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West Europe Report

(FOUO 43/81)



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ECONOMIC

ITALY

TREASURY MINISTER'S PROPOSALS FOR CURBING PUBLIC SPENDING

Milan IL SOLE-24 ORE in Italian 26 Jun 81 p 17

[Text] Rome--Addressing the meeting of the ABI [Italian Bankers Association], Treasury Minister Andreatta went back again over the problem of public spending in Italy and pointed up some needed provisions for bringing it under control. We publish herewith excerpts from Andreatta's remarks on public spending.

The spending decisions taken through the fall of 1980 carried over into 1981 in the form of initial treasury problems and, much more importantly, in that of a substantial widening of the gap between receipts and expenditures.

In these circumstances, the strategy for controlling public spending was divided into four main phases:

--Initially, it was sought, with success, to minimize the extent of the spending toward which parliamentary debate on the budget was tending.

--Next, an approach was made on the problem of reducing the heavy burden of the deficit inherited in 1981 from the burst of spending undertaken the year before; the impact of the discretionary steps taken beginning in October 1980 on the results of fiscal year 1981 is estimated at around 5,000 billion lire.

--Today, a further barrier against runaway spending has been erected by way of a decisional control on funding disbursements.

--The fourth element in the control strategy consists of the basic provisions needed to curb the levels of authorized spending activities.

As regards the first phase of the parliamentary debate, I can state that with the first memorandum of change sent to the Chambers as of the beginning of December, the appropriations deficit was improved through a substantial redimensioning effort with special emphasis on the current spending portion of the budget. The net effect of the first and second memorandums of change on the spending increases voted by Parliament, including the sums for earthquake-damage interventions, was practically one of nullification, in that, at the conclusion of the parliamentary proceedings, the 1981 budget was approved with a substantially unchanged balance to be financed as compared with that of the returns as of the end of September 1980, thus differing from what normally occurs.

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The provisions of the money law have also tightened the regulations on reentry into the national treasury of sums that have been transferred from the national budget to public bodies--territorial and institutional--and which are surplus with respect to the immediate cash requirements of the individual entities concerned.

The reining-in of the current expenditures budget made it possible to operate on the cash flow. During the first months of the current year, the public sector's cash requirement was increased alarmingly by three principal factors: From the budget standpoint, disbursements for goods and services and disbursements for interest payments rose by more than 40 percent in the first 4 months of the year relative to the same period in the preceding year. While outpayments for goods and services were already accelerating by the end of last year owing to the upsurge of cash authorizations, disbursements for interest payments, in large part of course, followed the general increase in interest rates imposed on Europe by the rise of the dollar. But most of the incremental cash requirement arose from a treasury operation that in the first 4 months raised its needs to almost 7,700 billion lire.

Calculations from the standpoint of coverage of the public sector's overall requirement indicate that during the first 5 months of the year it totaled almost 20,000 billion lire--almost double that of the first 5 months of 1980. This upward thrust, while contributing on the one hand to the maintenance of Italy's short-term lag with respect to the other countries, with its serious impact on the foreign trade balance and the inflation rate, tended on the other hand to displace the private sector's demand for funds from the money market: The ceilings placed in January of this year on the expansion of credit were in fact based on a public sectoral funding requirement of close to 37,500 billion lire, and were commensurate with the overall state sectoral requirement of just under 40,000 billion lire.

To bring the state sector back into line with the established limits, "phase two," as it is being called today, was brought into being.

The effects on the 1981 returns indicate a probable overall deficit decrease of close to 5,000 billion lire.

The spending containment effort has been continued in the advance draft of the unitary budget bill the government is to submit to Parliament by the end of this month.

The cash budget that will result from the unitary budget bill represents a reduction of fully 11,250 billion lire in the outstanding deficit to be financed.

But to fully assess the magnitude of the spending curb that has been effected, we must consider that the unitary budget bill is being based on 36,000 billion lire of potentially greater outpayments, consisting of 27,000 billion lire of additional current liabilities outstanding as of year-end 1980, and close to 9,000 billion lire of additional funding authorizations to cover the carrying forward of unpaid expenditure items outstanding at the close of fiscal year 1980 and of additional outstanding balances due under rescinded or insufficiently funded items.

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It can thus be stated that the reduction of the total of 164,300 billion lire for 1981 outpayments under the budget authorized by Parliament, to 163,500 billion lire under the unitary budget bill, represents a much more substantial operation than would appear to be the case from a mere consideration of the small difference between these two sums.

The significance of this result can be appreciated if one considers that the 1980 unitary budget law dealt with variances totaling 14,270 billion lire of incremental payment authorizations, while the advance draft of the 1981 bill represents spending authorization reductions totaling 9,890 billion lire.

This new method of structuring the unitary budget law represents the application of a criterion that is consistent with the innovation introduced by the 1978 budgetary reform law, which coupled with the current expenditures budget a cash flow budget having the value of a legal limit on the total liabilities that can accrue against the national budget.

Payment authorization amounts are determined, that is, not by a mere translation into cash terms of total expenditure appropriations, but rather in accordance with economic policy decisions with respect to monetary flows resulting from statal management of its finances.

As can be seen, appropriations for given authorized expenditures can, for various reasons, not be translated in their entirety into actual disbursements. Evaluation of the real national budgetary cash requirement is thus based upon "estimates" of the real amounts, in aggregate terms, that are actualizable from revenues as well as expenditures.

Based on these estimates, updated by the most recently obtained data, the cash requirement strictly for the management of the national budget totals 46,200 billion lire.

Considering further the other treasury operations carried out by the state and the reentries from the banking system under the provisions of the money law, the total statal sector's requirement is reduced to 41,800 billion lire, which, purged of transfers to credit institutes and of consolidations of state participations to be effected in terms of shares, reduces to 39,500 billion lire, of which 36,500 billion represents the domestic requirement.

For my part, in the guidelines circulated to the ministries for the structuring of the 1982 budget, I have indicated a quite modest ceiling on appropriations for current expenditures for 1982 (+6 percent), in anticipation of outstanding 1981 balances that, because of the tight control exercised on cash management, could total in the order of 75,000 billion lire by the end of this fiscal year.

A stimulus to a tighter fiscal policy will, in my opinion, result also from a clearer separation of responsibilities between the treasury and the Bank of Italy insofar as concerns, respectively, the management of the money supply and that of the public debt.

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- This is why I maintain, in complete agreement with the governor of the Bank of
- Italy, that it is necessary to modify the present system of treasury financing,
- which involves automatic, and prefatorily unlimited, recourse to the credit facil-
- ities of the institute of issue.

The objective to be attained in a reasonably short time is that of a system of competitive bidding on short-term treasury bills, wherein the apportionment of the bills will be in accordance with prices established by the bidders market; in this system, the Central Bank's participation in the demand will be entirely voluntary and confined within the limits established by the Bank itself in accordance with its regulatory objectives relating to credit and deposits.

The adoption of such a system, however, will require, in order to avoid undesired fluctuations in interest rates, an adequate control on the short-term trend of cash holdings. To this effect, the first objective must be to render more regular in terms of time, and thus more foreseeable by the market, the formation of the treasury deficit. The other important instrumentality is recourse to systems of temporary investment of cash holdings prior to the auction, and of refinancing thereafter.

The definitive "divorce" between the treasury and the Bank of Italy should take place only after an adequate period of experience with these control instrumentalities.

With respect in particular to cash transactions against future deliveries, the Bank of Italy is prepared as of now to start on the basis of sales with option to repurchase at date of settlement of auction, and with other operations capable of ensuring a market demand in line with the offering of treasury bills.

In any case, it must be made definitely clear that the Bank of Italy's object in purchasing public securities is not the financing of the deficit but rather the regulating of the money supply in accordance with the objectives laid down by monetary policy. One way of establishing this may also be to modify the praxis whereby the Bank of Italy bids on the total of the bills offered, even before eliminating its obligation to place the entire offering.

