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West Europe Report

(FOUO 8/82)



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ECONOMIC

ITALY

FIAT'S ROMITI ON INDUSTRY'S PROSPECTS FOR '82

Milan PANORAMA in Italian 11 Jan 82 pp 80-82

[Interview with Cesare Romiti, managing director of FIAT, conducted by Giuseppe Oldani, date and place not given]

[Text] The pie has shrunken. "We are in a recession," says FIAT's managing director. And Italian industry will ask for more sacrifices to enable it to modernize: from the unions, asking them to be more flexible in upcoming contract negotiations, and from the government, asking it to reduce interest rates.

Once upon a time there was a myth that held that the word "layoff" would henceforth be stricken from the Italian language.

Once upon a time there was another myth, the one that said the state should always be willing to bail out private industry when it got into trouble, then go on losing its own money without too much pain.

And then there was the myth that said it was always a good idea to incur debt rather than finance your investments yourself, since everybody knows that inflation is most helpful to the man who flings himself into debt up to the neck, with the help of friendly banks.

Now, almost overnight, all these certainties that since 1969, since those months of the hot autumn, all of us without exception -- politicians and union members, industrialists and bankers had held so dear, have suddenly vanished in the face of a crisis that has somehow become a structural given, rather than a passing twinge.

In short, the comb has hit the snarls. But has the comb got all of them? Or are there still some nasty surprises in store for us? PANORAMA asked that question of Cesare Romiti, managing director of FIAT.

Question: The government's intervention in production through primarily state-owned companies is going through a period of stagnation and there are even those who talk of opening them up to private investment, either through joint ventures or through transfers. Why, in your opinion, is this phenomenon growing in Italy now, while in

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France a socialist government has drawn up a plan of action which promises precisely the opposite? And what will be the impact of these disparate philosophies on the economies of our two countries or, for that matter, on the rest of Europe?

Answer: Even so, it needs pointing out that the beginning of this decade, in all industrial systems, brings to light widespread and far-reaching processes of readjustment to cope with changing conditions in the area of competition. One need only consider the slowdown in growth, the growing costs of energy and raw materials, the entry into the world markets of new and extremely aggressive rivals (several Asian countries, Japan at the head of the list, followed by the developing countries), the profound technological revolution, and the on-going changes in the qualitative makeup of the labor supply.

The glib couplings (I am referring to some literary works that would lump Italy and Great Britain together as "the sick men of Europe"), like the contrasts ("the disparate philosophies" define for you the aspects of the policies coming out of Rome and Paris), I think may turn out to be misleading. Particularly if, as we duly mark down the predominant political valences of the individual countries, we neglect to make due allowance for the cultural and economic hinterlands of these countries. Naturally, the countries which in the early half of the Sixties had lower productivity rates must make up for lost time and therefore are called upon to work more decisively and more rapidly if they do not want to widen the gap that already separates them from the more advanced countries. Italy is certainly among the former but only just lately has there been broadening awareness of this fundamental requirement. Even so, it seems to me we can arrive at a least common denominator for Europe: behind the plant walls there is a trend toward increasing and improving efficiency, introducing modifications in job organization and in the productive processes, whose aim is to cut unit costs of product.

Insofar as Italy is concerned, there has thus far been a shortage of political initiative, a lack which I should call critical, not only with respect to our country's backwardness, but also in view of what has been happening of recent years in the countries that are our competitors. Even so, there are some encouraging signs on the horizon. One of them is certainly the declared determination to orient state-participation industries toward efficiency and competitiveness, by taking the requisite measures for streamlining, including whatever cuts in the payroll may turn out to be needed.

Question: Another of the myths that seems to be wobbling is the one about job security in big corporations. Starting with FIAT's decision back in 1980 to deal with the labor productivity snarl by means of mass layoffs, and right up to the recent plans of the state-participation sector to reduce the number of jobs in sectors like chemicals, steel, electronics, and automobile manufacturing, we have had a succession of decisions that have long been put off and which tend either to restructure their employment base along leaner lines, and/or to boost the productivity of what workers remain in the plants. Why are we only

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now beginning to deal with this problem? And what basic impact will it have on the country's growth over the next few years?

Answer: Italian industry stands in urgent need of a competitive spurt. We are in the midst of a recession: the "pie" is smaller and we cannot afford to waste even a crumb, bearing constantly in mind the aggressiveness of our new competitors, who have moved in among those we might call the traditional ones.

When you are in an expanding market situation, the proper response is to expand the volume of production. At the same time, you feel less pressing need to monitor the level of efficiency. However, I believe there is no dodging the fact that FIAT, even in the second half of the Sixties when, for example, the automobile market was booming, did not flinch from alerting management and labor to the dangers of neglecting productivity problems.

But it is precisely during hard times, like the ones we are going through now on a global scale, that it is "real" employment, by which I mean productive employment, that counts, because only from that kind of jobs can we draw the resources necessary to implement a social policy to help the unemployed, and, above all, to stimulate new productive activity and thus, down the road, create new jobs.

