the approach adopted should be mentioned. Depending on the case, one may find, within the STPA, program directorates which, because of their magnitude, are outside the normal chain of command and programs directorates inside airplane, helicopter, or engine departments. Likewise, in order to economize on the means available, the possibility of grouping several programs of lesser importance under the responsibility of the same engineer is maintained.

Today, the programs falling outside the usual hierarchy but within the STPS are the Mirage 2000, the New-Generation Atlantic, the antitank helicopter, the Airbus. For Concorde, a special structure was set up in the DTCA, in the form of a technical and industrial director. In contrast, light airplanes and gliders, for example, are still assigned to the same engineer in the airplanes department.

In the new organization, further flexibility results from the closer association of development and production. Thus it will be possible to go without discontinuity from one phase of a program to the following phase, and it will be possible to make better use of the competencies of the teams at the different stages.

[Question] You have just reviewed the regrouping of technology and production. Doesn't this regrouping contain a danger--loss of specificity--since the functions, in the last analysis, are quite different?

[Answer] Thank you for raising this very important point, to which we gave our entire attention. The technological side and production will continue to be taken in hand with all their specificity intact and with the desirable level of competence. The two functions do in fact subsist, and the new departments--airplanes or engines, for example--composed of units from, for example, the STAe and the SPAe, bring all their experience and all their means into activities that are entirely similar to those of the past. Continuity, which is very important in these fields, will thus be ensured, and in most cases the teams will be preserved, so as to deal with the problems in a specific way in function of the experience accumulated in the services that existed before. On the other hand, it should be noted that each of the new services encompasses all of the administrative and contractual functions in its area, as as to provide for direct action in relation to industry.

In the new departments, a very important and very positive element should be stressed: the grouping of all the specialists in the same technical field with the corresponding activities, from the projects stage all the way through service support for the equipment during its use. This grouping of the means in a given sector should make it possible not only to improve liaison between the different aspects concerned but also to deal better with certain priority tasks such as preparation for the future.

[Question] You have already pointed out the fact that one of the ideas on which the reoganization is based is the importance of the developments in the area of systems. Can you explain how this concept is expressed in the reorganization of the services?

[Answer] In the new organization, the notion of system appears at two levels:

--at the level of the complete system--a weapons system when a combat airplane is involved--the development of the system is directly associated with the notion of program directorate. The program director has overall responsibility for the totality of an operation. Thus, the program director within the STPA is responsible for the complete airplane, and especially for the weapons system, and he thus covers all the corresponding activities of the directorate and of the cooperating directorates.

But the notion of system appears also at the level of integration of equipment and weaponry. The reorganization that has just occurred makes it possible, in effect, to group the major part of the equipment and weaponry within a single service, the STTE. Such a grouping should facilitate the implementation of technical solutions in which the role of the computer and data-processing is becoming more and more decisive.

Thus, the STPA has general responsibility for systems for aircraft, and the STTE has overall responsibility for the equipment and electronics systems at the construction level, and for the corresponding integration technologies. It goes without saying that the two technical services are obviously complementary, which should facilitate close and permanent cooperation.

[Question] So far, you have spoken more particularly of the technical services. Can you now define the role of the central service, the SCPM?

[Answer] As I indicated above, we felt the need to group within a central service the functions that are common to the two services and for which a synthesis should be made at the level of the DTCA. I would like to go back to the nature of these functions and indicate first of all that, contrary to the two services that we have just spoken of, which largely take over existing functions, the SCPM has a very new role in certain respects.

In the area of prices, the SCPM takes over the responsibilities of the Expert Valuation and Prices section of the SPAe, although, in this field, it is now planned to extend certain of its activities--on the one hand, with a view to helping the technical services in negotiation of their biggest transactions, and on the other hand, in order to deal with the increasingly international context of aeronautical affairs.

In the area of production, special effort should be given to examination of all the aspects that make it possible to achieve cost-reduction, while in the area of industrial maintenance, the service will be given the task of working out general policy and establishing the elements for synthesis that are more and more necessary at the level both of the DTCA and of the armed forces that use the end products.

[Question] Is this reorganization leading to a geographical regrouping?

[Answer] The reorganization of the services will, effectively, lead to a gradual regrouping in the Welvert building of the Cite de l'Air of the teams that are responsible for most of the on-board equipment, whether they belong to the STPA or to the STTE. This regrouping, which will take effect in a few weeks, will also make it possible to improve the very close relations that should exist between the two services. Unfortunately, this regrouping cannot be a total one in the present state of affairs, and the STTE will keep its headquarters and part of its services at 129, rue de la Convention. In the longer term, it is still planned to group all the services in the City of the Air, but fulfillment of this objective depends on the construction of new buildings, and this is not to be expected for several years.

[Question] I thank you for the information you have given us on the principles of the new organization of the DTCA. But how, in the future, will one be able to get a point clarified regarding the measures that you have just explained, and in a more general way, how will one be able to obtain more detailed information?

[Answer] On the occasion of the reoganization, the DTCA put out a brochure which it distributed widely among the official organisms and industry. This brochure should give those interested a succinct idea of the changes that have been made. In addition, interested organisms can obtain more detailed information from the correspondents they are normally in touch with. Finally, with regard to special needs, even more complete information can be obtained by applying to the DTCA's Office of Organization of Establishments, at 26, boulevard Victor, Paris.

[Question] From the information that you have kindly provided for the readers of AIR ET COSMOS, it emerges that it will still take some time for the new organization to be fully in place and for the reasons behind this quite far-reaching change to be better understood. Can some initial conclusions be drawn today from the information given?

[Answer] As I told you, the concern of the DTCA, at the conclusion of a period of thinking that lasted several years but went into its decisive phase in 1978 and 1979, has been to try to adapt the structures of the services to a context evolving rapidly both on the technical level and on the level of the conditions under which the main part of their activity is now carried out. This adaptation has been sought in such a way as to preserve as much as possible the traditional basic qualities of the organization, and in particular, the technical competence and experience of the existing teams.

We are now entering upon a transitional period--one which I hope will be as short as possible and during which the services and their many correspondents will have to establish new bases of relations.

I hope that once this period has passed, the improvement factors sought, which are numerous and important, as you have seen, will be fully evident; but it is obviously too soon to draw any conclusions.

TECHNICAL DIRECTORATE OF AERONAUTICAL CONSTRUCTION

Organization as of 1 January 1980

26, boulevard Victor - 75996 PARIS ARMEES - Tel: 552-43-21

Director: Engineer General Georges Bousquet
Assistant Director: Engineer General Gay

Special Assistants

Air Force Assistant: General Aubry
Navy Assistant: Commander Prazuck
Civil-Aviation Assistant: Engineer General George, Concorde Technical and Industrial Director
Operations Assistant: Engineer-in-Chief Ripoll

Mission Chiefs

Studies-Investigations: Engineer General Buisson

Standardization: Engineer General Theron

Advance Planning and Research: Engineer General Louchart

International Programs: Engineer-in-Chief Audran

Security Department: Lieutenant Colonel Alvernhe

CENTRAL ADMINISTRATION OF THE DTCA

I. Plans-Programs-Industry Sub-Directorate

Sub-Director: Engineer General Sandeau
Assistant to Sub-Director: Engineer-in-Chief Lasserre
Plans-Programs-Budgets Office:
 Engineer-in-Chief Lasserre
 Principal Engineer Pouliquen
 Mr Alfonsi
 Engineer-Technician for Studies and Fabrication Jamet

II. International Affairs Sub-Directorate

Sub-Director: Engineer General Selles
Assistant Sub-Director: Engineer-in-Chief de Bignicourt
Office of Research and Granting of Licenses: Mrs Grisoni
Foreign Trade Office: Mr Philippe
Office for Coordination of Assistance to Foreigners: Mr Rodary
Office of External Relations: Mr Pizzini

