

FOR OFFICIAL USE ONLY

JPRS L/9654

10 April 1981

West Europe Report

(FOUO 20/81)



FOREIGN BROADCAST INFORMATION SERVICE

FOR OFFICIAL USE ONLY

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

COPYRIGHT LAWS AND REGULATIONS GOVERNING OWNERSHIP OF MATERIALS REPRODUCED HEREIN REQUIRE THAT DISSEMINATION OF THIS PUBLICATION BE RESTRICTED FOR OFFICIAL USE ONLY.

FOR OFFICIAL USE ONLY

JPRS L/9654

10 April 1981

WEST EUROPE REPORT

(FOUO 20/81)

CONTENTS

TERRORISM

INTERNATIONAL AFFAIRS

Soviet Responsibility in International Terrorism (Giuseppe Venosta; IL MONDO, 13 Feb 81)	1
Laurent Book on Terrorism Subject of Interview (Roland Laurent Interview; PANORAMA, 23 Feb 81)	6

ITALY

Red Brigades Terrorist Peci Interviewed (Patrizio Peci Interview; PANORAMA, 16 Feb 81)	9
Activity of Armenian Terrorists (EUROPEO, 9 Feb 81)	16

ECONOMIC

FRANCE

Report on 1980 Aid to African, Indian Ocean Territories (MARCHES TROPICAUX ET MEDITERRANEENS, 27 Feb 81)	18
---	----

ITALY

Trade With East Affected by Resumption of 'Cold War' (Nino Ciravegna; IL MONDO, 20 Feb 81)	34
Economists' Opinions on Credit Restrictions (IL MONDO, 29 Feb 81)	38

Luigi Spaventa, Luigi Spaventa Interview
Giovanni Guidi, Giovanni Guidi Interview
Walter Mandelli, Walter Mandelli Interview

- a -

[III - WE - 150 FOUO]

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

FRANCE

CGT Leaders Foresee Political, Financial Problems (LA LETTRE DE L'EXPANSION, 9 Mar 81)	45
Chirac Details Economic Plan, Savings, Budget Cuts (Jacques Chirac; VALEURS ACTUELLES, 9 Mar 81)	46
RPR Political Defections From Chirac Camp (Christine Orion; VALEURS ACTUELLES, 9 Mar 81)	50
Briefs New SDECE Head	53

ITALY

Makno Poll on Government, Parties, Leaders (Paolo Passarini; IL MONDO, 30 Jan 81)	54
--	----

GENERAL

ITALY

Al-Qadhdhafi's Economic, Political Interests in Italy (Cesare Peruzzi; IL MODNO, 30 Jan 81)	59
--	----

- b -

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

TERRORISM

INTERNATIONAL AFFAIRS

SOVIET RESPONSIBILITY IN INTERNATIONAL TERRORISM

Milan IL MONDO in Italian 13 Feb 81 pp 28-32

[Article by Giuseppe Venosta: "From Russia With Terror"]

[Text] Pertini believes it, Haig is convinced of it: terrorism has its bases in the East. Is this really true? There is no lack of evidence, although some doubts remain. And the KGB would like ...

Not only Sandro Pertini holds certain convictions concerning the foreign matrix of terrorism which has been raging over Italy and Europe now for some time. In fact, on 28 January, the new American secretary of state, Gen Alexander M. Haig, in his first official address, echoed the Italian president's declarations and spoke on the "training, equipping, and financing" of international terrorism. This time, however, unlike Pertini, Haig spoke out clearly and named the Soviet Union.

The Soviets retorted with protests and denials. The Kremlin is an establishment that cloaks itself in a bourgeois respectability founded on law and order -- [at home and] on the planetary scale as well -- that stirs envy in the West's most staunchly reactionary circles. Nonetheless, the Soviet Union has never repudiated the label attached to it as the nation which is leading the world revolution -- a contradiction that has aroused a good deal of suspicion. What, then, is the truth? Are there actually terrorists coming in from the cold?

Perhaps the truth is known only to those who work on the third floor of a building, vaguely Moorish-Assyrian in its architecture, that stands at number 2 Dzerzhinsky Square in Moscow. In the summer of 1972, a good part of the first general directorate of the KGB (Komitet Gosudarstvennoy Bezopasnosti, or Committee for State Security), which oversees the foreign operations of the Soviet secret police, was transferred to a large, modern, barracks-like structure on a turnoff of Moscow's beltway; yet it is still on Dzerzhinsky Square (site of the infamous Lubyanka Prison) that all vital decisions are made.

Oriental rugs, embroidered divans, mahogany wainscoting, a bedroom and bath shut off from the rest of the premises: this is the headquarters occupied by Yuri Vladimirovich Andropov, 66, undisputed boss of the KGB, even though he has not presided officially over the organization for the past 3 years. Once a telegraphist and movie house film operator, he served as Soviet ambassador to Budapest during the Hungarian

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

uprising in 1956. On his desk stands a battery of telephones. One, the Kremlevka, connects directly with the Kremlin. A second, the Vertushka, is reserved for communications with members of the political office of the communist party and the Central Committee. The others are plugged into the nerve centers of the Soviet apparatus. Tall, with the courteous manners of a scholar, Andropov knows English fairly well and likes to flaunt his command of it before foreign guests at official ceremonies. While it was certainly not Andropov who spilled one of the KGB's thousands of secrets, still something of the world-wide activities pursued by his secret service personnel has filtered through to the West. IL MONDO is now able to reconstruct at least three significant accounts which strongly tend to confirm Pertini's suppositions and Haig's certainties.

The Repentant Warrior

Captured in September 1980 by the Israelis, Adnan Jaber, 32, until 1969 member of Al Fatah -- among the most seasoned nuclei of Palestinian resistance and the group guilty of massacring six religious Jews (2 May 1980) on their way to Hebron, on the occupied West Bank, to pray at the so-called tomb of Abraham -- revealed facts on the ties between the Palestine Liberation Organization (PLO) and the Soviet Union.

His Russian adventure began in March 1974 on an Aerflot flight from Damascus to Moscow with 20 fellow Palestinians. The men were lodged in the village of Sokhodnaya, 35 kilometers from the capital, where they were given courses in military training and political theory from 0800 to 1600. Some of the instructors wore uniforms, others mufti. Few spoke Arabic, hence there was a need for interpreters. The Soviets trained the Palestinians in small units of 30 men each -- not to learn guerrilla warfare but rather conventional military procedure. Only once were the trainees taught how to storm a building in the center of a city and take possession of it.

Jaber noted that during the course on telecommunications, the Soviet instructors used radio equipment unknown in the Middle East. He noted also that the Russians never mentioned the Israelis by name but preferred to call them "the enemy." Moreover, except for obligatory lessons in Marxism-Leninism, they emphasized the creation of a Palestinian state on the banks of the Jordan, not the destruction of Israel, in line with the United Nations' resolution.

Despite his dark deed at Hebron, one is little inclined to brand Jaber as a terrorist. In committing his criminal gesture, perhaps he felt the exasperation of a thwarted patriot determined to see his country liberated. But many other rumors have come to us from behind the iron curtain that have little to do with the emancipation of oppressed peoples.

The Lumumba University

Founded in 1960 by Nikita Khrushchev, then secretary general of the CPSU, and baptized the following year in honor of the Congo's assassinated prime minister, the Patrice Lumumba University was dedicated to friendship among peoples (six departments). As such, it was the Soviet Union's single educational institution authorized

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

to accept foreign students (in 1957 only 150 specialized in Soviet studies; today there are an estimated 20,000 distributed among various schools). Lumumba University takes in annually some 5,000 foreigners coming from 92 countries, even though their diplomas are not universally recognized. Local academic authorities, of course, refute the notion that Soviet universities only prepare them to unleash revolutions all over the world, and argue that campus sports rule out marksmanship as excessively aggressive. Despite their claims, however, the real facts are quite different.

First of all, foreign Lumumba candidates are carefully selected by the KGB; what parameters are supplied are unknown, but certainly those accepted are not opposed to Soviet interests. Secondly, although the courses in Marxism-Leninism are elective, the non-Soviet students are discreetly pressured into attending them. It is for a good reason that 25 percent of the student body consists of Russians, among them propagandists and activists. "If parents want their children to be communists, they should send them to Paris. If they want them to be capitalists, they should send them to Lumumba," a former student of the Moscow university recently remarked to IL MONDO. But not everyone agrees with him.

Over the past 15 years, in fact, at least two of Lumumba's foreign students were given front-page headlines for months because of the revolutionary activities. After studying at the university in the 1960s, in 1971 Rohana Wijiwera, leader of the Liberation Front of Sri Lanka, headed an armed uprising in her country that ended in a blood bath. The other was Carlos "the jackal," or Ilich Ramirez Sanchez, the terrorist most sought after by police all over the world, who masterminded a series of kidnappings, massacres, and holdups. Having totally disappeared some time ago, Carlos is thought to be a guest of Libya's Colonel Muammar al-Qadhafi, Moscow's valuable ally in the Mediterranean basin and the Middle East in general.

Ilich, or Carlos, arrived in Lumumba in the autumn of 1968 together with his brother Lenin (their father, Jose Altigracia Ramirez, a wealthy Venezuelan lawyer, paid unique homage to the father of the Bolshevik revolution by naming his three sons Vladimir, Ilich, and Lenin). Apparently they were not very serious students; to the contrary, Carlos lived a high life in Moscow on the generous monthly allowance sent him by his father. But then the unpredictable happened: public enemy number 1 of the future was expelled from the Soviet Union in the spring of 1968 for disorderly conduct at the gates of an African embassy, which he denounced for failing to renew the exit visas for a group of its student nationals; he was seen hurling an inkpot against the building and breaking a window. The incident ended in a Wild West type of melee and an exchange of blows between Carlos and a brawny Soviet policeman. Says his father, "In Moscow Ilich learned to loathe Soviet communism." Western specialists in Soviet affairs, however, think differently: "His expulsion was simply a [phony] ideological ploy, enabling him to collaborate with the KGB in more quiet secrecy."

Another disturbing type to nurture an ambiguous love-hate attitude toward the Soviet Union was Lee Harvey Oswald, who assassinated President John F. Kennedy (Dallas, 22 November 1963). While he never attended Lumumba, Oswald nevertheless worked actively with the KGB, and applied for Soviet citizenship in 1959. When two psychiatrists examined him for the Russian secret service, they pronounced him too abnormal and

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

unstable to warrant a post in the service. Returning to the United States in June 1962, Oswald renewed his request for Soviet citizenship 1 year later. Application again denied. Then came Dallas. According to information received by IL MONDO, his crime provoked a panic on Dzerzhinsky Square. Was it possible that Oswald had been hired without headquarters knowing it? A bombardier was promptly dispatched to Minsk, the last stop of Oswald's sojourn in the Soviet Union, and brought back to Moscow a dossier on him, which elicited a sigh of relief; the documentation showed nothing that could compromise the Soviets. All the same, the KGB, trembling with fear, wondered whether the efficiency of its methods might have been deteriorating.

The Czechoslovak Trail

Like the American CIA, the KGB, which commands five times as many spies as all Western secret services put together, does not operate alone on the global chess board. Just as the Red Army exploits its Cuban, West German, and South Yemenite subordinates in sensitive regions of the planet (Africa, Middle East), Dzerzhinsky Square likewise has its "Negroes," the allied police forces of the Eastern European satellite nations. The Czechoslovak trail abruptly came to light in 1978, thanks to the Italian press, when Aldo Moro, Christian Democratic president, was kidnapped and assassinated: one of the weapons used to kill him was found to have been made in Czechoslovakia.

Since then, many journals have ventured hypotheses and stated their convictions. There has been talk of Giangiacomo Feltrinelli's visits to Prague; of a base near Karlovy Vary set up to train Italian terrorists; of the hospitality extended by Czech officials (about 1949) to members of the Milanese Red Flying Squadron, perpetrators of various crimes not altogether political -- but all without confirmation. These charges were proved 10 years ago, but at the time not even the most dogged Western warmongers paid more than passing attention, distracted as they were by the widespread yearning for decent after the dramatic show of Soviet power in the invasion of Czechoslovakia.

In addition to the Prague spring, 1968 was the year that marked the defection of a Czech general, Jan Senja, in the United States. No longer in danger of being tracked down by the KGB, Senja gave the French weekly PARIS MATCH a long interview, in which he declared that in the West, under Soviet direction, the Warsaw Pact countries had established networks of saboteurs primed to knock out vital installations should a conflict eventually break out (including, for example, a detailed plan to blow up London's underground with plastic explosives). Senja said also that foreign militants were being trained behind the iron curtain, and spoke about the Italians involved, to general indifference.

"The Czechs, too, will be good comrades in the [coming] fight," a young Palestinian, proud of his affiliation with Al Fatah, confessed to IL MONDO, and continued: "But they are certainly not the best instructors in the East. What is more, in 1968 they made it plain that they did not know how to fight. Nor do the Soviets, with their noses in the air whenever they encounter us Arabs... The best are the Vietnamese; they really know their stuff." Yet the mysteries of Prague are still unresolved and will probably remain so for a long time to come, or until the West is able to cast at least a ray of light on the East bloc's intended course of action should it

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

be proved that it holds the reins of terrorism on the international scale; this because the circumstances lend themselves to many contradicting interpretations.

As UNITA was quick to point out in its comments on Pertini's declarations (apart from Italy, Turkey, with its 1,000 kilometers of common border with the Soviet Union, is also a theater of terrorist guerrilla warfare), it is a matter of significance that in September 1980, the terror inflicted by extreme factions on the Bosphorus brought to power a military junta favorable to the Atlantic Pact, therefore opposed to Moscow. Equally true is the fact that the Red Brigades' bloody deeds in Italy, especially the murder of Moro, have not only alienated Enrico Berlinguer's communist party from the constituted government but also from any chance to lay the foundations for the historical compromise. The countless ways of the Kremlin are highly enigmatic. What can be said about France, a country spared terrorism, Italian or Turkish style, but where, with chronometrical precision, the Kremlin boycotts Georges Marchais' communists (Marchais is one of the most loyal of the pro-Moscovites) in every electoral campaign because the Soviets insist on their demands which, being extremist, are unacceptable to their French allies.

COPYRIGHT: IL MONDO 1981

9653
CSO: 3104

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

TERRORISM

INTERNATIONAL AFFAIRS

LAURENT BOOK ON TERRORISM SUBJECT OF INTERVIEW

Milan PANORAMA in Italian 23 Feb 81 pp 51-52

[Interview with Roland Laurent by Bruno Crimi: "Northeast Passage"]

[Text] A French author and newspaperman has some sensational things to say on international terrorism.

Soon after 35-year old Roland Laurent completed his university studies (he obtained his law degree in 1967), he was devoured by two passions: novels about secret agents and the diplomatic career. He chose to become newspaperman and to get involved in real life with the affairs of international espionage. And, therefore, at least indirectly, with diplomacy. Having learned the ropes for some years at PARIS-MATCH, Roland Laurent joined the CANARD ENCHAINE, the satirical weekly most feared by the political establishment, for which he has been working for the last 10 years. Newspaperman-sleuth Roland Laurent is the author of a book, just published in Nice by Publisher Alain Lefeuvre, which is creating quite a turmoil in France: "L'Internationale Terroriste Demasquee" [The International Terrorist Unmasked].

With this interview which he granted PANORAMA, Laurent goes beyond the revelations contained in his book and tells of some unpublished episodes which occurred while he was conducting his research on international terrorism.

[Question] Were you surprised by President Pertini's statements on French television that the sanctuaries of international terrorism are in the East?

[Answer] I was surprised by its form. I did not expect a Western head of State to speak with such clarity and with such precise allusions. As far as the substance is concerned, on the contrary...

[Question] Did Pertini hit the mark?

[Answer] I would say so.