Question: Yet another profound alteration in the world economy seems to affect relations between industrial power and financial power. Whereas in the past the fortunes of the great entrepreneurial families were built on plants, today the feeling noted by many observers is that accumulation of wealth depends far more than it used to on financial and real estate operations. Just how accurate is this interpretation? And what effects will it have on power relationships in Italy?

Answer: The current economic recession has two aspects: one transitory, and the other structural. In Italy it is hard to see just where the boundary lies between these two aspects, because they get entangled and sometimes coincide. What attitude could the entrepreneur take in the face of this situation?

There are some pessimists, who find the structural aspects -- the stubborn, ingrained ones -- most important. They perceive great historical processes of change, and they feel inadequate to adapt to them. These entrepreneurs understandably tend to disappear from the scene. It has already happened many times in the past.

Then there are the wait-and-see types, the ones who see the transitory aspects most clearly. They are willing to tighten their belts, sure that they can get back up to normal once conditions improve. Meanwhile, they stop making investments, put a lid on innovation, and downgrade the quality of their product.

There is, though, a third kind of entrepreneur: the truly tough ones, the far-sighted ones, who take advantage of bad times to do some hard

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thinking about their own corporate identity, and to get their own house in order. They analyze their own areas of strength at the product level and at the organizational level, and they restructure them; if necessary, they scale down their operation so as to be able to ride out whatever storms may come. This is the kind of entrepreneur we need today. Especially in Italy. Unfortunately theirs has not been an abundant species of late years; they have been crowded out by others with an eye to finance and real estate, the same ones who have often wound up as industrial disaster areas.

Maybe it's too easy to be a financier; it's too hard to be an industrialist. But once he fails to give priority to the production side, even a financier is going to have to find some other line of work. I can venture to say that, because I have achieved the production minimum, where I intend to keep on operating, with a good many years of financial experience behind me.

When we go forth rejoicing to greet recovery, we shall find with us only the real entrepreneurs: there is no longer any room for superficiality or for last-minute improvisation.

Question: The ability of big corporations to handle their own financing seems to have vanished, and the problem of finding enough money to pay for operations and expand investments has become crucial. What kind of distorting forces can bring about such a situation?

Answer: In Italy, financing outside the corporation is far more common than it is in other countries. In fact, on top of the traditionally smaller capacity for in-house financing -- a condition, incidentally, which Italy shares with Japan -- we have got in recent times the enormous growth in public indebtedness. The Italian family's very strong propensity to put every spare lira into savings is no longer adequate to satisfy both the needs of the productive system and the insatiable demands of the national debt. Caught in this bind, there is danger of strangulation for the process of innovation and growth in the industrial system, and not only because it is squeezed out of the market, but also because of swollen interest rates, which presuppose returns on investment incompatible with the real current potential of the Italian economy and its competitive strength.

Just recently, the people in charge of steering our country's economic course have become aware of the gravity of this situation, and have themselves voiced the need to reduce interest rates. That is a step we must take as quickly as possible if we want to prevent the inability of the weaker portion of our industry to meet its financial commitments from adding still another element of tension to a state of affairs that is already too difficult.

Question: To go on to matters more intimately connected with the current situation, Italy still suffers from a very high rate of inflation by comparison with its foreign competition. In your view, is an all-out fight against inflation more important than determined action to save jobs? And how does the exchange rate of the lira fit into this whole picture?

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Answer: I see no contradiction between fighting inflation and expanding production and hence providing more jobs. It is all too evident that, at least in the industrialized countries where we have large unused productive capacity, inflation and recession go hand in hand. The peculiar point about Italy lies in its higher relative inflation rate: this means that we have home-grown sources of inflation all our own, which must be rooted out or at least brought back under control. The government has put its finger on the right spot to step in: taper off on automatic cost-of-living wage hikes; put limits on public spending; and stimulate productivity.

We can already glimpse some encouraging signs (a ceiling on inflation; limits on the deficit; easing of the "fiscal drag"), but they still look too weak and uncertain to amount to any significant change of course. Even though inflation sometimes seems to be tapering off, it is still running at double the European average. This great a disparity is obviously not without its impact on the exchange rate.

Question: One last question: FIAT. What kind of year was 1981 for the biggest privately owned Italian corporation, and what does 1982 look like from here?

Answer: On a year like 1981, which was unquestionably one of the worst years for the economy since the end of World War II, FIAT will close its books with an industry profit which will be significant and, for the first time, will be consolidated and certified.

It must be noted that FIAT enjoyed the advantage of diversification of its activities outside the automotive sector. All the other automotive companies, though, are feeling the pinch of the current slump in the industry.

But even in this sector, notwithstanding the loss of South America-- where the market literally took a nosedive -- our overall picture is better than that of the other companies, while our marketing figures are excellent: our market share in Europe rose significantly from 12.8 in 1981 to 13.6 percent over the past twelvemonth. That record put us in first place among all automakers with sales in Europe. And we did it in the teeth of the overall decline in demand.

While we are talking about the diversification that is FIAT's hallmark, I must add that every company in the group, with the exception of those in steel, showed a profit last year. Some of them showed very nice profits indeed. For example, Iveco boosted its sales by 33 percent across Africa and the Middle East, and our tractors showed comparable gains.

