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2 November 1981

West Europe Report

(FOUO 56/81)



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WEST EUROPE REPORT

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ECONOMIC

BELGIUM

CITIZENS POLLED ON NATIONAL DEBT, BUDGET, FINANCES

Brussels POURQUOI PAS? in French 1 Oct 81 pp 4-7

[Report on survey, conducted by SOBEMAP between 27 May and 25 June 1981: "The Belgians Accuse!..."]

[Text] The public opinion poll was conducted by SOBEMAP [expansion unknown] between 27 May and 25 June 1981, with a sample of 2,000 individuals, representative of the Belgian population, 18 years of age or older.

This sample was determined by a random selection from a list of addresses based on voting lists. The persons thus designated were interviewed in their homes by the team of interviewers from SOBEMAP.

SOBEMAP adheres to the ethical code of ESOMAR [European Association for the Study of Public Opinion and Marketing]. It is, moreover, a member of FEBELMAR [Federation of Belgian Institutes for Market and Public Opinion Research].

Power void. Freezing of all political decisions. An increasingly clear cut economic break between the northern and southern parts of the country. A nearly complete drying up of the state coffers: Willy Claes is afraid that soon we will no longer even be able to pay the unemployed!

In the face of this dramatic situation, which adds a frightening dimension to the current political crisis, how are the citizens reacting?

They hardly get an opportunity to be heard these days as their voices are covered by an absurd cacophony of slogans, demands and other ultimatums from pressure groups of all kinds. Hence, the public opinion poll conducted by SOBEMAP, which we are publishing exclusively for the French speaking part of the country -- KNACK MAGAZINE is doing the same for the Flemish side -- came just at the right moment: it finally allows us to know the opinion of the citizens-taxpayers on the management of their public monies. Of our monies!

Will you be surprised? The Belgians accuse: too many expenditures, distributed too badly, and also too much bureaucracy! However, there is nothing perfunctory about this opinion: as they were being questioned, these perceptive citizens also showed that they know what they want. For those, whoever they may be, who will take the country's rudder, there are lessons here which should not be forgotten.

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Let it be said!

The first reaction, probably an immediate one, but impressive, to the first question: an overwhelming majority of Belgians -- 83.6 percent -- believe that the state is doing badly or very badly financially speaking. Politicians, take note! Based on the sample of 2,000 respondents, according to the SOBEMAP criteria this represents some 6.2 million angry citizens over the age of 18. And among these, the men and especially the male inhabitants of Brussels are the most discontented.

Table 1. Do you think that the Belgian state is doing well financially speaking?

State doing very well	1.2
State doing well	2.4
State doing neither well nor badly	12.0
State doing badly	35.6
State doing very badly	48.0
Do not know	0.8

The indictment is terrible. To be sure, these taxpayers do not appear to be very well informed, as individuals, about the mysteries of internal revenue, about the weight of what they pay to the tax collector in relation to the effort made by the enterprises, nor about the distribution between direct taxation and the TVA [Value-added Tax]. But is this important? As we will see later on, a large majority of them (65.4 percent) in any case believe that the taxes on earned income are too high, and especially that the state must reduce its expenditures: 77.8 percent of them, or 5.6 million -- out of the 7.2 million voters represented by the survey sample -- are demanding a change of course. Is this not clear enough?

Table 2. Knowing the indebtedness of the state, do you think that it should ...

Reduce its expenditures	77.8
Increase taxes or social contributions	1.8
Do both	8.6
Neither, leave the situation as it is	11.2
Do not know	0.5

But it would obviously be a good thing to further analyze and detail these sharp reactions. As a matter of fact, it is true that the Belgians have very precise ideas as to the form of state spending in the major sectors. The following table is very enlightening in this regard. The higher the score, the more the people surveyed believe that the particular expenditures represent a large amount. Inversely, the negative scores indicate the sectors in which the state effort is considered to be below the overall average.

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Table 3. Here then is how, in the eyes of the voters, the state spends our money:

Scientific research	-10.88
National education, instruction	5.81
Police, gendarmerie, security of persons and property..	6.32
Health and disability insurance	7.81
Aid, subsidies to private enterprise	- 3.57
Unemployment	6.60
Common Market	0.38
Public transportation (trams, buses, trains, subways)..	1.58
National defense, army, NATO	4.65
Culture, radio and television, theater	-10.41
Cooperation aid to developing countries	- 8.44
Pensions	2.25
Institutions: national, regional, community, municipal, government	5.78
Salaries of civil servants	4.65
Construction and maintenance of roads, expressways	10.91
Reimbursement of loans, interest	3.27
Family allowances	- 2.55

What is noticeable when reading these "scores"? First of all, that for the voters in this opinion poll, a super maximum is spent on the construction and maintenance of roads and expressways. That the second place on the hit parade of public monies is taken by the social budgets (health and disability insurance, and unemployment). That for everything that concerns our security, we pay the price: police, gendarmerie and other forms of protection of the security of persons and property obtained a perfectly respectable score. That, on the other hand, national education rated an honorable score, whereas our various institutions, administrations and our civil servants together cost us a pretty penny.

On the other hand, it is in the negative scores assigned by the persons in the survey (for the sectors in which the state spends little money) that we find the sectors most likely to have a future and to provide personal enrichment: scientific research, apparently very much neglected, culture, radio and television, etcetera, aid to developing countries, but also aid and subsidies to private enterprise and family allowances.

Without once again making a value judgement, the Belgians have thus noted to what extent an imbalance does exist to the disadvantage specifically of scientific research, in spite of all the pretty speeches we are being showered with which tell us about lovely tomorrows.

Could these Belgians be sceptical then? Not at all: rather realistic, looking at things directly, but with a touch of resignation when they consider the manner in which our money is being managed. Which does not prevent them in the least from responding very clearly when they are asked to give an opinion on a series of suggestions submitted to them.

- Nearly 8 out of every 10 citizens (79 percent) either agree or fully agree that taxes on earned income are too high. And it is the Walloons, the inhabitants of Brussels and the workers who are most sensitive to this tax pressure.

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- Nearly 2 out of every 3 citizens (61.5 percent), and even more Flemish and shopkeepers, would like to see a reduction in the number of civil servants.
- Likewise, 2 out of every 3 citizens reject a further increase in private contributions to social security.
- An even larger majority (69.4 percent), and even more in Wallonia (79 percent), on the other hand, believe that the national wealth should be better redistributed through social achievements.
- Attaching an essential value to our currency, an overwhelming majority (78.6 percent) believes that the Belgian state should defend the franc at any cost.
- Finally, 2 out of every 3 citizens firmly believe that they are being treated unfairly by the state.

Table 4. Knowing that the public debt amounts to 2 trillion francs, I would like to know again to what extent you personally agree with the statements I read to you earlier.

	Fully Agree	More or Less Agree	Do Not Agree	Do Not Know	Do Not Know at all	Do Not Know
Taxes on earned income are too high.....	33.9	31.5	12.9	4.2	1.0	17.2
Number of civil servants should be reduced	25.1	28.8	15.0	8.5	3.5	19.1
Private contributions to social security should be increased	0.8	9.6	13.0	37.4	19.8	19.3
Taxes on dividends should be increased...	11.0	23.1	17.4	19.7	6.4	22.4
The state should better redistribute national wealth through social achievements	27.7	34.8	11.0	4.5	0.7	21.3
It would be better to increase TVA on products and reduce income taxes...	6.6	15.4	24.3	19.3	9.4	24.9
Companies should pay less income and other taxes	6.9	20.0	20.5	18.1	12.3	22.1
One has feeling of being treated fairly by state	2.1	7.4	13.9	25.0	32.6	19.0
State should defend Belgian franc at all cost	36.7	27.9	11.5	3.4	1.2	19.3

True, these large main themes are slightly mitigated when the respondents are asked the same questions over again, after having been told about the enormity of the amount of the state's indebtedness. Witness the table above, where it is shown that the positions remain oriented in the same direction, except that the proportion of "do not know" increases noticeably.

Evidently, the fact of being informed of the seriousness of the country's financial situation and of the catapulting amounts of indebtedness does not cause the Belgians

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to lose their head. Is this a mistake? No, to the extent that, as we saw earlier, they loudly demand a reduction in state expenditures. Which allows them to look at the debt problem from a certain distance ...

Table 5. In fact, the public debt, that is to say what the state owes to those who have lent it money, amounts to 2 trillion francs, which means that a Belgian owes 203,000 Belgian francs at birth, or that a Belgian household, on the average, owes 600,000 Belgian francs.

a)	What do you think about the situation?	
	It is not worrisome at all	2.2
	It is not worrisome	3.8
	It is neither worrisome nor not worrisome	11.3
	It is worrisome	39.0
	It is very worrisome	43.0
	Do not know	0.6
b)	And you personally, do you feel ...?	
	Very concerned	20.7
	Concerned	43.8
	Neither concerned nor not concerned	18.4
	Not concerned	10.4
	Not concerned at all	6.2
	Do not know	0.6
c)	And your children, or the next generation, are they ...?	
	Much more concerned	35.2
	More concerned	36.9
	Neither more nor less concerned	20.5
	Less concerned	3.6
	Much less concerned	2.9
	Do not know	1.7

One will notice that the respondents are much more worried about the consequences of the state's indebtedness for their children or the next generation. Hence, to protect them against it, and because they are clamoring for a reduction of public expenditures, what solutions do they have to offer? How would they go about it if they were minister of finance or of the budget instead of Messrs Vandeputte and Mathot? The following table, listing the same main sectors of expenditures that were listed above, shows the score given in terms of the importance of the efforts to be agreed on with regard to the current situation. The negative scores indicate the areas where there is a shortage and where investments should be made, whereas the positive scores indicate the areas which are favored too much and where more or less serious cuts could be made.