III. Personnel, Establishments and General Affairs Sub-Directorate

Sub-Director: Engineer General Gaillardot
Assistant Sub-Director: Engineer-in-Chief Durollet
Office of Military Engineers: Mr Dupuy
Office of Civilian Personnel: Mr Caporal
Office of Military Armed Forces Personnel: Lieutenant Colonel Bastgen
Office of Initial and Ongoing Training: Engineer-in-Chief for Technical Studies on Weaponry Baquey
Office of Organization of Establishments: Engineer-in-Chief Durollet
Office of Methods and Data-Processing: Engineer-in-Chief Evrard
Office of Domain, Construction Projects, Investments: Mr Robert
Office of Materiel and General Affairs: Mr Guelin

IV. Administrative Sub-Directorate

Sub-Director: Mr Vuillier
Assistant Sub-Director: Mr Maudry-Gauvin
Office of Financial Management of Industrial Orders under International Cooperation: Mr Chretienneau
Office of Financial Management of Establishments: Mr Picon-Dupre
Office of Financial Maagement of Industrial Orders: Mr D'Emmerez
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Assistant Director: Engineer General Deforges
Technical Sub-Director: Engineer-in-Chief Givois
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Antitank Helicopter: Engineer-in-Chief Lureau
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Assistant: Engineer-in-Chief Terrazzoni

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Helicopters Department
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Circuits-Installations Department
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Production Assistant: Engineer-in-Chief Gremond
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Technical Sub-Director: Engineer-in-Chief Blanc
Industrial Sub-Director: Engineer General Herry
Technical Coordination Group: Principal Engineer Garnier
Production and Maintenance Coordination Group: Principal Engineer Guimonet

Piloting, Navigation and Integration Department
Chief: Engineer-in-Chief Scheller
Assistant: Principal Engineer Moreau

Airborne Detection and Countermeasures Department
Chief: Engineer-in-Chief Bertagna
Assistant: Engineer-in-Chief Kleinknecht

Reconnaissance Equipment Department
Chief: Engineer-in-Chief Forget
Assistant: Engineer-in-Chief Dejean

Communications Department
Chief: Engineer-in-Chief Pelosse
Assistant: Principal Engineer Mollie

Ground Detection Systems Departments
Chief: Engineer-in-Chief Basset
Assistants: Engineer-in-Chief Gerthoffert, Engineer-in-Chief Morriset

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Chief: Engineer-in-Chief Darricau
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Production and Maintenance Section
Chief: Engineer-in-Chief Dubresson

Airplanes
Principal Engineer Gaudillet

Engines
Engineer-in-Chief Ducret

Equipment
Equipment Engineer Chancel

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Mr Normand

Expert Valuation and Prices Section
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Assistants: Engineer-in-Chief Gloria, Principal Engineer Bouillon, Equipment Engineer Tisnes

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COUNTRY SECTION FRANCE

ARMED FORCES' RADIATION PROTECTION DISCUSSED

Paris ARMEES D'AUJOURD'HUI in French Dec 79 pp 30-31

[Article by Dr Pierre Thieblemont]

[Text] Radiation protection is a medical responsibility. Its purpose is to preserve the health of persons who are exposed in their work to ionizing radiation, or who may be victims of its effects. In the Ministry of Defense it has been the responsibility of the Medical Corps which has been advising the High Command in these matters.

During the last two decades the use of sources of ionizing radiation in the Ministry of Defense has increased considerably as a result of the production of deterrents. Therefore it has been necessary to coordinate radiation safety measures for more effective implementation. The uniform national regulations on this subject are based on a decree of June 1966, issued on the initiative of the health minister. This decree defines the general principles for protection against ionizing radiation. These principles are based on recommendations made by CIPR [International Commission for Radiation Protection] in 1959 and adopted by the European Community in 1962 at the time of the treaty which established Euratom.

At the Ministry of Defense, in an order dated 6 December 1971, the minister has assigned to the Director General of the Armed Forces Medical Corps the joint affairs and expert inspection related to the radiation safety of installations and the protection of personnel from ionizing radiation. This duty is specified by a ministerial directive and delegated to the Armed Forces Radiation Protection Service (SPRA) (established by Decision No 349/DN/DCSSA/3/ORG/2/RT, 5 February 1973).

Range of Activities of SPRA

This range is relatively wide because of the considerable increase observed in recent years in the introduction of ionizing radiation sources in the armed forces and in installations. Two sources are traditionally recognized:

[1] sources related to defense activities (classified). They are under a special statute. This category comprises:

--Nuclear weapons assigned to units of the three branches of the armed forces, some nuclear equipment intended for the Ministry of Defense, and weapon prototypes under test at nuclear test centers;

--Nuclear reactors of weapon-launching submarines (SNLE) and attack submarines (SNA).

A ministerial committee is engaged in the elaboration of rules applicable to the radiation safety of these basic nuclear installations. An SPRA representative participates in this work and, since he is informed of the risks incurred by personnel involved in the use of these means, he is in a position to recommend protection measures for adoption. His powers also extend to the nuclear safety exercises conducted in the environment of these installations and to their inspection by competent authorities. Finally, in the medical field, he recommends measures for action in case of incident or accident, and verifies their application and effectiveness.

[2] sources not related to defense requirements are governed by uniform law regulations, for example:

--Ionizing radiation electric-generation equipment for medical use (X-ray diagnosis, radiotherapy, etc.) or for industrial use. The procedures for the use of these sources are strictly regulated as will be seen below;

--Sealed or unsealed radioactivity sources used in clinical, radiotherapy, and nuclear medicine services and medical biology laboratories; and

--Industrial gammagraphy sources and radio elements contained in various devices or in research equipment in institutions, schools, educational centers, and laboratories of the Ministry of Defense.

The Duties of the Armed Forces Radiation Protection Service

The first is an administrative duty since the service is responsible for the elaboration of the uniform regulations governing personnel protection from radiation and the radiation safety of installations regulated by the uniform law.

In respect to the radiation safety of installations the central agency:

--Is informed of all plans for the acquisition or modification of ionizing radiation sources. It must control the effectiveness of radiation protection measures and modify them if necessary. Under the regulations in effect it transmits with a substantial opinion applications for the acquisition of radioactivity sources to the Health Ministry in cases of medical use, and to the Interministerial Commission on Artificial Radio Elements (CIREA) in the case of industrial application sources;

--Conducts the initial inspection at the time of installation of ionizing radiation sources, and verifies the effectiveness of protection;

--Conducts the periodical safety inspections provided for in the regulations, inspects medical installations every 3 years and industrial application sources every 2 years;

--Ascertains the satisfactory operation of installations by continuous dosimetric monitoring (with dosimetric films or the like) of the inspected zone and possibly of the monitored zone, and sees to the observance of the applicable rules; and

--Finally, is empowered to initiate investigations in case of nonobservance of the rules.

Protection of Personnel From Radiation

SPRA is responsible for the coordination, use, and implementation of measures for the protection from radiation of personnel assigned to work directly under ionizing radiation. These measures are defined in the uniform regulations. For this purpose it provides for and coordinates:

--The dosimetric monitoring of personnel and the verification of the observance of the applicable rules; and

--The medical radiobiological observation, medical fitness checkups, periodical checkups, and follow-up specific examinations.

The documents concerning this observation are standardized and addressed to SPRA by the physicians of the units concerned for filing and use. For this purpose the service has a minicomputer in which all data received are stored and preserved. The service conducts the investigations required in case of nonobservance of the rules or deliberate exceptional exposure, and conducts the preliminary investigation in disputed radiation cases at the request of civilian or military organizations.