New Proposals for Halting the Escalation

1) First and foremost, financial legislation must recover its basic function as the body of provisions which, coupled with the budget law, defines the implementation of budgetary policy.

It follows from this, appropriately and necessarily, that recourse to the marketplace should be the first provision of our money law. It would therefore be desirable that Parliament first debate the macroeconomic aspects of our budgetary policy and, having laid down this policy, that it then proceed to define, within the scope of that policy and as a function of it, the allocative and redistributive structure of the budget.

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2) Secondly, the control function of the Executive and the Parliament over the management of public finances must be strengthened.

To this effect (and together with the proposal indicated under 1) above), Article 4 of Law 468 must be applied substantively to prevent the problem of an over-expenditure (or of a diminished revenue) from being defined substantially in terms of a limited number of months (over which the observations have been made) of the current year.

A close connection must also be maintained throughout between money bills and budget bills, such as will obviate the difficulty of implementing and managing the budget during the temporary operational period voted prior to definitive approval of the money bill.

To this effect, recourse to a temporary operational period must become the exception rather than the rule.

In other countries, this objective is realized through suitable parliamentary procedures that provide for a "plenary budget session."

During such a session, the sole bill admitted to debate is either the money bill or the unitary budget bill.

3) The overall budgetary control functions exercised by the Executive and by the Parliament could also be strengthened by avoiding inclusion in the money bill of any norms that delineate organic interventions or that deal innovatively with the financial situations of funded institutions, for which cases the submittal of specific bills should be required. Of course, the financial legislation may provide for the necessary coverage of designated deficits by specific appropriations from special funds.

4) It would be desirable to prevent budgetary headings whose inclusion under general funds was intended for application to specific laws from being used to finance provisions other than those specifically indicated at the time of approval of the budget and of the money law.

5) Next, there is a specific problem having to do with the administration of social security. It originates in the ability of the INPS [National Institute of Social Security] to use unlimitedly its recourse to the postal system and hence to the national treasury to meet its payments of family allowances. This can produce unsettling imbalances, the effects of which are disordered, unforeseeable and vortical cash requirement increases. In this regard, it should be established that the INPS's recourse to the treasury is transitory. Once the formal content of this transitoriness is defined, the INPS would be compelled to cover its funding needs by increasing the rate of contributions to the extent and in the manner specified in the applicable legislation, the applicability of which, however, could be suspended by a law or an executive decree.

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6) Then, there is the management of the public debt. It must be borne in mind that close to 45 percent of the transactions involving the entities of the extended public sector take place within the sector itself. It is illogical that such transactions be carried out using funding the financing of which involves charges to the treasury at the same level as current interest rates. These transactions within the extended public sector could be carried out by means of a mere book-keeping entry. But such a procedure would necessarily involve the creation of a system of "treasury correspondents" with accounting procedures, to be defined opportunely, modifying current norms.

7) The forms in which transfers to local administrations are indexed to increases in revenues make it impossible to decide what use is to be made of the fiscal dividend derived from the high degree of elasticity of revenues, and, for the local administration, render painless the indispensable process of weighing desired improvements in services against a perception of the costs of such improvements.

Even more important would be the introduction of additional taxation powers on the part of local administrations. This approach, which should be pursued and expanded, certainly offers the best solution to the problem of restoring to the local administrations and to the citizens an appreciation of the costs and of the benefits involved in services that are not the responsibility of the central government.

8) The treasury has also begun a study of measures for controlling the burden of interest on the public debt: These disbursements have actually doubled between 1979 and the current year.

9) Lastly, with regard to the multiple-year budget, provided for by Article 4 of Law 468 which I have mentioned above, this is a great opportunity to restore order, exactness and consistency to a legislative activity that is sometimes muddled and myopic. The integration of the 3-year plan with the multiple-year programming budget is indispensable: first of all, to starting the implementation of the 3-Year Plan in those of its aspects involving the public sector; secondly, to conveying the sense among the operators that the compatibilities provided for under the plan are backed by consistent provisions in the public budget; and thirdly, to the offering of a vast opportunity for cooperation and debate both within the government and vis-a-vis Parliament on the basic choices with respect to public finance.

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ECONOMIC

ITALY

BANK OF ITALY: CIAMPI'S POLICY

Milan IL MONDO in Italian 10 Jul 81 pp 18-20

[Article by Nicola Forti: "A Quiet Revolution"]

[Text] Whereas Carlo Azeglio Ciampi's predecessors were capable of producing lofty economic and monetary policy formulations, he is oriented toward concrete action. He is concerned over the weak competitive position of the banks. Quietly, therefore....

Everything used to take place--as a general rule--behind closed doors with only the governor, the chief of the inspection service, and (at most) a technical expert or two present; they would arrange themselves in a circle and make important decisions for the entire banking system. This time, however, the change of style has been total. Carlo Azeglio Ciampi took care of all the details in preparing for the change. First came a long period of consultation with foreign experts (who have played a very important role), with the participation of the entire staff of the central bank as well as many bankers. Next there was a veritable festival of public statements by the top leadership of the banking community, all of which were concentrated into the space of a few weeks: following the final comments by the governor to the 30 May meeting, on 10 June it was the turn of Carmelo Oteri, central director of bank inspection; on 19 June director-general Lamberto Dini; and on 24 June Ciampi himself, who concluded the series of statements precisely at the general assembly of the ABI [Italian Bankers' Association], with all the bankers of Italy in attendance. This complex public relations maneuver (which is most unusual for the Bank of Italy) bears the imprint of a decisive change in orientation with respect to two problems of major importance: the modernization of Italian banking (primarily with a view to opening the Italian market to all the banks of the EEC) and the new policies and procedures with regard to inspection. There is one other important innovation, however. "Reversing the practice of his predecessors, who were always oriented toward the great questions of monetary policy and international finance, Ciampi involved himself deeply in the problems of the banks," explains Matteo Mattei Gentili, professor of banking technique at the University of Venice. For decades, however, almost everything had remained unchanged: outmoded statutes which punctiliously enumerated the restrictions (which were many) on the banks and the operations (which were few) in which the individual categories of banks were allowed to engage; in the public banks, anachronistic administrative organs which had the most bizarre structures and were subjected to political pressures of every kind; and inspection operations that were frequently bogged down in questions of bureaucratic authorizations and were insufficient to ward off the danger of bank failures. In many cases

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the results were grievous, but the Bank of Italy was certainly not to blame: the Italian banking system is among the most inefficient in Europe, despite the fact that it has reaped bountiful profits thanks to the high cost of intermediation, and it is among the least competitive even though it is fragmented into as many as 1,070 individual banks. Notwithstanding their large profits, Italian banks are among the least sound in terms of the ratio between total assets and deposits. Only a few days ago, in fact, Rinaldo Ossola, president of the Bank of Naples, used very strong language in criticizing the comatose state of the top leadership of the public banks, which are infested with compartmentalized administrators and practices that reflect favoritism. Ossola also criticized the serious risks that Italian banks run if they are unable to reform themselves before the market is opened to all the banks of the CEE--an event scheduled for 1989.

Ciampi has deeply committed the Bank of Italy to a course of action that is based precisely on these premises. What innovations are involved? And what major traditional policies have remained in place?

Competition and Efficiency

Ciampi's declared objective is to increase the efficiency and competitiveness of all banks--including the public banks--by enhancing their "private enterprise" aspect. For the public banks, the Bank of Italy has formulated a memorandum (see IL MONDO, No 27) which emphasizes the necessity of broadening the statute, obtaining new capital from the investors, and introducing new administrative organs for self-auditing and internal discussion.

A wide-ranging discussion of these proposals is already under way. The institutions of public law are putting the finishing touches on their new statutes, which are in line with the new directives.