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Table 6. Here then is, in general terms, the way the Belgians would put together the state budget:

Scientific research	- 8.26
National education, instruction	- 8.49
Police, gendarmerie, security of persons and property.	1.18
Health and disability insurance	- 6.57
Aid, subsidies to private enterprise	2.51
Unemployment	2.37
Common Market	8.51
Public transportation (trams, buses, trains, subways).	3.26
National defense, army, NATO	- 4.13
Culture, radio and television, theater	- 2.37
Cooperation aid to developing countries	0.26
Pensions	-10.74
Institutions: national, regional, community, municipal, government	9.55
Salaries of civil servants	5.73
Construction and maintenance of roads, expressways ...	5.35
Reimbursement of loans, interest	1.42
Family allowances	- 9.37
Other responses	- 2.49

Roughly, one might say then that the Belgians are:

- Allergic to excessive expenditures for everything touching the various institutions, the bureaucracy, and the civil service. To a somewhat lesser degree, they would readily give up on too much spending for roads and expressways. A few degrees lower yet, public transportation, aid to private enterprise, unemployment and debt service should receive the same fate.

- Allergic to a reduction of expenditures, and even in favor of an increase in them, in the social sectors (pensions, family allowances, health and disability insurance), and in the sectors affecting the future -- scientific research -- or the coming generations -- national education. Defense problems would apparently also warrant an effort.

As far as the social budgets are concerned, however, we have seen above that the Belgians demand a better distribution of their expenditures.

Regional Angle

However, when these issues are examined from a regional or community angle, one often obtains notable differences in attitude, even if the majorities are all going in the same direction.

Thus, without distorting too much, it could be said that the Flemish are clearly more in favor of a reduction of the size of the bureaucracy and of the institutions than are the inhabitants of Brussels or the Walloons. Similarly, they would look with more favor upon a reduction of expenditures in terms of health and disability insurance, than would the citizens of the other two regions of the country. The

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Flemish would also, but preceded by the inhabitants of Brussels, more easily accept parsimony in terms of unemployment expenditures, whereas the Walloons refuse to allow them to be touched. Identical divergences exist with regard to aid to enterprises, a reduction of which would be more easily accepted by the citizens of the northern part of the country, whereas the inhabitants of Brussels reject it. On the other hand, the citizens of the capital and of Wallonia are much more concerned about the efforts to be made in terms of scientific research than are their Flemish neighbors. Identical cleavages also in terms of defense: only the Flemish are publicly more in favor of an increase in expenditures.

Conclusions

By developing, on these bases, a kind of rather coarse profile, it could thus be concluded that the Flemish are definitely more open to the liberal themes advocating a reduction of the burden of the state and of bureaucracy, as well as the "skimming off" of certain social budgets. All things being equal, they are also more "militaristic" in that they would accept greater efforts in matters of defense.

The Walloons, on the other hand, are clearly more characterized in terms of themes likely to strengthen the welfare state and bureaucracy, relying more on public assistance than on private initiative.

As for the inhabitants of Brussels, they represent a special case. They are the ones who, throughout this survey, showed themselves to be the most grumpy, the most civic, the most oppositionist. But they are also aware of their own needs, and they let it be known. To the point that it could be said that, even if our new institutions leave them sitting between two stools, they form a distinct entity. The candidates presenting themselves at our elections should also take this into account. As a matter of fact, in the next part of this survey, which we will publish next week, they will find other subjects for thought of this kind.

May this be of some use!

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BELGIUM

CONTINUING PROBLEMS OF COCKERILL-SAMBRE STEEL COMPANY

Brussels POURQUOI PAS? in French 24 Sep 81 pp 8-11

[Article by Paul Colson: "The Big Waltz of the Billions"]

[Text] "Now, at the end of 1978, a stimulation of investments is imperative and actually appears to be well under way. However, it will be able to succeed only to the extent that the authorities as well as the officials of the private companies have a real drawing power for investors."

The author of this semi-prophecy in the form of a pious wish was the acting mayor of Seraing, addressing those in the mechanical engineering division of S.A. Cockerill who had been decorated, on 11 December 1978. His name was Jacques Vandebosch.

Three years later, this same Vandebosch, a colorful socialist, is president of the executive committee of Cockerill-Sambre. The hopes of 1978 have long vanished into thin air. In this last quarter of 1981, the situation of Walloon steel is dramatic! One would need an avalanche of billions of francs into the coffers to retrieve the situation. And quickly. Very quickly!

Capital Increase

Let us take a look at it: with the current state of orders, the loss of substance -- cash drain in the parlance of the economists -- will amount to 1.2 billion francs next October, 400 million francs the month after that, and 1.3 billion francs in December. Let us round it off at 3 billion francs. Plus 4 billion francs in investment needed if we do not want the holes to become any deeper. That makes 7 billion! Not to mention the debts, the burden of which shows signs of becoming rapidly worse because the company had to subscribe to short term loans which will do badly during the coming weeks.

At the end of June, the state -- who is the main shareholder -- had decided to increase the capital up to 11 billions of our francs. But barely 25 percent of this amount has been freed. Which is no more than 2.75 billion francs, a mere drop of water in a sea of financial difficulties. Very inadequate, even to soak up the operating losses for the first 6 month period of 1981. The accounts were quickly worked out: 6.2 billion francs minus 2.75 billion francs in capital increase, leaves 3.45 billion francs to be urgently found.

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At the request of the European Commission, the balance of the capital increase was replaced by a short term credit: 700 million of our francs in July; 70 million DM and 70 million Swiss francs the following month, which represents a total amount of 3 billion 142 million of our francs, with various interest and commission arrangements whose expiration dates fall on 26 October (1 billion 138 million), on 25 November (1 billion 304 million), and on New Year's Eve, happy and joyous New Year! (700 million).

Here then is, as it is, the mathematics of anguish, which would in principle be gripping the managers of Cockerill-Sambre if they were anything but administrators appointed by the public sector and the holding companies, those who are referred to as the APS (stable private shareholders).

Head Above Water

Each manufactured ton, especially of the least profitable products, is manufactured below cost price. Under those circumstances, the temptation to stop the march of the severely wounded who with each step lose a little more blood, is great. It is the theme defended in certain Flemish circles, accompanied with the old nationalist slogan: "Flemish money for the Flemish." But Sidmar is less sick than Cockerill-Sambre.

The overall state of the treasury in Liege and Charleroi and the state of affairs are such that any capital input -- and we should count exclusively in billions of francs -- would be immediately absorbed by some improvised salvage operation or other. This is what is seriously referred to as the head above water policy.

It must be acknowledged that when they perform the noble and sentimental waltz of the billions, the socialist comrades put feeling into it: allegro con brio!

Within the enterprise itself, two sides confront each other. That of the pessimists (or of the realists, the future will tell us) who estimate the chances of survival for Walloon steel at the lowest level: one out of three perhaps, or one out of four. And then the side of the optimists (or opportunists, we will soon find out). The president of the executive committee, Jacques Vandebosch, is one of them:

"All the European steel manufacturers are in the same boat. Nearly all of them are convinced that solidarity will allow us to save the equipment during the difficult period while they wait for a change in the overall economic climate."

Last week, at Eurofer (Eurofer is a kind of club of the big steel manufacturers in Europe; nothing official; it involves a union of interests) the Germans apparently demanded a price increase to be applicable as of next 1 January. This is surprising news, in the sense that it is known that a few ironmasters from across the Rhine are fierce advocates of war to the knife among the European producers and which will be won by the best. Apparently they are no longer the only ones to be heard in the FRG and in the European caucuses.

Price Decrease per Ton

Jacques Vandebosch estimates that: "If prices could increase from 1,000 to 1,500 francs per ton, we would once again be able to sell above cost price."

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Without for all that getting out of the red, because the liabilities are heavy.

"The enterprise owes 28.8 billion francs in short term credits and 31 billion francs in long term credits, of which a large part however are SNCI [National Company for Credit to Industry] credits. The interest burden to be paid by us can be estimated at 2.5 billion francs."

It is true that the crisis has thinned out the European ranks. The Bresciani, those small producers from Northern Italy who 5 years ago struck fear among the soundest steel empires, have in turn been routed.

As for the big producers such as Cockerill, part of the tragedy was acted out on an overwhelming combination of circumstances. At the very moment when the crisis produced a price collapse on the international markets, it proved to be necessary to modernize without delay.

"We know that we will be able to influence our cost price only by acting on the 'process' (the production techniques -- editorial note). The continuous casting and modernization of equal scope are allowing for an 800 to 1,000 francs price reduction per ton," said the manager of Cockerill-Sambre. "If we limit ourselves to simple replacement changes of one kind of equipment or another, then our profits will not go beyond 100 to 200 francs per ton."

Up a Tree

In such a context, last week's chance mishap could only take on catastrophic proportions.

Without going into details billion by billion, the stakes are clear: the financial extension is not sufficient to hold Cockerill-Sambre until the economic climate recovers. In other words, salvation will have to come from the outside or circumstances will have to be willing to intervene. There are still more than 38,000 workers and employees in the steel industry in Wallonia, of which 25,000 are at Cockerill-Sambre alone. This represents a large number of ballots in the ballot box in case of elections and a large number of people on the street if the unions decide to take up the battle ax.