[Question] The Italian president, however, did not furnish any proof of his statements. And, all in all, neither have the parliamentarians who supported him. Do you have anything to say on the matter?

FOR OFFICIAL USE ONLY

[Answer] A few years ago, when General Haig was head of NATO, the organization's Military Committee had requested from the secret services of the individual country members a detailed report on terrorist activities and on the connections among the various groups. A synthesis had been made, then, from which it clearly appeared that the largest quantity of weapons employed by terrorist organizations came from the Soviet Union, Bulgaria and Czechoslovakia. And it was accurately proven that in Czechoslovakia (at Karlovy Vary), in East Germany (at Wundorf), in Cuba (on the Isle of Youth) and then in Lebanon, in Syria, Iraq and Libya there were training camps for IRA terrorists, the Red Brigades and Prima Linea members, for the Basque ETA [Basque Fatherland and Liberty Group] and Germany's Red Army Faction.

[Question] You are speaking in the past tense. What is the present situation?

[Answer] That report has been recently expanded by a CIA investigation which confirms everything and supplies additional details. This report from the American agency is presently on Ronald Reagan's desk. Haig saw it, and seems to be extremely worried. To the point that at the White House they are examining the possibility of a summit of NATO countries on problems concerning terrorism and the measures to be taken to neutralize it.

[Question] What are the "additional details" contained in the CIA report all about?

[Answer] Details on how weapons are delivered to terrorists in various countries, Italy included: through the diplomatic pouch of some of the embassies of the so-called progressive Arab countries.

[Question] Libya, for instance?

[Answer] For instance...but that's not all. The weapons utilized by terrorists, usually imported from the East, are most of the time made to order. Namely, they are specifically manufactured for terrorism and quite often do not have a registration number. Furthermore, it is definitely known that in countries like Libya and in some Palestinian camps in Lebanon there are "bureaucrats," usually East Germans, who work full time at training future terrorists.

[Question] What is Tripoli's interest in upsetting the stability of a country like Italy?

[Answer] Qadhafi plans to assume a dominant role in international affairs. And for him all is fair. But one should not forget two things: first, that Libya is only one of the intermediaries in the strategy for creating chaos. Second, that the Libyan leader could suddenly decide that the strategy of promoting terrorism is not rewarding for him and could abandon this scheme.

[Question] It remains to be seen why countries of Eastern Europe, and Russia in particular, intend to upset stability in Italy.

[Answer] Your country is in a strategic area of utmost importance. Fueling terrorism there means evaluating the degree of psychological "restraint" of the population, of the police, of the armed forces. And this is, obviously, fundamental for the global strategy of the oriental bloc.

FOR OFFICIAL USE ONLY

[Question] Even admitting that the orchestra leader of terrorism is in Eastern Europe, Red Brigade and Prima Linea members are often arrested in France. How do you account for that?

[Answer] Up to a few years ago, there was an organization which supported terrorists, the Committee against Repression in Europe, whose members were intellectuals, lawyers, and even priests and judges. Later the committee was dissolved, but the supporting network remained. And it is not difficult to know that Italian terrorists find hide-outs in Paris and in the Lyon region, Spanish [terrorists] in the Toulouse region and Perpignan and so forth.

[Question] The Action directe group, anyway, offers protection to Italian, German terrorists, etc.

[Answer] True, but Action directe is infiltrated by the French secret service and does not have a very active organization, on the contrary...

[Question] Is it for this reason that Marco Donat Cattin has been arrested?

[Answer] Also for this reason. I know for sure that Marco Donat Cattin was "tailed" for about a month. His way of setting up appointments with his "contacts" had upset the working methods of the French services. He used to give three or four different appointments to the same person in three or four metro stations at a time of light traffic. As the train approached, if he noted that his contact was waiting for him he would get off. But if he realized that he was being followed, he pretended not to know the person waiting for him. He would, then, meet the person at the next stop. Thus the French police did not manage to catch the men whom Donat Cattin used to meet. And they decided to arrest him when they found out that he was about to leave French territory.

[Question] Terrorism in most places is being hard hit. Is it reasonable to suppose that it is being defeated?

[Answer] I don't think so; terrorism has entered the psychological mass reality. Its actions provoke enthusiasm in certain persons who are led to imitate the "masters." I think that the future of terrorism does not concern so much the armed groups as much as the individuals. It is not outside the realm of possibility that tomorrow a physicist may succeed in building a small atomic bomb or that a biologist may isolate the germs of a serious infectious disease. And that with these means one person alone may blackmail a country or an entire population. The terrorist of tomorrow may, perhaps, be called Dr Strangelove.

COPYRIGHT: 1981 Arnoldo Mondadori Editore S.p.a. Milano

9758
CSO: 3104

FOR OFFICIAL USE ONLY

TERRORISM

ITALY

RED BRIGADES TERRORIST PECI INTERVIEWED

Milan PANORAMA in Italian 16 Feb 81 pp 140-147

[Interview with Patrizio Peci by Antonio Carlucci: "Why I Surrendered"]

[Text] The workers defeated the Red Brigades, says the most famous of the "penitents" in his first newspaper interview. He asks that the government extend the same clemency given to the Black Brigades after the war.

Patrizio Peci, Red Brigade column leader in Turin, speaks out after his arrest. He is determined to cooperate with the judges. For 11 months Peci talked only with the investigating magistrates, the Carabinieri and members of his family. Now he has agreed to answer PANORAMA'S questions.

In his first interview the repentant BR [Red Brigades] member explains why he has decided to cooperate with the authorities by denouncing his ex-comrades, disclosing their hideouts and arms caches. He reconstructs the terrorist activities in which he himself participated and even those, such as the ambush of Aldo Moro and the five men in his party, which he was told about.

Peci complains that the phenomenon of collaboration has not been encouraged and rewarded by the new laws and says clearly that he expects steps will be taken soon to open the doors of the jail for him and for those who followed his example.

He appeals to the youths who are about to take the leap into clandestinity to turn back.

But the ex-group leader also talks about the choice he made when he joined the Red Brigades and he tells about the internal life of the terrorist organization (from financial problems to recruiting--even to summer vacations) the political problems, and dissension within the BR.

Question: Why did you join the BR?

Answer: Because I saw it as the only group that could achieve revolutionary change of the injustices surrounding me.

9
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Question: How does an underground fighter live, but above all how much does he need and how does he get money?

Answer: It is impossible to give a precise figure. In any case, everything included (salary, rent, travel, clothing) let us say that 1.5 million lire per month are needed. The BR expropriated property in order to get money. The money was first gathered in a central place and then redistributed. A very careful budget was maintained in which shortages or waste in general were not possible. This was true at the top as well as among the organization's rank and file.

Question: You pointed to Mario Moretti as a "spiritual father." What were your relations with him? What influence did Moretti have in the Red Brigades? What do you think of him today? Do you think Moretti is one of the top BR leaders?

Answer: I knew Moretti in 1978, but I have never said he was my spiritual father. We met in several political meetings; nothing more. The top echelon of the Red Brigades is the executive committee composed usually of four comrades, and Moretti is one of them.

Question: A German terrorist, Hans Joachim Klein, who years ago gave up the armed struggle, told a German weekly that as far as he knows Moretti and another BR member are reported to have quit the organization and taken refuge abroad.

Answer: I think those statements are unfounded.

Question: Why do the BR write so much? Every time one of their hideouts is discovered thousands of documents are found. Your ex-comrades give the idea of a group of graphomaniacs who are certain they will pass into history.

Answer: It is the best way to advance debate throughout the entire organization without possibility of misunderstanding and without violating the principle of compartmentalization.

Question: Even the vacation schedule was found in a BR base. How are vacations organized in the Turin group, according to what plan, selecting what places, appropriating how much money?

Answer: The men went on vacation because in a certain sense they were "somewhat obliged to." Actually, in summer, in addition to a lack of possible targets, there was a lack of groups that made it possible to adopt disguises. The irregulars (ed. note: BR members who were not underground, and who often worked on security) went on vacation as they wished; the regulars were given money to rent a house in a tourist resort for about a month.

Question: First there were the events of Corrado Alunni, then those of Valerio Morucci and Adriano Ferrara, and finally those of the Walter Alasia group of Milan. Disagreements within the BR seem to be constant. When you were a member how were they resolved?

FOR OFFICIAL USE ONLY

Answer: The instrument was political debate. If that was not sufficient, there was a delineation of the split. Then there was a waiting period, and after that the dissidents were free to go. No one was ever forced to remain against his will. The situation was different for one who left without saying anything, carrying with him everything he could.

Question: What did you think as you participated in murder or while injuring a person?

Answer: From the human point of view there undoubtedly was hesitation. But political considerations overcame them. According to our understanding of politics, murder unfortunately was a form of struggle which, together with other forms, would lead us to a society without exploitation. Therefore we saw murder as an act of justice.

Question: Were you ever afraid to die?

Answer: Fear of death is innate in every human being. I am no exception.

Question: What kind of relations existed between the Red Brigades and the other terrorist organizations? What did they talk about?

Answer: The relations--the few that existed--involved political confrontation.

Question: Who approved admission of irregulars into the Red Brigades?

Answer: Recruiting was done by other irregulars who already were in the organization.

Question: But were there tests or examinations to take in passing from the status of irregular to regular?

Answer: Before becoming regulars, the irregulars were checked out in the practice of fighting.

Question: How many terrorists, including regulars and irregulars, can the BR count on today?

Answer: Overall about 100. But my estimate is made with reservations.

Question: There have always been considerable polemics concerning the international contacts of the BR. With what foreign terrorist organizations were you in contact?

Answer: With all foreign armed organizations to some extent. But the relations were very unsubstantial.

Question: How did contacts occur?

Answer: I don't know because such contacts were not part of my job.

FOR OFFICIAL USE ONLY

Question: What was the purpose of contacts between the BR leaders and agents of the Israeli intelligence service?

Answer: There was only one meeting. We immediately told the Israeli agents that we of the BR were not interested in certain relations.

Question: Did you ever feel you were a pawn of any intelligence agency?

Answer: No, absolutely not.

Question: Did you ever think of the possibility of getting political or military aid from any foreign country?

Answer: From no country, in this phase.

Question: Were any brigade members trained abroad?

Answer: The BR did not train abroad.

Question: In the attack on the DC headquarters in Piazza Nicosia in Rome, the BR used a Soviet Kalashnikov machinegun. Special training is needed in that weapon.

Answer: There was only one Kalashnikov in the BR. The person who used it obviously knew how.

Question: What does General Dalla Chiesa represent for the BR?

Answer: Undoubtedly he is one of the most important enemies.

Question: Why, after your arrest, did you ask specifically to meet Dalla Chiesa?

Answer: He seemed to me to be the best person under the circumstances.

Question: What did you talk about during that meeting?

Answer: Of my availability as a "collaborator" because of the crisis in my political thinking.

Question: Almost a year has passed since the day of your arrest and the decision to collaborate with the government. Why did you make that choice?

Answer: Above all because I was convinced of the political failure of armed struggle. The BR began their guerrilla history starting with a practice of armed propaganda that gradually developed. The objective was to sensitize the proletariat, and then make them active participants. With the passage of years (in the post-Moro period) the process of consciousness-raising was considered started and there was the gradual passage from armed propaganda to a fighting war. The organization adapted itself politically and militarily to this later phase, but we became aware that the proletariat was not participating actively:

FOR OFFICIAL USE ONLY

The famous mass organizations remained immobile on passive consensus; in practice the touted availability for armed struggle was a fiction. That is the historical defeat of the political hypothesis we practiced: In fact, every premise of a Vanguard of the fighting communist organizations falls. In practice, to continue along that road means participating in a war by groups.

Question: Was it after you arrived at these conclusions that you decided to collaborate with the government?

Answer: Starting with that assessment, there is no possible halfway. Let me explain: If the hypothesis of armed struggle is considered correct, then shooting must take place. But if that does not happen, and it is considered that armed struggle is damaging for the class itself, then it is necessary to do everything possible to stop it. To fail to do it means three things: To be an indirect accomplice of future armed actions; to passively permit other comrades to take the road of armed struggle which is destined to defeat; to create a situation in which the government can criminalize forms of independent struggle by the working class, which are not part of a power system, with the pretext that society is faced by potential "terrorists." Therefore, my decision to collaborate remains more than valid, so much so that it was a decision made by more than 100 comrades.

Question: What do you think of the government's attitude toward those who collaborate?

Answer: The government has begun to face the possibility of surrender (that is what it comes to in reference to the use of arms as a form of political struggle) of members of the communist fighting organizations by issuing the Cossiga law (ed. note: the measure that provides for reduction of penalties for those who cooperate with the law) which was supposed to be the first sign of its own willingness. I say a first sign because that law is not applicable in the least possible way except in some minor cases. Nor could the government, to tell the truth, have done much more at that time because it was in a situation which in some ways could have been described as weakness in dealing with the armed struggle. The present situation is different.

Question: How?

Answer: Today the surrender of entire armed sectors is a real fact (among the most significant examples is the total surrender of Prima linea [Front Line]) and their willingness to fight those tenacious persons who do not want to admit defeat of their political plans. Aside from this new situation, it is a matter of going further, since it is a political error to delay: This impasse permits armed organizations (within which undoubtedly there is a collective or subjective debate on the possibility of surrender) to hold on to the comrades who continue in the armed struggle by force of circumstances since they see no practical way out.

Question: Did your attitude convince others, or even independently of this, is there a willingness to specifically collaborate within the organizations?

FOR OFFICIAL USE ONLY

Answer: Within the fighting organizations there now exists a tendency which recognizes the political-military defeat of armed struggle. This tendency, however, is not conceived in clear terms also because there is still no reply that would cause underground groups to defect.

Question: The kidnaping of Judge Giovanni D'Urso has demonstrated that terrorism is still capable of striking. Can you say something to those who are about to take the leap into the underground, or who have been engaging in terrorist activities for some time?

Answer: I do not think I can say much to the comrades who still militate in the communist fighting organizations. They are capable of choosing, of understanding whether, if beginning with the present situation it is possible to continue with some hope of victory. Certainly, to continue fighting only to avoid admitting defeat is horrible! I do not understand their logic in changing the problem of choice of more than 100 comrades, reducing it to that of two or three comrades who are branded as "infamous" or "new traitors," when the recollection should still be fresh of their long militancy and their generosity from the human as well as political point of view. To thus reduce the problem and not seriously discuss the validity of armed struggle means that their total annihilation is merely a question of time. This statement naturally is directed only to the fighters.

Question: Therefore you believe you can speak only to those who are still on the sidelines of underground groups.

Answer: To those comrades who are approaching armed struggle, whose number cannot be very large, I say, they should consider it well since they would be going to fight for a cause that cannot be resolved with weapons.

Question: What do you expect from those who must judge you for the murders you confessed?

Answer: To see the problem only from the point of view of individual responsibility is not right, and the matter is not seen in its real terms. Here, first of all, it is a matter of having the courage and the socio-political conscience to take steps capable of defeating the fighting organizations and to rescue many youths who, believing that they can improve this society, have made more drastic choices. With new measures, the government would not demonstrate weakness: Rather, anything but. It is not by chance that the officials who are most involved in the investigations of the armed organizations and all the police forces, who certainly cannot be accused of weakness, are oriented in this direction.

Question: But what should these measures be? Are you perhaps thinking of expatriation or amnesty for the terrorists who have collaborated?

Answer: In ancient Greece--we are talking about 2000 and more years ago-- every political "crime" was punished by exile. But without going too far back into history it is sufficient to think of clemency for the fascist

FOR OFFICIAL USE ONLY

criminals who committed horrible crimes 40 years ago. We all know what positions they presently hold. Great Britain uses the "crown witness." The latter example does not precisely fit our case, but it can give us an idea of how to resolve the problem without being too shocked. Those who maintain that public opinion would not understand are in bad faith. More than an exaggerated search for punishment, the people want to live with justice without being surrounded by violence, and they want to rescue the youth.