In the case of the savings banks the problems are complex, and the Bank of Italy still has them under discussion. The simplest solution would be to admit the subordinate loan subscribers to the meeting of the partners, but there is a great deal of resistance to this in all types of banks. One thing is certain, however. A stock or bond that is linked to profits would--in addition to bringing new capital to the banks and the funds--would motivate management to seek the maximum efficiency and maximum profit, and in the process make said management responsible and subject it to a measure of its own ability.

There are other indications, however, that the Bank of Italy wants to increase the role of the market and provide incentives for the most efficient banking enterprises. Since last February the big banks have no longer been penalized vis-a-vis the small banks by the ceiling on credit and are therefore able to increase their receipts at the same rate as the small banks, which for years have grown tumultuously amid much inefficiency. On the other hand, the increase in the BOT [expansion unknown] interest rates--together with the banking disintermediation that followed the increase--are benefiting the larger banks, which are able to save interest on the large deposits invested in BOT and are better equipped for intermediation in the securities market and for supplying other services. The Bank of Italy has also decided that in order to prevent waste and losses, permission to open offices and branches abroad will be reserved solely to the larger banks which have greater international experience (in practice, to no more than the 10 leading (in terms of size) banks.

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All these factors are serving to arrest the trend which for 10 years had redimensioned the large banks to the benefit of the small and medium-sized banks, inducing in turn a strong trend toward despecialization. Every bank was doing everything, accompanied by obvious waste. Ciampi's intention now is to demolish the artificial legal barriers--thereby placing banks of all sizes and categories on a footing of regulative parity--and to develop the potential of each bank in its most congenial field of activity, thereby enhancing efficiency and competition. Furthermore, the opportunity to participate in the capital stock of the public banks will motivate the more efficient joint-stock banks to bring--that is, to transfer--their own superior operational expertise to the individual banks in which they have invested.

On the interest-rate front, moreover, Ciampi favors great elasticity and fewer monopolistic cartels, on grounds that an interest rate is a price and should reflect the real behavior of the market. The interest rates on deposits should therefore be more flexible and understandable, and those on loans should not be changed bureaucratically by the banks with every change in the discount rate. On the other hand, a reduction in interest rates on checking accounts and an increase in those on savings accounts (a change under study by the ABI [Italian Bankers' Association] and encouraged by Ciampi) would eliminate waste and bring the Italian banking system more into line with European practices.

Inspection

Amid a thousand precautions, the inspection service is updating its policies and procedures. The first objective is to establish new standards for investment abroad, at a time when many medium-sized Italian banks are making preparations to "cross the frontier" and many large Italian banks are strengthening their foreign networks. Ciampi wants to avoid a repetition of the already enormous losses that some Italian banks were forced to sustain as a result of operations which were--in the past--initiated in certain well-known "fiscal paradises," and to avoid losing control over the foreign branches of the banks. In a directive he has unconditionally prohibited Italian banks from obtaining foreign participations, while consenting to the opening of offices and branches in foreign countries. The directive will be implemented gradually, in order to prevent some banks from demobilizing investments and participations and thereby sustaining losses. This directive, however, has not been welcomed by all segments of the banking community, especially that segment which is afraid it will have to compete with the foreign banks, which have quite a bit more freedom than the Italian banks.

Ciampi's second objective--which relates to criteria of liberalization rather than restriction--has been greeted by nearly unanimous approbation. Ciampi has disciplined Italian investments in respect to credit operations and quasi-banking activities. Moreover, he is in receipt of the 28 January 1981 directive of the Interministerial Committee on Credit, which stipulates that credit institutions may not have direct participations in publishing houses. By establishing precise limits on investments (a maximum of 2 percent of the capital stock of the "participated" enterprise, provided this amount does not exceed 10 percent of the capital of the participating enterprise), the governor of the Bank of Italy has sought to make the inspection service less bureaucratic and more effective by accentuating the role of preventive control, reducing the ex post direct investments and mitigating the requirement of prior authorization, which is currently a condition for transactions of every kind. To reform the control methods and render them more incisive the Bank of Italy aims at strengthening the technique of "file control," that is to say, control based on data which the banks send every month to the inspection service.

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To prevent crises the Bank of Italy is seeking--by an examination of the data provided--to identify promptly the symptoms of the disease. The instrument utilized for this purpose is called SARAP (automatic system for detecting problem enterprises)--a computerized program that singles out the banks which record coefficients (rates) of liquidity, profitability, risk, and soundness of assets that differ from the median of the particular group to which each bank belongs. The problem banks are then placed under special surveillance and--when indicated--undergo an audit. So far, the initial results indicate that SARAP is performing well in respect to the early detection of anomalies. In the case of the small banks, "file control" becomes more difficult: the data are fewer and are less well integrated; the customers (and their reliability) are less well known; small loans are not recorded; there is greater dependence on individual customers; and there is greater vulnerability to regional crises, which are very difficult to forecast.

Something is stirring in the intricate sector of authorizations as well. During these past weeks the Bank of Italy has been studying the requests for new branches that were submitted in late 1980. Thanks to the more precise definition of the objective characteristics which every branch should have, these requests are very nearly in accord--both in their numbers and in their nature--with the wishes of the central bank, which in any event appears ready to grant a substantial portion of these requests. Another small indication is the granting of automatic authorization for a bank to acquire a participation (permitted by the criteria for investments) that amounts to less than 2 percent of the capital of the "participated" enterprise. As regards the limit on credit (a bank may not lend, without prior authorization, an amount greater than one-fifth of its assets to any individual customer), the inspection section has made a clear-cut distinction. In the case of the regular banks, their situations are so diverse as to require some form of selective inspection. In the case of the specialized credit institutions, however, the law of 23 February 1981 established categorical limits for each institution, so that in practice the small number of these institutions has made it possible to eliminate the requirement of prior authorization. Not all these indications, however, point in the same direction. In addition to emphasizing that this inspection activity is in any case discretionary; that there are no obligatory measures governing banks that are failing; and that its only responsibility is to decide whether or not to intervene, the Bank of Italy has reaffirmed two additional points: 1) The ratios (or coefficients) indicated in the balance sheet which reflect the soundness of a bank's assets will be used solely for informational purposes. Such ratios are of no use in a market as replete with diverse situations as is the Italian market, in view of the fact that no minimum value can be established which will be valid for all cases. 2) The Bank of Italy is applying the brakes through the instrumentality of certification of the balance sheets of the individual banks. The control exercised by the inspection service, whose objective is the stability and efficiency of the banks, has "purposes that are extraneous" to the functions of auditing and certification, which (according to the Bank of Italy) must respect "the delicate equilibriums that give rise to certain decisions made with regard to balance sheets." In practice, there is no desire that auditing firms should disclose certain questionable practices which prevail in Italy and are used by banks for the purpose of paying less taxes, distributing less dividends, and entering dishonored paper in books of account. In the case of banks quoted on the exchange a considerable degree of graduality is accordingly exercised, whereas in the case of nonquoted banks the Bank of Italy has adopted an entirely different attitude and will petition the EEC to regain a certain margin of flexibility.

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ITALY

FIAT'S FINANCIAL REPORT TO STOCKHOLDERS

Milan IL MONDO in Italian 10 Jul 81 pp 100-102

[Article by Teo Dalavecuro: "Profits of the 'Hard-Liners'"]

[Text] Although not calculated to cause enthusiasm, the balance sheet for 1980 which Giovanni Agnelli is presenting to the stockholders does contain some good news. Is this the result of a managerial exploit or of a new strategy? No: it is the "iron fist" that....