But is the survival operation as urgent as is claimed by the socialists of Guy Spitaels and the FGTB [General Federation of Labor of Belgium] supporters of that union hero named Robert Gillon?

"If there is no overall and certain financial solution by December," said Jacques Vandebosch, "then we will be up a tree. We can no longer gallop here and there every day to try to find a little money."

With each new move, confidence in Cockerill-Sambre goes down a notch among the suppliers and financiers in the foreign markets. The socialist lobby maintains that if we wait too long, it will no longer even be possible to collect a single additional franc to salvage the Walloon enterprise. And this would mean death, period.

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Additional guarantees

Our bankers have already stopped believing in it. There have been doubts for several months. Last week, pressed to make a statement on their previous commitments, the bankers had no other recourse, seen from the left, than to set their demands high. Under conditions that the government could no longer afford.

"It has become evident to us," commented Jacques Vandebosch, "that the private financiers refused to take risks and that, in order to commit themselves, they demanded complete coverage from the state, which did not correspond at all with the preceding agreements."

It should be noted that the opinions of the accused are very different. The Societe Generale [SGB], the Brussels Lambert Bank [BBL], the Kredietbank [KB] and Paribas all deny with utmost energy that they issued an edict last week.

"First remark," explained the bankers. "You should not confuse holding companies and banks. The money we loan to the steel industry is not ours. We are responsible for it to our clients. Second remark: for us, the negotiations concerning the steel industry have been going on since 1976. Over time, the options and the tone have fluctuated. In this case as in others, our line of conduct consists of assessing a risk. If it seems to be getting worse, then we demand additional guarantees from the client. We did indeed consider that the risk was getting worse these days in the Walloon steel industry. On the other hand, we had been promised that the financial operation would be based on a precise restructuring plan. Hence, we requested that an outside auditor keep an eye on the precise implementation of that plan. What could be more natural?"

As for the asked for but not obtained guarantee from the state for the opening up of adequate lines of credit, the bankers have a different version from the one circulating in Liege.

"The position of the state does not necessarily have to be interpreted as the rejection of an edict. The truth is that any guarantee granted by the state must be charged against the budget. Which seemed impossible to the government in the current state of public finances."

Greater Clarity

What did the bankers demand then? The finicky application of the restructuring plan as specified last May. A yearly verification (external audit). Substitution of the private company by a parastatal organization in case of failure by the debtor. In return for which the banks maintained the current credits and unconditionally assumed the strictly commercial credits.

"We also regret," said the bankers, "that this summer's contacts took place between experts, those from the state and ours, without the discussion ever reaching a higher level. Except for last week."

... At the time of the meeting which resulted in the consequences we know about.

"As the situation of Walloon steel had deteriorated," the four (SGB, KB, BBL and Paribas) explained, "we could no longer content ourselves with vague declarations

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of intentions. We had to have certainties. Actually, we didn't ask for anything new, but greater clarity in the financial contract we were to adopt."

Let us note in passing that the bankers did not take kindly to serving as ball boys for everyone, including for the savages in the government, while at the same time the state was insistently seeking their cooperation in investing the Municipal Savings Bank loan which is supposed to provide a financial extension to two cities in desperate plight: Liege and Antwerp. Cuddled on the one hand, kicked in the behind on the other, the least that could be said is that they did not appreciate it.

Contagious

And now?

"For us, nothing has been broken off," stated the four, "and we remain open to any proposition. Indeed, there is the question of whether they can do without us?"

For Vandebosch, the answer is yes.

"With a fallen government," he said, "the only thing left for us to do is go forward until the financial difficulty becomes too specific. In which case we will turn to the main shareholder. And he had better stick to his commitments."

Since Monday, the union organizations have been on the war path.

"However, I remain convinced," said the president of the executive committee, "that a social agreement is possible. But it is a fact that the rank and file will accept the implementation of the plan (laying off 5,000 workers between now and 1985, and wage reductions) only on the condition that investments are actually achieved."

In the overall maneuver, this confirms the fact that the union threat is specific: no money, no truce!

Right before the fall of the Eyskens I administration, Jacques Vandebosch asserted that there were three chapters to his bible: the report of the presidents (Frere-Charlier), the conclusions of the Japanese expert Nippon Steel, and last May's government plan. In short: social sacrifices, yes, but fresh money to modernize the plant. On this point, all the figures do not agree, concerning the benefits, for example, of continuous casting on the cost reduction per ton produced.

As a matter of fact, the overall impression is one of great confusion as soon as figures are involved, that everyone has his own and uses them for his best interests. And shame does not stifle anybody.

When it heard about the government's false note on Monday evening, the first concern of the management of Cockerill-Sambre was to find out whether the granting of the necessary credits actually comes under current affairs. Well, those current affairs could go on for quite a while. Apparently, the response is yes. Sigh of relief on the Walloon side.

Nevertheless, what takes place on the stage is only the reflection of what is stirring in the wings.

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In one of those popcorn books, Philippe Bouvard, who is a more serious boy than one might have thought, notes that ideologies are like the plague: contagious.

Well, the last remaining question about Cockerill-Sambre is to find out what dirty disease it might die from.

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ECONOMIC

FRANCE

NEED FOR ANTITRUST LAW EMPHASIZED, EXPLAINED

Paris VALEURS ACTUELLES in French 14 Sep 81 pp 24-26

[Article by Raymond Bourguine: "More than Ever We Need an Antitrust Law"]

[Excerpts] The Socialist government could have done without nationalization. It is imperative that it develop for France a law against schemes and abuses by those in positions of power.

So, we are going to nationalize! However, as regards "sacred and inviolable" property, the Constitution sets precise limits to the ruling party's authority. Good sense and the public interest set additional ones.

Rather than nationalize, it would be better to develop in France a substantive law against schemes and abuses by those in positions of power and to apply the law effectively. It would have been better to develop "mass capitalism."

Let us turn to Francois Mitterrand. As French chief of state he is at the head of an enormous enterprise, the French economy, which is entirely dependent on international competition. With a foreign trade of about 600 billion francs each for exports and imports, France must export over 40 percent of its industrial and agricultural production, and it imports more than 30 percent of the industrial products sold on its domestic market.

Industry is the concrete foundation of the economy. Trade, administration and social services are only the auxiliaries, the accessories, sometimes even the parasites.

Industry ensures the existence of productive jobs. It is the primary tax base. Its prosperity furnishes the state with taxes and assessments upon which administrative and social jobs depend. Its ability to compete is the prime imperative.

At this very moment, our competitors are undertaking some formidable measures.

In the United States, Ronald Reagan has started a fiscal revolution. This new American fiscal reality will give a spectacular boost to "mass capitalism."

Imagine similar accounts [IRA accounts] in France--at least a million and a half taxpayers would benefit! It would be a net influx of 20 billion francs of savings per year.

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It has been repeatedly said that French firms are in danger because of their lack of equity. This will not appear miraculously; it will only happen through profits (prices higher than costs) or through stockholders.

The firms that are going to be nationalized earn large amounts of foreign currency on international markets. Would it not have been better to have reinforced their capital by reinforcing mass savings?

There is talk of monopolies, but it would be more accurate to say that there are abuses by those in positions of power which skew the competition. Nationalizations will only aggravate this tendency. There must be an antitrust law. It will be needed more than ever after the nationalizations--the state must guard itself against its own temptations and protect the economy against possible abuses by the nationalized firms.

If we call things by their right name, we see that prior administrations were grossly at fault. They should have thought of a policy similar to Reagan's, but they did not dare. Their economists were like frightened birds, twittering over Margaret Thatcher's obvious failure. But it had two causes: an overly strong pound which ruined British industry and caused it to export factories and jobs overseas, and the inability to reduce public spending.

Reagan's experiment is altogether different: expenses are being cut in correlation with the reduced taxes. The expensive money is actually a sign of the size of profit margins in an economy where most of the large firms are not net borrowers but lenders.

On the world market we are going to encounter an overactive American effectiveness. The Germans are benefitting fully from the present overvaluation of the dollar and franc compared to the mark. Not to speak of the Japanese, whose trade surplus is staggering.

In short, our competitors are well supplied with capital, and their modernization and sophistication will increase.

Why are we nationalizing?

Because of the socialist ideology which says that "the nation must take over the handling of its economic policy." A pointless argument, since the large companies were already, and in the most regrettable fashion at the government's disposal.

But the Socialists also claim to be religiously attached to democratic law. They must abide by the Constitution, which proclaims the permanence of the 1789 Declaration of the Rights of Man: "Property is an inviolable and sacred right. No one can be deprived of it except when demanded by legally determined public necessity, and on the condition of a just and prompt compensation."

Who is to judge the evidence? The legislator.

But who is to be the judge of the "just and prompt compensation"? Article 55 of the Constitution states that international agreements overrule laws.

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Nationalization will affect foreign property owners protected by treaties, especially by the Treaty of Rome which applies to the Europeans.

In addition, the European Convention on Human Rights provides that the right of property is protected by "general principles of international law," with, moreover, no distinction between foreigners and nationals. (Refer to Alain Margaron's article on page 61 of this issue: "The Battle of the Law.")

In 1956 the Socialist government of Guy Mollet emphasized, in opposition to the nationalization of the Suez Canal, the internationally accepted principle of a "prompt, adequate, and real" compensation.