Question: Did you ever receive direct threats in jail?

Answer: No, but that is not the problem. To receive them would be something pathetic and would demonstrate the impoverishment of spirit by those who seek to make them. The problem is to guarantee us all that peace and serenity necessary for survival.

Question: But then what are the concerns of today?

Answer: They are three. The first: Our particular presence in jail opens a basic contradiction in the institution itself. If we were to be gathered into a single building, we would become, together with the guards, an attractive target that would be difficult to defend militarily. If instead we were in separate sections in any jail, there could be a repetition of what happened at Nuoro.

Question: The second?

Answer: It is the morbid curiosity that surrounds us and that is normally transformed into a campaign of denigration against us.

Question: And the third?

Answer: It was not an easy and painless choice to denounce our comrades-in-arms. That choice is the weight we will carry for the rest of our lives, but it was and is the price, even though very high, that is to be paid to avoid further and useless bloodshed. Therefore, assessing these problems overall, there is a collapse of the absurd hypothesis that he who chose to collaborate was motivated by opportunism. Certainly, each of us desires to be released as soon as possible, but this is a distinct human factor. Who is the prisoner who does not wish to be released?

Question: What will you do when you leave prison? Are you already thinking about how the life of an ex-terrorist would be?

Answer: One problem at a time! We want to get out first.

Question: Some weeks ago you appeared for the first time in a court of justice as a witness. But you must face the judges as a defendant, on the same basis as your ex-comrades. What will your attitude be?

Answer: My behavior is and will be what it is now. As far as I am able, I will clarify the individual and collective responsibilities. And I will once more clearly explain the reasons for my choice.

COPYRIGHT: 1981 Arnoldo Mondadori Editore S. p. A. Milan
6034

CSO: 3104

15
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

TERRORISM

ITALY

ACTIVITY OF ARMENIAN TERRORISTS

Milan EUROPEO in Italian 9 Feb 81 p 11

[Article: "The Nitro Is Armenian, But It Has a Russian Accent"]

[Text] We reveal the secrets of a terrorist organization operating in Italy.

The Italian secret services say they have nothing to hide, no Soviet connection up their sleeves. The other viewpoint is that they are blind only because they do not want to see. For political reasons, the secret services are said to have decided not to look too far in the direction of the USSR, Czechoslovakia and some Arab movements when it comes to finding out what Italian terrorism's international connections are.

Who is right? The answer is not easy. But EUROPEO can now state that something more than mere hints are coming out concerning the Armenian terrorist organization that has made attacks in Rome and, more recently, in Milan.

The English acronym is ASALA, which stands for Armenian Secret Army for the Liberation of Armenia. It is known as the Secret Army to "experts." It was formed in Lebanon in December 1974, where more than 200,000 Armenians live. It is celebrating its anniversary on 24 April, when the Turks committed their great massacre of Armenians in 1915. But it has also claimed attacks as the 3 October group, because two of its terrorists were arrested in Switzerland on 3 October 1980 (Suzy Mahseredhjian, 24, an American of Syrian origin, and Alex Yenikomeshian, 30, from a good middle-class Lebanese family).

In April 1980, their chief held a press conference in the old city of Sidon, Lebanon; he wore a stocking cap to make himself unrecognizable and introduced himself under his nom de guerre of Hagob Hagobian. He claimed more than 40 attacks in western Europe alone, including the bombings of the Turkish offices in Rome and the attack of 17 April 1980 on the Turkish embassy in Italy, where the bomber was seriously injured.

The connection with the USSR is obvious in ASALA's very program: Turkey is enemy number one. This enmity was so pronounced that for a while the Turkish government was convinced that ASALA was a Greek-Cypriot organization. But a series of investigations disproved that idea. Then, it was discovered that the origins of this terrorist group were to be found in the serpentine Lebanese civil war and in the clash of factions in that war. The Secret Army had chosen its allies and protectors in two Palestinian extremist groups: the Popular Front for the Liberation of Palestine (FPLP) of George Habbash (the same one who "lent" missiles to Daniele Pifano) and the Marxist Popular Democratic Front for the Liberation of Palestine [MPDFLP]. Both groups are fellow travelers under the leadership of Yasser Arafat's PLO [Palestine Liberation

FOR OFFICIAL USE ONLY

Organization] and are supported by the pro-Soviet states of Siria, Libya, and South Yemen,

What the Secret Army wants is very explicit: a free Republic of Armenia. One did exist for a couple of years after the Russian revolution, but it was invaded by the Soviets, who took 4/5 of the territory, and by the Turks, who took the rest. The Secret Army's "intermediate objective" is to take this remaining 1/5 from Turkey and give it to the USSR. This does not displease Moscow, and it is a threat to NATO.

To increase the threat, the Secret Army has allied itself with a small group of Kurds (the Kurdistan Workers' Party), which is also pro-Soviet and bent on lopping off a part of eastern Turkey. To complete the picture, both groups have supported the Soviet invasion of Afghanistan.

These are not the only indications. It is said that there is a lot of money available, lavish publications (always published in Beirut) and especially fierce hostility for the moderate Lebanese Armenian Party, Tashnak, which is financed largely by American Armenians in California (the state Ronald Reagan is from).

This hostility is supposed to have alerted the Italian intelligence services. Suspicions began to solidify when they realized that among the Secret Army's objectives were the Italian offices of the Tolstoy Foundation, an organization dedicated to helping refugees from the USSR and which could, in particular, help Soviet Armenian refugees go to the United States. The Secret Army want to block this route.

Was this what President Pertini was thinking about when he linked Turkey and Italy together as prime targets for foreign-led terrorism, when he was interviewed on French television?

COPYRIGHT: 1981 Rizzoli Editore

8782
CSO: 3104

FOR OFFICIAL USE ONLY

ECONOMIC

FRANCE

REPORT ON 1980 AID TO AFRICAN, INDIAN OCEAN TERRITORIES

Paris MARCHES TROPICAUX ET MEDITERRENEENS in French 27 Feb 81 pp 470-474

[Text] In 1980, low prices for tropical commodities reduced the resources of most African countries at a time when their petroleum purchases have become more expensive. This imbalance is added to the permanent one, caused by a series of poor harvests, some unsuitable economic structures and ambitious programs. As a result, several countries have payment problems, often exacerbated by excessively short-term loans.

In a report of its 1980 activities, the CCCE [Central Fund for Economic Cooperation] noted that, for this reason, in addition to the conventional aid granted as discounted loans, which increased 25 percent during the fiscal year, it also expanded its long-term "second window" loans. At the request of the French government, it has made available through this window exceptional aid amounting to 536 million francs in the form of three loans to Senegal, Upper Volta and the Ivory Coast. The loans made in 1980 totaled 2.6 billion francs, as compared with 1.6 billion in 1979. In addition, operations have been extended to Ghana, Angola and Mozambique.

Growth of Operations

a) Commitments

Since 1975, the volume of commitments for soft-term loans from the Central Fund increased an average of 26 percent annually, so that in 6 years, it has increased fourfold in current francs and 2.5 percent in constant francs. It amounted to 1.5 billion francs in 1980 and its ceiling was raised to 2 billion in 1981.

Evolution of First Window Commitments from
1960 to 1980 in Constant Francs
(Index of 100 in 1980)

Average 1960-1964	41	1974	40
Average 1965-1969	44	1975	50
Average 1970-1974	41	1976	61
Average 1975-1979	69	1977	69

FOR OFFICIAL USE ONLY

1978	79	1980	100
1979	89	1981	119 (estimate)

Second window loans were offered in 1975 to make available, at conditions similar to the market, long-term additional resources to the most advanced nations or to finance very profitable operations. After an extremely brisk start, these loans decreased appreciably. They more than doubled in 1980, amounting to almost 1 billion francs.

Including joint financing ventures, in real terms, the overall volume of Central Fund commitments, stable from 1976 to 1979, rose 46 percent in 1980; it has about quadrupled since 1974.

Evolution of Second Window Commitments and Overall
Commitments From 1974 to 1980, in Constant Francs
(Index 100 in 1980)

	1974	1975	1976	1977	1978	1979	1980
Second Window Commitments		24	79	61	58	41	100
Total Commitments	23	39	69	66	70	69	100

The following indicates this evolution in millions of current francs:

	1976	1977	1978	1979	1980
Loans:					
First Window	650.9	800.4	965.6	1,200.4	1,499.5
Second Window	613.6	521.	521.	399.5	1,094.5
Joint Financing	7.8	17.9	6.5	2.6	7.
Total	1,272.2	1,339.3	1,493.1	1,602.5	2,601.

b) Payments

The increase in commitments again affected the volume of payments in 1980. The latter rose to 1,650 billion francs, partially because of the effect of the immediate payment of 380 million as exceptional aid. On the other hand, because of the 5 year grace period usually given to borrowers, reimbursements will not rise until 1981. Net payments, almost 1.4 billion francs, increased 83 percent in 1980 (in millions of francs):

	1975	1976	1977	1978	1979	1980*
Payments	359	582	793	991	1,016	1,647
Reimbursements	230	243	241	253	259	261
Total Payments	129	339	552	738	757	1,386

*Estimated figures

The Central Fund, whose net resources were reduced prior to 1975 because its operations remained stable, has again become an essential source of capital for African nations at a time when they are having very difficult treasury

FOR OFFICIAL USE ONLY

problems, both in external financing and their public finances.

International bank loans, because they are often paid immediately, in recent years added to the euphoria of countries with substantial resources because of high coffee and cocoa prices. Paid in installments as the projects are being carried out, Central Fund loans then seemed very limiting. In reality, they were an assurance of resources during less affluent periods.

This assurance remains: in late 1980, the 4.2 billion francs committed but still to be paid guarantees the continuity of Central Fund financing in the coming, apparently austere years.

As of 31 December 1980, the volume of Central Fund commitments, including what still must be paid out, amounted to 10.3 billion francs, up 30 percent.

Cooperation Tailored to the Situation in Borrower Countries

Loan Conditions

In recent years, the Central Fund has adapted the conditions for its assistance to the various countries involved and the programs financed. In 1980, it established new operating methods which deal with the inadequate national resources in some countries where it operates. Four types of loans are made:

Normal, first window loans--1,343.8 million francs;
Soft-term first window loans: 155.7 million francs;
Normal, second window loans--558.5 million francs;
Exceptional, second window loans--536 million francs.

a) Despite steep interest rates on the market, the normal, first window loans have, because of the French government's intervention, been approved with more favorable conditions than last year's--average rate of interest was 5.8 percent, for an average length of 16 years, 4 months.

b) As in 1979, a portion of soft-term loans, with an interest rate below 2 percent (1.5 percent for 10 years and 2 percent thereafter) for 30 years, with a 10 year grace period, was again reserved for the poorest countries or those experiencing exceptional difficulties. Eight countries have benefited--the Central African Republic, Upper Volta, Niger, Mali, Senegal and the Comoro Islands.

c) Normal second window loans have been granted for an average length of almost 14 years, at the rate French national credit charges for its industrial financing. The rate is, in theory, decided when the contract is signed, but borrowers have the option of choosing the rate in effect at the time of payment.

Because of the situation in African countries in 1980 and the high cost of money, 19 or most second window loans were mixed with first window aid to attain an interest rate compatible with the projects' potential for profits.

FOR OFFICIAL USE ONLY

Most financing done in this manner involved energy, industrial and highway projects in Zaire, Gabon, Cameroon, Madagascar, Senegal and Guinea.

d) France made exceptional aid available to African countries because of their difficulties in 1980. In the beneficiary countries, this aid entailed an effort at economic and financial restructuring, to lay the foundations gradually for better development, within the programs set up with the IMF [International Monetary Fund] and the World Bank.

The Central Fund was involved in related studies and, in this area, made available exceptional long-term aid, from its own resources or with the French government's guarantee.

Three countries benefited in 1980: Senegal received 80 million and 200 million francs; the Ivory Coast, 206 million and Upper Volta, 50 million. The 80 million franc loan to Senegal and the 50 million franc loan to Upper Volta were put together with reduced interest rates from FAC [Aid and Cooperation Fund] which lowered the rate to a level similar to first window loans.

Area of Activity

Although several of the most developed countries in its area had difficulties in 1980, the continuing fundamental problem for the Central Fund is the extreme poverty of most African peoples south of the Sahara. In all, the 34 countries where it operates had, in 1978, for a population of almost 150 million inhabitants, an average income of \$305.00. Fourteen countries with 80 million inhabitants have an average income of \$180.00 and 8 countries with 30 million inhabitants have an average income of \$270.00. For this reason, the Central Fund has, since 1978, substantially increased aid to the least-developed countries, and increased it by two-thirds in 1980.

The Central Fund has started to lend again to the Central African Republic (50 million francs) and expanded their operations in Zaire (235 million in 1980), Burundi (60 million), Sierra Leone (32 million) and Mauritius (65 million). The new countries have increasingly become borrowers, even though the Ivory Coast (421 million), Senegal (409 million) and Cameroon (313 million) head the list of countries financed.

Sectors Financed and Methods of Financing

The very limited development of African nations in the last decade means that most aid should be allocated to projects providing real growth. Increased production, which eases the old debt load, is one requirement for financial equilibrium.

In 1980, the Central Fund remains committed to its priority of encouraging production in rural areas, although it also finances modernization of infra-structures when they hinder economic expansion.

The Central Fund, in 1980, allocated a sizeable portion of its aid to

FOR OFFICIAL USE ONLY

rehabilitation programs--nearly 500 million francs were allocated for such operations because in some countries affected by economic disorganization, it was necessary and more profitable to restore and modernize installations than to begin new projects.

Finally, since inadequately prepared programs often limited the expansion of financing when quality implementation and management of the planned installations were needed, five new study projects or sectorial programs were financed according to procedures established in 1979. A personnel training section and a maintenance of installations section were included in many loan proposals, especially those involving transportation networks. In all, 113 groups of experts were sent from headquarters for 1,490 days to assist agencies overseeing the effectiveness of operations financed.

There were 82 such operations in 1980, plus 5 joint ventures and 4 exceptional loans to supplement the financing of some 40 projects.

Agroindustrial, electrification and road investments were particularly large in 1980.