Our volume of business showed a growth of 22 percent for 1981: and that means a marked increase in real terms, since the inflation rate we have to work with is not Italy's but the average for the countries we operate in. Our indebtedness, meanwhile, is unchanged.

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According to widely accepted predictions, 1982 will be very much like 1981 for the automotive industry. Some recovery is predicted for 1983. FIAT, though, is not standing still and waiting for the markets to come back to life; that would be a losing, give-up policy. FIAT has invested and plans to invest a total of 4.7 trillion lire from 1980 to 1984 in its automotive sector alone: and that figure does not include expenditures on research and planning (around 300 billion each year added to our costs).

This effort will enable us to keep our place among the top companies in the world when it comes to technology, innovation, and quality. We shall be able to win the game, though, only if we are competitive across the board, and that includes prices. And that leads us into the matter of labor costs. I repeat once again that there is often far too much precious time wasted on idle chatter.

We have repeatedly called for scrapping the 1975 pact on the single point of the economic situation. There remains nothing left to do but to deal with the issue when the contracts come up for renewal at the end of 1981, partly to put labor's good faith to the practical test.

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ECONOMIC

SPAIN

ECONOMIC CONDITIONS EXPECTED TO IMPROVE IN 1982

Madrid CAMBIO 16 in Spanish 16 Nov 81 p 75

[Text] In 1982 there will be a clear shift in the direction we need to go if we are to solve economic and social problems that have been affecting the Spanish economy. Despite this, however, still we will be far from resolving these problems definitely. These are the conclusions of a comprehensive report on the Spanish economy in 1980 and its short-term prospects, recently prepared by the Ministry of Economy and Trade.

"There are a number of positive factors in 1981 which if coupled with more favorable international circumstances in 1982 and with the positive impact of the National Agreement on Employment, permit us to see an upswing from the crisis in 1982," as Anselmo Calleja, director general of economic policy and welfare explained to CAMBIO 16.

A Healthier Economy

To Calleja, there are four positive factors in the 1981 balance sheet, which can be confirmed by reliable data. The first one, a recovery of productive investment ("investment in plant and equipment, above all in modernization and energy savings"). Another positive factor is the behavior of the foreign sector, which is contributing to the economic expansion by means of increasing exports and decreasing imports, in large amounts ("thanks to the foreign sector we are going to have a 1-percent growth this year"). The third favorable point is the moderation of prices, which in the first 9 months of this year have risen 1 percent less than in the same period in 1980 ("we are going to close the year with an inflation rate below 14 percent"). And lastly, the fact that less energy is now required to maintain the same level of production.

"What is happening is that, for the first time since the crisis began, Spain is living within its means. Consumption in the past was financed with higher foreign indebtedness and now resources come from exports and from greater investments. This is the beginning of a healthier behavior of the economy and this permits being more optimistic about the future," Anselmo Calleja explains to this magazine.

But there are gloomy points also on the 1981 balance sheet. "The economy is at a standstill, not only here but in all countries, employment drops and unemployment grows, although at significantly lower rates. This decline should continue, but at a lower rate and I believe that a trend change can begin in 1982," Calleja notes.

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Facing 1982, the first favorable element comes from abroad: the industrialized countries that makeup the Organization for Economic Cooperation and Development think they may experience a 2-percent growth (compared to the 1 percent expected for 1981) and it is estimated that there will be a substantial increase of demands for Spanish exports (about 6 percent compared to slightly under 2 percent in 1981). And if there are good prospects for our exports they are due, primarily, to Spain's improved competitiveness abroad. Wages are reaching international levels and productivity per worker is rising more than in the other countries.

"But undoubtedly, the most positive factor facing us in 1982 is the National Agreement on Employment (ANE)," Anselmo Calleja believes. According to the director general of economic policy and welfare, this will influence the situation positively in three ways: psychologically by improving business expectations ("profit margins will improve and there will not be credit strains"); secondly, by the beneficial effect on prices that will result from a wage increase of 9 to 11 percent (in the face of an expected inflation rate of 13 percent); and third, because the negative employment trend will be broken thanks to greater economic growth, lower labor cost and a significant expansion of public investment.

The Unknown, the U.S.A.

"The biggest unknown in 1982 is the United States. If we have another period of monetary instability, with extremely high interest rates, as in the first part of 1981, Spanish monetary policy would have to harden and that would make recovery enormously difficult," adds Anselmo Calleja, who however is not concerned about energy for the coming year. "And God squeezes but does not choke: I expect 1982 to be a good agricultural year, after a bad one in 1981 which followed the big 1980 crop."

It remains to be seen if private investment is going to revive. "There already is private investment and with the effort of the public sector, 1982 can be the first year of decidedly positive investment. And I believe this panorama will cause business expectations to improve and businessmen will fulfill their responsibility," Calleja notes.

In his opinion, 1981 could be described as "the year in which the economy has adjusted to the crisis," in which Spain has begun to act according to its means. "And this has been made possible by the attitude of the workers. In no Western country, not even in France with a socialist government, have the workers accepted wage increases below the inflation rate to help the economy to come out of the crisis. And it is from this sense of responsibility exercised by the social forces in 1981 that our hope for 1982 is born," concludes Calleja. ANE holds the key.