It may be that foreign states will defend their nationals for the simple reason that the interests of individuals are part of the nation's assets.

For example, rest assured that the U.S. Congress has a sense of authority at least as keen as that of the French parliament.

How effective will our large firms be after nationalization?

If as realists we could tolerate some obsessional fixation, we admit that it would be contained in the word "effectiveness."

In the American magazine FORTUNE (September 7 issue, page 97), Michel Rocard, planning minister, expressed a wish: "I hope that we will not try to apply the same to all the nationalized firms."

He explained that the most well managed ones are those, such as Renault and Air France, that have tough bosses capable of resisting the government's injunctions. He made the following very significant remark: "When managing a large firm, the horizon is at least 10-12 years ahead. It is much different than the government's. No one expects a minister to look 12 years ahead."

"Thus," the minister concluded, "the management of large companies must be divorced from governmental concerns." He then added, "We are looking for a system of management by contract between the state and the nationalized firms, and this contract would be linked to the national plan. The more successful the enterprise, the less it will be under public control."

This must indicate that firms will be keeping their autonomous identities and that their presidents will be protected from ministerial mood changes.

How?

Let us see how Albin Chalandon, president of Elf-Aquitaine, was treated by Andre Giraud, minister of industry. (The same issue of FORTUNE has some interesting comments by Chalandon about his relations with the Elysee.)

In the present state of affairs, the lack of small scale savings is such that large companies quoted on the stock exchange now have, for the most part, state organizations as their major stockholders. True individual capitalists in France can be counted on one's fingers.

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In other words, the Socialist government could just as well not have nationalized at all. It could have exercised the same power as its predecessors without any difficulty.

How many presidents of large firms have been asked by prior administrations not to close this or that factory for local, political or electoral reasons? They were compelled to finance the deficits of dead branches with the profits of advanced sectors, and thus became extremely weak thanks to the whims of irresponsible leaders.

Enormous losses of this or that firm are not due to the incompetence of the bosses, some of whom, on the contrary, are remarkable. They are due to public constraints. In any case, the government has never hesitated to use other means of pressure: controlling access to capital markets, public decrees, or numerous administrative authorizations.

A young, high-level civil servant said one day: "It's a pleasure to see an important boss tremble before you while asking for something."

An immoral pleasure--if this important boss was trembling, it was for the tens of thousands of jobs for which he was responsible.

We must now wait for the laws on nationalization. The fate of our large industry hangs in the balance.

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POLITICAL

FRANCE

RESPONSES TO DETENTE, COLD WAR VIEWS OF LOWENTHAL, LABEDZ

Neutralism, Pacifism, Finlandization

Paris COMMENTAIRE in French Spring 81 pp 22-27

[Article by Pierre Hassner--former Ecole normale superieure student, passed the philosophy agregation examination, researcher at the International Research and Studies Center of the National Political Science Foundation; has published numerous articles in France and abroad on problems of political philosophy and international relations--: "Holding On To Both Ends of the Chain: Commentary on a Debate"]

[Text] Wanting to settle things between two friends as formidable and easily provoked as are Richard Lowenthal and Leo Labedz, who for a generation now have been accustomed to delivering and exchanging blows, runs the risk of leading the novice mediator to the fate which often awaits his kind: reconciling the two adversaries but bearing the brunt himself.

If, nevertheless, I eagerly accept this challenge, it is specifically because nothing seems more important to me at the present time than fighting on two fronts.

A Fight on Two Fronts

Lowenthal's article and Labedz's (which is worth reading in the long and complete ENCOUNTER version) are interesting not only in themselves but also because they display misunderstandings and conflicts which risk dividing the Western world and the various countries which make up that world, not to mention a milieu such as that of ENCOUNTER's and SURVEY's regular readers, a milieu that many of COMMENTAIRE's authors have felt quite close to for a long time. Without a doubt it is the fault of the times, a period in which there is no longer a prevailing consensus on international problems, in which some hang on to the discredited assumptions of the seventies come hell or high water, while others, without much more success, try hard to regain the lost innocence of the fifties. The objective of this set of articles should be to help to rise above that conflict instead of aggravating it.

Nothing seems more important to me during these first months of the Reagan Administration than to have Americans and French Reaganites hear Lowenthal's message about the need to combine rearmament with negotiation, and above all to combine opposition to Soviet policy with understanding of autonomous sources of conflict--

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particularly in the Third World--an awareness of the role of military force with awareness of its limitations. Nothing more important, that is, other than having Europeans, even those taking part in summit meetings of governments (Franco-German or Scandinavian), hear Labeledz's message, according to which the cult of negotiation for negotiation's sake and optimism as to Soviet intentions or talk about the impotence of military might can be excuses for appeasement or self-Finlandization.

In this fight on two fronts I would like to salute (for a last time, though perhaps that is temporary) a third duellist of the same family, the inventor of the term "self-Finlandization" (as is Lowenthal of the term "Finlandization" and Labeledz of the term "competitive decadence"), the man who has succeeded in making himself equally hated in Moscow, Bonn and Washington, Zbigniew Brzezinski. Whatever his numerous intellectual transformations and political mistakes, he knew how to express better than anyone, particularly in his last speeches, the need to hold on to both ends of the chain, by denouncing the blindness of liberals confronted with the USSR's actions and the role of military force, and the blindness of "hawks" faced with the historical upheavals which are tearing societies apart and with the rise of new forces and aspirations. Like Brzezinski, I think that in order to understand and respond to this crisis on its own level one must start out by looking at all societies; but, in the second place, one must see how much the crisis is exploited by the Soviet Union and how futile it is, for example, to be devoted solely to the problems of development and North-South relations without at the same time resisting Moscow's maneuvers by military force if need be; and finally, in the third place, that in order to simultaneously exploit Soviet vulnerabilities, to construct a balance more favorable to peace and to the West, and to respond to democratic needs in the East as well as in the West, one must be sensitive to the positive changes which can occur within the international communist movement (the PCI's evolution), the Soviet bloc (Poland events) and the USSR (need for cooperation in the economic field and, to a certain extent, in the field of arms control).

Both Lowenthal and Labeledz would undoubtedly agree with this program at a level of sufficient generality. But Labeledz puts so much emphasis on head-on resistance to the USSR that other aspects are always likely to seem premature, illusory or dangerous to him. Thus he runs the risk of neglecting the dangers which brought about the Vietnam catastrophe as well as neglecting the possibilities that an active detente policy much needs make use of in order to protect, for example, the Polish experience. As for Lowenthal, a certain rationalistic optimism makes him perhaps underestimate the illusions and dependencies which the balanced policies he advocates, perfectly reasonable in themselves, are likely to entail.

Those two brilliant dialecticians, both the one and the other, seem to me to underestimate somewhat the paradoxes, contradictions and inevitable trend reversals which East-West relations bring about. In particular, they are barely sensitive to the dynamic of public opinion shifts and to automatic chain reactions except when it is a question of policies they are criticizing whereas they exist just as much for the policies they defend.

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The Consequences of Vietnam and the Role of Shifts in Public Opinion

Let us go back to the history recounted by Lowenthal. He is right to emphasize the importance of the Vietnam War which Labeledz, like most "hawks," tends to skip lightly over. Lowenthal could recall his prophetic article on "The American Commitment in Asia" (ENCOUNTER, 1965) in which he predicted that the implementation of military "containment" on unfavorable political terrain would lead to a profound crisis in the American conscience and its involvement in the rest of the world. That is in fact what occurred. It was indeed the Vietnam War and the rebellion it provoked among young Americans which led the "Establishment" (personified by a Fulbright, a McNamara, and indeed a Vance) to repudiate what "containment" policy had that was worthwhile and to sink in varying degrees into pacifist or neoisolationist temptations.

Starting from there, I think like Lowenthal that Kissinger, at the beginning of the seventies, did what he could to carry out an active foreign policy in spite of a hostile Congress and public opinion, and that he succeeded pretty well. But like Labeledz I also think that this in no way prevented the military rise of the USSR in relation to the United States, and that detente was presented by Nixon and Kissinger, at least up until 1973, in terms which encouraged instead of dispelled illusions. But they could respond that this was the only way to give Americans a minimum of confidence and to suggest a minimum of "restraint" to the Soviets at a time when exaggerated reactions to the Vietnam War tied the hands of the masters of American diplomacy and arms programs.

Whatever the responsibilities or the weaknesses of men, the main factor is the pendulum swing of opinion (also, even more so the swing in the political elite than in the general public which is more balanced than the professionals). A Wohlstetter has often said that the worst consequence of the Vietnam failure lay in the mistaken lessons Americans were going to draw from it. He was certainly right, but it seems that that is still going on, that the lesson of Vietnam, after having been "underlearned" or forgotten by Reagan's policy as that is taking shape from El Salvador to Namibia and in a form of which Labeledz seems to approve. Perhaps one could say that the worst consequence of Carter's failures is likely to consist of the mistaken lessons that the Reagan Administration and its supporters are likely to draw from them. That is all the more likely since certain failures among these indeed resulted in part from post-Vietnam pacifist illusions, but at least as many resulted from a Kissinger legacy made up of pre-Vietnam conservative illusions, particularly in Iran and in Angola.