Subsidiary Duties

Primary teaching function since the regulations provide for special qualifications for source-operating personnel. The service has been induced to set up training courses for "persons qualified in radiation protection" and technicians designated to operate industrial radiography equipment (X and Y sources). These training courses, given periodically at the Central Technical Equipment Installation, are used by the installations and the Armed Forces to prepare the necessary personnel. The service also participates in training courses organized in the Armed Forces Medical Corps for personnel designated to operate in units assigned weapons or in hospital units called upon in radiation accident cases.

Finally the service is the intermediary between the Ministry of Defense and the organizations (interministerial commissions and committees) concerned with radiation safety and protection of personnel from radiation.

Resources Available to SPRA

Located on the premises of H.I.A. Percy at Clamart (92), the service consists of about 15 persons and is divided into four specialized sections:

--A medical problems section under a physician qualified in problems of personnel protection from radiation;

--A physical problems section under a weapons officer specialized in physical radiation protection and concerned with the safety, compliance, and inspection of installations;

--A data processing section concerned with the acquisition, storage, and use of all the informations supplied to the service, and with documentation; and

--An administrative section.

SPRA is assisted by two expert agencies:

One is a component of the Armed Forces Medical Corps. Some divisions of the Research Center of the Armed Forces Medical Corps (CRSSA), also stationed at Clamart, act as radiobiology and radiotoxicology experts. Some radiochemical tests and spectrometric analyses are conducted in these laboratories for personnel exposed to particular radiation disturbances.

The other agency is under the General Armament Delegation (DGA) which is skilled in detection and physical protection, the Medical and Safety Service of the DPN (Nuclear Protection Division) of the Central Technical Weapons Installation (ETCA) located at Arcueil conducts for SPRA the dosimetric monitoring of installations and personnel, the technical inspection of installations, and is concerned more generally with physical problems submitted to SPRA (specific tests, effluent transport, administrative control, etc.), and has the necessary physical resources and suitable technical teams.

These two expert agencies are in a position to act promptly on the site of incidents and accidents.

Radiation protection of personnel exposed professionally to ionizing radiation is conceivable only if all the persons who are active in the conception and use of radiation sources operate in close cooperation. The duty of SPRA is to define the methods for the use of these sources, and to provide for the coordination of protective measures. The preservation of the health of exposed personnel must remain an essential and constant concern of the supervisors to whom these resources are entrusted.

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COUNTRY SECTION FRANCE

PLANS FOR FUTURE ARIANE LAUNCHES ANNOUNCED

Paris AIR & COSMOS in French 16 Feb 80 p 53

[Article by Pierre Langereux: "Second Ariane To Be Launched Between 20 and 30 May"]

[Text] The second launch of the European Ariane launch vehicle is now scheduled for between 20 and 30 May 1980, according to the announcement made by Roger Vignelles, CNES [National Center for Space Studies] Ariane program manager, at a meeting of the AAAF [Aeronautical and Astronautical Association of France] in Paris on 12 February. The second Ariane flight vehicle, designated L02, will be sent to Guiana by ship on 15 March and the L02 launch campaign will begin 31 March. Because of the experience gained from the first launch, the L02 campaign will be shorter--35 working days--than the L01 campaign of 54 working days. The second Ariane launch will carry the small Oscar-9 amateur radio communications satellite and the German Firewheel scientific satellite.

Roger Vignelles also announced that the third Ariane launch (L03) is scheduled for late September or early October. He explained that this will be a quasi-operational flight in that it will launch two large satellites: India's Apple experimental communications satellite and the European Meteosat 2 weather satellite.

The fourth Ariane launch (L04) is still planned for December 1980 and is supposed to carry the European Marecs-A communications satellite.

Ariane's program manager revealed that, contrary to initial estimates, the Ariane's first successful launch on 24 December now counts as a successful qualification flight. Consequently, under the terms of the agreements with ESA [European Space Agency] which require two successful qualification flights to declare the launch vehicle operational, CNES has to have only one more successful flight to meet this requirement. Hence, according to Roger Vignelles, the Ariane launcher may become flight qualified immediately after the third test flight (L03). There are no plans, however, to stop the series of test launches before the L03 launch. Nevertheless, if the next two test flights are as successful as the first, CNES and ESA may probably assign the fourth launch vehicle (L04) to an operational flight.

Roger Vignelles presented the initial report on results of the launch vehicle's first qualification flight on 24 December. This report covered a preliminary analysis of some 1,200 parameters collected during the flight, an analysis made by CNES and the manufacturers from 3 to 11 January 1980. A more detailed evaluation begun on 13 January will continue until late March 1980 for preparation of a final report.

Confirmed Success of First Launch

But preliminary analysis already confirms that the first launch was extremely successful. All specifications connected with the payload (position, velocity, injection into orbit, acoustic environment, etc.) were met within designed tolerances, with the exception of the dynamic environment and a brief heat-flux peak and pollution peak at the end of the second stage burn.

In comparing interfaces with the payload according to the general specifications in the Ariane Vehicle System (STIA) and the generally higher specifications in the Ariane Users' Manual (MUA), it was ascertained that loads corresponding to maximum dynamic pressure at first stage burnout were below specifications.

The pogo effect noted during the last 10 seconds of the second stage burn was above (1.85G) MUA specifications (1.5G) for 2.5 seconds. Hence it is planned to actuate the second stage's anti-pogo device during the next launch.

Noise under the fairing (135 db ± 2db) was below MUA specifications (142 db). Nevertheless, an acoustic shield will be installed for the second launch in order to better satisfy future users.

Heat flow showed a peak of 1.2 kw/m^2 during operation of the first stage retrorockets. This phenomenon will be studied in greater detail. On the other hand, when the fairing was jettisoned, the recorded maximum flow (875 w/m^2) was below MUA specifications (1,135 w/m^2).

Pollution which reached 4.5 mg/m^2 on separation of the fairing and 4.8 mg/m^2 upon ignition of the second stage retrorockets will also have to be corrected.

Performances of the three stages, equipment bay, and fairing were better, by and large, than expected. No irregularity was reported, except the second stage pogo effect. Control of the mixture ratio of the first stage's Viking engines, which had aroused some apprehension, was much more accurate (0.2 percent) than expected (1.2 percent). It was even better for the second stage engine. Altitude and velocity exceeded theoretical performances by 200 meters and 8 meters per second at first stage burnout and by 1,400 meters and 60 meters per second at second stage burnout, but these were still within expected deviations. Third stage burn time was 23 to 25 seconds less than expected on account of a chamber pressure close to the upper limit. The 90-degree pitchover and the spinning of the third stage at 10 rpm after payload separation were accomplished normally. The kinematics of separation was almost perfect: the payload's axis was "off" by 0 degree and transverse angular velocity by 0.2 degrees per second.

Under these conditions, the orbit achieved by the first Ariane launch vehicle was close to nominal: perigee of 200.8 kilometers (nominal: 200 kilometers), apogee of 36,021 kilometers (nominal: 35,800 kilometers) and an inclination of 17.555 degrees (17.5 degrees). The apogee was slightly higher on account of a pessimistic estimate of the third stage's specific impulse at thrust cutoff. This point can be corrected but the flight program of the second launch (L02) will not be modified.

Roger Vignelles stated that in the first (L01) launch, Ariane demonstrated it had a payload capability of 1,737 kilograms (nominal: 1,700 kilograms). This for a transfer orbit conforming to the MUA (inclination of 9.65 degrees), by adding to the 1,602 kilograms of the L01 payload actually placed into orbit, another 75 kilograms of telemetry equipment specific to the flight tests plus 60 kilograms as a "handicap" in order to intentionally incline the L01's flight path southward (for telemetry acquisition). This thus confirms the payload capability (1,770 kilograms) required to launch Intelsat 5 satellites.

To conclude, very few modifications need be made in the launch vehicle or launch procedures for the second launch. The release sequence is being modified to take into account the problem encountered on 15 December. The anti-pogo device on the second stage will be activated and the addition of heat shields is being considered as a means of reducing heat flow and pollution. The SEP [European Propulsion Company] is conducting additional tests relative to the problem which arose on 23 December and the synchronized sequence's automatic procedures have been simplified because of the problems encountered on 23 and 24 December.