Geographic Breakdown of Central Fund Aid
(Loans and Joint Ventures)
(Classification by countries, by average income in 1978)
(In millions of francs)

	1976	1977	1978	1979	1980	Total (5 years)
From \$110.00 to \$220.00						
Niger	134.7	113.7	81.7	245.7	110.1	685.9
Upper Volta	38.3	40.7	17.1	85.8	187.8	369.5
Zaire	20.	22.6	10.	12.2	234.8	299.6
Mali	55.1	44.3	42.3	57.5	42.3	241.5
Guinea			1.3	23.2	151.3	175.8
Rwanda	5.	28.	1.2	54.3	30.5	119.
Burundi	3.9		1.8	15.	60.	80.7
Chad	50.6	11.6	12.8	.2		75.2
Sierra Leone				15.	31.5	46.5
Miscellaneous	(2) .3	(2) 4.4		(1) 4.8	(2) 6.	29.1
	(3) 2.7	(3) 2.4		(4) .1	(3) 8.4	
Total	310.6	267.7	188.2	513.6	862.7	2,122.9

FOOTNOTES

1. Cape Verde
2. Comoro Islands
3. Guinea-Bissau
4. Somalia

FOR OFFICIAL USE ONLY

Geographic Breakdown of Central Fund Aid						
	1976	1977	1978	1979	1980	Total (5 years)
From \$220.00 to 330.00						
Madagascar	2.9	6.	149.	94.	131.9	383.8
Togo	72.	3.2	32.	9.4	60.4	177.
Mauritania			158.9	6.6	1.3	166.8
Benin	13.	21.	39.9	40.1	38.	152.
Central African Rep.		1.			50.	51.
Haiti				20.		20.
Total	87.9	31.2	379.8	170.1	281.6	950.6
From \$330.00 to 550.00						
Cameroon	267.6	241.8	453.8	314.3	313.	1,590.5
Senegal	83.3	144.4	185.4	140.1	408.6	941.8
Congo	27.		42.	55.7	37.5	162.2
Djibouti				32.		32.
Total	277.9	386.2	661.2	542.1	759.1	2,726.5
More than \$550.00						
Ivory Coast	342.1	410.5	202.6	174.2	421.4	1,550.8
Gabon	104.4	160.	73.4	147.	178.	662.8
Mauritius	33.	47.	3.1	54.	85.	202.1
Seychelles		23.2	3.		13.1	39.2
Total	479.5	640.7	282.1	375.2	677.5	2,455.
General Total (Excluding multicountry operations)	1,255.9	1,325.8	1,491.3	1,601.	2,580.9	8,254.9

Sectorial Breakdown of Central Fund Loans in 1980
(In millions of francs and percentages)

	1980		Average 1976-1980
	(Millions of francs)	(Percentage)	(Percentage)
Rural development	782.3	30.1	30.
Mining	108.3	4.2	7.5
Industry-handicrafts	205.5	7.9	10.9
Electricity	463.1	17.7	17.8
Tourism	83.1	3.2	3.
Productive Sector Total	1,642.3	63.1	69.2
Railroads	59.	2.3	7.
Roads, ports, airports	481.3	18.5	9.5
Telecommunications	210.9	8.1	8.
Urban equipment	106.6	4.1	2.5
Total public equipment	857.8	33.	27.
Total financial operations	100.9	3.9	3.8
General total	2,601.	100.	100.

FOR OFFICIAL USE ONLY

1) Rural development was allocated 782 million francs. With 30 percent of the commitments, rural development has, by far, remaine the largest area of activity. Low-interest, 30 year loans, were granted on a priority basis to raising food crops, breeding fish and developing forests.

Large programs to process local commodities are being carried out in Madagascar and Zaire.

Several of the projects financed are experimental or, as in breeding fish, the application of the results of previous pilot projects. As an example, a program to mechanize peasant farming will experiment, on a limited number of farms, with vehicles adapted to the savana area; a pilot project will encourage small animal, short-cycle breeding firms and a program to dig 400 wells will help determine how to organize a village water supply system rationally.

The purpose of a reforestation project, financed with the World Bank, is to achieve better forest management.

2) Mines, industries, electricity and tourism will receive 860 million francs. Loans for generating and transmitting electric energy, especially to develop hydroelectric resources were much larger in 1980 than in 1979.

The following were the major industrial programs: expansion of an aluminium factory in Guinea, mining a tin deposit in Zaire, expansion of a cement factory in Senegal, expansion of an oil refinery in Madagascar, doubling the Poubara hydroelectric installations and hydroelectric development in Champagne, Mauritius.

Moreover, PROPARGO, the firm set up by the Central Fund to promote and finance medium-size firms in Africa began to operate on a regular basis in 1980. French and African industrialists studied more than 100 proposals and 13 were approved for financing. PROPARGO commitments rose, by the end of the year, to 8.6 million francs for an estimated total investment of 244 million francs.

3) Public works received 858 million francs. In Central Fund pledges, roads and truck routes in 1980 took on exceptional importance beside the more frequently financed railroads, ports, airports and telecommunications. Cameroon thus obtained, from the first and second windows, 220 million francs for a heavy truck route Douala-Edea-Yaounde, which will allow for regular traffic among its major cities. More than 100 million francs have been allocated to airports so they can accommodate new heavy-load cargo planes.

Joint Financing

Through joint financing, the Central Fund collates its experience with that of other institutions for development to benefit borrower countries. The development of restructuring programs in 1980 allowed for renewed contacts with the French ministries, the IMF and the World Bank group.

In 1980, under the heading of its ordinary operations, the Central Fund made

FOR OFFICIAL USE ONLY

loans amounting to 2,058 million francs and had an average participation of 36.5 percent in financing investments of 5.64 billion francs.

The principal partners in these joint financing ventures were: public bilateral aid (380.8 million francs or 6.7 percent), especially Arab financing; multilateral aid (937.3 million or 16.6 percent), especially the World Bank group (463.6 million) and the EEC (EDF [European Development Fund] and the BEI [European Investment Bank] - 269.7 million); grants (747.4 million or 13.3 percent, 176.6 million from the FAC [Aid and Cooperation Fund] and 98.4 million from the EDF); export credits (775.8 million or 13.7 percent); medium-term local loans (127.2 million or 2.3 percent); and finally, its own funds (616.6 million or 10.9 percent).

Loans Granted by the Central Fund in 1980 to African and Indian Ocean Nations
(In 1,000 French francs)

I - Productive sectors

1) Rural development	520,280
a) Food crops	94,270
Non-irrigated:	
Ivory Coast: National experimental program to mechanize peasant agriculture	30,000
Upper Volta: Program to spread draft animal cultivation during the 1980-1981 harvest	2,000
Niger: Integrated rural development in the Dosso Department	12,000
Niger: Integrated rural development in the Maradi Department	18,000
Irrigated:	
Upper Volta: Development of the irrigated pilot area of Bagre (supplementary financing)	2,600
Upper Vol. : Expansion of the Lanfiera truck garden area	20,000
Mali: Building of the Costes Canal and related projects by the Office of Niger (supplementary financing)	7,000
Niger: Feasibility study about using the underground water of the Tarka Valley for agricultural purposes	2,670

FOR OFFICIAL USE ONLY

b) Export crops	62,400
Cotton:	
Central African Republic: Repair of roads and paths in cotton-growing areas in the center of the country (north of Bangui)	6,000
Central African Republic: Emergency program to develop cotton production (SOCADA)	24,000
Rubber:	
Ivory Coast: Rubber tree planting program in Rapides Grah in southwest Ivory Coast, third phase SAPH [African Rubber Plantation Company]:	
First window	18,000
Second window	6,000
Miscellaneous:	
Upper Volta: Experimental cashew growing program in southwest Upper Volta	8,400
c) Stock raising	69,680
Ivory Coast: Project to develop cattle raising in the north of the country (second phase)	40,000
Ivory Coast: Pilot project to raise short-cycle animals in southeast Ivory Coast:	
First window	11,200
Second window	8,000
Ivory Coast: Making medium-term loans to stock raisers involved in the preceding project	6,200
Mauritius: Pilot projects in stock raising and the agriculture sector	3,000
Mauritania: Integrated assistance plan for Gorgol stock raisers	1,280
d) Agroindustries:	244,530
Cereals:	
Guinea-Bissau: Technical and training aid for the Cumere agroindustrial complex	8,400

FOR OFFICIAL USE ONLY

Mali: Construction of a multipurpose mill and a factory for livestock feed at Koulikoro	
First window	10,000
Second window	5,000
Cotton:	
Madagascar: 1980-1981 program to develop cotton production: factories to gin cotton	39,000
Togo: Construction of two factories to gin cotton at Lama-Kara and Notse	24,000
Sugar:	
Mali: Studies and preliminary operations to set up a sugar refinery	3,300
Zaire: Enlarge the sugar refinery of the Sugar Company of Kwilu N'Gongo	
First window	29,900
Second window	85,100
Miscellaneous:	
Cameroon: Expansion of the Soca-palm factories which produce cooking oil	22,000
Ivory Coast: Construction of a coffee processing facility at Aboiso (Unicafe) (Second window)	10,000
Rwanda: Construction of a quinine sulfate extraction plant at Kirambo (Kwakina)	6,000
Rwanda: Joint venture with Isochem in the capital of Kwakina	1,830
e) Forests	15,700
Niger: Pilot reforestation program in the Dosso region	1,600
Senegal: Forest investment program in the center-east section of the country	14,100
f) Fishing	13,700
Upper Volta: Experimental program to breed fish	6,600

FOR OFFICIAL USE ONLY

Niger: Pilot project to breed fish and aquatic plants	7,100
g) Supplying Water to Villages	20,000
Ivory Coast: Program to supply villages with water in the center-west of the country (400 wells)	20,000
2) Mines	100,200
Guinea: Exceptional investment program for the Friguia aluminum plant (Second window)	35,800
Upper Volta: Reopening of the Poura gold mine (Supplementary financing)	20,000 7,400
Zaire: Development of tin mining by the Kania Mining Company (Second window)	31,000
Zaire: Joint venture with Coframines in buying shares in the Kania Mining Company	6,000
3) Industries	156,100
a) Cement	95,000
Senegal: Expansion of the Rufisque cement factory (Sococim [West African Cement Company]-Industries):	
First window	40,000
Second window	40,000
Sierra Leone: Construction of a clinker mill at Freetown:	
First window	7,500
Second window	7,500
b) Petroleum	40,000
Madagascar: Expansion of the Toamasina refinery (Solima [Malagasy Petroleum Company]) (Second window)	40,000
c) Miscellaneous	21,100
Cameroon: Setting up a spare parts factory (Cofrem):	
First window	3,000
Second window	4,000

FOR OFFICIAL USE ONLY

Togo: Expansion of Togo Publishing (Editogo)	6,400
Zaire: Remodeling and upgrading the industrial equipment of the African Weaving and Fabric Company):	
First window	3,080
Second window	4,620
4) Electricity	463,150
a) Thermal Energy	82,250
Benin: Expansion of the Akpakpa thermal power plant in Cotonou	20,000
Congo: Restoration of the thermal power plant of Pointe Noire and improvement in the management of the SNE [National Electric Company]	19,500
Upper Volta: Expansion of the Ouagadougou thermal power plant	20,000
Niger: Anou-Araren power plant project (first section, supplementary loan)	22,750
b) Water Power	230,000
Ivory Coast: Construction of a hydroelectric power plant at the Rapides Grah Dam and connection to the internal system	30,000
Gabon: Doubling the hydroelectric installations at Poubara:	
First window	50,000
Second window	90,000
Mauritius: Hydroelectric development project at Champagne	60,000
c) Networks and miscellaneous	124,500
Comoro Islands: Restoration of the electricity production and distribution networks	6,000
Guinea: Renovation of the production centers and the electricity distribution network of Conakry	40,000
Niger: Providing electricity from Malbaza to N'Konni	2,000

FOR OFFICIAL USE ONLY

Senegal: Sinaes industrial development program	1,500
Zaire: Emergency program to repair the Kinshasa network:	
First window	37,500
Second window	37,500
d) Studies and Training	26,400
Guinea: Additional studies for the hydroelectric development of Konkoure	3,500
Madagascar: Studies on the electric energy sector (Jirama [Malagasy Electricity and Water Company])	2,900
Union of producers and distributors of electricity in Africa [UPDEA]	20,000
Establishment of the Advanced Interafrican School for Electricity at Bingerville	
5) Tourism	61,000
Upper Volta: Construction of the Silmande Hotel in Ouagadougou	28,000
Senegal: Construction of a hotel at Dakar (Barachois Hotel Company):	
First window	12,000
Second window	8,000
Seychelles: Building a hotel for training purposes near Victoria	13,000
Total for productive sectors	1,300,730
First window	888,210
Second window	412,520
II - Public Works	
1) Transportation	507,800
a) Railroads	59,000
Congo: Realignment project for the Congo-Ocean Railroad	18,000
Guinea: Investment and study program for the National Railroad Office	24,000

FOR OFFICIAL USE ONLY

Mali: Program to repair civil engineering projects and overhaul the rolling stock of the RCFM [Mali Railroad Network]	17,000
b) Roads and Transportation	300,000
Cameroon: Building a road for heavy trucks: Douala-Edea-Yaounde:	
First window	120,000
Second window	100,000
Cameroon: Expansion of the depots and shops of Yaounde and Douala, construction of an office and training center for Sotuc personnel	30,000
Cameroon: Purchase of city buses by Sotuc	
Second window	10,000
Ivory Coast: Construction of a depot, shops and a training center for Sotra [Abidjan Transportation Company] personnel	29,500
Ivory Coast: Purchase of city buses and vans by Sotra	6,500
Niger: Construction of a maintenance center for SNTN [Niger National Transportation Company] equipment at Arlit	4,000
c) Ports and Rivers	44,000
Cameroon: New foundations for the main wharf of the port of Douala (ONEC)	24,000
Central African Republic: Emergency program to revive river traffic (ACCF [Central African Agency for River Transportation])	20,000
d) Airports	104,800
Benin: Construction of a freight hangar and improvements at the Cotonou airport	18,000
Burundi: Improvements at the Bujumbura airport	60,000
Upper Volta: Improvements at the Ouagadougou airport	18,800
Togo: Improvements at the Lome airport	8,000
2) Telecommunications	209,500

FOR OFFICIAL USE ONLY

Guinea: Program to develop telecommunications	48,000
Madagascar: Renovation and expansion of the Antananarivo urban system and connection of the south by the east coast	
First window	30,000
Second window	20,000
Niger: Telecommunications and television development project	40,000
Rwanda: Program to develop domestic telecommunications	20,000
Senegal: Feasibility studies for the 1980-1981 investment program of the Posts and Telephone Office	2,000
Senegal: Emergency program for the Radio-Television Office	11,000
Sierra Leone: Installation and equipment for an international telephone switching center at Freetown	16,500
Togo: Modernization and expansion of the Lome telephone system, establishment of a telex center	22,000
3) Urban Water Supply	40,000
Gabon: Libreville water supply program:	
First window	22,000
Second window	16,000
Mauritius: Repairs and improvement of the water supply network of Port Louis	2,000
Total for Public Works	757,300
First window	611,300
Second window	146,000
Total I + II	2,058,030
First window	1,499,510
Second window	558,520
III - Financing Projects	
1) Purchase of shares	7,018.8
Upper Volta: Purchase of shares to increase capital in the National Agricultural Fund	4,000
Rwanda: Purchase of shares to increase capital in the Rwandan Development Bank	2,650

FOR OFFICIAL USE ONLY

Seychelles: Purchase of shares to increase the capital of the Development Bank	128.8
Zaire: Purchase of shares to increase the capital of Sofide [Finance Company for Development]	140
France: Purchase of shares to increase the capital of Sofreavia [French Company for Industry in Africa]	100
2) Exceptional Loans	536,000
Ivory Coast: Supplementary financing for 12 development projects (Second window)	206,000
Upper Volta: Additional financing for a governmental investment program by the CNDI [National Deposit and Investment Fund] (Second window)	50,000
Senegal: Financing for a government investment program by the BNDS [Senegal National Development Bank] (Second window)	200,000
Senegal: Financial aid for the economic and financial recovery plan for Senegal (Second window)	80,000
Total for financing projects	543,018.8
General total (I + II + III)	2,061,048.8
First window	1,506,528.8
Second window	1,094,520

COPYRIGHT: Rene Moreux et Cie Paris 1981

9479

CSO: 3100

FOR OFFICIAL USE ONLY

ECONOMIC

ITALY

TRADE WITH EAST AFFECTED BY RESUMPTION OF 'COLD WAR'

Milan IL MONDO in Italian 20 Feb 81 pp 76-77

[Article by Nino Ciravegna and Enrico Francot]

[Text] If it gets cold again. Afghanistan invaded, Poland on the brink, and tough-guy Ronald Reagan in the White House: a Cold-War wind is blowing again all over the world. What could it do to trade? What might it mean to Italy...

The feeling is one of Cold War, even though politics has nothing to do with it. Enrico Malcovati, secretary-general of Anima, the National Association of Mechanical Industries, takes a very hard line toward the Soviets: "They've fallen into bad habits: by letting them buy machinery and whole plants on a 20-year basis at ridiculous interest rates, we wind up simply giving them away. And now that the gravy days are over, they start making trouble."