European Detente: From Cold War to Hot Peace

Similar paradoxes are found when one examines European detente. Labeledz only sees Soviet traps and Western capitulations. Lowenthal sees a stabilization agreement which accepts division and permits equilibrium to be reestablished. In comparison with both (and, moreover, in comparison with the conceptions of President Reagan on the one hand, and Presidents Giscard d'Estaing and more ambiguously Helmut Schmidt on the other), I personally would tend to find that events have confirmed the thesis I had set forth in 1969-1970. This was that detente had destabilizing as well as stabilizing effects in the East just as in the West,

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albeit in different ways. That is why I suggested the term "hot peace" to indicate that, in comparison with "cold war," detente would involve more instability, more conflicts, and more vulnerability for the two systems.

Using Labeledz's term "competitive decadence," I thought that the central problem would be the comparative effect of diminished war fears and of increased contacts between societies on the decay of political systems, and I set up a parallel between the erosion of military budgets and defense spirit in the West and the erosion of legitimacy and authority in the East.

Western criticisms of detente were mistaken when they believed that detente would only affect the West; detente's supporters were mistaken when they expected from it a harmonious evolution moving from stabilization to liberalization in the East. In fact, detente was to give rise in the East to contradictory movements of political liberalization and "Abgrenzung [limitation];" of anti-establishment activity and repression, the outcome of which, as we all know, is uncertain. But these contradictory movements call for reactions in Western countries which are as far removed from the automatic workings of detente as they are from those of the Cold War.

The Intersection of Cycles

But are Western countries able to react in the fashion called for? I am sometimes tempted to think that the traditional short-term cycles of detente and cold war, described well by Labeledz, tend to be fouled up by the medium-term cycle of American policy which emerges from 15 years of retreat to start up 15 years again of assertiveness, indeed expansion, and by the long-term cycle of Western European countries too worn out by their historical experience to risk their existence any more for any cause whatsoever. In other words, even if the Soviets withdrew from Afghanistan and dismantled their SS-20 missiles, the American moral and material rearmament machine would not stop for all that, and even if they invaded Poland, many Europeans and at any rate Germans would see in that a reason for even more trade and detente.

The Change in German Public Opinion: From Atlanticism to Neutralism?

Let us leave these philosophy of history perspectives for the Cafe du Commerce and, equipped with a specific tool, that of opinion polls, let us look closely at an equally specific point which both our authors mention, the change in West German public opinion as between Atlanticism and neutralism. Labeledz asserts that one of detente's effects has been to bring 48 percent of the Germans close to neutralism. Lowenthal retorts that on the contrary neutralism declined during the years of detente and has started back up since detente has been in trouble. An examination of polls gives the latter a certain advantage; it does not allow the matter to be settled, but it suggests a set of more complicated explanations.*

The high point of neutralism seems to have been reached at the beginning of the FRG at the time of the decisions about rearmament and before the SPD was won over to

*Cf. W. Kaltenfleiter, "Public Support for NATO in Europe" in K. Miyers, ed., "NATO: The Next 30 Years" (London, 1980), pp 397-417 and the forthcoming article by A.-M. Le Gloannec, "Self-Finlandization or Germanization?" (COMMENTAIRE, Summer 1981).

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NATO. A gradual increase in support for NATO was recorded, interrupted by a neutralist upsurge in 1971-1972 at the time of the euphoria over the treaties with the East. Then during the seventies there was a new change in the Atlanticist direction: "Ostpolitik" was disappointing, and the German public wanted a tougher policy toward the GDR and considered the presence of American troops indispensable. Finally, in 1979-1980, other polls indicate a new rise in neutralism (also, it is quantitatively smaller) to which Labeledz refers. The USSR's image is not improving; quite the contrary. But it is confidence in the United States which is deteriorating.

A first explanation, perhaps a rash one, might be that the neutralist trend of 1971 and the one of 1979 are fundamentally different. In the first case, it is a matter of optimistic neutralism based on the idea that the Soviet threat is no longer so dangerous. In the second, it is a matter of pessimistic neutralism based on the idea that American protection is no longer as credible or that it runs the risk of attracting unexpected disaster or hazard.

Rebirth of Pacifism?

But that does not explain a second phenomenon, no less interesting, which is almost totally missing in the Romance-language countries but is taking on more and more importance in Germany, Great Britain, and the small Northern European countries: this is the rise of a pacifist, anti-militarist and in particular anti-nuclear and anti-American movement in the social democratic parties, in the churches and among young people. Without any doubt there are multiple causes: ecological consciousness, search for a "cause" after the end of the Vietnam War, Soviet propaganda, etc. The point which interests us here relates to the effect of detente and the effect of its crisis. From this standpoint I would be tempted, in order to make Lowenthal and Labeledz see eye to eye, to suggest an analogy with the celebrated "Tocqueville effect." As Lowenthal suggests, the detente experience may in fact have held neutralists in check by warding off the specter of nuclear war and by warding off anti-Americanism because the United States was not militarily involved anywhere. If the Cold War reopens, even if it is as a consequence of SS-20's or the invasion of Afghanistan, there is a rejection phenomenon (here is Labeledz's reality) resulting from the accustomed experience of considering military questions outmoded and, on the other hand, from the idea that this time the neutron bombs or cruise missiles might well be used.

This refusal to give up priorities which detente had set up or legitimized and to recover reflexes or get back into ruts which were thought to be outmoded, made by the times to seem more preposterous and by the international situation to seem more dangerous than in the past--this cannot help but be heightened by the Reagan Administration's apparent orientation and, in particular, by American military interventions in the Third World or by a halt to arms control negotiations. That is why Lowenthal is right to think that a daily, concrete demonstration of Western and in particular American willingness to negotiate and make peace initiatives is the necessary requirement for avoiding polarization within European countries and as between Europe and America, polarization which would make any serious effort to reestablish the military balance impossible. The pursuit of negotiations regarding, in particular, SS-20's and NATO's missiles pretty much seems to be the condition nowadays for those missiles to be accepted by Germany, not to mention the other countries on the continent which must accommodate them.

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Arms Control?

Where I stop agreeing with Lowenthal is when he seems to adopt this new European "arms control" religion with enthusiasm and more particularly when he considers halting the quantitative strategic arms race and negotiating a Euro-strategic balance one of his top priorities. I personally believe in the need for arms control as a means of maintaining contact between the big nuclear powers and avoiding certain misunderstandings and certain dangerous choices on both sides if possible. But I hardly believe there is a possibility of bringing the arms race to a standstill. Nor do I believe in the distinction between a qualitative and quantitative arms race, nor in the idea that a quantitative arms race in the nuclear area must lead to war.

But above all, in the European area, I believe the idea of an independent Euro-strategic balance is both confused (for the notion of quantitative parity between intermediate missiles which do not have the same characteristics or mission scarcely makes any sense) and dangerous (since it encourages "decoupling" of the United States and Europe). In the military field I believe in the need for a nuclear modernization of NATO matching that of the Warsaw Pact but without allowing intermediate missiles or tactical nuclear weapons or intercontinental missiles to be separated out. In the political and deterrence area, I consider U. S. basing of missiles in Germany capable of reaching the Soviet Union to constitute a recommitment by both countries in the alliance, which is the best response to temptations and mutual suspicions with regard to decoupling for one and self-Finlandization for the other. This would seem to me to be necessary even if the SS-20's did not exist. It constitutes a response to the SS-20's on the symbolic level of general equilibrium and not on the operational level or the level of any realistic negotiation.

In this last area of realistic negotiation, Labedz's criticisms, aimed at Lowenthal's anxiety when confronted with Brezhnev's initial refusal and aimed at his enthusiasm at Brezhnev's acceptance of a separate negotiation, seem to me to be quite valid.

To sum up, it seems to me that the necessity for European arms control negotiations can be justified by the concern not to intentionally sacrifice butter for guns and to maintain dialogue with the USSR. It does not seem to me to be free from tactical considerations which have nothing to do with arms control and much to do with "Ostpolitik," detente, or the SPD's left wing. To satisfy the last-mentioned is undoubtedly a political necessity but is in large part something like a concession to sympathies which Lowenthal deplures. In the area of military security and balance, it constitutes a difficulty and a danger rather than an advantage.

Speaking more generally, I completely support Lowenthal's formulation--which pre-dates by several years the invasion of Afghanistan and has often been used ever since to explain it--according to which the USSR no longer has much to fear or much to hope for from the West. However, I have less faith that the positive dimension--that of the carrot, if you will--is to be sought in the area of arms negotiation,

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especially in Europe. I believe that this dimension consists more of maintaining a political dialogue acknowledging, under certain conditions of course, world superpower status for the USSR (particularly with regard to a settlement in the Middle East), and, most of all, consists of a flexible and discreet relationship (or "linkage") between economic and technical cooperation (for which the USSR is in the position of having to request, for itself and its bloc) and human contacts (where those benefitting the most up to now have been West Germany, on the one hand, and the populations of the Eastern countries, at any rate certain countries and certain dissidents in all countries on the other hand). And it is at this point that we run up against the burning issue of Poland.

Poland

It is paradoxical that while arms control is Lowenthal's weak point Poland is Labeledz's weak point. Not that his analysis of the Polish crisis is not penetrating; on the contrary, it seems to me that it is too sound and finely shaded to fit in well with the somewhat assertive and one-sided character of his general position.

Labeledz ridicules the desire of Lowenthal and Schmidt to have the advantages of both military balance on the global level and detente or "Ostpolitik" on the local level. He ridicules the Helsinki process and the idea that the situation in Poland or in Hungary can be attributed to it. But then he writes that in his opinion the principal reason why the Soviet Union does not invade Poland is its desire to separate Europe from America and to exploit their differences. Is not that somewhat contradictory? Should not one believe that detente's particular situation in Europe, though it is not without risks for Europe, at least is not without advantages for the Poles and more generally for Eastern Europe?