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Chart:

How the Economy Is Going

<u>Magnitudes</u>	<u>1981</u>	<u>1982</u>
Economic growth (Gross Domestic Product)	1.2	3
Inflation (percent)	13.5/14	12
Foreign deficit (current account in millions of dollars)	5,500	4,500
Unemployment	1.9 million	1.8 million
Credit to the private sector (percent of increase)	17/18	15
Wages growth (percent)	13/14	9/11
Gross investment growth (percent, public plus private)	1.5	5

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ECONOMIC

SPAIN

REDUCED HYDROELECTRIC POWER CAUSES INCREASES IN OIL IMPORTS

Madrid CAMBIO 16 in Spanish 21 Dec 81 pp 52-54

[Text] The long and dramatic drought has wrought havoc upon the Spanish economy, to such an extent that, for the first time in recent decades, the year is coming to an end with a total standstill of production.

Along with the spectacular decline in harvests--in grains the decrease is almost 50 percent--and the destruction of half of our livestock, the widespread absence of rainfall has led to an exorbitant consumption of our fuel oil, which we import and pay for at its weight in gold. For this reason alone the additional consumption in 1981 exceeded 3.2 million tons.

While 2 years ago we could say that it was raining oil in Spain, today the drought that is forcing us to use fuel oil in our hydroelectric power plants has endangered our spectacular energy balance which the economic depression and the effectiveness of our national energy plan had made possible.

For 25 years Spain burned petroleum in growing amounts, ignoring the energy crisis and the rise in prices. In the end, 1981 broke this cycle. And in 1982 Spain will consume 5 million tons of petroleum less than it did in 1981, which is practically 10 percent of its total consumption.

Despite such favorable achievements, the PSOE [Spanish Socialist Workers Party] feels that our energy planning has been a disaster: it lacks imagination concerning the measures to be taken, and the few that have been taken have been uncoordinated.

Jose del Pozo, who is in charge of energy, doesn't believe it is possible for Spain's economy, which has to continue growing, to tolerate a decline in its absolute energy needs. "Therefore," he

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said, "the 10 percent decline in our petroleum purchases has been made possible only through the use of coal, whose 1982 consumption will be twice that of 1977." In 1977, Spain produced 17.8 million tons of coal, and in 1982 coal production is expected to be 35 million tons. The substitution of coal for fuel oil in our thermal power plants to generate electricity and its use in the cement industry are the main causes of this new resurgence of coal.

"Those who said we were crazy for wanting to fill up the country with ashes," said Joaquin Almunia of the PSOE, "now, 2 years later, have come around to our beliefs and have corrected their national energy plan, which called for a predominance of nuclear power, a major increase in fuel oil use, and little attention to be given to coal and hydroelectric power."

The differences between the government and the opposition party on energy are total, if we except one fact: energy is expensive; its price is never going to decline, and we have to get used to conserving or paying a higher price for it.

According to Spain's energy director, the average Spanish citizen is undisciplined, wants high levels of comfort, and is prepared to pay for his comfort. A price policy, therefore, is the only answer.

But the PSOE says that one of the myths that must be dispelled is the myth of comfort as synonymous with energy waste. In support of its contention, it cites as an example the fact that the average U.S. citizen pays twice what the average Swedish citizen pays, and has no greater level of well-being. Joaquin Almunia believes this is a problem of collective social organization, and that this organization must necessarily originate with the government.

"There is no true awareness of the gravity of the problem," said Del Pozo, "and the administration can not take police action to force the people to save. Efforts are being made, but the people only began to become aware of the problem when prices started to rise. The energy chief is convinced that little can be done on a private level. "Gasoline rationing for automobiles would create such administrative problems and would encourage cheating on such a massive scale that it is better not to try it. For heating, measures have already been taken, and CAMPSA [Leasing Company of the Petroleum Monopoly, Inc] is maintaining control over consumption in this area."

The Socialist Party believes that Spain's consumption, which is not very high compared with other developed countries, can not be reduced, but it does feel that increases in consumption can be

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controlled. "We have to tell the citizens," said Joaquin Almunia, "that they are going to continue to pay more and more for energy, and that this is an irreversible process, aside from the rising prices of a barrel of petroleum or the decline of the dollar." The PSOE has proposed periodic increases three points above the cost of living index, but the public must be given an explanation of what is being done with this money, and what results are coming from these price increases in terms of research or the development of new alternative energy sources.

According to the PSOE spokesman, there are many ways to avoid waste, and a price policy may be a good tool, as long as the consumer is given some way out. "Electricity meters with different rates, depending on times, could be installed. These meters have already been invented and are used in some other countries. The installation of solar energy systems, such as water heaters, should be encouraged. In some U.S. states, this is obligatory in buildings now under construction. We should try to avoid bottlenecks on weekends by increasing local train service. RENFE's [Spanish National Railroads] schedules on workdays should be improved, since it now seems that these schedules are designed precisely so the trains can not be used by commuters."

"RENFE has not been electrified," continued Joaquin Almunia; an enormous amount of money is being squandered on hauling freight by road, while we have a practically unused train system. No serious campaign to encourage saving has been conducted. There are practically no tax incentives for the installation of insulation systems on a private level, and our tax legislation only considers reductions for the installation of double-pane windows."