The trouble Malcovati refers to is the pressure Moscow has for months been putting on the government and on many of Italy's major corporations for a resumption of negotiations of the utmost concern to it. The talks would center on opening a new billion-dollar line of credit on easy terms: the negotiations were in fact broken off the day after the invasion of Afghanistan in December 1979. It is all but certain now that they will resume in March, but the climate is still chilly: the continued presence of the Red Army in Afghanistan, the ever-present threat of armed intervention in Poland, and the savage long-distance saber duels between Moscow and Washington since Ronald Reagan moved into the White House do not presage any smooth negotiations between East and West. On the contrary: they have resurrected a problem forgotten since the days of the Cold War: that of assessing the economic consequences of political conflict between the two blocs. Getting back into swearing-matches with the Soviet Union actually means endangering relations with an economic giant, with a world-class industrial power that sits on a vast storehouse of raw materials. How great would that risk be for a country like Italy? Could we get along without the USSR and its allies, a market of hundreds of millions of consumers? IL MONDO conducted a survey of a great many Italian industries for an answer to those questions. In the course of that survey, it found out that Malcovati's Anima (200 million workers

31
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

in hundreds of plants) is not the only organization staying fairly cool over the current international situation. In other words, it is not the only one to believe that it is betting on a sure thing with its mere 141 billion lire worth of products earmarked for Eastern Europe out of a total of 3,842 billion lire worth of exports to the entire world.

Other areas in Italian industry can face a possible shrinkage in trade with the USSR and its allies without any serious problems. One such is the electro-technical and electronics industries. These companies, some 600 of them employing 270,000 people and doing just under 12,000 billion lire worth of business in 1980, have shipped 150 billion lire worth of exports to Eastern Europe, a figure that works out to a scant 3 percent of the sector's total of 5,300 billion lire in export business.

For machine tools the percentage is somewhat higher, but it has been declining over the past several years. With 38,000 workers and a volume of business that should reach 1,400 billion for 1980, the industry association, UCIMU, has seen its share of exports to Eastern Europe drop from 25 percent in 1978 to 19 percent last year. And the machine-tool makers already seem to be resigned to looking elsewhere for markets.

Much the same might be said for the 4,000 or so textile and clothing companies of all sizes in Italy. With 1,200,000 employees and a total volume of business of 23,000 billion lire, the impact of exports to the East European countries amounted to barely 2.5 percent of all sales abroad (158,000 out of 7,000 billion lire). Equally nugatory percentages are shared by food processors such as Ferrero and IBP, private corporations like Candy and the Lucchini conglomerate, and state-owned conglomerates like EFIM, all of which ship a large porportion of their output abroad.

The tune changes and the level of concern rises when you get to companies like Montedison, ENI, and IRI, for which another Cold War would certainly mean very grave consequences. For these three conglomerates, in fact, the figures on income from exports to Eastern Europe as a portion of volume of business graphically reflect the complexity of their ties with that economic area.

That is the situation at Montedison: its trade with the Eastern countries which, in 1979, amounted to only 224 billion lire out of a group total of 833 billion, looks marginal at best. And yet the company Mario Schimberni runs has for years had very close relations in the area of technical and scientific collaboration with those countries, to which it has sold complete plants at prices totalling hundreds of billions of lire. And it is counting on doing the same in the future: just last spring it signed a contract to build seven chemical plants for a value in the neighborhood of \$800 million.

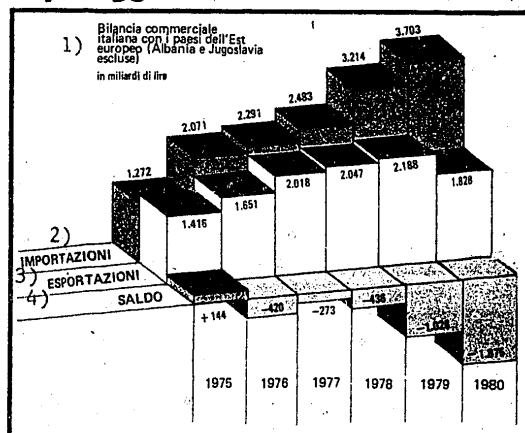
Much the same state of affairs is to be found at the national hydrocarbons conglomerate (ENI), whose total volume of business for 1979 with

FOR OFFICIAL USE ONLY

exports valued at 6,000 billion, included some 80 million lire worth of chemicals sold to the USSR. In exchange, though, ENI imported a total of 1,500 billion lire (4 million tons) of crude oil and natural gas, just about 4 percent of the total Italian requirement.

The story is the same at the state-owned heavy industry conglomerate, IRI: 18,300 billion lire worth of business, 3,450 billion of it in exports of which only 10 percent went to Eastern Europe. And yet, even Pietro Sette's company relies on the Soviet Union and its allies as a solid rock. For years one of its subsidiaries, Finsider, has been able to count on selling 200 to 300 billion lire a year worth of large-size steel pipe and other steel products there.

Il pareggio è lontano



A LONG WAY FROM PARITY

- 1) Italy's balance of trade with East European countries (not counting Albania and Yugoslavia)
- 2) Imports
- 3) Exports
- 4) Balance

Furthermore, like Montedison, IRI and Eni have sold and hope to go on selling large-scale complete plants: Italimpianti right now is negotiating a contract to build a steel plant in Bulgaria for around 500 billion lire; ENI has moved into the international bidding for construction of a 5,000-plus-kilometer gas pipeline that will carry 40 million cubic meters of natural gas from Siberia to Germany, Austria, Italy, and France.

Private sector conglomerates are interested in plant design and construction as well. Pirelli's exports over the past few years have been chiefly concentrated in this area. And FIAT, insofar as IL MONDO could determine, has not yet given up hope of reaching an agreement with the USSR on an expansion of the Togliattigrad automobile plant (the

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

contract will be worth hundreds of billions of lire), although negotiations right now are practically stalled. With these two major privately owned Italian corporations, the picture may be said to be more or less complete: the mainstream of the dialogue between Italy and Eastern Europe is tied in with the trade between major designers, builders, and sellers of complete plants and the dealers in raw materials. Should international tension heighten, would that dialogue be broken off? "Political hardening does not necessarily mean breaking off economic relations," argues Onelio Prandini, communist president of the Cooperative League, an experienced outfit that for decades has had close trade relations with the Eastern countries. "The USSR understands the delicacy of the international situation, and has no interest in endangering its own economic development by cutting off collaboration with the West." Or, one might add, in writing off the billions of lire imbalance in its favor in its trade with Italy.

But, should Moscow actually decide to take the hard-nose route, IL MONDO was told by Roberto Massoni, who is Confindustria's president in charge of state economy countries, "we should be hard put to it to find alternative sources for the supplies of coal, timber, and crude oil we now import from Eastern Europe." Furthermore, a good many companies, particularly state-owned ones, with the cutoff of what for years has been one of their steadiest and most reliable markets, would find themselves forced to lay off tens of thousands of workers.

COPYRIGHT: 1981 Arnoldo Mondadori Editore S.p.a. Milano

6182
CS0: 3104

37
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

ECONOMIC

ITALY

ECONOMISTS' OPINIONS ON CREDIT RESTRICTIONS

Luigi Spaventa

Milan IL MONDO in Italian 29 Feb 81 pp 14-16

[Interview with Luigi Spaventa, by Empedocle Maffia]

[Text] There will be zero growth. "Any a priori assessment of the monetary option is extremely difficult, because neither the government nor the monetary authorities have come up with an economic diagnosis, either in real or in financial terms." Luigi Spaventa, economist and Independent Left member of Parliament, stated this premise before answering a string of questions IL MONDO asked him about what the treasury minister has in mind.

QUESTION: If the credit restrictions were implemented as presented, what would the Italian economy look like in 1981?

ANSWER: You cannot assess the effect of a credit squeeze in a vacuum: you have to find out first whether business is or is not in a comfortable state of liquidity. Today, as I see it, the corporations have a great deal of liquidity, because 1979 and 1980 yielded high profit margins and that provided strong corporate liquidity. From this angle, the squeeze is not quite so tight as one might think. One puzzling question arises from a condition already pointed out by Mario Monti: the predicted expansion in total internal credit in 1981, on the basis of this monetary policy move, would seem to be in line with or even to go beyond what was indicated in the preliminary planning report. And with that it becomes difficult to calculate the effects. What we are assuming, in fact, is that the ratio between the rate of increase in monetary income and the rate of expansion in total internal credit stays, as it did last year, at 0.8 percent; with the predicted 12-percent expansion in credit we might get a 15- to 16-percent growth in monetary income: and at that point everything depends on the inflation rate.

QUESTION: Given that as a basis, what growth can we expect in 1981?

38
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

ANSWER: I think it will be close to zero, although in any case that would imply some growth over the course of the year. We are starting from a situation at the close of 1980 which was lower than the average for the year as a whole: therefore, to stay at the same overall level as last year, we shall need some upswing between January and next December.

QUESTION: According to the treasury decree, is big industry expected to provide all that growth?

ANSWER: That will depend on how the measures are implemented. If the main credit squeeze is aimed at small and medium corporations, there will be serious corporate difficulties; but if, on the contrary, credit is spread around even-handedly, these situations will not materialize.

QUESTION: What effect will the ruling have on the balance of payments?

ANSWER: I sense an undecided attitude on the part of the monetary people. Because for quite a while now they have pursued a policy of pushing companies into indebtedness abroad, so as to offset the balance of payments deficit; then they lifted the requirement for finding foreign financing for exports; and now they have actually set a ceiling as of 31 December 1981 on financing linked with exports. What this means is that, having observed that the influx of credit from abroad was staying very high (partly because foreign interest rates are lower) they decided to apply the brakes to the balance of payments. So I am wondering if the credit authorities aren't a little bit masochistic around the edges.

QUESTION: Even so, won't the measures adopted by the treasury and the Bank of Italy provide encouragement for exports?

ANSWER: I'll ask you a question: Our exports have a high import content: in other words, a company that exports imports, too. If the latest credit measures were strictly applied, hampering the requisite imports, wouldn't they thereby constitute a disincentive for exports? And at the same time, if the exporter could somehow transfer the credit from export to import, wouldn't that automatically circumvent treasury policy?

QUESTION: The other serious problem involved in assessing this move to squeeze credit is the matter of its compatibility with the 3-year plan...

ANSWER: That is not a real problem because, on the basis of what we know about the 3-year plan, there is no way of judging whether or not a stop-gap monetary maneuver is compatible with it or not. The plan is vague in its provisions, laudable though it is in its intent: so it cannot be used as a term of reference. The only actual figure in the plan we know, in fact, is the amount of the overall and public-sector deficit, and of public investment. And the only explicit

FOR OFFICIAL USE ONLY

statement is that there must be a restrictive monetary policy. That being the case, there is no telling where any conflict between these measures and the plan might lie.

QUESTION: But doesn't everybody say that the plan is based on a growth scenario?

ANSWER: That is an issue on which there is very little understanding. The plan stipulates the necessity of keeping the value of the lira constant over the 3-year period. The treasury minister, however, has let it be understood that the value of the lira is to be set at the time the plan goes into effect, and may therefore call for prior adjustments. What, though, is the change in the exchange rate to be based on? For example, why is it essential to get the much-talked-of 25,000 to 30,000 billion lire in foreign loans, which are not shown in the plan, but upon which the budget minister has made several statements? But the market works on a day-to-day basis: and announcing beforehand that they are considering going after such massive sums in foreign loans means giving prior notice either of a heavy deficit in the balance of payments or a desire to increase their own reserves. In the first instance they are not creating the best of all possible conditions for negotiating the loans they are working on; in the second, the public announcement is incomprehensible from an overall economic point of view.

Giovanni Guidi

[Interview with Bank of Rome's Giovanni Guidi, by Antonio Ramenghi]

[Text] Whenever there is a credit squeeze, the lending institutions are on the front lines. What do the banks think of the measures the government has taken? How will they behave during the months ahead? What effect will the squeeze have on interest rates? IL MONDO put these questions to Giovanni Guidi, managing director of the Bank of Rome. Sure bet: money will cost more.

QUESTION: Just how tight is the squeeze, really?

ANSWER: To begin with, I would not describe the measures as disruptive in scope. They are the logical consequence of having gone very far beyond the boundaries previously planned for credit flows: commitments in 1980 rose by around 20 percent, and as of September the forecasts called for something like 15 to 16 percent. The degree of tightening stemming from the decision will depend on whether or not inflation is held at the predicted level. The provisions are restrictive if inflation goes above the 15-percent level assumed as the working figure for calculations. I should add that the measures adopted involve some integration with the 3-year plan.

QUESTION: Who will be hardest hit? Small and medium companies, or the big industries?

FOR OFFICIAL USE ONLY

ANSWER: I don't believe that stop-gap measures could affect the posture the major banks have assumed vis-à-vis small and medium business. With proper distribution of risk, the big banks have -- or at least mine has -- channelled loans toward small and medium business. As a result, small and medium businesses on the whole will not suffer. Furthermore, the recent cabinet summit promised that it would look into remedial measures in favor of such businesses. Elimination of the 130-million exemption class may have some impact on the relation between smaller banks and smaller businesses, since the small banks, 80 to 85 percent of which fell into that class, were ipso facto all but exempt from the ceiling. On the other hand, there will be a resurgence of proper competition among the banks, and 1981 will bring a substantial steadying of the loan market rate.

QUESTION: There has been talk of exceptions to the 130-million ceiling under the measures. Does this indicate an intention or at least a demand for changes and course adjustments, and if so, in what direction?

ANSWER: The problem still requires some study. The thing to do, at the outside, might be to rescind the 130-million measure, although I do not believe that is a viable option any longer. We might operate on the assumption that up to the 130-million mark the increment of loans might be higher. Above the 130-million mark somewhat less, so that, on the average, you might wind up with the overall increment of loans assumed in the measure. Upon breaking down the loan shrinkage you would come back and decide to give a little more relief to small and medium businesses. However, managing even this kind of scenario would not be easy: there would be control problems for the central bank and management problems for the banks themselves. However it was handled, it would introduce some bureaucratic elements which are never desirable, particularly not at this juncture.

QUESTION: Excessive splitting of loans, massive resort to alternative forms of credit (acceptances, leasing, etc.), heavy increase in foreign financing: with these systems, it is argued, the banks have got around the rules for credit restraint, especially in the final quarter of 1980, forcing Bankitalia to intervene. In short, there are those who accuse the banks (and the treasury minister himself made a reference to the charges) of being most to blame for the new squeeze.

ANSWER: I don't believe that the banks got around the standards. We have some structural problems which have long been with us, and which are certainly not the result of any independent decision on the part of the banks. On the other hand, there are alternative forms of loans on which there are no ceilings, and the banks used them in the course of doing business. And banks, at least my bank, have always stayed under the ceiling. The one point that might conceivably enter into the question as you have asked it might be the matter of acceptances. I say "might" because this is not a question of something's being done that could not be done. The banks, even while hewing to the letter of the restrictions, clearly -- since they had to stay in the market and

FOR OFFICIAL USE ONLY

had to stay in business -- cast about for every possible way to serve their customers. Since acceptances are possible, the Bank of Rome, along with a lot of other banks, handled them. When all is said and done, I don't believe that resort to alternative forms of credit was the cause for the Bank of Italy's measure.

QUESTION: With the new measures, some bankers argue, we are moving toward further erosion of the role of the banks and encouraging new channels for credit. The system, they say, is undergoing radical change: with recourse to bond issues, the birth of the finance companies, the growth of such quasi-banking services as leasing, factoring, and the like. The future does not look altogether rosy for the banks.