The Objective: Helping to Finlandize Eastern Europe

To be sure, there is no question of asking Western Europeans to let themselves be Finlandized, indeed even made communist, in order to keep Eastern Europeans from being even more so than they are today. But it is a matter of recognizing that Europe's particular situation is ambiguous and that it can be used by both sides provided they have both sufficient political will and tact. Helsinki did not transform the Soviet bloc into the home of human rights, but, (with the aid of Carter's policy) it put it on the defensive in that area. As per Paul Thibaud's expression, it opened up a European political space which facilitates activity of Western governments if they so desire. Detente did not cause the Poland events or Hungary's evolution but it raised the threshold of Soviet tolerance relative to them. The idea that Moscow's political designs vis-a-vis Western Europe as well as its economic cooperation with Western Europe would be jeopardized in the event of invasion is undoubtedly not enough to impose "restraint" on the Soviets if they genuinely are afraid of losing Poland. But that idea cannot help but have a role to play, if only at the margin. A Reaganized West supplying the USSR with pretexts rather than both positive and negative incentives would have trouble playing that role. Now then, if nobody plays that role, and in the absence of military pressures nobody is dreaming of, what tools would still remain to influence the fate of Eastern Europe and Poland most of all?

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Yet it is still necessary firstly for these tools to exist and secondly that they be used. The first requirement rules out unconditional cold war and indefinite reduction of economic cooperation. The second one rules out unconditional detente and refusal to contemplate breaking off that same cooperation in the event of invasion. The contrast between Europe, where an imperfect "structure of peace" exists, and the rest of the world, which is increasingly the scene of violent global conflict, is a reality, and a reality which is good both for peace and for Western and Eastern Europeans. But in order to preserve that peace, it must be risked. The mistake of the leaders of Western Europe has not been to want to preserve detente: it has been to conceive of detente as a "modus vivendi" with leaders such as Honecker or Gierak and to believe that it could be isolated in relation to both Soviet activities in the rest of the world and the evolution of societies of Eastern Europe. The idea of European peace is not an illusion, nor is that of "restraint" or of "moderation;" on the other hand, what is an illusion is to conceive of detente as static, and indeed even identify it with stabilization.

The situation of the two Europes is essentially dynamic even though it progressively unfolds in a relatively fixed framework; everything lies in knowing from what side the wind is blowing. A mixture of competition, cooperation, and deterrence can be used to mitigate the division and dependence of all Europe. Yet in order to have that we must, on the one hand, have both the courage to resist and the courage to conduct a dialogue, and, on the other hand, know that our destiny is being played out beyond our borders. Western Europe will only keep its particular peace and prosperity if it contributes towards containing Soviet expansion in the rest of the world, in particular in the Persian Gulf. It will only avoid being Finlandized if it devoted itself to the goal of helping to Finlandize Eastern Europe.

Arms Control; Economic Relations

Paris COMMENTAIRE in French Spring 81 pp 20-21

[Article by Thierry de Montbrial--government-certified chief mining engineer; professor and chairman of the Department of Economics at the Ecole Polytechnique since 1974; director of the French Institute of International Relations since 1979; among his publications are: "Economie theorique" [Theoretical Economics] (P. U. F., 1971), "Le Desordre economique mondial" [World Economic Disorder] (Calmann-Levy, 1974) and "L'Energie: le compte a rebours" [Energy: The Countdown] (J. C. Lattes, 1978)--: "On East-West Relations: Remarks on the Arguments of R. Lowenthal"]

[Text] Richard Lowenthal's argument is built around the idea that the preservation, or the restoration, of a balance of strength and the pursuit of negotiations with the Soviets to reduce the risk of war are not alternative solutions but are complementary ones which are important to carry on in parallel fashion. The argument therefore challenges the dominant current of opinion in the United States which attributes current Western weakness to "illusions" about detente and denigrates the work of Kissinger, who is relegated to the camp of the doves. However, Lowenthal emphasizes that Kissinger's mistake was to contribute--in what he said rather than what he meant--towards detente being interpreted as a process leading ultimately to a "stable structure of peace."

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He distinguishes five sources of instability in the current international system: military balances in the strategic field (above all in the area of medium-range missiles) and on the regional level (temporary Soviet superiority in certain regions including the Gulf) being called into question; "territorial gains" in favor of the Soviets but also in favor of the West (China); spontaneous developments in the Third World which have affected the West more than the East; Western problems (economic crisis, American demoralization connected with the Vietnam War) which have allowed the USSR to gain ground; and, preparation for the leadership change in the Soviet Union. The crisis in East-West relations was precipitated by the USSR's rejection of the negotiating offer made by NATO in December 1979 and by the invasion of Afghanistan. Three options were possible then: to take measures which would reestablish balance (theater forces modernization and "Rapid Deployment Force"); to further "punish" the Soviets, particularly by calling the SALT treaty into question; and, to use the effort to reestablish balance in the military field to lead the Soviets to the negotiating table. Choosing the third option, Lowenthal concludes by proposing an overall policy set out mainly along four lines:

- 1) The reestablishment of the balance of strength by building up a capability for intervention in the Third World; Americans must reinstate the draft and Europeans must take on responsibilities in this area effectively.
- 2) Simultaneous resumption of negotiations with the Soviets on arms control measures: Lowenthal rejects the policy of "linkage" and feels that resistance to the Soviet Union in the Third World must be organized with appropriate means.
- 3) Preserving East-West economic relations: Lowenthal does not believe that the capitalist system offers many means for maneuvering in this area. He supports the argument according to which the West must help develop the USSR's energy resources, and he hopes in this way for less pressure on the Near East from that country.
- 4) With regard to developments in Eastern Europe, maintaining the policy of the last few years (encouraging a certain amount of liberalization but not anti-Soviet rebellion).

Richard Lowenthal feels that the effort to reestablish military balance will be more easily accepted by public opinion in Europe if at the same time all roads for making peace are explored.

I share the author's views completely regarding the complexity of the current international crisis. The strength of American reaction matches their torpor of the last few years which has allowed the Soviets to take greater advantage of all opportunities. In addition, the causes of most problems in the Third World are, at least to begin with, extraneous to East-West rivalry. With regard to solutions, Lowenthal's recommended policy seems in the medium term quite reasonable to me, with one or two reservations which I will point out below. Besides, General de Gaulle's famous three-part ensemble (detente, defense and cooperation) surfaces again. Nevertheless, one must not advance in this direction with great haste. Is not the relative moderation which the USSR has been showing for a few months the direct consequence of the fierceness of American reaction?

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Without that fierceness, would not the Europeans have continued on their merry way, and would they have adapted themselves to the idea of a necessary reestablishment of the military balance to which they must themselves contribute? (On that subject I leave aside the question of Europe's small countries whose self-Finlandization, to use a word which has unfortunately become generally accepted, is already quite advanced).

In the area of "arms control," there is still considerable danger of confusing ends and means. Negotiation per se does not increase the chances for peace. The idea, which Lowenthal shares, that the mere existence of negotiation on "arms control" reduces the risk of a nuclear conflict seems to me to be without a logical foundation. Before negotiating one must know exactly what one is asking for and what one can get; that requires some time. In fact, a pause is probably necessary after a period in which too much has been asked of "arms control." As for the idea of "linkage," it will not be possible to eliminate it totally, especially as long as the means of local resistance are insufficient or inappropriate. Besides, can one conceive, for example, of a Soviet intervention in Poland not affecting the resumption of strategic talks?

In these very delicate matters, Americans and Europeans (regarding the latter, the use of the plural is essential here) will have to make an effort at mutual understanding which on the part of statesmen will necessitate great efforts varying according to the different reactions of public opinion in the various countries of the Atlantic Alliance. In any event there is a very real danger of a serious "transatlantic" crisis in the months to come.

My principal reservation to Lowenthal's arguments relates to East-West economic relations. The need for detailed reflection on the different aspects of their future development seems imperative to me. The growing interdependence resulting from trade expansion is probably not symmetrical in this case. Have the possible consequences of massive imports of Soviet natural gas been assessed, imports which 5 years from now could represent more than 20 percent of France's supplies and 30 percent of the FRG's? Moreover, the argument according to which it is in the West's interest to help the Soviets develop their own energy resources must be subjected to criticism to say the least. Would not such aid be an indirect way of furthering Soviet efforts in the defense area? Would their pressure on the Gulf really be lessened?

I do not claim to have the answers to these questions. Still, they must be asked.

Results of Vietnam, Detente, SALT

Paris COMMENTAIRE in French Summer 81 pp 181-187

[Article of Raymond Aron: "The Shattered Balance: Comments on a Debate"]

[Text] Pierre Hassner has performed the role of mediator between R. Lowenthal and L. Labeledz with his customary and unsurpassable subtlety. I will not commit the folly of competing with him, especially since I subscribe to most of his conclusions. I shall propose to pick out some themes from the debate and make several comments on the subject.

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The debate starts out from an observation that nobody disputes: the deterioration in the balance of strength between the two big powers at the expense of the United States, and between Warsaw Pact and NATO troops at the expense of the Western countries. Once this fact is acknowledged, several questions arise.

Responsibilities: Vietnam or Detente?