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COUNTRY SECTION FRANCE

CFDT, CGT LABOR UNION REACTION TO PCF'S PRO-SOVIETISM

Paris LE NOUVEL OBSERVATEUR in French 4-10 Feb 80 pp 27-29

[Text] It was inevitable: after the parties--those of the left anyway--it is the French labor unions' turn to be struck a direct hit by the Afghan affair, and its complement, Sakharov's exile to the interior. One would think that the powers would be delighted--in silence--about these new dissensions as they even further avert the "risks" of a serious contestation against its social policy, however aberrant it is. Here is the communist party, under the pretext of drawing up an official statement, arrogantly casting out into the outer darkness in an incredible medley, all those who refused to swallow the "coup of Kabul" and then pouring a new and generous brim-full of oil on the fire.

This is indeed an extraordinary "declaration" by the political bureau published by L'HUMANITE on 31 January! Calmly reversing the chronological facts--following a very ancient method -the PCF when alluding to the present tension only mentions "the unleashing of anticommunist propaganda" used by "Giscard d'Estaing, the employers, all the reactionary forces" to try and "obtain the submission of the workers." And it concludes: "The Political Bureau observes that the leaders of the socialist party cooperate directly with this undertaking. Those of the CFDT (French Democratic Confederation of Labor), FEN (National Education Federation) and the FO (Workers Force) also work in a consensual manner and at the same time try to assist the socialist party...

The brutality and universality of this curse is surprising. Indeed, these three pilloried labor union organizations have, in the past few days severely censured the Soviet machinations as well as those who absolved them in France, through the voices of Andre Henry* for FEN, Andre Bergeron for FO and Edmond Maire before the National Council of the CFDT. But in spite of the gravity of the debate and the crudeness of the remarks, the labor unionists made every effort not to commit the irreparable and preserve, even for an uncertain future, the smallest chance for "unified" action. Apparently the communist party does not indulge any longer in such absorptions.

*see page 29 in Lucien Rioux's article

A Bitter Statement: It is true that the labor union world does not conform as easily as the communist party to warlike simplifications. The CGT continues to bear witness to the above; in fact, the uneasiness created among the members by the alignment with Soviet positions has not been dispelled. Even the CCN (National Confederal Committee), which met on 23 and 24 January, suffered from its after-effects although the communists are in an overwhelming majority in this organization. Yet, the communist party framework had done everything possible to impress the indifferent and isolate the challengers, who were violently attacked this time. But when it came time to vote three federations refused to approve that part of the Lomet report which pertained to Afghanistan; the penitentiary personnel voted against the total report, finances abstained and the powerful chemistry federation voted for the report but expressed its disagreement with the part under dispute. However, the last two federations have two communist secretaries: Robert Gevaudan and Jean Vincent.

It is not the report of their voyage to Kabul on 28 January by Pierre Gensous, Jean-Claude Laroze and Joseph Jacquet which will be sufficient to dispel their doubts. These "investigators" saw nothing abnormal in the Afghan capital "the majority of the Afghans were breathing and were going about their normal business" they declared. Will it be emphasized that this trip had been made under the auspices of the FSM (World Federation of Trade Unions), an organization whose last committee meeting had been "cut" by Georges Seguy because the CGT considered it to be too much in line with Eastern countries...?

Nevertheless, respective positions have hardened as the days went by. The communist party tightens its hold on the CGT. This was an incentive for the other groups of affiliated trade unions to drive the nail in.

"The Soviet intervention in Afghanistan is a fundamental event. For us in France it ruins for a long time the possibility of a united government of the left; it is a severe blow to the union of the people's forces." This bitter statement, which reverses PCF's statement, was made by Edmond Maire on 24 January before the National Council of the CFDT. Sweeping away the Soviet version that this was an appeal by the Afghan Government--"Marchais lied on this point--..." Maire drew a conclusion from this event that communism arrogates to itself the right to "a preventive intervention" under a revolutionary pretext, at the same time negating the alternative. It will be necessary then, future fantasy, to define another socialism "which will assert itself at the same time against the capitalist system and against this other expansionist system of oppression, exploitation and alienation established in the USSR and in the satellite countries."

However, in the immediate future the "regressive evolution of the French communists" presents a formidable problem in any action concerning the demands of labor. Yet Maire is positive. This action "must remain absolutely unified" and he even makes it a matter of principle: "We will never surrender to any campaign which will tend to throw communism back into the ghetto."

Contradiction? In any case there is a corresponding pressing need which impells the CGT not to go as far as a total break. This was easy to observe at the end of the meeting of the CGTists and the CEDETists on 29 January. Four hours of confrontation without any results, not even a joint communique, when even a negative result, "no accord, no break-off" would have been greeted as some sort of success. Just as though unity of action had been saved while taking care not to proclaim it.

An agreement was certainly not being considered. For many months the CGT had accused CFDT of not "being present at the struggle" while CFDT denounced CGT's submission to the political objectives of the communist party. No illusions, therefore, when on Tuesday 29 January CGT received CFDT on the seventh floor, at 213 rue de La Fayette. Georges Seguy accompanied by four members of the confederal bureau--Rene Lomet, Jacqueline Lambert, Rene Buhl, Gerard Gaume--and his secretary Jean-Luc Destrem, greeted Edmond Maire and his delegation; Jacques Chereque, Robert Bono, Jeannette Laot, Georges Begot, Albert Mercier and Guy Gouyet. The climate is tense.

But faithful to its habits the CGT decided to act as though the differences were written in parenthesis. Right away, in presenting CGT's project--very short, 20 lines--Georges Seguy declared: "let us not waste any time discussing our differences. No philosopho-political discussions..."

Nevertheless the CFDT delegation is startled when it reads this small document: "The first mission of trade unionism is to ensure the defense of professional workers' claims (...) The divergencies which separate the CGT and CFDT on some national and international problems cannot reflect again on their unity of action." Finally, "the above remarks express the devotion of both organizations to the independence of the unionist movement and to the autonomy of its activities." In addition the text is presented as a "preliminary" to any discussion.

Deep Mistrust. Inacceptable say the CEDETists, who feel that the CGT is out of order when it proposes such a conception of unionism. Edmond Maire deplores CGT's refusal to discuss their differences and adds: "We are not in the habit of voting on a preliminary text." But Georges Seguy confirms, "the Segetist program actually is a preliminary text." Therefore no discussions on the objectives and modalities of this action. CFDT refuses. The meeting is suspended.

After a full hour the CGT's return with an expanded text. The CFDT has "an essential mission to defend the material and moral interests of the worker that is to say, including at the same time immediate claims, individual and collective liberty, broadening of rights and emancipation of the workers and the people." Kabul's shadow has just spread over 213 rue La Fayette. CFDT further recalls its adherence to the agreement of 26 June 1974 which established the unity of action, and to the agreement of 17 September 1979 which defined the three ranking claims: increase in low salaries, reduction in working hours, right of expression by the workers. New suspension.

One hour later the CGTists return, they amended the preceding text, they are presenting a third document. In fact, this is an impasse. An agreement is evidently impossible. Nor will the disagreement be published... for the only purpose of being able to say that there had not been a breakdown.

Actually a real fragile balance which in addition is being menaced in the future by the deep mistrust pervading between two courses, not to mention between two worlds.

What a mess! This week Pierre Beregovoy, who had been one of the socialist negotiators, recalled that the 1972 "common program" had established the following as principles for the foreign policy of the state: the non-intervention in internal affairs of other countries, refusal to have recourse to force or threaten recourse to force, including the use of force to impose the choice of alliances on a nation, establishing or maintaining a political or social system against the wish of the majority of the people." Yes, the PCF had signed this program. And then, Kabul....