The administration's defense against these charges is that the effort must be a total one, not solely done by the government. The important thing, obviously, is to bring about a reduction in industrial consumption, which uses over 50 percent of our energy; but other sectors, such as transportation, agriculture, and services, which use approximately 20 percent, also have to make their contribution to energy conservation, along with Spain's citizens, who, all together, consume 8 percent of our total energy.

More Coal

"On an individual level, we have to realize," said the energy director, "that energy conservation means real savings in a family's budget, and that this money can then be put to use for other purposes."

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On the subject of industrial energy use, Del Pozo said he was generally satisfied with the achievements made in terms of conservation and with the use of coal. "Through the use of taxes or incentives, businessmen have come to accept coal, which has some very clear advantages, such as its cost, which is 50 percent less."

The government's position on the expansion of nuclear energy is strongly challenged by the PSOE. "We do not oppose the operation of the existing plants and those now under construction, but we disagree about the excessive number of nuclear power plants proposed for Spain. Everyone knows the disadvantages of this type of facility. In addition, they did have some advantages that have now disappeared. The kilowatt-hour is no less expensive, they employ few people, and the technology, which is their one great advantage, is becoming a handicap for Spain."

In the middle of this debate, the Spanish energy picture is still awaiting its definitive clarification. The present time, when we are caught up in one of the harshest droughts ever known and an economic depression with few precedents, may be right. And the course of independence, security of supply, and the reduction of costs is marked by this new resurgence of coal.

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POLITICAL

ITALY -

PARTIES' OPINIONS ON POSSIBLE EARLY ELECTIONS

Milan IL MONDO in Italian 8 Jan 82 pp 10-13

[Article by Roberto Ippolito and Paolo Passarini]

[Text] There's a whiff of ballot-boxes in the air. A lot of the denizens of Montecitorio are sure of it: sometime in 1982 there will have to be early elections. Will the 8th legislature really be left incomplete? Here is what the thinking is all across the party board.

Don't let the public statements of party spokesmen fool you: on Montecitorio and among the political forces the all but unanimous prediction (exceptions are rare indeed) is that somewhere along the line in 1982 Italian voters will be summoned to the polling places again. Besides, since 3 December 1981, this eighth legislature has passed the halfway point in its term. All of which means, for one thing, that from that transition onward the chambers may be dissolved at any time without deputies or senators' losing the pension and fringe rights that go with their term in office. Whichever way it goes, as of 3 December this eighth legislature is fully valid. People are beginning to wonder, as it has been traditional to do in Italy for some time now, whether it has done everything we had a right to expect of it, or whether it would serve some useful purpose to keep it on a while.

Raising this question insistently and with determination is Bettino Craxi's Socialist Party (PSI), followed and sometimes beaten to the draw by its buddies in the Social Democratic Party (PSDI). "We'll make our decision at the proper time," Craxi told TRIBUNA POLITICA, without specifying whether his statement was meant as a warning or as a real threat. What is certain is that the PSI has made up its mind (and its leaders say so openly) that, once Giovanni Spadolini's government falls, the Christian Democrats (DC) will be faced with an either-or choice: either a socialist prime minister or early elections. Take your pick.

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And the DC? Some argue that, secretly, the party leaders have already promised Craxi a turn at the polls very soon, provided they don't lose Palazzo Chigi a second time. Questions asked on this score at Piazza del Gesù, though, are answered only with denials. Denials that may well be sincere, since, for the DC, giving Craxi a shot at the voters right away, without leaving time for consolidation of the changing of the guard already launched at the EUR assembly, could well prove a risky business. Should the DC lose a few points and the PSI chalk up gains, the next 5 years would be Craxi's and Flaminio Piccoli (or whoever is standing in for him) would have to fold his tents. An ill-starred denouement for the DC, which could certainly not be wholly offset by a possible further deterioration in the polls for the PCI, already in deep trouble over Poland.

Besides: is that "take your pick" option -- either Craxi for prime minister or early elections -- really that much of a sure thing? In the DC they are beginning to talk about a compromise scenario which, while giving the DC the prime minister's chair, would guarantee the PSI a meatier role. There are those who talk of a DC-PSI coalition government, or of dusting off Cossiga's formula 2: a three-party (DC-PSI-PRI) coalition. The socialists swear they would never agree to that, and say they are confident of victory in their next big push. Things, though, will probably get quite a bit more complicated than that, partly because it is certain that if President Sandro Pertini can count on a majority within the parties in favor of allowing this legislature to serve its full term, he will move heaven and earth to avoid dissolving it. At this point, then, the only sure thing is that 1982 will be the year of Craxi's all-out attack. How will it end? IL MONDO asked top spokesmen for all the constitutional parties for written replies to this question: What will the second session of the eighth legislature be like, and what do you want it to be like?" Here are the answers.

Oddo Biasini, Republican (PRI) Party secretariat

In the situation the country finds itself in, the pace of majority and government activity cannot be hampered by chronological considerations which might cause interruption in undertakings of some moment which have already demonstrated their adequacy and which have therefore been given the considered approval of the nation.