Beginning with a victory in the legal action taken against 61 workers who had been dismissed for serious contractual violations, the year 1980 has been replete with events that are destined to leave a deep imprint on the number one Italian industrial group. In late July the youngest of the Agnelli brothers, Umberto--the man who had embodied within himself the decision-making power of the management of the Fiat group--abruptly left the ranks of command. The autumn was marked by exacerbated labor conflicts which brought PCI [Italian Communist Party] secretary Enrico Berlinguer to the gates of Mirafiori to call for occupation of the factory but ended with a victory for the Fiat management: following a large-scale demonstration by intermediate-level personnel and workers in the streets of Turin the unions were persuaded to sign an agreement which provided for a lengthy period on the supplementary fund for 23,000 employees of the group. The devaluation of the lira (which Umberto Agnelli had called for in the summer of 1980, employing terms that were deemed to be arrogant) subsequently did occur--several months before the Italian Government decreed it--as a consequence of the policy of the American president Reagan: whereas in June 1980 less than 840 lire sufficed to purchase a dollar, by the end of the year 925 lire was required and the Italian currency had already lost more than 9 percent of its value.

However, 1980 was also the year in which a profound strategic change of direction was implemented within the Fiat group: following the years of diversification and the ensuing disappointments, Fiat was once again centering its attention and its efforts on the product that accounts for 45 percent of its total sales--the automobile. How are these events reflected in the balance sheet that the lawyer Giovanni Agnelli presented to his partners on the morning of Thursday 2 July? One must say at the outset that the reply is fated to remain shrouded in uncertainty. Until 1983, when the Fiat group will submit its first consolidated statement (covering fiscal year 1982), the books of the entire group will continue to resemble a nebulous blur rather than a clear-cut representation of the state of Fiat's industrial and financial health.

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The balance sheet of Fiat, Ltd (the holding company of the Fiat group) offers only an extremely aggregate view of its financial activities. By assembling the principal entries in the balance sheet and profit and loss statement of a group of associated companies which together account for 70 percent of Fiat's total sales (see table) IL MONDO has attempted to offer a picture of the progress of the principal operational sectors of the group. One should, however, bear in mind that the data presented in the table relate to individual companies, whereas the various sectors of activity of the Fiat group in all cases represent a variety of companies. Fiat Automobile, for example, comprises (with sales of approximately 7 trillion lire) only a part of overall automobile activity, which resulted in sales to third parties totaling 8.343 trillion lire in 1980.

Table 1. The Group, Sector by Sector

(4)	(1) FATTURATO (miliardi)			(2) INVESTIMENTI (miliardi)			(3) DIPENDENTI (unità)			
	Ad altri settori	(5) A Terzi	(6) Totale	(7) Italia	(8) Estero	(6) Totale	(7) Italia	(8) Estero	(6) Totale	
(9) (10) (11) (12)	Automobili	192	8.151	8.343	346	53	399	136.945	27.407	164.352
(10)	Veicoli industriali	352	3.742	4.094	90	43	133	31.274	23.005	54.279
(11)	Traattori agricoli	13	1.097	1.110	22	9	31	7.320	4.519	11.839
(12)	Macchine m. terra	29	718	747	7	12	19	4.682	5.684	10.366
(13)	Siderurgia	874	777	1.651	71	4	75	26.284	2.902	29.186
(14)	Componenti	851	952	1.803	89	2	91	34.381	1.131	35.512
(15)	Macchine utensili e sistemi di prod.	96	120	216	19	—	19	5.594	—	5.594
(16)	Ingegneria civile e territorio	73	1.416	1.489	3	—	3	2.215	3	2.218
(17)	Energia	8	259	267	23	—	23	5.129	826	5.955
(18)	Prodotti e sistemi ferroviari	6	199	205	8	—	8	2.804	1.341	4.145
(19)	Turismo e trasporti	16	71	87	8	—	8	3.445	—	3.445
(20)	Diversi	138	636	774	147	4	151	12.911	2.852	15.763
(21)	Tot. esercizio '80	2.648	18.138	20.786	833	127	960	272.984	69.670	342.654
(22)	Tot. esercizio '79	2.288	15.056	17.344	812	150	962	283.755	74.081	357.836

Key:

1. Sales (in billions of lire)
2. Investments (in billions of lire)
3. Employees (in units)
4. To other sectors
5. To third parties
6. Total
7. Italy
8. Foreign countries
9. Automobiles
10. Industrial vehicles
11. Agricultural tractors
12. Earth-moving machinery
13. Steelmaking
14. Components
15. Machine tools and production systems
16. Civil engineering and land
17. Energy
18. Railway products and systems
19. Tourism and transportation
20. Miscellaneous
21. Total for fiscal year 1980
22. Total for fiscal year 1979

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The principal news from the automobile sector for 1980 was the definitive elimination of a major source of losses, the Spanish SEAT [Spanish Passenger Car Company, Inc], whose balance sheet reflects this fact with a loss of 120 billion lire (out of an overall loss of 130 billion by Fiat Automobile), due precisely to accommodation of the SEAT entry. Which is to say that if it had not been necessary to balance the losses from its activities in Spain, Fiat Automobile would have closed its balance sheet with a relatively modest loss of 10 billion lire. There remains, however, the big "question mark" of Brazil and Argentina, where the reported losses for fiscal year 1979 totaled almost 190 billion lire and the results for 1980 are not yet known (one should not forget, however, that only 52 percent of Fiat Brazil--the most substantial of Fiat's participations and the source of the heaviest losses--is owned by Fiat while the remaining 48 percent is owned by the state of Minas Gerais). Moreover, before showing up on the balance sheet of Fiat, Ltd the results for a large part of the foreign associated companies pass through the books of the foreign holding companies, of which the most important is Fiat International Holding (IHF) of Lugano.

In the industrial vehicles sector as well, the still unresolved problems of the French UNIC and the German Magirus Deutz stand in contrast to the satisfactory progress of the Italian operations (Fiat Industrial Vehicles recorded a net profit of more than 14 billion lire). Moreover, it is certainly no accident that the improvement in the principal areas of Italian economic activity coincided with an industrial relations policy that reflects an obvious determination if not actually a full-fledged "hard line."

Productivity increased, as absenteeism declined from the previous 15 percent to 5 percent and the climate in Italian factories underwent a radical change. "The phenomenon of 'microdisputes'--a phenomenon which is in some respects more harmful than absenteeism and does not show up in the statistics--disappeared several months ago," an adviser to the Agnelli family points out. The "hard line," however, has not yielded equally satisfying results in all sectors. Steelmaking (third among all operational sectors in terms of total sales) also closed the year with heavy losses, and although the deficit of TEKSID is partly to be attributed to the negative evolution of the South American operations, the Italian steelmaking industry (which is the completely predominant part of the steelmaking sector of the Fiat group) is still far from having solved its own structural difficulties.

There is sad news also from Fiat Allis (earth-moving machinery): the good results from the European and South American operations do not even remotely suffice to offset the deficit of the North American operations, which recorded losses totaling \$55 million (50 billion lire at the exchange rate which prevailed at year's end). As always, however, the components sector yielded good results, with a particularly impressive improvement being recorded by Marelli Magnetos. It is difficult, nonetheless, to make an objective evaluation of these data, for they relate to enterprises which in many cases function almost exclusively for the companies of the group.

This rapid glance at the "provinces" of the Fiat empire leaves the overall impression that there has been a substantial improvement in the automobile sector (the balance sheet of Fiat Automobile shows almost twice the total of finance charges paid as in 1979 in addition to the special entry representing the SEAT losses), whereas only minor changes appear to have been recorded in the other sectors. The overall

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results, however, are negative: whereas the losses of the associated companies included in the table come to 148 billion lire, the losses absorbed in the balance sheet of Fiat, Ltd (the holding company of the group) total 188.5 billion lire.

Lawyer Agnelli, however, has presented to Fiat's stockholders a balance sheet that shows a net profit of 51 billion lire, which (with a touch of generosity) will enable Fiat to distribute a total dividend of almost 90 billion lire (the difference will be withdrawn from the reserves).