ANSWER: I believe they are right. There is no question but that the policy of steadily reducing the area of the banks' impact on the money supply will have consequences. The measures circumscribe the area remaining for traditional banking operations: the brokerage level, already compromised, cannot be indefinitely condensed unless you want the cost of money to rise sharply to compensate for fixed costs.

Limitations on loans, on the other hand, requires limitation on collections. And that will mean that we shall have to sell other products: the banks are organizing to stay in the money market through leasing, factoring, new financing operations, accounting and audit firms, consulting firms, etc.

QUESTION: There are already some indications, albeit not officially, that the banks are taking another look at their rates. Will the credit pinch mean that money is going to cost more?

ANSWER: Any measure that increases restrictions has that effect. Holding down credit will lead to a very tight money market. It will be increasingly difficult to balance supply and demand for credit, and as a result loan costs will rise still more steeply. For the time being we have quite properly waited before making decisions. We have met as the executive committee of the Italian Banking Association (ABI), for a long-planned meeting, but we have not yet taken up this issue officially. We have consulted one another, and for the moment this is the general opinion: the credit market is going to be very tight. And in the days ahead it is going to be increasingly difficult to stay in this prudent and responsible wait-and-see position. I do not feel I am playing Cassandra when I say that very shortly, if things keep going as they are now, interest rates will have to go up, particularly in response to selective criteria based on the efficiency of the borrower corporations and the technical form of the loan.

Walter Mandelli

[Interview with Confindustria V.P. Walter Mandelli by Riccardo Chiaberge]

[Text] Production will decline, whatever else happens. How is business reacting to the credit squeeze? What effect will

FOR OFFICIAL USE ONLY

the treasury minister's measures have on production and employment? IL MONDO talked with Walter Mandelli, Confindustria's vice president for labor relations.

QUESTION: What about this credit pinch? Is there one, or isn't there?

ANSWER: Personally, I have no idea what is going on. I get the impression that between them the politicians and the economists are churning up a dusty cloud of confusion. On the one hand we have Prof. Mario Monti telling us that there is no squeeze. And on the other there are people telling us that the squeeze is indeed on, and how! And then there are the cabinet ministers falling over one another to persuade us that there is no conflict at all between the monetary decisions and the 3-year plan... When you boil it all down, the moral is the same as ever: in this country you either keep business going, and then you get inflation, or you try to cool down inflation, and then business slows down, or shuts down altogether.

QUESTION: Maybe that is because they keep pushing on the monetary lever over and over again without working the other ones...

ANSWER: What's really missing is the political level. Nobody here wants to own up to his responsibilities. Nobody, from the ordinary citizen to the parties, to the governing political class, is willing to pay the price of crisis. Everybody is trying to pass the hot potato to the next fellow. How can anybody have confidence? Look at what has been happening these past few weeks. The 3-year plan had barely been approved when the education minister, Guido Bodrato (from Turin, like his colleague over at Budget) cut a deal with the teachers that may well blow every prediction of growth in government spending in the plan sky-high. And after the professors, the doctors came on stage, and pretty soon we shall be seeing the paramedics and who knows how many more. It's one mad scramble throughout the civil service, to grab as much money as one can. And what does the government do? It opens the money-bags wider...

QUESTION: In your view, then, squeezing credit will not help slow inflation.

ANSWER: The one thing it will certainly slow is business. There will be less work and fewer jobs.

QUESTION: Then the union people are right in worrying about a flood of layoffs

ANSWER: What flood? Does that seem likely to you, in a country like this? Where, if Montedison says that if it is to keep its head above water it will have to fire permanent employees, the labor minister shows up with an injunction forbidding it to fire anybody? Where the independent workers at the Calle di Susa cotton mills, which went bankrupt long ago, go on collecting 95 percent of their wages, year after year, out of the wage subsidy fund?

⁴³
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Question: The union seems to be less rigid in the Montedison case than it is in the FIAT dispute.

ANSWER: We'll see when it's over. Obviously, the situation has gone so far by now that nobody can pretend he doesn't see it. We shouldn't delude ourselves, though. We are a Levantine country, where first you sign a national contract on job mobility and then you refuse to implement it, and then when you want to make it law, the unions balk. Until these attitudes change there is no plan, there is no squeeze, that will work.

COPYRIGHT: 1981 Arnaldo Mondadori Editore S.p.a. Milano

6182

CSO: 3104

ll
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

FRANCE

CGT LEADERS FORESEE POLITICAL, FINANCIAL PROBLEMS

Paris LA LETTRE DE L'EXPANSION in French 9 Mar 81 p 2

[Text] The leaders of the [communist dominated] CGT see the future very darkly. There are two reasons: 1) the fallout from the summit crisis that is jarring the PCF and 2) the financial difficulties the union is up against. The hardliners in the PCF who, after the presidential election, are aiming at the elimination of [Georges] Marchais (whose health is causing more and more concern among his followers) are trying to push aside the big wheels in the CGT, including [Henri] Krasucki. They are the ones who are recommending "some big operations" of the Palace-Channel 2 type. (There will be more of them.) In the face of this offensive, the defense is somewhat dispersed, with the noncommunists holding back in the hope that following a spectacular defeat of the PCF [at the polls], the purely trade-union viewpoint will prevail. The financial problems have two principal causes: on the one hand, the number of dues-paying members has decreased by a third (from 1.5 million down to today's less than a million), while at the same time the books on the cost of publishing LA VIE OUVRIERE, which has lost 50,000 readers in 1 year (from 180,000 down to 130,000) show a deficit. On the other hand, the new headquarters of the CGT in Montreuil is a bottomless financial pit. In large part financed initially by a loan from the Caisse des depots [Deposit Fund?], the manifest of this real estate group no longer has anything in common with the realities of the accounts and billings of the [building] contractors.

Comment: It will be necessary for the leading French trade-union organization [i.e., the CGT] to empty its coffers. This will not be done without posing some problems. Layoffs will take place not only in Paris but also in several departmental and regional offices.

COPYRIGHT: 1981 Groupe Expansion S.A.

CSO: 3100

45
FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

FRANCE

CHIRAC DETAILS ECONOMIC PLAN, SAVINGS, BUDGET CUTS

Paris VALEURS ACTUELLES in French 9 Mar 81 pp 21-22

[Article by Jacques Chirac: "Chirac's Budget Cuts"--passages enclosed in slantlines printed in boldface]

[Text] "30 billion [Fr] in savings in the first year I am in office." In an exclusive for VALEURS ACTUELLES, Mr Jacques Chirac spells out these savings in detail.

I have committed myself to Fr 30 billion in budget cuts in the first 12 months of my term, in order, first of all, to reduce mandatory appropriations from 42 percent down to 41 percent of gross domestic product.

This Fr 30 billion of budget cuts could be distributed as follows:

- /1. Blanket cutback in operational expenses properly so called/ ("lifestyle of the state"), that is, on vehicles, materials, premises, telephone charges, publications, etc.: Fr /3 billion/. These 3 billion are less than 10 percent of the 34 billion provided for in this category in the 1981 budget. The blanket cutbacks technique has been utilized successfully several times in the past.
- /2. Personnel costs: 2 billion./ This measure corresponds very precisely to the hiring of 20,000 civil servants per year instead of 40,000 (or one replacement for every two retirements, as I have proposed in order to get back over a 5-year period to the number of employees and civil service had in 1976).
- /3. Savings resulting from the elimination of proposed taxes: 2 billion./ The elimination of added-value tax, the professional tax, and the income tax for 5 million taxpayers will result in very substantial administrative savings (without even taking into account the possible redeployment of personnel). The "waste" on the professional tax alone (unproductive admissions) is presently costing the state 1.5 billion (3.6 percent of the yield of the professional tax).
- /4. State assistance to public enterprises and the private industrial sector: 10 billion./ This saving amounts to about 25 percent of the appropriations scheduled for this category.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

As for aid to the private sector, the complexity is such that one sometimes speaks of "bounty hunters." The government itself, during the last budget debate, committed itself to re-examine this assistance--something which it has not yet begun. It should be noted that the cuts I am proposing will to a great extent be offset by the 13 billion in tax relief for investment that I call for elsewhere. In the public sector, savings are also possible.

Examples:

--The state, through the Hydrocarbon Support Fund, pours out one-half billion to oil companies (including Snea Elf Aquitaine) to finance their research efforts. Now Elf Aquitaine this year has a gross profit margin of 10 billion!

--The state is pouring out 400 million in capital and 1 billion in concessional loans to EDF [French Electric Company] which, under a truth in pricing system, is completely capable of financing itself on the financial market, as it does for much larger sums.

/5. Proposed improvement in administration of the state's land patrimony: 5 billion./ The state owns a multitude of real properties, whose value is substantially in excess of 500 billion Fr. Many are underutilized or poorly utilized. They must be sold, which will also make it possible to increase supply on a market which is tending to become increasingly tight. The proposed measure covers less than 1 percent of the value of the patrimony.

In the 1981 budget the government provided for an analogous measure with respect to movable property owned by the state (shares in certain public sector subsidiaries).

In Paris, in 1977, I launched a similar operation (sale of the real property of the bd [expansion unknown] Suchet, which permitted financing of social housing.)

/6. Savings in the budgetary cost of unemployment: 2 billion./ The overall cost of unemployment to the community is 100 billion, of which more than 20 billion is paid out of the national budget (participation in indemnification costs and losses of tax revenues). The objective of my economic program is to diminish the number of jobless by 160,000 the first year (10 percent). The gain for the budget is thus 2 billion (10 percent of 20 billion).

/7. Impact of the above six measures on the national debt: 3 billion./ The above six measures yield 24 billion in savings or increased revenue. The state's need for additional indebtedness will be diminished to the same extent. The impact on the cost of the new debt could be estimated at Fr 3 billion.

This line of reasoning is exactly identical to that followed by the government in the presentation of the 13 billion in savings called for in the 1981 budget, of which 1.2 billion corresponds to the impact of the other measure on the debt.

FOR OFFICIAL USE ONLY

/8. Improvement of the state's tax revenue collection [system]: 3 billion./ Presently there is a delay of 3 to 4 weeks in depositing checks sent to the Treasury in payment of imports. Every business leader, every merchant, every artisan knows that it is in his interest to collect his debts as quickly as possible in order to avoid financing costs (bank overdrafts). For the state, the problem is the same: the wealth it produces, for example, by issuing treasury bonds costs it dearly. The goal is to cut the deposit time in half, in other words to gain 2 weeks.

The state's coffers, under those conditions, will be augmented by a little more than 20 billion. This augmentation in the treasury corresponds to a budget saving of 3 billion on new debt.

/This distribution/ is naturally [only] illustrative. It is not exhaustive. I did not take into account, for example, the increase in budgetary revenue that will result from the economic recovery that I expect from the implementation of my program.

It will be the government's task to prepare a detailed and definitive list corresponding to these general guidelines.

But I am prepared to show that, if one wants to do so, one can find 30 billion in real budgetary economies within the mass of the state's 624 billion in expenditures. Remember that in the autumn of 1979 the government explained to the legislators who were demanding 2 billion in cuts that it could not be found. Then the following year 13 [billion] was found, without apparent difficulty! But that is not the main point. The main point is not the "how" of savings, which one can discuss ad infinitum but which I--as the former secretary of state for the budget and as the former prime minister--know are possible.

What is important above all is the "why" of the savings.

If I am proposing to tighten the budget by 30 billion, it is not for the fun of it. It is to lighten the burden of the state on the economy, to ease the fiscal pressure by the same degree, and thereby to stimulate general economic activity. The real answer to the ever so crucial problem of unemployment is not, in fact, the multiplication of partial or spot measures. One must attack the cause, and the fundamental cause is the stagnation of the French economy.

At a time when many international bodies or experts are proclaiming the necessity of a new Marshall Plan, as I myself have been calling for for 4 years by asking for a new "Alliance for Progress," one must think about the fact that only a general recovery of world-wide growth will enable us to get out of this crisis. Such is the basic philosophy of my economic proposals.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

CHART

Recapitulation

(in billions of francs)

1. Blanket cutback in state lifestyle	3
2. Personnel expenses	2
3. Savings resulting from elimination of taxes	2
4. Reduction of state assistance to public enterprises and to the private industrial sector	10
5. Improvement of administration of the state's land patrimony	5
6. Savings on the budgetary costs of unemployment	2
7. Impact of above six measures on the national debt	3
8. Improvement in the collection of state tax revenue	3
TOTAL	30

COPYRIGHT: 1981 "Valeurs Actuelles"

9516

GSO: 3100/624

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

FRANCE

RPR POLITICAL DEFECTIONS FROM CHIRAC CAMP

Paris VALEURS ACTUELLES in French 9 Mar 81 p 23

[Article by Christine Orion: "The Logic of Allegiance"]

[Text] Political logic: No one RPR minister supports Mr Chirac. The RPR response: those ministers are excluded from the movement.

Governmental solidarity has won the day: the ten RPR ministers and secretaries of state have rallied to the candidacy of Mr Valery Giscard d'Estaing. The last to declare himself, Mr Jean Matteoli, the minister of labor and participation, joined up in turn on Wednesday at a luncheon at the De Lassay Hotel, the residence of Mr Chaban-Delmas, the other Gaullist ministers also having been invited.

The response by Mr Bernard Pons, RPR secretary general: those ministers have "broken all ties" with the movement, "to which they can no longer claim to belong."

Mr Alain Peyrefitte, an avowed opponent of Mr Chirac, had at first supported the candidacy of Mr Debre.

"Michel Debre," he said, "is a man of quality. Of the caliber of Richelieu or Colbert."

This was agreeable to the Elysee, where it was believed that Debre's candidacy (and Debre, for his part, has always tried to ignore these maneuvers) would be enough to derail that of Mr Chirac.

The mayor of Paris having nevertheless decided to run, Mr Peyrefitte said on 28 February (using language similar to that used by Mr Olivier Guichard, who also supports the candidacy of General De Gaulle's former prime minister):

"Michel Debre should not miss the mark. He himself has said that his criticism of the government was less than the criticism he directs to the opposition. I approve that course correction."

On the previous Wednesday Mr Peyrefitte had proposed to his RPR colleagues in the government that a "joint declaration of loyalty to the incumbent president" be published. They preferred to wait.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Mr Robert Galley, the minister of cooperation, a comrade during the Liberation, and a Gaullist from the very first, nevertheless let it be known on 12 July 1980 that he would support Mr Giscard d'Estaing "in every way."

Elected senator from Aube in September, he will keep his position as a minister: with 6 months to go to the elections, Giscard d'Estaing did not want to see the "Cooperation" portfolio change hands. The following December, after the death of Joel Le Theule, Galley also inherited the position of defense minister. The budget minister, Maurice Papon, former RPR deputy from Cher, affirmed for his part on 15 July "his complete solidarity with government policy."

On 12 September, he confirmed his position:

"I prefer," he emphasized to France-Inter, "to give my vote to those with whom I share the same concept of the state, rather than to those who daily accuse me of incompetence."

The winning over of Mr Michel Cointat, minister of foreign trade since last October, to Giscard d'Estaing was also no surprise to the RPR headquarters staff.

"I agreed," he said in October, "to come into the government because the RPR is a part of the majority. That means that an RPR minister should have complete loyalty to the president of the republic."

In April 1979, disappointed at not making the Dife list in the European elections, Mr Cointat made a solemn appeal to "European Gaullists." Against Mr Chirac, and "for the establishment of a third majority list," the Elysee immediately encouraged his initiative.

Only the "desertion" of Mr Matteoli really hurt Mr Chirac's friends. The mayor of Paris has always been on excellent terms with the minister of labor. Their collaboration goes back quite far: in December 1974, Mr Chirac, secretary general of the UDR, had given Mr Matteoli the position of national secretary in charge of participation.