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COUNTRY SECTION SWEDEN

U.S. TRADE BOYCOTT OF USSR TO AFFECT SWEDISH INDUSTRY

Stockholm VECKANS AFFARER in Swedish 31 Jan 80 pp 29-33

[Article by Gunilla Dahlqvist]

[Text] At the same time as the cold war and rearmaments are again being stepped up, there is a growing realization that modern warfare, with its sinister consequences, appears to become more and more unfeasible. It, therefore, is likely that economic warfare becomes increasingly important. VECKANS AFFARER shows, in this article, how Swedish enterprises can get into a tight corner, and how Sweden prepares its own economic defense.

"If you plan to go to the Olympics in Moscow this summer, you have better take your own bagged lunch along from home," U.S. Minister of Agriculture Bob Bergland said a week ago on the program 'Face the Nation' of the U.S. TV corporation CBS.

This half-joking statement, nevertheless, illustrates the belief of the U.S. administration in the effect of the grain embargo, which was launched by President Jimmy Carter after the Soviet invasion of Afghanistan. A number of uncertain factors, such as the readiness of other grain exporters to compensate for the shipments suspended by the United States of 17 million tons of fodder grain, however, contribute to the doubts of many evaluators as to the effectiveness of the embargo as a weapon against the Russians.

"I do not believe that this will bring the Soviet Union to its knees. The Russians, no doubt, have been reckoning with this development. At any rate, the embargo may, at worst, have the effect that every tenth steak will disappear from the Soviet dining table," says Professor Gunnar Adler-Karlsson, author of the standard work on economic warfare, 'Western Economic Warfare 1947-1967.' Gunnar Adler-Karlsson's conclusion is that the embargo policy which, under the leadership of the United States, was being pursued by Western countries and Japan against communist countries after World War II, hardly fulfilled its purpose of weakening the East Bloc.

No matter whether the world's other grain exporters will support the embargo policy of the United States, the fact remains that the Soviet Union will never be able to fill the gap of approximately 34 million tons of fodder grain which, according to U.S. estimates, arose after the failure of the latest Soviet crop. If the West continues to supply the same quantities as usual, the Soviet Union will be able to import approximately 5 million tons of grain beyond the approximately 8 million tons which have already been contracted for from the United States.

Among those who may get to contribute to the Soviet grain supplies is Sweden. Our official policy is to join only such embargoes as are sanctioned by the U.N. "We thus continue our traditional export of grain for the time being," Under-Secretary of Trade Ulf Dinkelspiel explains. To be sure, Sweden has no large quantities to deliver--"only approximately 380,000 tons of fodder grain remain," Lennart Forsberg told the Society of Swedish Grain Merchants. The latest orders received after the embargo decision of the United States, have come from Finland and international trading houses.

"The freights are based on a cost which applies to Poland/the German Democratic Republic and may quite conceivably go on to the Soviet Union. That is beyond our control," Lennart Forsberg says. However, the role of Sweden in the international grain war is very insignificant.

However, the other economic weapons of the U.S. arsenal against the Soviet Union--such as the embargo on high technology and electronics--create a certain amount of concern among industrialized countries, also in alliance-free Sweden.

Although Sweden has never officially endorsed the conditions of the so-called COCOM states (Japan and the NATO countries except for Iceland, i.e., the countries which in 1949, on the initiative of the United States, adopted a list of 'prohibited' export articles to the Communist Bloc), Swedish trades and industries have become dependent on U.S. approval in order to be able to reexport products which contain U.S. components. The most recent example of the influence of the United States is the U.S. rejection of Sweden's planned export of the fighter aircraft Viggen to India. Another case which arose recently but which was solved after prolonged negotiations with Washington, is the marketing by Stansaab (which later on has merged with Datasaab Inc.) of traffic control equipment, containing U.S. components, to Moscow.

"It is still too early to make any statement as to what the result may be of the latest U.S. initiative. So far, we have, however, had no particularly great difficulties with the U.S. export restrictions," says Ulf Dinkelspiel. "The most sensitive products in this context are electronic components."

At Datasaab, which, on an average, exports for a value of 60 million kroner per year to the Soviet Union, there is no feeling of alarm at present. "We assume that the licenses which are now being granted to us, will also apply for some time to come. But if we should become subject to pressure from some quarter or other, it is clear that our relations with the United States are of the utmost importance. Approximately 95 percent of all electronic equipment originates in U.S. patents," says Bengt Gustafsson, chief of the IDS division at Datasaab.

Data processing equipment and electronic control parts now form part of nearly all equipment produced in the power field and within other heavy industries. Asea, which, some months ago, got an order worth 150 million kronor from a Soviet steel works project, is anxiously awaiting the effects of the crisis between the East and the West.

"As you know, we have continual orders from the Soviet Union, and the regulations governing reexportation have been tightened considerably," says Olle Keding, export director at Asea. "We are concerned, among other things, about contracts that we already have."

"We must be prepared that the situation may become tougher," says Sven Lonnstrom of LM Ericsson, who is responsible, among other things, for export license contracts with the United States. LME recently delivered a telex station for 25 million kronor to the Moscow Olympics. "The formalities in connection with export license applications are complicated, and if things start becoming tough, there is a great risk that deliveries may become delayed," says Sven Lonnstrom. LM Ericsson exports to the entire East Bloc. The East European market, however, has not come up to expectations. Only approximately 1 percent of the total turnover of approximately 9 billion kronor of the concern goes to the East Bloc. "It is the foreign exchange shortage which is the main reason for the poor result," says Sven Lonnstrom.

However, the U.S. move against the East Bloc may, paradoxically, result in an improvement in the foreign exchange situation of the Soviet Union, at least theoretically. For the world has already shown its distrust of all paper currencies, not least of the U.S. dollar. And the U.S. embargo, on top of the increased economic tension in the world, has quite naturally led to an increase in the gold rush. The price of gold reached over 800 dollars per ounce in mid-January (compared to slightly more than 200 dollars a year ago). And one of the biggest gold producers in the world is the Soviet Union.

Soviet Trump Card: Gold, Oil and Strategic Metals

However, it is not only gold that weighs heavily in Soviet resources. The Russians have access to the majority of the strategic metals and even oil (6 percent of Sweden's oil imports come from the Soviet Union), which can be exploited in the situation which has now arisen.

A week ago, Japan, a U.S. ally, which, at the same time, has very large trade interests in the Soviet Union, for example, received an offer from Moscow to purchase from the Soviet Union the raw material of titanium which is very much in demand, and which, for a long time, has been difficult to get.

"What the Russians may have up the sleeve in the form of demands for services in return, we do not know yet," says Mr N. Yonemura of the Japanese trade office Jetro in Stockholm. Titanium is used, for example, in the steel industry, and in Sweden it is the Avesta Iron Works which is the biggest buyer of this raw material, which is difficult to obtain. Avesta, subsequently resells part of the titanium to other Swedish industries.

It was hardly by chance that Eric Gauffin, purchasing engineer at Avesta, in December for the first time, went to Moscow in order to purchase personally a secret quantity of titanium directly from the Russians. "The Russians suddenly raised the price of titanium to a shocking level in the fall," says Eric Gauffin, who refrains from making any further comments on the matter and prefers to stress the excellent trade relations existing between the Johnson concern (which owns Avesta) and the Soviet Union. According to a spokesman within the Swedish engineering industry, who wants to remain anonymous, one of the reasons for the restrictiveness of the Soviet Union in respect of titanium is that they want to prevent the British from buying titanium for the production of fighter aircraft which would then, subsequently, be sold to China.

It is, of course, very sensitive for the export industry to make statements on the economic warfare between the two Great-Power blocs, especially if the enterprise, like Saab and Bofors, imports parts for military strategic products.