The explanation for this seeming miracle is well known: Fiat acts as banker for the entire group, and the losses it has sustained--in its profit-and-loss statement--from its associated companies have largely been offset to date by the interest it receives on the financing it extends to these companies. It will be useful, however, to examine the activities of this unique "bank" more closely.

In Italy alone the Fiat group in 1980 obtained--in the form of medium and long-term loans--a total of 666 billion lire at an average interest rate of 17.17 percent (and paid an average rate for short-term loans of 16.82 percent). Cesare Romiti undeniably knows how to operate in the financial market, in the light of the fact that the cost of short-term money in that market has been fluctuating between 21.5 and 23.5 percent. The acquisition of capital was not limited to these sources, however: another 422.5 billion lire was obtained partly by increasing Fiat's capital and partly through the issuance of bonds, while an additional 250 billion lire was supplied by MEDIOBANCA. A grand total of approximately 1.35 trillion lire was obtained on the Italian market alone, which is an indication of the burden represented by the profit-and-loss statement: such a large-scale recourse to credit is in fact not justified by the growth of investments, which in 1980 stagnated at the levels of the previous year.

This acquisition of capital has been accompanied by intense activity with the aim of recapitalizing the associated companies: the capital of Fiat Automobile accordingly increased from 1.2 trillion lire to 1.7 trillion lire; that of TEKSID increased by 50 billion lire; and operations on a smaller scale related to TELETRRA (Fiat's associated company operating in the telecommunications sector) and to Fiat Tractors. The biggest operation on the agenda, however, will cost Fiat in the vicinity of 600 billion lire: in fact, plans call for doubling the capital of Fiat International Holding, which currently amounts to 1 billion Swiss francs (582 billion lire at the current exchange rate). What purpose will this serve? The beneficiaries will be first and foremost Fiat Allis and secondarily IVECO the Dutch holding company that controls operations in the industrial vehicles sector.

What about the indebtedness? This is one of the most obscure aspects of the group and will remain so until the consolidated statement is known. In round numbers, the overall indebtedness of the group would appear to be approximately 7 trillion lire--a figure slightly below that of last year. The sample of associated companies considered in the table, however, reveals a sharp increase in total indebtedness from 3.5 trillion lire to 5 trillion lire, due in great part to the increase (to 2.35 trillion lire) in the indebtedness of Fiat Automobile (a figure reduced to 1.6 trillion just recently, following the recapitalization). What is surprising, however, is not so much the size of the indebtedness as the 61 percent increase in the finance charges. In view of the advantageous conditions under which Romiti succeeded in finding capital for the group, we may wonder whether this circumstance may not provide at least a partial explanation of the miraculous profits of the Fiat holding company.

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Table 2. Accounts of the 'Provinces' [figures in billions of lire]

	(1) Fatt.	(2) Oneri finan.	(3) Debiti	(4) Risultato
Fiat auto	8.873	272	2.350	-130
spa (5)	(5.810)	(141)	(1.283)	(-97)
Fiat trattori	710	28	177	+6
spa (6)	(543)	(17)	(111)	(+1)
Hesston	223	22	63	+5
	(184)	(13)	(74)	(+5)
Fiat veicoli	2.548	131	811	+14
ind. (7)	(2.083)	(88)	(659)	(-8)
Fiat Allis	480	40	266	+8
B. V. (8)	(334)	(23)	(176)	(-8)
Fiat Allis	413	38	126	-50
inc.	(389)	(25)	(98)	(-30)
Magneti	370	23	130	+3
Marelli (9)	(321)	(22)	(161)	(-)
Weber	177	8	59	+2
	(154)	(4)	(48)	(+4)
Fiat	192	3	19	+15
lubrificanti (10)	(150)	(1)	(12)	(+12)
Teksid	1.402	83	597	-43
	(1.211)	(71)	592	(-25)
Aspera	175	-	-	+4
	(155)	(-)	(-)	(+3)
Gilardini	313	15	48	+5
	(187)	(7)	(57)	(+6)
Fiat termo-	82	13	47	+2
meccanica (11)	(31)	(6)	(50)	(+6)
Fiat	78	-	3	+1
ferroviaria (12)	(49)	(-)	(3)	(+1)
La Stampa	61	-	1	+4
	(51)	(-)	(3)	(+1)
Telettra	162	22	125	+1
	(132)	(14)	(99)	(+3)
Ivi (13)	117	5	17	+2
	(93)	(3)	(19)	(+2)
Coman	140	17	84	+2
	(91)	(11)	(97)	(+2)
Fiat aviaz. (14)	147	7	34	+3
	(132)	(5)	(37)	(+4)
Totale (15)	14.741	727	4.957	-148
	(12.100)	(451)	(3.579)	(-118)
Variazione % (16)	+21,8%	+61,2%	+38,5%	+25,4%

Key:

- | | |
|-----------------------------|---------------------------------|
| 1. Sales | 9. Marelli Magnetos |
| 2. Finance charges | 10. Fiat Lubricants |
| 3. Indebtedness | 11. Fiat Thermomechanical |
| 4. Results | 12. Fiat Railways |
| 5. Fiat Automobile, Ltd | 13. IVI |
| 6. Fiat Tractors, Ltd | 14. Fiat Aviation |
| 7. Fiat Industrial Vehicles | 15. Total |
| 8. Fiat Allis, BV | 16. Difference (in percentages) |

Note: 1980 data in heavy type, 1979 data in parentheses. Figures rounded to the nearest billion lire. UNIC and Magirus Deutz not included.

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GENERAL

FRANCE

ABOLITION OF STATE SECURITY COURT RAISES QUESTIONS

Paris VALEURS ACTUELLES in French 20 Jul 81 pp 27-29

[Article by Jean-Francois Gautier: "The State Without Safeguards: The State Security Court Is Going to Disappear; But The Special Cases It Used to Judge Will Not Disappear Along With It"]

[Text] "By doing away with the Security Court, the new officials of the state are depriving themselves of the real means for defending the state."

The magistrate who is speaking, concerned about his duty to be discreet, must maintain his anonymity. If he has wanted to give his opinion it is because as a man of around 60 he remembers the beginnings of his career, when legal proceedings did not have smooth machinery.

"Before 1956," he recalls, "the FLN [National Liberation Front] uprisings could be prosecuted only by lodging complaints against person or persons unknown. This was powerlessness. Later on, in 1961, there was the military High Tribunal which had to undergo the rebellion of the generals; then in 1962, there was the Military Court of Justice for the trials against the OAS [Secret Army Organization]. On each occasion the general principles of the law were harmed and the magistracy was compromised. The State Security Court in 1963 finally relieved the profession of the burden of lawsuits which are beyond its capabilities to deal with."

This court was set up by two laws dated 15 January 1963 and specializes in matters of espionage, treason and political subversion. The court departs from common law on several counts. The socialist program, rejecting these departures, called for the elimination of the Security Court. This was given concrete form by a bill put forward in the Assembly on 8 July by Robert Badinter, keeper of the seals. As of last Friday the text was due to be put before the deputies.

On 9 July the minister of justice, with his black hair and bushy eyebrows and powerful jaw, set out his program of reforms at the chancellery in Vendome Square. He explained, "The State Security Court must be done away with because there must not be any political system of justice nor any political jurisdiction either."

Mr Badinter calls to mind his lawyer's profession. His look does not fix the audience, is not compelling right away. But by the tone of his voice and the rhythm of his

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words the minister seeks approval and personal conviction. He addresses himself to his public as if they were so many jurors: "The keeper of the seals," he argues, "does not have the responsibility for judging terrorism. It is for those who render justice to take responsibility for their decisions; their minister is only there to give them the means for making those decisions. To define a repressive policy here in the ministry would not make sense."