Before Mr Matteoli, all the RPR secretaries of state had rejoined the Giscardian camp. First to declare himself: Mr Jean-Paul Mouro, secretary of state for justice (who would willingly replace Mr Peyrefitte at Place Vendome). Mr Mouro declared himself in June 1980. For reasons of "political morality." The others followed.

Among them: Mr Jacques Legendre, secretary of state for vocational training. A deputy from Nord in 1974, Mr Legendre ran against Mr Chirac that year for the secretary generalship of the UDR. Supported by the "Barons."

Mr Pierre Ribes, Norbert Segard's successor as secretary of state for posts and telecommunications, hunts regularly with Giscard d'Estaing and employs his son Louis-Joachim in his auditing office.

FOR OFFICIAL USE ONLY

The deputies of the RPR ministers have not all made the same decision. At the rostrum of the RPR special congress on 7 February, the deputy Mr Maurice Plantier, secretary of state for veterans' affairs, reminded him that his district has been saved in 1978 "thanks to the dynamism of Jacques Chirac." The Deputies of Mr Ribes and Mr Papon have also declared themselves for Mr Chirac. The others have joined the Debre camp. Only the deputy of Mr Jacques Limouzy, secretary of state of parliamentary relations (a man happy to be alive, and who has a horror of the dramatic) has not yet made his decision known.

COPYRIGHT: 1981 "Valeurs Actuelles"

9516
CSO: 3100/625

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

FRANCE

BRIEFS

NEW SDECE HEAD--Philippe Mestre, office chief under [Prime Minister Raymond] Barre, will succeed Alexandre de Marenches as head of the SDECE. The changeover will occur in June or July. [Text] [Paris PARIS MATCH in French 27 Mar 81 p 51]

CSO: 3100

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

POLITICAL

ITALY

MAKNO POLL ON GOVERNMENT, PARTIES, LEADERS

Milan IL MONDO in Italian 30 Jan 81 pp 18-19

[Article by Paolo Passarini: "Craxi Beats Berlinguer"]

[Text] The Secretary of the PSI [Italian Socialist Party] is the politician considered most able to lead the government. But that is not the only surprise in the IL MONDO-Makno poll.

What has changed in Italian public opinion in a half-year marked by earthquake, government crisis and a wave of scandals? With 6 months' hindsight (see IL MONDO No 24/1980), the IL MONDO-Makno observatory again sets forth a general view of trends taking shape over a whole range of vast problems. The questions asked of a group of 3,000 people representative of the sociodemographic composition of Italian society give a new perspective of the mood of the people. The new government is no more credible than the old one, but even the most probable alternatives (government by technicians and a government with a Socialist leader) arouse some skepticism. Prospects for a leftist government are increasing, but at the same time, Bettino Craxi's popularity is greater than Enrico Berlinguer's. And what is really surprising is that the general feeling about Sandro Pertini's role as president of the Republic has suddenly changed.

Here are the answers grouped thematically compared with the results of a similar poll published last June.

Government

Although the percentage of those saying they do not favor the Forlani government (47.4 percent) is lower than that of those expressing the same opinion of the Cossiga government (58.6 percent), the executive in office has no more credit than the one who preceded him. In fact, only 18.7 percent of Italians say they are convinced that the Forlani government is "suitable for solving the country's problems" (18.5 percent for Cossiga II).

This fact takes on more importance when one considers that the scope of the majority was broadened when the last government was formed (the PSDI [Italian Social Democratic Party] and the PLI [Italian Liberal Party] went from the opposition to voting for the government and abstaining, respectively). In other words, Makno observes, "the government's real support is due mainly to the indifference with which it is regarded by a large part of the country."

FOR OFFICIAL USE ONLY

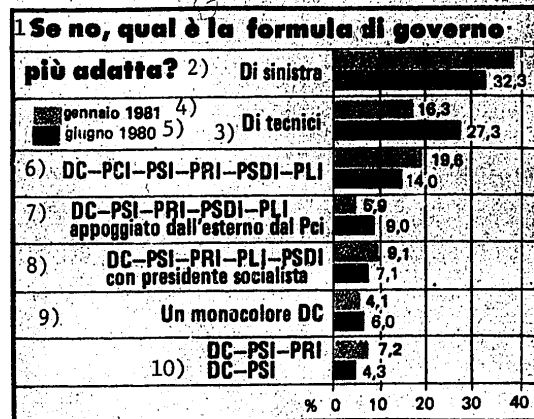
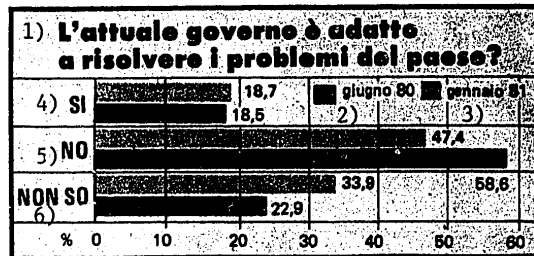
FOR OFFICIAL USE ONLY

[Upper graph]

- (1) Is the present government suited to solving the country's problems?
- (2) June 1980
- (3) January 1981
- (4) Yes
- (5) No
- (6) Don't know

[Lower graph]

- (1) If not, what is the most suitable governmental formula?
- (2) Left
- (3) Technicians
- (4) January 1981
- (5) June 1980
- (6) DC [Christian Democratic Party] PSDI [Italian Social Democratic Party]
PCI, PSI [Italian Socialist Party] PLI [Italian Liberal Party]
PRI [Italian Republican Party]
- (7) DC, PSI, PRI, PSDI, PLI supported from the outside by the PCI
- (8) DC, PSI, PRI, PLI, PSDI with a Socialist president
- (9) Straight DC
- (10) DC, PSI, PRI, DC, PSI



FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Among the governmental solutions proposed, a government of the left outstripped all the others, with 38 percent in favor. In central Italy, where the PCI's voting strength is greater, the percentage reached as high as 59.4 percent (but significantly, in the same zone, a very thin segment, 14.5 percent as opposed to 19.6 percent, the national average, supports the idea of an emergency government that would include all the forces of the so-called constitutional group).

The emergency solution, which, curiously, got a very high percentage in northeast Italy (39.5 percent), is closely followed by the idea of a bureaucratic or technicians' government (16.3 percent; but this shows a sharp drop from last June's poll (27 percent)). Northwest Italy, which is the most industrialized part of the country, and especially the South and the islands, are the zones that raise this figure. Rather limited and with a slight increase over last June are the figures favoring a five-party government with a Socialist leader (9 percent). The conclusion is, then, that in the last 6 months the two possible governments organically including the PCI have increased in popularity. These would be a government of the left and an emergency government, despite the fact that the PCI has abandoned the idea of an emergency government.

Among the Italian politicians considered most suited to the position of president of the council, however, Bettino Craxi, with 23.3 percent in favor, outpolled Enrico Berlinguer, with 22.1 percent. But the most significant fact is the unfavorable comparison of the Christian Democratic leaders for the first positions in this category. Arnaldo Forlani and Benigno Zaccagnini got only about 11 percent each of the preferences. Marco Panella's position has improved a lot (up 2.5 percent over June, due especially to a strong increase in popularity in the South). Giorgio Almirante, who is also coming up in the standings, got 18.8 percent of the preference in the South.

Institutions

This is the area in which the interviewees' outlook has changed the most since May. Sandro Pertini's loss of popularity seems clear. In May, the presidency of the Republic was considered to be the institution contributing the most to the good of the country by 32 percent of those polled. At the last count, this figure has gone down to 19 percent. Even the Church seems to have lost popularity, from 30 to 23 percent.

Contrariwise, the independent press is increasing notably in prestige, from 28 to 38 percent. The courts and police are stable in public opinion; they, after the press, are the institutions of greatest prestige. Very few (less than 10 percent) were in favor of the parties, which are outpaced only by RAI-TV [Italian Radio Broadcasting and Television Company] in the unpopular category.

Parties

From the answers to the questionnaires, the parties do seem to be recovering a little of their credibility among the voters, which should not be confused, however, with a growth in public opinion in their favor. In other words, the parties' renewed credibility seems to be taking place among the voters who are already oriented toward one political party or another. Makno's impression is that the "parties are succeeding in closing ranks, at least among their own followers." But it is significant that 51 percent of the respondents expressed the opinion that no party is working effectively against corruption (see inset [following main text]). As for the three major parties, it can be seen that while opinion about the PCI and PSI has remained essentially the same, but the DC [Christian Democratic Party] shows a marked deterioration of its

FOR OFFICIAL USE ONLY

image. Only 3.9 percent of the respondents say that in the last 2 months their opinion of the DC has "changed for the better," while 34 percent say it has changed for the worse and 51 percent state no change of opinion. When the responses are broken down by geographical areas, the South and the islands show a higher percentage of those who now judge the DC more severely than 2 months ago (36.8 percent) as well as a higher percentage of those whose opinion of the DC has improved (4.3 percent). But the difference between the two figures is significant.

For 12.6 percent of the respondents, the PCI has changed for the better in the last 2 months. However, 26.4 percent have a worse opinion, while 44.4 percent have not changed their opinion. The Communists' prestige is growing relative to the national average in northeastern Italy (in central Italy, too, but more slowly). On the other hand, more than 36 percent of the respondents in the South and the islands now have a worse opinion of the PCI than 2 months ago. The PSI came out better for 13.5 percent of the respondents (17.9 percent in the Northeast) but worse for 18.8 percent (24.8 percent in the South and the islands). For half the respondents, their opinion of the PSI has not changed.

"In general," the Makno report states, "all three of the major parties seem to be losing ground, and the number of those preferring them as the parties closest to their own ideas has dropped since May." The question "Which party do you think is now closest to your own ideas," asked seven months later, allows of these conclusions: the most consistent drop is shown by the PCI (down 2 percent), followed by the DC (down 0.8 percent) and, finally, by the PSI (down 0.2 percent).

The greatest increase goes to the Liberals (up 2.9 percent), who are increasing their following, especially in northwestern Italy and among the young. Especially noteworthy is the increase of the Republicans (up 1.2 percent) throughout the North and especially among the middle-aged. The MSI [Italian Social Movement], especially by its increase in the South, has had its own following go up 1.1 percent, and it should be noted that this party's supporters don't like to admit it. On the other hand, the PSDI [Italian Social Democratic Party] shows a definite ebb (down 1.9 percent). The PDUP [Proletarian Unity Party] is also down.

Unions

For a fourth of the respondents, the three confederations have had a negative effect in recent months (the May poll got the same answer from 18.2 percent of the respondents). The South and the islands, especially, have a much worse opinion of the unions' activities, but even in northwestern Italy the percentage is higher than average (32.6). Only one respondent in 10 gives a positive estimate of the confederations' action. For 1/3 of the respondents, the function of the unions has been positive and negative at the same time.

Important Questions

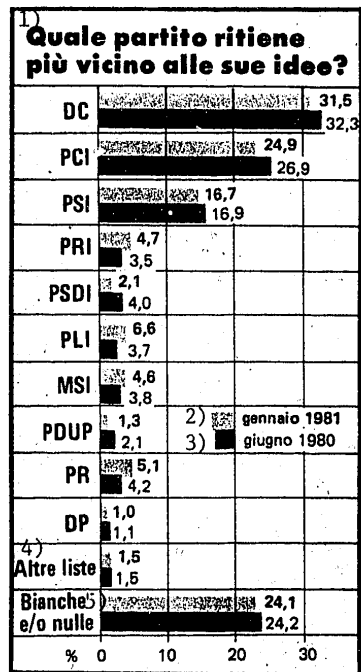
Each respondent could indicate four problems. Terrorism continues to be the most urgent problem, more than 1/3 more than all the others (64 percent). Compared to last May's poll, the respondents showed a much greater concern over rising prices (45 percent); this issue is second to terrorism in importance. In the category of important issues, increasing prices has come up two places since the poll of seven months ago. However, fear of unemployment is down (55 percent in June, 41 percent now). Fourth priority went to the need for new housing (35 percent), which had

FOR OFFICIAL USE ONLY

been third (at 50 percent), closely followed by concern about drug abuse (up from 28 to 30 percent). Worry about energy problems has declined (it was already low in the previous poll), but the issue of Southern reconstruction following the earthquake was not much mentioned in the responses (24 percent).

[Inset] The Scandal Doesn't Bother the Venetians

Three questions in the IL MONDO-Makno poll specifically deal with the moral issue. Corruption is indicated by the responses as being the "most dangerous factor for the country." The North mainly rates this highest, while the Center-South and the islands fall below the 70 percent overall value in the questionnaire. Corruption is considered more dangerous than terrorism, which, in the answers to another question, is seen as the most urgent issue to be solved. However, a specific question about the scandals elicited responses evaluating them as a "very serious and correctible fact" by a majority of the respondents (59.5 percent), while 22 percent consider them a "very serious but inevitable fact of Italian political life." Some 7 percent say they think the scandals are not a serious event (20 percent in northeastern Italy), while 3.5 percent say the scandals have been staged to discredit the DC (9 percent in the South and on the islands). As for the connection between the parties and corruption, the majority (51 percent) expressed the conviction that no political force is working effectively to restore morality to public life. Some 23 percent single out the PCI as the party that is combating corruption most determinedly. Some 14 percent pick the PSI. Only 7.4 percent chose the DC, which was edged out even by the Radical Party (10 percent).



- (1) What party do you think is closest to your own ideas?
- (2) January 1981
- (3) June 1980
- (4) Others
- (5) No answer or "none of the above"

COPYRIGHT: IL MONDO 1981

8782
CSO: 3104

FOR OFFICIAL USE ONLY

GENERAL

ITALY

AL-QADHDHAFI'S ECONOMIC, POLITICAL INTERESTS IN ITALY

Milan IL MONDO in Italian 30 Jan 81 pp 10-13

[Article by Cesare Peruzzi: "The Colonel's Boot" [Italy]]

[Text] The first target was public opinion, through the medium of three television stations in Sicily, heavy pressure on the press, fifth columns in the political parties. Then came the investments: not only in Fiat but in an endless chain of properties concealed behind a facade of figureheads. Here you have the basis of his influence.

How large are these investments, where are they, and by whom are they being managed? This question has become a very timely one in recent weeks, ever since Col Mu'ammarr al-Qadhdhafi, Libya's supreme leader, began to carry out his grand strategy vis-a-vis Italy. Nothing of a military nature, of course: only a skillful stage production that makes use of all the economic and political channels at his disposal on the peninsula. What is it all about? Libya has extensive interests in Italy, even though (except for its investment in Fiat) it has never disclosed the extent of these interests nor by whom they are being managed. In contrast to the reality--which has always been well concealed--the official data speak of a total investment of 370 billion lire, not including the acquisition (for 100 billion lire) of Bot. Bazzecole. For the past 4 or 5 months, moreover, there have been clear indications of an even more intense Libyan interest in Italy, beginning with the decision to underwrite the increase in Fiat's capital despite the crisis in which the Turin corporation finds itself. The final episode (which IL MONDO is able to disclose) is of recent date: while on the one hand the Tripoli government has shut off the flow of methane to the ENI [National Hydrocarbons Agency] (the report was confirmed a few days ago by President Alberto Grandi) it has on the other hand asked the Italian entity to enter into negotiations for acquisition of the Milazzo refinery from the former Montedison group. This would enable the negotiations already in progress between the ENI and Kuwait to be oriented toward Libya. The first signs were already apparent last September in Sicily, however. Unprecedented demonstrations were held that month in Catania and Palermo to celebrate the 10th anniversary of al-Qadhdhafi's revolution--with fireworks and with the principal regional authorities in attendance. Speaking at the sumptuous Bellini villa in the very center of Catania during the festivities held in that city Michele Papa, a lawyer with good connections in the Tripoli courts, triumphantly announced the opening--in the near future--of the first mosque in Italy, precisely in the city of Catania. The announcement was true, but it was not the whole story: Papa had in fact failed to mention that the money for

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

the mosque had come from Tripoli. Then in December a strange proposal emerged from a conference on Islamic culture held in Palermo by the CRES (Center for Economic and Social Research), which has close ties to the socialist Michele Achilli.