The Spadolini government was called into being to deal with the emergency, on the basis of a crash program that won approval from a broad majority. Its accomplishments from the outset have commanded a scope reaching far beyond the mere transitory situation. And while it is true that 6 months are not enough to redress situations that will take decades to set right, it is even truer that we are on the right road. Therefore, anyone who interrupted an experiment in the majority and in government which is already yielding fruit would be shouldering a very grave responsibility indeed.

To conclude: I do not think that there is a problem as to the second half of the eighth legislature other than the continuation of the action begun, with salutary results, in the space of those 6 months.

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Ciriaco De Mita, DC Deputy Secretary

To imagine that we are living in normal times would be a dangerous illusion. The overall crisis grows day by day. And the factors -- almost invariably uncontrollable, which deepen it seem to be prevailing over every attempt, laudable though it may be, to come to grips with it. One might say that every measure, no matter how lofty its motivation, leads inevitably to irreparable damage. Hence the outlook for a headstrong and unruly career for this legislature would seem to be the most reliable.

And yet, if the political parties still have some chance to keep the situation in hand, they can prove it only by demonstrating that they can indeed govern under these conditions. I do not think one shows ability and courage by indulging in flights to the future. The all-too-frequent resort to early elections can only be veiled hypocritically as an appeal to a sovereign people. Put in more practical terms, it is evidence of ineptitude.

Democracy is more than a pointless electoral rite: it is the capacity for orientation and for proposals around which one gathers the consensus of the people in conferring legitimacy upon one's governance.

What are we being asked to do when we turn out at the polls? Upon what proposals, upon what political prospects different from those to be found invariably in the parliament we have, are we to decide? If there is somebody who thinks he can win the race by spinning solemn scenarios around a few points variance in the percentages at the polls, of course anything makes sense -- even calling early elections. But nobody, I think, could possibly imagine that such behavior made any major contribution toward getting us out of our difficulties and out of the trying conditions under which we must cope with them.

Valdo Spini, PSI Deputy Secretary

This year 1982 looks like a crucial year for Italian politics. Last year, 1981, was marked by a change of prime ministers. From the day Ferruccio Parri fell in November 1945 to the formation of the Spadolini cabinet we have had an uninterrupted string of Christian Democrat prime ministers, from Alcide de Gasperi to Arnaldo Forlani. The issue we face in 1982 is whether or not the Spadolini government is a mere parenthetical pause, perhaps to give the DC time to get its house in order, to celebrate the new-start assembly and to hold its congress, or it may well be the prelude to a real change of direction -- a change of course triggered by the discovery that no party today can hold sway over all the others, and that the Socialist Party has become the decisive factor in the politics of our country.

And so we hope that 1982 will prove to be a year of renewal. We are the party that has moved most vigorously toward a replacement of the ruling class: we want to bring that same spirit into Italian politics, so long accustomed to chugging along well-worn and familiar tracks.

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We intend to do this on the political plane, but also on the issues. The fact that the Spadolini government is forced to man its defense lines along the Piave of a public-sector deficit of 50 trillion lire, which is 10 percent of the GNP, a rate no country like ours can afford, is prima facie evidence of the fact that a system of political and economic relationships is already well on the road to the scrapheap. We must therefore push ahead with a policy of broad scope and vision, one that can create a political context of greater stability, hospitable to the upgrading and restructuring of our nation's machinery. We have already received major pledges of cooperation, first among them that of organized labor. What we need now is the guts to match them at the political level.

Giorgio Napolitano, PCI party whip in the Chamber

The first question is whether there will be a second session of this legislature. We communists eagerly seize this opportunity to underscore the gravity of the consequences an early dissolution of the houses would entail, in the sense that it would interrupt the commitment to solve a whole series of major problems already raised at the legislative level.

There is a chance to complete and pass major legislation, already too long stymied by various brands of resistance and roadblocks. Laws we need to put the brakes on the growth of public spending, to upgrade it and bind it to specific priorities: reform of the pension system, reform of local government finances, and a charter for the civil service. Laws we need to move ahead with a meaningful job of providing ethical groundrules, to guarantee renewed operability of our democratic institutions, to bring Italian justice out of crisis: drastic reform of the investigating commission for impeachment proceedings against members of the government, reform of the prime minister's office and of the ministries, and new authorization for reform of the criminal procedure code.

These examples would suffice (although many others could be adduced in connection with numerous fields of activity) to make it clear that, if it is not cut short by early elections, the second half of this legislature can serve as a testing ground for the commitment to cleanup and renewal of all the democratic parties and also, we hope, as a fruitful matrix of sound solutions for issues that are long-since ripe and even overripe.

Carlo Vizzini, PSDI Deputy Secretary

During the second half of the legislature, the PSDI intends to work at consolidating cooperation between the forces of socialist lay democracy and those of Christian Democracy. We plan to work, too, toward a non-traumatic end to a phase marked by an agreement and a government born of the need to deal with several emergencies. Hence we are talking about working toward a broader political agreement, still within the 5-party framework, that might typify the second session of the legislature.