Mr Badinter's doctrine contains just a few principles: he refuses as keeper of the seals to submit matters to the Security Court, that is to say, to take up the role of public prosecutor; therefore, in the name of independence for the judicial system he relinquishes prerogatives of the representative of the state's interest; finally, by eliminating any and all political jurisdiction, he does away with the notion of political crime "outside the scope of common law."

However, Mr Badinter agrees that certain matters jeopardizing military secrets can be judged by the Permanent Armed Forces Tribunals (TPFA's) which, he adds, "will not continue to exist in their present state." Moreover he admits that "special matters" sometimes justify "special jurisdictions."

By setting up the TPFA's in 1956, the Guy Mollet government had introduced the notion of "permanence" for jurisdictions which had to judge special cases. This permanence made it possible not to link justice to the immediate event. Mr Badinter harks back to this doctrine which, however, seemed elementary to socialists from 25 years ago. They had set up the TPFA's in two stages:

--on 12 March 1956 the Assembly authorized the government "to take any exceptional measure with a view to reestablishing order;

--on 19 March the keeper of the seals, Mr Mitterrand, established the TPFA's, "any contrary provisions of the military codes of justice notwithstanding;" the competence of the TPFA's extended all the way to obstructions of traffic; the time limit on custody was done away with; daytime and nighttime searches were authorized; and sentences could not be overturned by a civilian court.

On the long list of those who voted for those "full judicial powers" on 12 March figure the names of the Communist Party's leading lights--Ballanger, Cachin, Fajon, and Duclos--and, besides Pierre Mendes France and Jules Moch, several Socialists who were to carve out careers--the lawyer Roland Dumas, three 1981 ministers (Alain Savary, Gaston Defferre and Charles Hernu), and Mr Mitterrand (although he was a minister, he was able at the time to vote in the Assembly).

Among the opponents who voted against this piece of legislation were Messrs Hersant, Le Pen, Dorgeres, and Tixier-Vignancourt.

"The State Security Court maintained this notion of permanence attached to a jurisdiction rendering judgment on special cases," said the magistrate questioned by VALEURS ACTUELLES. "It also detached itself from the circumstances specific to the Algeria war by bringing in professional magistrates. History shows that all jurisdictional arrangements for special cases have been compromised by the event and been rendered mockeries of justice. With the Security Court, a guarantee of independence had been found at last.

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Examples of "compromise" of justice are numerous. In order to have the Knights Templars tried, Philip the Fair accused them of heresy when it was really the state in the first place against which they held a grudge. The leaders were sent to the stake without the king having had actual legal means with which to try them.

With its Revolutionary Tribunal the Revolution of 1789 also established situational jurisdiction arrangements. Imperial justice showed itself to be even more expeditious for the Duke of Enghien. As for Cadoudal, he was tried by a military tribunal, and Caillaux more than a century later was tried by the Parliament meeting as the High Court of Justice. The Vichy regime also set up special case jurisdictions, followed by those of the Liberation period and 10 years later those of the Algeria war."

The man with whom I was talking concluded that "on each occasion these situational tools were questioned and questionable. As for the Security Court, it is now 18 years old. Its existence is no longer tied to the events which it must deal with. In that sense it is no longer questionable, but it is ready to try special cases."

By way of illustrating the context, he added, "The Court was that missing link in the chain which leads from a state of peace to a state of crisis and from a state of crisis to a state of war."

Mr Badinter puts forward another analysis. Refusing to describe the Security Court as one with "specialized jurisdiction" (on the same basis as the industrial conciliation tribunal or the juvenile court), he makes it out to be a "special jurisdiction: because of its make-up, its area of competence, and its procedures" in the explanatory preamble of his bill.

So the minister of justice is proposing a return to the status quo ante, and he is asking to have attacks on the security of the state be judged by standard courts, common law courts.

However, several magistrates and police commissioners give this court's existence credit for the fact that France, unlike its neighbors, does not experience any extensive political crime--"provos" in Amsterdam, Baader and his imitators in West Germany, Red Brigades in Italy, armed separatists in Spain, and paramilitary agitators in Great Britain.

In France most of the Basque, Breton and Corsican terrorist movements, just like the leftist movements which have international ties, have been nipped in the bud and their leaders tried by the Security Court.

"That has been possible," our magistrate adds, "thanks to the Court's wide territorial jurisdiction. For 30 years it was impossible to break up the FLN networks because with one little trial in Algiers, another in Bordeaux, and a third in Marseille or in Boulogne-sur-Mer, terrorists were being tried individually without being able to get at the organizations's overall plan."

In 1978 Raoul Beteille, former prosecutor general at the Security Court, said in the course of the "Versailles Bretons" trial, "If this court did not exist, the Ille-et-Vilaine occurrences would probably be tried by the Rennes assize court, the Finistere occurrences by the Finistere assize court, and the Versailles occurrences by the Versailles assize court. Who would have talked about the link-up of these affairs? Nobody."

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When asked about the specialization needed for magistrates in terrorism and espionage matters, and about the need to group investigations together, Mr Badinter answered on 9 July, "If it is a matter of specialization for magistrates in terms of competence or experience, then that is in the normal order of things. One can always turn to a particular specialized magistrate for cases which would have come under the former Security Court. As for link-up, it is always possible for an examining judge to ask to have a case relinquished from that jurisdiction in order to move it elsewhere. Those who administer justice have the means to organize it among themselves."

He added, "In the case of the Corsicans, there is no need for a Security Court in order for them not to be tried in Bastia. The prosecutor general can request a simple change of jurisdiction to the criminal division."

In his closing speech for the prosecution in the FLB [Brittany Liberation Front] trial, Mr Beteille also referred to the cases in which pressures on the jury members blocked the "normal" course of justice. This was the case in Nimes in 1962 in a trial which implicated the OAS; the jurors had individually received threatening letters. This was also the case in the "gang of people from Lyons" affair, in several cases of high crime (Mr Peyrefitte had to remove them from assize court jurisdiction), and in Italy on several occasions in Red Brigades trials.

"In these cases," Mr Badinter affirms, "a permanent subsidiary disposition of the case will make it possible to replace jurors by additional magistrates."

The magistrate who was questioned by VALEURS ACTUELLES finished up by saying, "If you are talking about making judicial personnel specialized, about recommending 'link-ups,' about centralizing things in Paris in order to avoid popular pressures, about going to the military if important secrets are involved, about leaving open the possibility of a special jurisdiction, you are falling right back on the justifications of the Security Court, which was not itself 'special.' So the Court might as well be kept, which would be simpler, quicker, and more effective."

For reasons of principle which, moreover, are not being attacked, Mr Badinter is taking away from us the practical instrument whose legitimacy he himself proves. In cases of serious crisis, he will no longer have the means for reacting quickly. Organized networks know this; they know the system of justice against which they work."

Can "organized networks" reemerge? On 30 June Jean-Pierre Cot, minister of cooperation, was giving separatist movements pretexts for doing so. While speaking about "human rights" in Central America he came down "in favor of the principle of the right to self-determination, including with regard to France."

"Activist" self-determination in this case could be interpreted only in terms of political terrorism. Councilor Fuster--who is close to Badinter and is better known by the pseudonym Casamayor--affirming that the role of the system of justice is not to "suppress" but to "educate," throwing responsibility for the causes of violence back on the organization of society itself, arguing for a "scientific" system of justice, asserted to France-Inter, "When there is a social breakdown, it must be repaired."

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So then the magistrate becomes a kind of "class struggle garage mechanic." From this peacemaking point of view, there is in fact no more need for repression. Victims are just accidental casualties. The state washes its hands of them until it goes down the drain.