At Saab-Scania, business is at a low level after the setback with Viggen, 18 percent of the value of which is made up of imported parts, especially from the United States. Hans G. Andersson, director of the information department: "We do not expect at all to get any export license for our military products, and that also applies to the scheduled SK2. For our aircraft are primarily intended for the Swedish defense."

Bofors imports, among other things, electronics components from the United States for the production of defense materiel.

"High technology is one of the corner stones in the U.S. security policy, but so far we have had no difficulty getting export licenses from the United States. The reason is that we export only to Yugoslavia within the East Bloc, and, so far, the United States have regarded that country as distinct from other Eastern countries in the export context," says Martin Ardbo, marketing director for the defense materiel division at Bofors. "Our most acute problem is now Iran where we were forced to discontinue a projecting job for an indefinite period of time."

Economic warfare is no new phenomenon. There are a number of examples in history of Great-Power warfare with trade embargoes and boycotts as the main weapon. However, in recent evaluations and analyses of economic warfare actions, such actions have often been regarded as ineffective. Peter Wallensteen, a peace and conflict researcher at Uppsala University, sums up the effects of the embargo policy more or less as follows in his much noted study, "Economic Sanctions," (1971): "An embargo is usually only a symbol that the one imposing the embargo dislikes what is being done by the one against whom the sanctions are imposed, and that he is utterly incapable of doing anything about it."

Ignored Effect: Economic Weapon Often Has Recoil Effect

Wallensteen, however, also points out that economic sanctions can succeed, provided they are carried out through well-organized cooperation on the part of the pressure group. No weak links, like Japan, France and West Germany in the existing conflict, can thus be allowed to exist.

Another aspect causing economic sanctions to become doubtful as weapons is that the 'attacking' nation may experience a recoil on the country's own economy.

Gunnar Adler-Karlsson: "I consider, more or less, all embargoes as ineffective, for reasons such as those described by Wallensteen--except in one single instance, and that is oil. If our oil supply is reduced, it hurts."

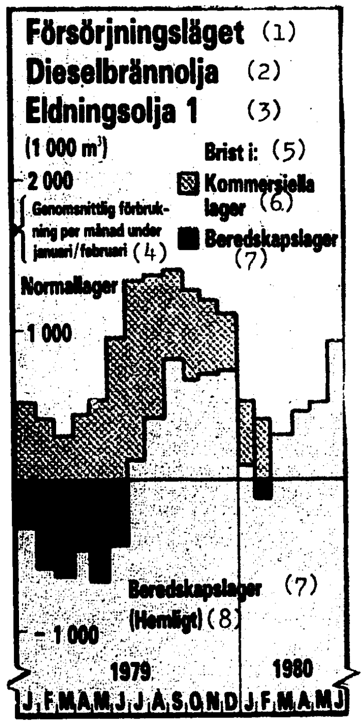
The oil supply constitutes the center of gravity in the reports which will form the basis for the 1982 Swedish defense decision.

"In the year's budget, 387.5 million kronor have been estimated for increased oil stocks, but it is still doubtful if we shall reach the goal for 1982/83 on account of the high prices and the government's financial situation," says Ulf Dinkelspiel.

However, it is not only the oil stock which must be considered in the defense planning. In a recent report for the Defense Research Institute, Gosta Tompuri gives an example how oil can come to be used as a means in power politics during the expected oil shortage of the mid-eighties.

"Resource policy factors may drive a wedge into the present constellations of power politics," he says.

Such scenarios will be illustrated, for example, in the substudy (Perspective Study, Part 2) of the 1982 defense decision which will be presented next summer by the National Swedish Board of Economic Defense. The National Swedish Board of Economic Defense is the coordinating authority for the economic defense. The study, now in progress, analyzes the economic instruments of force and discusses, for example, the roles played by foreign exchange reserves and foreign borrowing in economic warfare, as well as the significance of the trade policy. Credits obviously are included as weapons in the conflict between the East and the West. For example, a consortium of Western bankers, the other day, reduced a planned Eurodollar credit for the East German foreign trade from 150 million dollars to 100 million dollars. The measure is interpreted as a hint from the Western World as to what the East Bloc can expect.



The oil stockpile in Sweden is lowest when it comes to light fuel oil. Commercial stocks are far below normal levels, and even stockpiles have become short.

Key:

1. Supply situation
2. Diesel oil
3. Fuel oil 1
4. Average consumption per month during January/February
5. Shortage of
6. Commercial stock
7. Stockpile
8. Secret

"It is obvious that it is becoming increasingly difficult to start military wars on account of the sinister consequences such wars would have today. It, therefore, is likely that economic warfare will come to play a greater role in the future, and we are allowed to prepare ourselves to meet it," says Hans Wehlin, department head of the National Swedish Board of Economic Defense.

The task may become quite tough against the background of the international economic development, as depicted by evaluators in various parts of the world, and, as a consequence of which, the monetary system will hardly be able to withstand any further strain at the moment--especially not after the additional strain which has resulted from the crisis in Afghanistan and its consequences. This is the way in which a defected member of the Carter administration, according to THE WALL STREET JOURNAL, the other day described the sensitive situation: "The international monetary system may just now be compared to a ski slope where an avalanche may be started at any time and by anything."

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COUNTRY SECTION SWEDEN

OPEC COUNTRIES CIRCUMVENT COMPANIES IN SALES TO SVENSKA PETROLEUM

Stockholm VECKANS AFFARER in Swedish 14 Feb 80 pp 52-55

[Article by Ake Landquist]

[Excerpt] International oil companies keep losing the power play on oil. The OPEC countries are, to an ever increasing degree, entering into agreements directly with states or national companies. This increases the possibilities of OPEC countries to use oil as a political weapon of pressure. In exchange, industrial countries get a more reliable oil supply.

When the state-owned Svenska Petroleum signed its first crude oil contract in Iraq, one of the representatives of the state-owned Iraqi company, the Iraqi National Oil Company said: "Tell the government and the press in your country that this is the first contract of its kind. We want to sell directly to national, state-owned companies. You would never have got this contract if you had not been a state-owned company."

The first shipment of Iraqi oil reached Sweden on Christmas Eve of 1978. This was a detail in the course of events which, in 1979, led to the collapse of old channels in the oil trade. A new pattern crystallized, a bilateral pattern--the state-to-state trade in oil. This has meant less oil to the international oil companies. This, in turn, has caused nearly all international oil companies to cut off their oil supplies to third parties, i.e. independent refineries and oil companies.

Before this development started accelerating in 1979, approximately 80 percent of the international oil trade went via the big oil companies. At the end of 1979, the volume had dropped to approximately 65 percent. The state-to-state trade corresponded in 1978 to only 6 to 7 percent of the oil trade. In 1979, it increased to approximately 20 percent. The major portion of the remaining oil has been sold on spot markets.

The events in Iran have had a great influence on developments. When the shah was overthrown, all oil production in Iran stopped. Six million barrels a day disappeared from an export market which comprises slightly more than 30 million barrels a day. In March of 1979, Iran's production was resumed. It was a critical moment to the oil trade of the world. How was Iran to sell its oil?

Iran chose other channels than before the crisis. The international oil companies of the Iranian consortium lost large volumes of oil. In the first place, the production was cut back from 6 to approximately 3 million barrels a day (a volume which corresponds to more than 5 times Sweden's consumption.) Iran started selling part of this oil to Japanese business enterprises and state-owned oil companies.

At the same time, an important thing happened in the two OPEC countries which increased their production of oil at this time, Saudi Arabia and Iraq. The policy of Iraq has been oriented toward state-to-state trade, and Iraq now chose not only to sell the increased production bilaterally but seized the first opportunity that came along to reduce the volumes to the international oil companies. These companies lost both the increased production and part of what they already had.