Antonio Tusa, a Catanian teacher of republican persuasion, launched the idea of creating a Mediterranean community as an alternative to the European counterpart--a concept which in many respects appears to coincide with al-Qadhafi's strategy. Simultaneously, several of the major Sicilian news organs are now being pressured to adopt an attitude that is not hostile to Libyan policy.

Then last week al-Qadhafi decided to come out into the open, in person: he asked to come to Italy on an official visit, and thereby provoked extremely harsh reactions in Rome (see IL MONDO, No 4). What are the Libyan leader's intentions?

The Plan

Even before he came to power al-Qadhafi realized that Italy--the weak link in the European Community--and Sicily in particular constitute an ideal bridgehead en route to the heart of Europe and therefore to the heart of NATO. It would in the future be of fundamental importance to wield some influence in this area--which is strategic for the equilibrium of the Mediterranean--and also to bring to Libya the technology and experience of Italy. For this reason, as early as 1960 the young al-Qadhafi (at that time a captain in the royal army) struck up a friendship with Enrico Mattei, president of the ENI--the newly-created Italian state petroleum enterprise--which was prospecting the Libyan substrata in search of petroleum. Al-Qadhafi and Mattei had two things in common: the certainty that Libya was rich in petroleum, and a dislike for the multinationals. On the evening of 26 October 1962--before leaving Sicily in his personal plane and crashing just outside Milan--Mattei met at Gela with several representatives of the faction of al-Qadhafi, who was already planning to overthrow the king. It is not impossible that Mattei may have intended to finance the revolt of al-Qadhafi and the current prime minister 'Abd al-Salam Jallud (then a mere lieutenant and also a good friend of Mattei), in return for the right to exploit at least a part of Libya's petroleum deposits, but he did not have time to carry out that intention. Al-Qadhafi did not take power until 8 years later, in 1970. Even without Mattei he succeeded in carrying out his plans: he developed increasingly close relations with Italian political and economic circles, extending his economic influence all the way from Sicily to the Alps and forming ties with the Italian secret services.

It is no longer a secret (as he himself confirmed to IL MONDO 2 months ago) that Gen Vito Miceli, head of the SID [Defense Intelligence Service], prevented coups d'etat against al-Qadhafi on two separate occasions. The Libyan colonel has always been grateful to him--as he is with respect to all those he considers to be his friends, and he has friends in every Italian political party. He is black-mailing the ENI with the 15 million tons of crude oil that arrive in Italy every year from Libya; but he has also made use of his good friends in the IRI [Industrial Reconstruction Institute] during the tenure of Camillo Crociani as president of FINMECCANICA [Mechanical Engineering Finance Corporation], when in Tripoli there was no difficulty in obtaining the most sophisticated weapons and systems from Selenia or Contraves. In Sicily, al-Qadhafi suddenly found a useful ally: Graziano Verzotto, president of the Sicilian Mining Company, a Mattei man who is currently a fugitive because of his involvement in the Sindone scandal. Within the DC [Christian Democratic Party] he was favorably regarded by Aldo Moro, who for many years

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

was minister of foreign affairs; and Giulio Andreotti himself recently revealed a personal pro-Libyan orientation when he declared that the recent Italy-Malta military agreement (which al-Qadhafi found quite distasteful) would be extended to Libya and Algeria as well. Calogero Pumilia, known as "Lillo," a "New Forces" Christian Democrat and former undersecretary of labor and agriculture, is in fact a member of an Italo-Arab committee in Sicily. The strongest pro-Libyan lobby, however, is to be found in the PSI [Italian Socialist Party].

The principal representatives of this lobby are Enrico Manca (minister of foreign trade, who at this very moment is visiting Libya and is a good friend of Jallud) and Michele Achilli. It is a current of opinion that has lost influence with the advent of Bettino Craxi to the party leadership, and of men such as Lelio Lagorio to the Ministry of Defense--but one that is still making itself heard. For example, Emo Egoli, a member of the PSI committee on foreign affairs, in propagandizing his pro-Libyan doctrine makes use of a private television station in Rome--Teletevere--which almost every evening transmits, over the airwaves of the capital, images of al-Qadhafi and salient passages from his famous "Green Book."

Pamphlets, propaganda books and publications in the Arabic language are published to some extent everywhere in Italy, and in Sardinia (as in Sicily) several printing establishments have been purchased for this purpose. In Catania al-Qadhafi can count on two private broadcasting stations, Tele Sicilia Color and Radiotrinacria, and on a biweekly, SICILIA OGGI. This phenomenon has also extended to the Palermo daily L'ORA, which for more than a year has been publishing a biweekly insert in Arabic. Except in the case of L'ORA, however, the journalistic level is in general very low.

Al-Qadhafi made the biggest qualitative "leap forward" in this strategy for winning political favor and public approbation in 1976, in the form of the Fiat transaction. For Libya it was a financial investment (360 billion lire went into the coffers of the Turin industrial firm in exchange for 9.1 percent of Fiat's capital stock, a figure which will increase to 13.4 percent as of the end of 1982), but above all it was an opportunity to gain prestige in Italy and in the world as a business partner of the Agnelli family. To date, the fact is that Fiat has not increased (in terms of percentages) its penetration of Libya whereas al-Qadhafi has expanded his direct influence in Italy, even in strategic sectors such as the arms industry (through Gilardini, Fiat controls the torpedo production of Whitehead Moto Fides, a Livorno company which regularly sells arms to Libya and in Italy trains al-Qadhafi's technicians). He can, moreover, count on the frequent presence in Italy of 'Abdallah Sa'udi and Rajab 'Abdallah Misallati, two international-level banking experts who sit on the Fiat board of directors.

Sa'udi's presence in Italy is further linked to his position as president of UBAE (Union of Arab and European Banks), in which Libya is the largest shareholder (a 7 percent interest). Sa'udi has an office in UBAE's luxurious headquarters on the Piazza Venezia in Rome, whereas neither he nor Misallati maintains an office in Turin. Fiat and UBAE are Libya's only two official investments in Italy, and are certainly its most definitive investments as well--just as Sa'udi and Misallati are its most representative individuals. Al-Qadhafi's interests in Italy, however, extend throughout the peninsula, albeit enshrouded in maximum secrecy behind the convenient names of individuals and companies. In 1975 and 1976 only the tip of the iceberg surfaced: the main part remains underneath, but where? IL MONDO has identified some of the poles toward which the Libyan investments have been oriented--at different times and with varying success.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Pantelleria

The Libyan money began arriving in Pantelleria in 1972 and 1973. Insofar as IL MONDO has been able to reconstruct events, three al-Qadhdhafi emissaries--Alfred Pisani, Manuel Briffi and 'Ali Sharif--had the task of identifying investment opportunities, channels and individuals. The three established contact with the boss of the island, Don Vito Valenza, a landowner who has ties to the Sicilian Christian Democratic organization. In 1974 the National Investment Company--in which Libyan government capital is invested--bought with the aid of Valenza's good offices an entire hill (known as Bugeber Hill) on Pantelleria for half a billion lire. The following year the same company bought--for 350 million lire--the Hotel Punta Tre Pietre, managed by the Libyan-Maltese Corinthia Palace Company. In al-Qadhdhafi's plans this was only the beginning. These operations aroused the suspicions of NATO, however: what did al-Qadhdhafi propose to do on Pantelleria? To block future acquisitions, an old military law was dusted off--one that prevents aliens from acquiring property in militarily strategic areas just such as Pantelleria. It wasn't of much use, however. The Libyans in fact organized a company of convenience--Suaki, Ltd--which made Valenza and Giuseppe Di Fresco (also a Sicilian property owner) its titular heads, behind which it is not difficult to discern the presence of Libyan capital. Suaki's activities have been very intense during these past few years. It purchased for hard cash large plots of land at Sciuveki, Monastero, Gelfiser, Nika and Saltalavecchia.

A good part of Pantelleria is today under the control of Suaki: that is to say, under the control of Valenza and Di Fresco, which in turn is to say, under the control of the Libyans. Not a few are wondering, moreover, what lies behind the Pharaonic project for enlarging the island's small airport (at a cost of more than 30 billion lire), the contract for which was recently awarded to the Recogra Company of Catania. The project will permit the landing at Pantelleria of even DC-9's and military aircraft.

Sicily

How many billion lire has al-Qadhdhafi invested in Sicily? Based on the official records: none. According to estimates obtained by IL MONDO in circles closely connected with Libya, however, the real total is at least 500 billion, a figure which could rise to at least 700 billion with the acquisition of the Mediterranean refinery at Milazzo. The estimate is very approximate, however, for want of information. Where are these funds? How did they get to Sicily? By whom are they being managed? Three sectors are involved: agriculture, real estate and fishing, but the Libyans are also interested in small and medium-sized business. Al-Qadhdhafi's money has definitely bought some of the best real estate in Palermo, Catania and Siracusa, as well as agricultural enterprises near Enna, Caltanissetta and Siracusa that grow grapes, fruit, and out-of-season produce in greenhouses. These investments are of course well hidden behind Italian names and Italian companies, and often (as in the case of the Mazara del Vallo shipping companies) behind the formula of the "joint corporation." There are two channels for investment: the first channel passes through certain major entrepreneurs of Palermo and Catania and consists of awarding contracts and placing orders in Libya in exchange for buildings, hotels or agricultural properties. Accordingly, the stream of money that flows from Tripoli to Palermo (2 trillion lire in 1980) frequently includes (albeit camouflaged) these Libyan investments in Italy. The evidence of these transactions (including first

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

and last names and dates) is jealously guarded in impregnable safes by banks, and by complacent notaries. One person who is unquestionably a good friend of al-Qadhafi is Arturo Cassina, cement manufacturer and building contractor of Palermo, nicknamed "The Count" because of his title of nobility and his 19th Century mannerisms. To obtain orders in Libya many small businessmen must first place their trust in the good offices of the Count. Behind Cassina there are many others, as for example Piero Pisa, a native of Brescia who is likewise a building contractor and heads a company--the Brescia Construction Corporation--which for the past 4 years appears to have operated in Libya without any competitors. To some extent, however, everyone has had to conform to these rules.

In order to work in Libya even Northern Italian companies have had to use Sicily as a base for their operations, as for example the Dilleto company of Parma, which operates in Sicily through an associated company, Catania Sigeco (which also does work for NATO), and is very active in Tripoli. The second channel for Libyan investment passes through the banks. To trace this channel back to the source is impossible, but there is no doubt that funds are being transmitted from foreign financial establishments (in Vaduz; Switzerland; Luxembourg; and especially France) to Italian banks, whence it is being reinvested. This is a phenomenon to which some credit institutions have called attention, particularly in the past several months.

Also in the past few months, Libya decided to speed up the timetable for a project in Sicily which for some time has been close to its heart: that of the formation of joint companies. As far back as 1976 the then president of the region, Agostino Bonfiglio, went to Tripoli to negotiate agreements for this purpose in the fishing, glassmaking, manganese and potassium salts sectors. Today, however, at least 10 percent of the 200 fishing boats at Mazara del Vallo are also working for Libya. The owner of these fishing boats is Italian but the fishing company is a joint enterprise, and the fishing boats are at liberty to enter the prohibited waters of the Libyan Mammellone.

There is an explanation for this phenomenon: Libya has money but has no technicians. For this reason it has already been compelled, in the past, to rely on individuals who were not exactly simon-pure. This is true in the case of Papa, a 160-kilogram Catania lawyer characterized by scant professional success but great activism in behalf of al-Qadhafi: in 1973, together with Christian Democrat Filippo Ielo and UIL [Italian Union of Labor] trade unionist Giuseppe Amato, he founded the Sicilian-Arab Society. Papa had his moment of glory on the occasion of Billygate, the scandal that involved the brother of the president of the United States, Jimmy Carter, because of the brother's business relations with al-Qadhafi--a relationship which was arranged precisely through the intermediary of Papa. It is true, however, that the lawyer from Catania has recently lost a great deal of status inside the tent of Colonel al-Qadhafi.

The Continent

A few months after he came to power al-Qadhafi formed a group of 10 businessmen--the best that were available to him. He gave them maximum freedom of action (they were accountable for everything only to him) and supplied them with funds. Their assignment was to tour the world in search of profitable investments but above all to win back the Libyan refugees who had accumulated large fortunes abroad. Al-Qadhafi did not want their money, and did not even want them to return to

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Libya; he wanted only their cooperation. Italy was one of the marketplaces where al-Qadhdhafi's men operated most extensively and most profitably. This is a chapter which is rather difficult and dangerous to explore, but for simplicity's sake it can be summed up in two concepts. First, many Libyan citizens live and work in Italy today: businessmen, manufacturers and financiers who are wealthy, who are protected, and who still maintain relations with al-Qadhdhafi; and second, the Libyan state has unquestionably made very large investments in the real estate and tourist sectors, using Libyan citizens residing in Italy as figureheads. Where are these investments being made? In Naples, in Rome and the immediate environs of the capital, in Tuscany, in Romagna and in Milan. They are buying up everything they can: from industrial sites to buildings that are suitable for restoration. They care not for old things: no 16th Century palaces or liberty villas for them, only buildings that are new or that can be remodeled.

The businessman who took over a large textile mill in the Bergamo region is a Libyan. In his own country he had been a big hotel owner (he owned a total of 18) and is now playing the role of an industrialist in Italy. The new owners of entire subdivisions in Versilia, and of various hotels on the Ligurian coast, are likewise Libyans. At least a dozen Libyan businessmen who operate out of Milan are investing, and making acquisitions, in Romagna and also make frequent trips to Rome. They have billions of lire in their bank accounts. Some of them were gunned down by mysterious "killers" last Spring, while others continue to live and work in peace.

The UBAE has accordingly always played an official role of supplying credit for Italian-Libyan trade--a flourishing trade indeed. Many of these accounts, however--accounts which are of significance in identifying Libyan interests in Italy--do not appear even in the documents of the Ministry of Foreign Trade (the only trace of which is to be found in the files of the secret services). How is it, then, that al-Qadhdhafi--who has always had plenty of freedom to move about in Italy and in doing so has often displayed great arrogance--has felt it necessary in recent months to come out a little more into the open and in fact to ask to be officially invited by the Rome government?

The Game

There are two answers to this question, one of which is political and the other economic. Following the Italy-Malta agreement--and especially after his expansionism in Africa had put him at odds with other European countries, including France--al-Qadhdhafi has obviously been attempting to regain favor. In Italy, however, he had lost favor some time before, and this was what provided the impetus. But the economic explanation is the more significant of the two. Over the next several years a very important game will be played out in Sicily, involving the "methanization" of the island; a revival of tourism, launched by certain large public and private groups; the flood of billions (1.5 trillion) of lire appropriated by the government for the irrigation of lands in the interior; and the increasingly close attention accorded by the European Community to the island's agricultural resources: all of which are signals which most likely did not escape the attention of observers in Tripoli any more than they did that of certain major Italian financial groups. Proof of this is the acquisition--by S. Paolo of Turin, in association with the Bank of Sicily--of equal participations in the Bank of the South, and also the interest evinced in the Agricultural Bank of Canicattì.

FOR OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

Moreover, the National Labor Bank is reportedly about to acquire a credit institution in Trapani, and the ENI has just allocated 700 billion lire for investments in Sicily. If such an important game is going to be played on the island, it is therefore only logical that all the potential contestants prepare for battle-- including Colonel al-Qadhdhafi.

COPYRIGHT: IL MONDO 1981

10992

CSO: 3104

END

FOR OFFICIAL USE ONLY