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GENERAL

ITALY

RIVALRIES BETWEEN ECONOMIC MINISTERS IN NEW GOVERNMENT

Milan IL MONDO in Italian 10 Jul 81 pp 20-22

[Article by Donato Speroni: "Crisis of the Twosomes"]

[Text] Relations are difficult between Andreatta and La Malfa, and they soon will be between Marcora and De Michelis as well. Formica has an abrasive personality. With this team, Spadolini will....

The first opportunity for a confrontation will be the coming cabinet meeting at which the supplementary budget estimate for 1981 will be discussed. Minister of the Treasury Beniamino Andreatta ascribes great importance to this document, which among other things would have to accommodate cuts totaling 11 trillion lire in order to bring the deficit down to the 39 trillion lire figure that was forecast last September. An initial attempt to obtain approval of the document at the last cabinet meeting of the Arnaldo Forlani administration (held on Friday 26 June) failed, however, in the face of the objection of many of the ministers to the effect this was an important political action requiring a government in the fullness of its power. As a result, the supplementary budget estimate had to go beyond the provisions of the law, because among other things the disagreement in fact pertains not only to form but also to content: the budgetary cuts would hit the local governmental entities in particular, arousing great concern on the part of the socialists and Christian Democrats as well. Minister Giorgio La Malfa is also opposed to this budget; he complains that he learned of the document only a few hours before it was sent to Chigi Palace.

This development is merely one symptom of the strained relations existing among the economic ministers--relations which almost paralyzed the Forlani administration and today threaten to resurface with even greater intensity following the admittance to the "team" of prominent persons (such as Rino Formica and Giovanni Marcora) whose political stature and abrasive personalities are of equally large dimensions.

I. The La Malfa-Andreatta 'Tandem'

At the outset of the governmental crisis it was taken for granted among the parties involved in the future majority coalition that the situation would be helped if the paralyzing problem of the relations between Andreatta and La Malfa could be solved. The two men have always held contrasting views, but their philosophies have been transposed: Andreatta, who as an economist has always been in favor of a Keynesian

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policy of maintaining demand, has--as minister of the treasury--displayed a firm hand in controlling public expenditures, to the extent of slowing down even those expenditures which had already received formal approval and releasing the funds thus authorized "with an eyedropper." La Malfa--who has always followed a paternalistic policy of austerity--has placed all his prestige as minister of the budget behind a 3-year plan which is above all a plan for public investments which are more rational than past investments but will nonetheless increase the volume of red ink in the government's ledger. The two men often clashed in the preceding administration. "In Italy, you have a minister of the budget who never misses an opportunity to undo whatever the minister of the treasury does," the authoritative international publication CURRENCY REVIEW of London commented with irony.

How can this problem be solved? The solution appeared to be automatic, as a consequence of Giovanni Spadolini's intention to name to the treasury post someone who enjoyed great prestige abroad as a member of the preceding "team": that is to say, either Bruno Visenti or Paoli Baffi. Andreatta would then certainly have to leave, since he was unwilling to accept any ministry other than that of the treasury.

Baffi, however--partly because of his absorption in personal endeavors and partly because of his pessimism concerning the practical possibility that a technician recruited from outside the political parties could institute a policy of austerity for all the government apparatus--turned the appointment down. The other hypothesis--that of a Visentini candidacy--had even less substance, for Visentini had already taken himself out of contention at the first signs that the DC [Christian Democratic Party] was unwilling to give the Republicans the treasury post in addition to Chigi Palace.

Spadolini made one last attempt to avoid reconstituting the "tandem": on Friday evening he had a long talk with Marcora in an attempt to induce him to accept the treasury job. Marcora replied, however--in his brusque manner--by informing Spadolini that the treasury is not his "bag." Pandolfi remained a possibility, but within the framework of the internal dialectic of the DC an Andreatta candidacy enjoyed far greater prestige. Andreatta has therefore remained in the office on Venti Settembre Street, just down the hall from his "friend-enemy" La Malfa.

II. Marcora and De Michelis

Other difficulties have accrued to the government from the twosome of Marcora and Gianni De Michelis, who has been reconfirmed as minister of state participations. The division of jurisdictions between the two ministries would appear to have been designed purposely in such a way as to make even saints quarrel: on the one hand there are the problems of the industries in the public sector, and on the other there are the sectorial participations which often must be based precisely on these same public enterprises. On the one hand you have the ENI [National Hydrocarbons Agency], and on the other the energy sector, with the problems of the chemical industry situated between the public pole and the private pole and always in a position to cause conflict.

In the two preceding governments the lion's share of the authority was exercised by De Michelis, who with his "white book" on state participations had delineated (and he was the only one to do so) an overall industrial policy strategy. The other ministry, moreover, had been held first by Antonio Bisaglia, who was preoccupied

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with other matters, and subsequently by Pandolfi, who totally renounced his functions in the area of industrial policy except for energy. But now? Marcora is assuredly not a minister who would consent to being ousted; moreover, he is acknowledged to be playing a principal role in the leadership of the Christian Democratic contingent in the government. "I have no desire to make industrial policy," De Michelis says; "the important thing is for someone to make it."

III. Formica and the Others

Andreatta's relations with outgoing minister of finance Franco Reviglio (see inset) were certainly not idyllic. The minister of finance had, a few days previously, called for a substantial revision of the tax burden on fixed income, even in the light of the substantial revenues from IRPEF [tax on family income] self-taxation as of the end of May. Andreatta had quickly "called him to order," expressing the hope that "fiscal policy, too, will be included in the area of stabilization policies." Hopefully without any additional taxes--Andreatta's people explained to the newsmen present--but with consideration given to possible tax cuts within the framework of an overall arrangement with the social entities. Along with these "pinpricks," however, Andreatta also attempted to defend Reviglio's job. When he realized that an endorsement by Reviglio of the supplementary budget estimate could become just one more cause for criticism of his professorial colleague by the Socialist Party [PSI], Andreatta readily agreed to hold the document over for the incoming administration. Now, however, Reviglio will have to resume the role of professor, while his post is occupied by Formica, who is considered to be more attentive to the need for not alienating the middle classes and therefore to be less amenable to the overall budgetary demands supported by Andreatta. This is, accordingly, still another factor that will militate against equilibrium in the government.

How will Spadolini be able to develop a coherent policy in the midst of this hornet's nest? It is well known that the prime minister is relying heavily on the role of Baffi, who will assist him at Chigi Palace in the capacity of economic adviser. An adviser is not a minister, however. "At this juncture," they are saying at the treasury, "it was better to appoint an additional minister--even a minister without portfolio--so as to give Baffi a rank at least equal to that of the other ministers."

IV. Reviglio's Downfall Caused by the 'Red Book' [article by Paolo Passarini; published as inset]

"I am most grateful to you. You see, a lot of people have phoned me: Sandro Pertini called, and even Giovanni Spadolini called, but nobody from the Socialist Party called. You're the first one, and so far the only one." This is how an extremely bitter Franco Reviglio welcomed the friendly telephone call from socialist member of parliament Franco Bassanini. It was 1430 hours on Sunday 28 June. Only a few hours before, Spadolini had read the list of the 27 ministers of his new administration: "...Minister of Finance Rino Formica, senator...." Adios Reviglio. The courteous "tax assessor," the Italian Robin Hood, the most controversial of the cabinet ministers during the past 2 years (he had held office since August 1979, when the first Cossiga administration was formed), the man for whom the prestigious slogan "to govern a la Reviglio" was invented, had been shunted aside unceremoniously. Suspicions had begun to assail Reviglio only a few weeks before, and he received the news of his "defenestration" over the radio.