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We are convinced that the nation's problems call for a period of political stability designed to do more than merely cope with emergencies. We Social Democrats, therefore, are certainly not pushing for dissolution of the legislature. It is clear that the attempt to reach broader consensus will involve some rough patches, and the need to face up to several issues that have to do with the way our institutions work. To strive for parliamentary government in a country whose governments have an average life-expectancy of 6 to 10 months is not an easy thing to do by any means. Even so, as things stand now, none of the majority parties has indicated opposition to a broader entente. Starting at the end of this month, we shall be checking to see whether and to what degree absence of opposition turns into practical backing.

Valerio Zanone, PLI (Liberal Party) Secretary

The second term of the legislature begins with 1982. During its first session we have had four governments, each one supported by a different majority coalition than backed its predecessor. In the closing months of this year the government's action, especially its attempts to control inflation, has shown us mounting evidence of the extreme fragility of government coalitions.

The experience of these months show us clearly that to reclaim and improve the state is going to take more than budget economies: it is going to take an adequate program of legislative reform. However, the various laws to be enacted have one thing in common: their salutary effects will not be politically ascertainable until at least 2 years have passed, and until several months of inevitable unpopularity have run their course. To lay that onus on governments destined to last no more than 8 to 10 months (a little longer than a butterfly's lifespan) is impossible, because a government that would adopt as its program the introduction of unpopular measures and then be toppled at the height of their unpopularity would be politically and electorally suicidal.

Therefore institutional reform, long understood primarily as reclaiming our institutions from the excesses of state control and welfarism, calls for a government with time to do the job and to get credit for its first fruits, a government of the legislature for a legislative program. The right coalition to draft it and enact it can only be a five-party coalition. Everything, beginning with foreign relations, points to the fact that in this legislature there is no alternative to the 5-party coalition. If it succeeds in establishing program continuity, there will also be continuity in the legislature.

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MILITARY

FRANCE

GENERAL DESCRIBES MIRAGE'S FLEXIBILITY, ROLE IN AIR DEFENSE

Paris AIR ET COSMOS in French 12 Dec 81 pp 23-25

[Article by Air Defense Commander Bernard Capillon: "The Role of the Mirage F-1 in Air Defense"; introduction by Jean de Galard]

[Excerpts] The Mirage F-1's Main Advantage: Its Flexibility

The Air Force's Two-Seater F-1 Squadron Has Passed the 500-Hour Mark

To date, 649 Mirage F-1's have been ordered from Dassault-Breguet by 11 countries, including France for its Air Force. These orders are for the different versions--single-seaters and two-seaters--of the Mirage F-1: for interception, ground attack, reconnaissance, training.

At the end of this year, the builder will have delivered a total of 484 planes, 66 of them to France, including three prototypes and three preseries planes.

When in 1973 the 30th Fighter Wing--based at Reims and previously equipped with Vautour two-seaters--received its first Mirage F-1's, some immediately expressed the opinion that the new plane--compared with the most recent versions of the Mirage III, which was then in service and the oldest of which it was gradually replacing--incorporated few technical novelties and offered few operational advantages.

Today, they have to recognize objectively that in 8 years the Mirage F-1 has become a highly flexible combat plane.

A simple single-seat interceptor, not refuelable in flight, in its first version, designated F-1C, it is now offered in three other versions, intended for ground attack (F-1A), training (F-1B two-seater) and reconnaissance (F-1CR single-seater). In its F-1C first version, it has become capable of refueling in flight. And an F-1E version has been derived from the F-1C.

The highly flexible character that the Mirage F-1 has reached today testifies to its basic qualities as an aircraft and to its builder's ability to gradually draw the greatest possible advantage from it, in response to the demands of the air forces that use it.

France, for its part, has ordered 252 Mirage F-1's, including 20 F-1B two-seater trainers and 62 F-1CR versions. The first F-1B's were delivered to the "Comtat

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Venaissin" squadron of the 5th Fighter Wing, based at Orange and this 3/5 squadron has just passed the 500-flight-hours mark. AIR ET COSMOS wanted to go out to the field to inform its readers about the conditions in which the training of the Air Force's future F-1C and F-1CR pilots is done with this plane and about the principal advantages brought by the arrival of this new version in the unit.

But we first wanted Air Force General Bernard Capillon, air-defense commander, to set the place of the Mirage F-1 within the framework of air defense. We take this opportunity to thank him warmly for the interview that he kindly granted us and on the basis of which the following article was written. - Jean de Galard

The Mirage F-1's Place in Air Defense

"Let us be very clear," General Capillon stresses at the outset; "air defense is a whole. It is not just airplanes, even though the air component (airplanes + the weapons they carry) represents an essential part. The fact is that one has to detect, identify, and as the case may be, intervene and possibly destroy, and lastly, protect oneself, for not everything can be stopped."

The F-1C, a Powerfully Armed Interceptor

The place of the Mirage F-1 in air defense? General Capillon does not hesitate to call it essential, and he has plenty of arguments to justify that description.

The Mirage F-1, within the framework of the zone-coverage mission assigned to it, means the possible interception of intruding airplanes flying at 70,000 feet and at speeds corresponding to Mach 2.5.