By way of simplification, one can say that some put the emphasis on Vietnam and others on detente. I am inclined toward the side of the first faction when I argue as an historian. Quite obviously it was the war, ended by a humiliating defeat, which gave rise to the turnabout of opinion in the Congress, in the political segment of the population, in the universities, and finally among the people themselves. It was the Vietnam syndrome and not detente which paralyzed American diplomacy during the 1970's. Statesmen and journalists who had criticized American intervention in Vietnam, Kennedy's and Johnson's policy, were right; events justified their fears or their warnings. Let us add that Watergate was not foreseeable nor was it a necessary effect of the Vietnam War. In the absence of Watergate, the North Vietnamese would not have unleashed the broad attack of 1975. In the last analysis, the South Vietnam regime was not overthrown by revolution but was destroyed by a military invasion.

If I am writing no longer now as an historian but in a political vein without questioning the causal relationship of Vietnam to the decline of the United States, there also appear to me to be other things which themselves bear obvious responsibility. What right did the Democrats, the Kennedy followers, have to turn themselves into prosecutors of Nixon and Kissinger, men who received Kennedy's and Johnson's legacy? Democrats, who to a greater extent than Republicans had provided the inspiration for the postwar diplomacy of the United States, ended up repudiating themselves. "Containment" was condemned because it had led to the Vietnam War. On the other hand, no one, or almost no one, asked himself about the causes of the defeat itself. Could the war have been waged differently? Was it strength or will which was lacking? What lessons were to be drawn from the experience?

Detente, a French word adopted by the entire world, entered into diplomatic parlance in the 1950's after Stalin's death. Detente rapidly replaced "thaw" and its use was recognized on a lasting basis after the missile crisis in Cuba in 1962. The first arms control agreement was signed in Moscow in July 1963 (partial suspension of nuclear tests). From that time until his retirement in 1969, General de Gaulle argued for and started off detente policy (diplomatic trips to Moscow, Warsaw and Bucharest, and trade between East and West, with the prospect of "detente, friendship and cooperation").

Willy Brandt's "Ostpolitik" started in 1969 when the SDP-FDP coalition was cemented. H. Kissinger followed the first steps of German diplomacy with suspicion. Was this diplomacy connected to the Vietnam War? Perhaps it was indirectly. Officially the Bonn Government supported American action in Vietnam. Public opinion, especially leftist opinion in the Socialist Party, was inclined towards the cause of the Vietminh. The initiators of "Ostpolitik" were being prompted by several considerations. Since the French were taking the road to Moscow, why not follow their example? Since Western countries were not able or did not want to set about doing anything for Germany's reunification, why not try another route? To officially accept the territorial status established in 1945 was to favor movement since tension was having the effect of freezing the "status quo"; the treaties

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signed by Bonn with the Soviet Union and the Sovietized states of Eastern Europe, treaties which were a substitute for such treaties as traditionally record the results of hostilities, did in fact facilitate relations between the two Germans, between the two European blocs.

Detente in the Old World resulted not from an American decision or preference but from decisions which were first French and then German. The Americans--Kennedy, Johnson, Ford--were interested above all in their privileged dialogue with the Soviets on two subjects: arms control, and the forms of their competition in the rest of the world. Therefore, if detente is being called into question, it seems to me only appropriate to differentiate the three meanings or applications of that word: the Franco-Soviet rapprochement, the "Ostpolitik" of the Germans, and the arms control of the Americans (the 1972 agreement and the treaty's apparent "linkage" with a code of good conduct signed by the two superpowers). Thus we come to a second question: assuming that the Vietnam War was the major cause of American weakness of the 1970's, what were the consequences of Soviet-European detente on the one hand and Soviet-American on the other?

Detente

The Americans took the initiative in arms control. Starting at the end of the 1950's a powerful lobby made up mostly of academics, particularly scientists, devoted itself to convincing the government that negotiations with the other superpower would lessen the major peril, that of nuclear war. Little by little a doctrine came to be dominant in Washington: the radical separation between, on the one hand, long-range nuclear weapons, the subject of an agreement, and, on the other hand, other weapons and diplomatic conflicts. Now then, these agreements, called SALT (strategic armaments limitation talks) presupposed the acceptance by the two big powers of equality or equivalence. If equality or equivalence implies the lack of capability of the Soviet Union as well as the United States for a counterforce first strike, is there a form of deterrence remaining other than "mutual assured destruction," so-called MAD?

Whatever the circumstances, a MAD situation weakens deterrence. If one's capability to destroy the other one is accompanied by the certainty of being subjected to the same fate as one's enemy, the threat to carry out such a threat becomes credible only in extreme situations. One can certainly conceive of using nuclear weapons against enemy military strength without bombings of cities. The accuracy of missiles in fact makes exchanges plausible which would not entail the destruction of the belligerents. But the acceptance of MAD doctrine logically called for strengthening of conventional weapons, because of a heightened probability of hostility on a lower-level than that of nuclear weapons. However, in the course of the 1970's the Americans did not react to the excessive Soviet arms build-up. They did away with conscription and strove to deal with the SS-18 threat hanging over the "Minutemen" by negotiations. Of course they did not succeed. SALE II is not satisfactory because it reflects the relative inferiority of the United States.

It seems that Nixon, Ford and Kissinger attached extreme importance to arms control negotiations and agreements. Arms control alone made up at least 50 percent of detente.

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Carried along by the irresistible fervor of politicians to "sell" their exploits to the public, neither Nixon nor Kissinger enlightened public opinion as to their underlying thought, that is to say the thinking that I attribute to them. I doubt that they believed in detente as the dawn of a new international system; I doubt they believed in the Soviet Union having been converted, having case aside expansionism and been reconciled with the current state of the world. In order not to capitulate in Vietnam, Nixon and Kissinger took up again with Beijing--which was good--and spoke, if not acted, as if Moscow would help them to get out of Vietnam at the lowest cost.

After the Treaty of Paris, Kissinger had the dubious glory of maintaining the United States presence in the world while the president, besieged by his domestic enemies, was sinking gradually into nothingness. Nixon had done away with conscription, and Kissinger did something foolish by declaring one day that, in the area of nuclear weapons, superiority and inferiority had no more meaning. During the Vietnam War, tens of billions of dollars were going up in smoke, in bombs, in weapons at a time when the Soviet arsenal on land, on sea, in air and in space was being added to. To see a military budget increase get back on the agenda people had to wait until the second part of Carter's term of office, at a time when candidate Carter in his election campaign was promising a reduction in that budget.

Was the ideology of detente the cause of the Nixon-Ford-Nixon [as published; probably should read "Nixon-Ford-Kissinger"] policy? Instead it served to transform a policy which was partially constrained by circumstances and partially adapted to the state of mind of the Congress. The Vietnam War cost much money, and Nixon resigned himself to a military budget which was tolerable for the Senators and Representatives. When the war was over neither Nixon at the start of 1973, already a condemned man, nor Ford, nor Carter had the courage to alert public opinion and to explain that the dollars saved thanks to the end of operations in Vietnam should be used in restoring the military machine.

Today Kissinger argues that Congress would not have granted him more funds than he asked for in the event, that he was never fooled by detente, and that he countered the Soviet Union whenever he had the means to do so. This defense, which in large part I accept, has a flaw. As a democracy, can one simultaneously praise detente and warn against Soviet expansionism? To be sure, that expansionism, which as distinguished from Hitlerian expansionism exploits opportunities but does not seek large-scale war, does not preclude the possibility of specific agreements on this or that subject (for example on nuclear weapons). Intellectually speaking, a policy of simultaneous rearmament and negotiations is in no way contradictory but, on the contrary, is unavoidable. However, the **vocabulary** of detente must not make the arms effort incomprehensible and unacceptable. The fact that Nixon and Kissinger, who belong among the hawks, most often spoke the language of the doves weighed heavily on the diplomatic debate for a long time, and it still does. The Reagan team will come up against Democrats who will hark back to the words of Republicans between 1969 and 1977.

Detente did not exert the same degree of influence in both Europe and the United States. Trade between the United States and the countries of Eastern Europe only increased modestly. Some advanced technology items and grain were bought by Moscow without either of the two countries feeling commercially dependent on the other.

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It was another picture in Europe: trade between the two German republics are of more use to East Germany than West Germany, but the latter would not willingly give up that trade because it maintains in some fashion the unity, past or future, of the German people. For the FRG, France, Great Britain, and Italy, Eastern Europe now constitutes a market which is not to be looked down on although it only represents a few percent of their total trade (between 3 and 5 percent). In times of unemployment and slump, capitalist democracies have difficulty in giving up orders for their goods.

But the point should be clearly made that governments are leaving themselves open to forceful arguments. If we must rearm in order to face up to a Soviet threat, why are we selling goods which contribute to the military power of the state which we point to as a potential enemy? It is one thing to maintain trade relations of a conventional nature which are possibly of use to all trading parties, but why give particularly favorable credit terms? I am not going to concern myself with the argument, to so-called Pizar argument, which was in some favor in France's governing circles a few years ago. Both J.-J. Servan-Schrieber and Valery Giscard d'Estaing wrote prefaces for books by Mr Pizar. I doubt that the latter still has many disciples today.