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Why was Reviglio ousted--and why in such a brusque manner? As is only natural, in the offices on Corso Street where the socialist leadership has its headquarters they are minimizing the whole affair: "We're not worried about it!" they say. "Reviglio was there for 2 years--longer than Bruno Visentini," they point out. "If there's a change, it's no tragedy. You also have to bear in mind that although Reviglio set the new course of the ministry from the technical standpoint, now--given the existing problems and given the uproar that has arisen--what is needed is a politician who will make decisions and put those decisions into practice." To this explanation of the advent of Rino Formica to the "ministry of taxes," another explanation can be appended by way of complementing it: Bettino Craxi has changed his mind concerning the assistant secretary and now prefers to manage the party by himself, while Formica--who had been mentioned behind the scenes for the post of assistant secretary ever since the Palermo congress--would have to continue his work in the government as the star of Claudio Martelli continues to rise within the party organization.

"But if Formica does remain in the government," they went on to say on Corso Street, "a ministry will have to be found for him that is more prestigious than the ministry of transport, in order (among other things) to give additional emphasis to his role as head of the contingent of socialist ministers on the Spadolini administration team." The most prestigious ministry might well have been that of defense, and of all the outgoing socialist ministers (except for Enrico Manca, who had been damaged by the P2 affair) Craxi failed to defend only two: Reviglio and--precisely--Lelio Lagorio. It was easier to sacrifice the former, who does not have a party card and is adjudged to be somewhat more independent than is tolerable and (most important of all) was invited to join the government at a time when the socialists were still keeping themselves on the outside.

Although this line of reasoning may explain Formica's advent to the Ministry of Finance, it does not explain the brutality with which Reviglio's separation was carried out. The publication of the "red books" containing the names of the alleged tax evaders had, to be sure, elicited criticism even within the PSI. The minister Aldo Aniasi (transferred but confirmed) did in fact blame Reviglio--during the party meeting at which the cabinet posts were decided--for the Alpi kidnapping (the father of the kidnap victim had appeared in Reviglio's "books" as the richest man in Italy). It wasn't just this, however. There is no doubt that Reviglio's campaign to hunt down the tax evaders had created difficulties in relations between the PSI and certain strata of the middle class. It is known for certain that when Reviglio approached the socialist group to request legislative initiatives for his "handcuffs on the tax evaders" project he always ran into long faces and scanty cooperation.

Someone in the Ministry of Finance has even hinted that Reviglio's independent posture toward the PSI has been translated into stern rejection of specific urgent requests by the party. For the present, it is all speculation. It is known, however, that the transition from Reviglio to his successor will not be a tranquil one: Reviglio's staff--even those men (such as chief administrative aide Mario Schinaia) who are PSI members and furthermore are Craxi supporters) will not place themselves at Formica's disposal and will resign their posts. "I have always scrupulously avoided making public statements," Schinaia declared, "but I cannot neglect to point out that we established a new policy--a policy borrowed from the logic of the 'glass house.'" In addition to the technological innovations and the automation, the entire Italian university community was mobilized. Intellectuals such as

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Antonio Pedone and Franco Gallo lent their services gratis. Just think: the fee for attendance at one of our meetings is 3,000 lire. As for me, I shall again be serving as section chairman on the Council of State. It seems to me to be a question of good taste. I hope Formica will continue our work and, if possible, do even better."

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GENERAL

ITALY

PROFILE OF POTENTIAL CISL LABOR LEADER CAVIGLIOLI

Milan IL MONDO in Italian 10 Jul 81 pp 28-29

[Article by Lorenzo Scheggi: "Carniti's Heir"]

[Text] In the eyes of the Christian Democrats of the CISL [Italian Confederation of Labor Unions] he is an extremist or, at best, an incurable victim of nostalgia who is unable to shake off the experience of the "hot autumn." In the eyes of the industrial unionists, however (and all those segments of the CISL who continue to invoke the "hot autumn"), he is the undisputed heir of Pierre Carniti, the "new man" for the 1980's. Both groups, though, agree that Rino Caviglioli, secretary general of the textile workers, is one of the leading exponents of the new generation of trade unionists and is assuredly destined within the very near future to rise to the top echelon of the CISL leadership--very probably at the coming congress of the confederation scheduled for October. "For the present I'm fine where I am," Caviglioli told IL MONDO on the eve of the congress of his confederation to be held at Treviso from 1 to 5 July, at which he will [sic] be reconfirmed as undisputed leader, for (among other things) much remains to be done there, notably the renewal of the labor contract which is due to expire next spring. One thing is certain, however: at its coming congress the CISL will provide for the subsequent renovation of its own leadership, and it is no secret that a representative of the industrial categories will definitely be installed in the new secretariat. In practice this will be either someone from the textile workers (specifically, Caviglioli) or Franco Bentivogli of the metalworkers, who however has neglected no opportunity to tell everyone that he is not receptive to the idea of entering the confederal secretariat.

A 40-year-old (as of next 15 August) native of Rome, Caviglioli was virtually born a trade unionist. In fact, he joined the union at 20 years of age shortly after receiving his degree as surveyor and after membership as a young man in Catholic Action under the spiritual guidance of Luigi Di Liegro, a Roman priest who was sensitive to social problems and with whom Caviglioli still maintains cordial relations. At the outset of the 1960's the CISL routine was virtually obligatory: the central school in Florence followed by several months of practical experience in the suburbs (he drew Sesto San Giovanni) before being given his first important assignment. They sent him to Terracina but he did not stay there long, "because, he explains, "at the school in Florence they talked to us about the CISL's autonomy whereas in practice I found I had to reckon every day with the DC [Christian Democratic Party]."

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He returned to Milan, and that move proved to be his decisive step. He found a wife, Regina, who was already working at the FIM [expansion unknown], and they have three children of 16, 14 and 12 years of age respectively. He also found the metalworkers, within whose ranks (except for a brief interval in Rome from 1962 to 1965 in the youth office, from which Bruno Storti removed him for certain political disagreements involving incompatibilities and trade-union unity) he built his entire career in Lecco, Milan and Rome before winding up in 1978 in the secretariat of the textile workers. And he also found Pierre Carniti, in whose shadow he has remained almost all his life and from whom (according to many in the CISL) he inherited his sullen countenance and ultimately the post of leader of the left wing of the confederation.

Caviglioli was not in agreement with the policy change decided upon at the EUR [Universal Exposition of Rome] in the spring of 1978 and was among the few who abstained from voting. "It was a move that was clearly to the detriment of the union," he insists. Instead, he defends the Innocenti action [word garbled] FIM of Milan: "Everyone now says there should be no more Innocenti's," he emphasizes, "but I am not convinced, for we succeeded in saving the factory and in guaranteeing the people their jobs."

The truth is that Caviglioli does not like to engage in self-criticism. Nor does he appreciate those unionists who--he asserts--"are too hastily liquidating the entire experience of the union movement of the 1970's, for there was so much in it that was right and that was reasonable." So when in July of last year the CISL raised the banner of the 0.50 percent solidarity fund he was among the few in his confederation to criticize the "improvised and authoritarian" way in which the fund was established (instead, he declared himself from the outset in favor of using the fund to help cooperatives and self-managed firms). Then when early last April the polemics erupted over the anti-inflation pact and cost-of-living index, he was likewise among those who most strongly criticized the manner in which some CISL leaders had presented the transaction, which he argues appeared from the very first to be "too much slanted in favor of the government."

He also speaks his mind about more controversial issues such as self-management, of which he is the most passionate advocate in the CISL and which he regards as a "third way between private industry and public industry," although he acknowledges that "self-management is not a need but the interpretation of a need and is therefore a constrained version of reality." His politics? For years he has voted socialist. He believes the DC is "beyond repair." He likes governments of national unity ("if one had been formed, at least some problems would have been solved"). He believes, moreover, that the union should participate in politics directly, in the first person. The title he has selected for the congress is in this sense symbolic: "Renew the ties; engage in politics; and remain a labor union." Engaging in politics, he explains, means "working to liberate the votes of the people from the Christian Democratic Party and bringing into existence a reformist coalition of a secular and socialist orientation--a coalition capable of posing problems even for the communists."

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