Also Saudi Arabia Circumvents "Seven Sisters" in Sales of Oil

Saudi-Arabia, finally, passed quite a lot of oil by Aramco--the U.S.-Arab consortium composed of Exxon, Mobil, Texaco and Standard Oil of California--to its own state-owned company, Petromin. Also Petromin started selling bilaterally directly to state-owned companies in the consumer countries.

In this way, between 2 and 2.5 million barrels per day were passed by the international oil companies to bilateral state-to-state trade.

This development, a rapidly accelerating bilateral trade in oil, is reflected in the rapid growth of Svenska Petroleum in the Swedish market. The 5-year plan which was prepared by Svenska Petroleum (SP) in 1978 was realized already in 1979. This year Svenska Petroleum will be in a position to import nearly one third of the Swedish oil requirements, or approximately 7 million tons out of an annual consumption which in 1979 was 25.8 million tons. This is the same quantity which OK-Texaco [OK = Oljekonsumenternas Förbund: the Swedish Oil consumers Union] import for Scanraff [Scanraff = Skandinaviska Raffinaderi AB: the Scandinavian Refinery Company] (of which Svenska Petroleum is now a copartner).

After the agreement with Iraq (less than 20,000 barrels a day), Svenska Petroleum, moreover, concluded a direct agreement with Iran (20,000 barrels a day, i.e. 1 million tons a year), Nigeria (20,000 barrels a day) and Saudi Arabia (more than 20,000 barrels a day). The efforts to enter into direct agreements were intensified at the end of 1979, when a Swedish crude oil pool was formed. It was, inofficially, called the ONS group, OK-Nynas-SP. The combination of a state-owned, a cooperative and a privately owned national oil company is unique. In Denmark, the Danish Cooperative Oil Company recently joined together with the state-owned Oil Company of Denmark to purchase crude oil. The Swedish crude oil pool has been attracting a certain amount of attention internationally. Switzerland, among other countries, has been making inquiries as to how the group functions.

The advantage is that the three companies together constitute a larger counter-party and account for a larger share of the market. It is still a question of a trial period. "We feel right now that we shall have to see how things go later on," says Gunnar Nermark of Svenska Petroleum. Hans Bjurling, OK: "We shall see what Libya and Angola will give. Also Mexico and a number of other countries are interesting."

Gunnar Nermark claims that it is an advantage being able to present oneself as a representative of a state-owned company. It is an advantage as well to come from Sweden, a neutral country which is part of the alliance-free group. In the state-to-state trade, the priority list looks as follows:

1. An alliance-free country
2. A state-owned company
3. A national company.

The head of Svenska Petroleum, Sture Agvald, says on his company's development: "We knew that this trend toward state-to-state trade was on its way, and we exploited it. Things have turned out well. It is as if the Powers Above have been shielding us. Or, as an Arab said: "God loves you! I hope that he will continue to do so."

Svenska Petroleum has joined together a total of 30 local oil companies under its leadership, four of which are relatively large. The four big ones have recently signed a 3 to 5-year contract with Svenska Petroleum, and 30 municipalities have done the same thing. These long-term agreements comprise slightly more than 1 million tons of light and heavy fuel oil. It means that Svenska Petroleum obtains a secure market for its import without appropriating the share of the market.

The question is how big a share of the market Svenska Petroleum can get. Alf Bergman, deputy manager of Svenska Shell, has been eagerly awaiting information from the government as to how big a share of the market Svenska Petroleum will get. Sture Agvald has answered that also Shell can buy oil from Svenska Petroleum. This aspect has aroused interest in oil circles in London. The view there is that the big oil companies are interested in buying from state-owned oil companies. "That would mean that they will get more oil to other quarters," an independent oil consultant in London tells VECKANS AFFARER.

But a rapid growth in state-owned oil companies in consumer countries is a threat to the subsidiary companies of international oil companies. Shell was hard hit by cutbacks in Iran. A supply of 845,000 barrels per day was in 1979 first cut back to 195,000, later on to 95,000 barrels per day. During the same period of time, Shell was hit also by other cutbacks. The effects also hit Svenska Shell, which was forced into the spot market. The year 1980 will become a difficult year to Svenska Shell, which has given notice of a cutback in sales.

From several quarters, warnings are being heard to safeguard the international oil companies in the Swedish market. "Sweden must not obstruct the international oil companies in Sweden. Their competence must be exploited. Their system, so far, has been unsurpassed. Positive cooperation is the only way," Pehr G Gyllenhammar, head of the Volvo concern, said recently at an oil conference. He is also chairman of the board of directors of Volvo Petroleum.

Oil Companies Will Soon Have Only Half the World Market Left

Hans Bjurling, OK: "The Swedish supply situation has become stronger during the last 12 months. But it is important to maintain the traditional supplies via the big oil companies. They are important channels. They must feel that they have got a role to play."

But the trend toward increased bilateral trade is expected to continue. There are plenty of evaluators in the oil markets who expect that the ratio of bilateral trade to trade via international oil companies will become 50 to 50 already in the eighties, or at least in the early eighties.

During this period, the COMECON countries will, for example, appear as buyers in the international markets. The Soviet Union will no longer be in a position to manage the supply of the East Bloc. An oil company director in London: "It will be like losing Kuwait." The production in Kuwait was 130 million tons in 1979.

The fact remains, however, that the international oil companies control 65 percent of the world trade in oil. Even if the ratio shifts to 50-50, the oil companies will still remain extremely important sources to most countries.

The effects of the new pattern to the oil trade will, according to evaluators both within and outside the international oil companies, be higher costs and increased political risks. The costs will increase through a deterioration in the economies of scale due to the fact that the shipments will increase in number but decrease in volume (see interview on page 54 [with Robert Hart]). The advantage of the flexibility of big oil companies will also become less.

But the interest concentrates on the political risks. It is primarily concentrating on the conflict in the Middle East between Israel and the Arab countries. Frank Parra, former secretary-general of OPEC and now active, among other things, in the International Energy Development Corporation, in which Volvo Petroleum participates: "The Palestinian question will have to be solved for the West to feel some small measure of security in its oil supply situation."

The Arab Amirate oil minister, Dr Mana Saeed al Otaiba, has stated what the expectations are in Abu Dhabi in connection with the increase in the state-to-state trade: "We expect that Europe will recognize the right of the Palestinians to a homeland and a state on the West Bank and in Gaza. And they ought to obtain a dialogue with the PLO, talk to them and find out what their problem is."

Iraq is one of the countries which has been pressing the question of the oil weapon the hardest. In a Beirut newspaper, the Iraqi foreign minister, Dr Sadoon Hammadi answers the question as to the best way in which to use the oil weapon: "It will have to be used in every conceivable way. We have friends in the world who need to secure their access to oil. It is our task to see to it that this is done, provided they understand our political position, share it and stand on our side. We also have enemies, and we must give these enemies a chance. But if they do not safeguard it, they will, most certainly and definitely, have to be punished for this with less oil. There is no reason for us to help our enemies if they do not help us."

Iraq, for example, black-listed Canada as purchaser of oil when Canada moved it Israeli embassy from Tel Aviv to Jerusalem. It has also been stated that Iraq has threatened Japan that it will cut down its oil supplies to Japan if Japan increases its economic aid to Egypt.

As far as Sweden is concerned, the news that a U.S. civil servant was kept hidden at the Swedish embassy in Teheran might have the effect that the contract of Svenska Petroleum with Iran would be jeopardized. At the time of writing, however, no reaction has been felt from Iran. Gunnar Nermark, Svenska Petroleum: "The problem would have been the same if we bought Iranian oil via an international oil company. They might then have forbidden tankers to be bound for Sweden."

The oil industry has managed the Iranian crisis better than the crisis in 1973/74. "We have got into the knack of it," an oil company director in London tells VECKANS AFFARER. Another one: "Nothing is certain in the market. Contracts are concluded without stating prices, without stating volumes. All contracts may suddenly be cut by 20 percent. One never knows what one gets. Any terms whatsoever may be included in the contract."