Detente's Consequences, In the East and In the West

What conclusions can be drawn about detente's advantages and drawbacks for the one group of countries and the other? P. Hassner is inclined toward a general conclusion: that detente weakens the cohesion of the two blocs and destabilizes both one and the other. Perhaps he is right. However, I wonder if the Polish revolt is in fact connected to the semi-reassured climate of relations between the two parts of Europe. The modes of government in each of the Sovietized countries depend more on national circumstances than on broader politics. Czech normalization is still harsh, and Hungary continues to have the benefit of allowances and freedoms which Bulgaria's party does not demand. Internal Stalinism as well as the relative autonomy of Romanian diplomacy owe more to Ceausescu and his team than to Moscow and Washington. Assuming that a new "cold war" were to replace the present "detente," would Moscow be tempted to bring all of its allies to heel again? It is doubtful; with or without detente, time passes and situations change. The countries of Eastern Europe have adapted themselves to geopolitical constraints, each one in its own way. A new East-West tension would not restore the Soviet bloc to the Stalinist discipline of the late 1940's.

The impact of detente on Western Europe seems to me both deeper and more dangerous. In spite of the existence of the two German states and in spite of Berlin's "abnormal" status, Europeans have gotten accustomed to the "consequences of the last world war" and make jealous efforts to maintain this "status quo," the precariousness of which seems to gradually lessen the longer it lasts. The Germans look to Washington to maintain their security for the time being and look towards Moscow to restore their unity some day in the more or less distant future. At any rate they do not intend to get involved in conflicts outside Europe. The small states of Western Europe respond even less to the American request that they shoulder their part of the defense burden. Great Britain would like to be faithful to its imperial tradition and to the extent its resources allow would agree

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to cooperate with the United States in Asia, the Middle East and Africa. Among all the European Community partners, France, though it very loudly proclaims its diplomatic independence, is becoming the ally of the United States most disposed to participate in the "new containment" in Africa or even in the Near East.

Whatever the shades of difference in attitude among the different countries of Europe, the tendency common to all on crisis occasions (for example when Soviet troops entered Afghanistan) is clearly demonstrated: the tendency to blame Soviet behavior, to approve American sanctions as a general rule, and not to jeopardize European stabilization. Curiously, the same Europeans who became indignant at the words of Henry Kissinger (the Europeans have regional interests, the Americans have global responsibilities) are trying hard to confirm the former secretary of state's opinion. From their side, the Americans are inviting the Europeans to become aware again of their place in the world and of their dependence with regard to events occurring far away, in Kabul or in Tehran, around the Persian Gulf.

In Carter's time European governments deplored most of all the weakness of the governing team in Washington, unable to speak with a single voice and to make decisions. A president who exhibits his resolve to restore a balance of strength and stand up to Soviet expansionism is being welcomed with hope, not without anxiety in Bonn and staunchly in Paris. But at the same time H. Schmidt and Giscard d'Estaing would both one and the other like to jeopardize their "privileged" relations with Moscow as little as possible.

What Is To Be Done?

Having said that, what is to be done? Broadly speaking, all those who are saying something in the debate agree on several directives: increase military expenditures, in Europe as well as in the United States; toughen up the rules of COCOM [coordinating committee] (the Atlantic alliance committee which authorizes or prohibits technological exports to the Soviet-bloc countries); and restore political as well as military balance. But all one has to do is move from the general to the specific in order for the differences in opinion to emerge.

Is it advisable to teach the Soviets more effective methods to exploit their petroleum reserves so that they will have less need to buy any in the Gulf region and to destabilize the countries which produce black gold? R. Lowenthal recommends this gamble, seemingly without hesitation. Personally, I would not do it. To strengthen the enemy in order to divert his ambitions or appease them rarely seems advisable to me, and never does vis-a-vis the Soviet regime. Its oligarchs would despise us even more and would once more recall Lenin's phrase about the rope on which capitalists would be hung after having put it together themselves.

Another more important question relates to arms control and negotiations regarding theater nuclear weapons. On this point I share P. Hassner's skepticism. When it comes down to it, "arms control" doctrine has done more bad than good, more bad than has detente's rhetoric. The first SALT accord did not slow the Soviet nuclear armament effort in any way. On the other hand, it gave people to understand that it was preventing an imbalance between the two big powers. But it did not prevent

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the Soviets, who were entitled to a number of missiles nearly 50 percent greater than that of the Americans, from "mirv"ing those missiles in turn and from inserting large missiles (SS-18's) into launching pads, missiles which the American negotiators dreaded and wanted to prohibit. Negotiating from a position of weakness, the Americans justify SALT II by the argument that in this treaty's absence the Soviets would be assured of an even greater superiority (they would be able to put not 10 but 20 nuclear warheads into SS-18 missile heads). The Americans have convinced themselves that an agreement on limiting nuclear weapons constitutes an objective in and of itself. The Soviets, more like politicians than technicians, are seeking via these agreements political or strategic advantages.

Nowadays it is the Europeans who are pushing the Americans to ratify SALT II and to negotiate with the Soviets concerning SALT III, with regard to the modernization of theater nuclear weapons--an irony of the workings of diplomacy. The few European statesmen who attentively follow arms control negotiations and understand their subtleties have no liking for SALT. Generally speaking, an agreement limited to "transatlantic" arms as it were tends to separate the "central balance" from balance regarding the European theater (to speak in the jargon borrowed from the Americans). This feeds the anxiety of Europeans: the territories of the two big powers would be spared, and hostilities if they were to arise would occur in the intervening area, therefore in Europe. So, rationally speaking, Europeans must wish for "recoupling" between the "European theater" and the "central balance," a recoupling which SALT II shatters. Therefore, they must not merely accept in a hesitating manner but must actively call for the modernization of theater nuclear weapons (intermediate-range missiles). To counter the Pershing II and cruise missiles program, the Soviets have set off an intimidation campaign which has not yet succeeded but which strengthens individuals and parties in the Federal Republic of Germany, Belgium and the Netherlands hostile to rearmament because of their pacifism or neutralism.

The Reagan Administration will be compelled to negotiate with Moscow concerning the modernization of theater missiles primarily because the German chancellor would not manage to obtain the support of his majority and the German people if the United States rejected dialogue with the Soviet Union. Such negotiations have little chance of succeeding. The Soviets want to stop the installation in Europe of missiles able to reach their territory. The goal of completing theater missile modernization for those in the West is specifically to install missiles which reach Soviet territory and which at the same time restore continuity between regional deterrence and central deterrence.

Why the hesitation from a number of Europeans? There seems little doubt to me about the answer to that question: it is pacifism or neutralism, nourished by, to be honest, fear. Europeans do not believe that the Soviets are contemplating a direct military offensive against NATO--and rightly so. They also know that the Soviets are confident of an increased superiority in Europe in conventional weapons and, in addition, in missiles such as SS-20's which because of their accuracy can destroy the vital centers of NATO's defense without devastating the whole of Western Europe. From that certain people conclude that Europe's security depends less on the American umbrella than it does on Soviet prudence. Suddenly it seems more important to them not to provoke Moscow's oligarchs than to strengthen the

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system of deterrence. Less confidence in American strength--less fear of a military attack coming from the East--resignation to and accommodation with Soviet predominance in advance--these feelings are mingled in the consciousness of Europeans and particularly Germans. Now then, the future of Europe during the next few years depends on the Germans, on public opinion in the FRG. And the understanding reached between Bonn and Washington will in large measure determine public opinion in the FRG.

What are the prospects for dialogue between H. Schmidt and R. Reagan? Leaving aside imponderables and personal affinities or antipathies, there remain, under Reagan just as much as under Carter, two subjects about which differences of opinion seem more probable than harmonious cooperation: the financial participation of each one in the rearmament effort, and the German (European) contribution to the "new containment" outside Europe.

As Laulan writes in his latest book, the Europeans up to now have not paid for their security themselves, and the Americans no longer have at their disposal a sufficient lead in productivity to let the Europeans have the economic benefit of a lesser responsibility for arms. And the controversy over percentages of national product devoted to defense or over the annual rate of increase for the defense budget normally ends up in compromises rather than in a commotion.

On the second subject, the attitude of Europeans with regard to what goes on outside their little promontory sticking out from Asia, there is a danger that the difference of opinion is more serious. With his usual aptness, Pierre Hassner specifies what is desirable:

"The contrast between Europe, where an imperfect 'structure of peace' exists, and the rest of the world, which is increasingly the scene of violent global conflict, is a reality, and a reality which is good both for peace and for Western and Eastern Europeans. But in order to preserve that peace, it must be risked."

Let it be risked. That structure of peace would be less imperfect if the Soviet Union did not regularly strengthen its army which in East Germany is not meant to maintain the cohesion of the "imperium" but to intimidate Western Europe by a threat of invasion--a threat which compels Western countries to make an arming effort themselves. Beyond the basic imperfection of this structure of peace, a major question arises: do there exist statesmen as intelligent as Pierre Hassner to hold on to both ends of the chain? Are they in fact able to hold on to both ends of the chain? Are they able to revive a spirit of defense in their nations if they are granting favorable credit terms to the enemy against which they are rearming? Can they risk the "structure of peace" in Europe tomorrow by interventions outside Europe against Soviet expansionism? Can they keep their freedom of action in spite of an increased dependence vis-a-vis trade with the East and delivery of Soviet natural gas? How will Europeans become aware that "our destiny is being played out beyond our borders" when leaders at every opportunity remind them of the higher imperative of safeguarding detente?

A mixture of competition, cooperation and deterrence: the analyst is not mistaken. But what will be the statesman's rhetoric? And will the peoples understand? Can action be inspired by the subtlety of the analyst?

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