The terms may, for example, be that one has to invest in prospecting in order to purchase oil. Or purchase oil of inferior quality in order to be able to purchase good oil. Or pay extra to compensate for other countries' retroactive price increases. Or accept lower payment for technical services.

One of the leading executives in the London oil world tells VECKANS AFFARER: "There is a complete chaos. One loses one's hair. One does not know how much oil one gets, nor what it costs. One cannot predict the demand. We still plan ahead--but business is being managed on a day-to-day basis. Our attitude toward planning is very, let us call it, humble."

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COUNTRY SECTION SWEDEN

STATE'S FOREIGN DEBT DOUBLES IN YEAR

Stockholm VECKANS AFFARER in Swedish 14 Feb 80 p 75

[Text] The indebted economy of Sweden continues to run riot at a fast rate. The foreign debt of the government has, in 12 months, nearly doubled to 21.9 billion kronor and is expected to increase to 35 billion kronor by the next turn of the year. The Central Bank of Sweden now wants Swedish enterprises to take on a larger share of the foreign loan burden. But, despite the increase in the discount rate in January, the capital flow out of Sweden continues.

Last year, the entire deficit on the Swedish balance of payments on current account was financed through government borrowing abroad. In addition, there was a considerable outflow of capital from banks, corporations and other private sources. This development has continued this year.

Between the end of 1978 and the end of 1979, the foreign exchange reserves of the Central Bank dropped by 3,169 million kronor. During the same period, the government's borrowing abroad increased by 9,048 million kronor to slightly more than 20 billion kronor. This means that 12,217 million kronor went out of the country elsewhere.

The major part of this outflow was due to the fact that the Swedish people lived beyond their means. The balance of payments on current account for commodities, services and transfers of capital had a deficit of 8,562 million kronor, according to the government's budget. Such a deficit must always be financed through a reduction in the foreign exchange reserves and/or through borrowing abroad. In this case, the foreign exchange reserves and the government have financed the entire deficit on the balance of payments on current account--as well as a foreign exchange outflow from elsewhere of 3,655 million kronor.

Much disagreement exists on the calculation of the balance of payments on current account 1979. According to the annual report of the Central Bank, the deficit amounted to between 11 and 12 billion kronor. In that case, the outflow of foreign exchange from other sources becomes smaller.

The conclusion remains the same: the government clearly considers it absolutely right for the state to finance the Swedish people's overconsumption of goods and services.

In the year's budget, Minister of Economic Affairs Gosta Bohman reports the deficit on the balance of payments on current account 1980 as being 12.2 billion kronor. At the same time, he writes that the government will have to borrow another 10 to 15 billion kronor abroad this year. He thus appears to be fully prepared to continue paying for the import surplus with government loans.

Governor of the Riksbank Lars Wohlin, however, is content neither with the level nor with the rate of the government's borrowing abroad. In a debate within the Swedish Export Council last week, he asked for increased borrowing abroad on the part of the trades and industries.

But, despite repeated increases in the discount rate ever since last summer, the private capital outflow has continued (see graph). The increase on 18 January of this year--from 9 to 10 percent--was of a somewhat new nature. Here, the Central Bank states outright in its press release that it is "an incitement to the non-government sector, in the first place, to corporations, to contribute actively to the financing of the growing deficit on the balance of payments on current account by increasing their borrowing abroad."

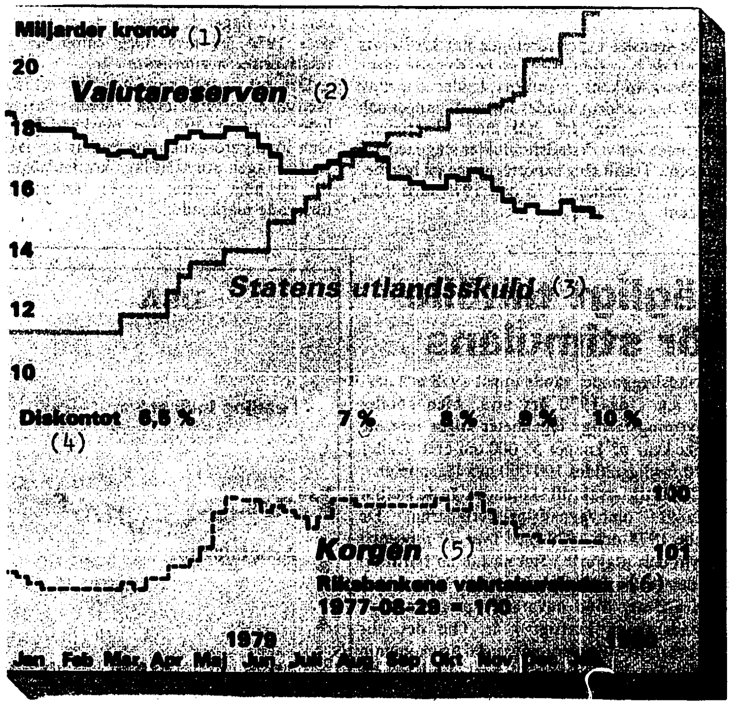
But that effect is still late in coming. During the last 2 weeks of January, the foreign exchange reserves dropped by more than 200 million kronor. At the same time, the government took up new loans with international banks for 828 million kronor. The private capital outflow thus amounted to slightly more than 1 billion--in 2 weeks.

Corporations, banks and persons and noncorporate business thus clearly continue to find foreign interest rates more attractive than the Swedish ones. If the Central Bank wants to reverse the trend, it will probably have to increase the discount rate further.

The question is how long the government's external debt can continue to grow. In early 1979, it increased to 11.2 billion kronor. In late January of this year, it had increased to 21.9 billion kronor. According to the prognoses of the minister of economic affairs, it may increase to nearly 35 billion kronor by the next turn of the year.

Interest payments on the government's foreign debt cost taxpayers 1.2 billion kronor last year. That amount increases rapidly and will probably be between 3 and 4 billion kronor in 1981.

It is one thing to get the private sector to finance a larger share of the deficit on the balance of payments on current account. But a more important goal for the economic policy ought to be to reduce this deficit--especially as it will quite soon--for one-third or more--consist of interest payments on government loans abroad.



Last year, the government financed the entire deficit on the balance of payments on current account of 8.6 billion kronor by borrowing money abroad. It plans to continue that policy in 1980.

Key:

1. Billion kronor
2. Foreign exchange reserves
3. Government debts abroad
4. Discount rate
5. Curve
6. Foreign exchange rate index of Central Bank

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COUNTRY SECTION SWEDEN

BRIEFS

EXPORTS DOWN--After a certain weakening in the fall, both export and import prices rose at a steadily increasing rate during the last few months of last year. Import prices, which, at the turn of the year, were 25 percent higher than the year before, increased the most. But the increase in export prices was also large, 13-14 percent. Swedish export enterprises have been criticized for having increased their prices of processed goods at a faster rate than their competitors. In the course of 1979, the export price index for paper and cardboard, as well as for iron and steel, increased by 17 percent. The price index for engineering products rose by 7.3 percent. In total, export prices of manufactured goods rose between 1978 and 1979 by 10.5 percent. But, according to the calculations of the National Swedish Institute of Economic Research, the prices of competitors in foreign markets increased by only 7 percent. That means that Sweden's relative export prices increased by 3 percent. It is true that they dropped during the two preceding years, but, after the serious deterioration in 1975 and 1976, they are still approximately 10 percent above the 1974 level. And, according to the National Swedish Institute of Economic Research, relative prices increased further this year. The prospects for Swedish exports, of course, are not bright--higher relative prices will probably lead to a further loss of markets. And wage-earner organizations take a critical view of enterprises exploiting low cost increases to increase profits rather than to recapture lost markets. [Text] [Stockholm VECKANS AFFARER in Swedish 14 Feb 80 p 76] 7262

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