It also means a sizable weaponry capacity in the air-to-air domain for which it was designed (two cannons plus four missiles), but it has also been proven that the Mirage F-1's air-to-ground capacity is also sizable, and it would have been a shame, General Capillon notes, not to have taken advantage of it. At low altitude, in fact, the Mirage F-1 still performs very well, and furthermore, the reconnaissance version (F-1CR) of the F-1 will benefit greatly from the F-1C's achievements in the low-altitude area.

The Air Force has always seen to it that its flight personnel have a certain flexibility. Despite the reduction of the unit pilots' air activity to 15 hours per month and the fact that their training is partly oriented toward the unit's main mission, they always devote a little of their flying time to training for a secondary mission. Until now, for carrying out this secondary mission of the air-defense units, which is ground attack, the F-1C pilots had only two 30-mm cannons mounted on the plane. That was not much. Other armament will progressively be delivered, and General Capillon notes in this regard that the first firing programs for the Mirage F-1C equipped with conventional bombs (400, 250 and 125 kg) and 68-mm rockets mounted on the LFR-1 carriage should take place next year. This air-to-ground mission will, of course, continue to be a secondary one.

The Mirage F-1C, General Capillon goes on, means a wide range of possibilities. As regards interception, the pilot has available to him the Matra 530 air-to-air missile, which is well-proven today, or the Super 530 air-to-air missile for big differences in altitude; if one or the other does not hit its target, the pilot still

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has his two Magic air-to-air missiles for close combat, and as a last recourse, the cannon. A light patrol--two Mirage F-1's--represents considerable firepower: four cannons, eight missiles. In reality, observes the air-defense commander (and with all the more objectivity in that he was previously second-in-command of the FATAC [Tactical Air Forces]), "the F-1 is as well-armed as certain attack planes."

An Airplane of Great Flexibility of Use

The Mirage F-1C in its most recent configuration, whether intended for the French Air Force or for the air forces of foreign countries, has been subjected to constant improvements, on the level both of aerodynamics (combat flaps) and of firing conditions (heads-up radar and sights), which has made it possible to achieve considerable progress for combat or air-cover missions. Since 1977-1978, the air-defense command has thus been able to fulfill an operation very important to it: the development of its pilots' combat capabilities and of the "fighter" mentality.

In any case, General Capillon notes, the Mirage F-1C possessed, even in its initial version, the qualities of facility related to its piloting (automatic pilot, VOR [Very High Frequency Omnidirectional Radio Range], automatic ILS [Instrument Landing System]) that made it the Air Force's first plane with which pilots were authorized to descend to minimum altitudes never before achieved: a ceiling of 200 feet ("and 60 m is really low," General Capillon comments) and horizontal visibility of 1 km (which corresponds to less than half of the length of a conventional runway--2,400 m).

One final area that testifies to the scope of the range of possibilities of the Mirage F-1C is that of the deployment of the units. Because of the fact that the plane can do with runways whose characteristics are inferior to those required by the Mirage III, for example, the fact that its conditions of use are less restrictive, the Air Defense Command can shift squadrons from one field to another to a greater extent, and in very short times.

The Mirage F-1, General Capillon continues, also means maintenance that has advanced a long way and that makes it possible to achieve very satisfactory "cruising" availability rates, on the order of 80 percent. In specific short-duration actions--the "Datex" exercise, for example--readiness went up to 98 percent.

The term "maintenance" should be taken here in its broadest sense--that is, to include the major-overhaul operations and the modification projects carried out by Ateliers Industriels de l'Air (AIA) on the occasion of major surveys, involving essentially the mounting of IVM [Climbing-Speed Indicator] versions of Thomson-CSF's Cyrano radar, the mounting of a harmonization box to adapt the F-1 to the Super 530 air-to-air missile, and the modification associated with the sight.

As regards the airplanes already delivered, this involves a relatively long-term program, General Capillon specifies, "for it is obvious that on account of considerations of costs and availability, not everything can be done at once."

The final advantage of the Mirage F-1, but not the least one, General Capillon comments, is its ability to be refueled in flight. This is an essential capacity, "especially when the number of combat planes available is not so high. In this regard, in-flight refueling capacity is very advantageous in three respects: first of

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all, one can do long-distance intercepting or, as the case may require, stand by for a long time (5 hours stand-by time, on patrol), which makes it possible to exploit whatever advance warning there may be); secondly, escort missions can be flown if necessary; and finally, Mirage F-1 units or patrols can be sent overseas, under particular circumstances and in response to particular needs: it is no secret that missions of this type to Djibouti have already been carried out. At a time when there is a growing threat and just the interplay of alliances in the world at large forces one to remain vigilant, the new capacity given the Mirage F-1 by its in-flight refueling capability is very important."

In short, General Capillon concludes, the Air Force has in the Mirage F-1 today a combat plane that holds an essential place in air defense. "The 155,000-hour mark has just been passed by the four wings equipped with F-1's, without any major trouble with either the airframe or the engine." (Editor's Note: The Mirage F-1's engine is a SNECMA [National Aircraft Engine Design and Construction Company] Atar 9K 50 that develops 5,000 kg of thrust dry and 7,200 kp with afterburning [as published].) "The first F-1C's delivered have flown more than 2,000 hours, and the plane is aging well. The oldest engines total around 1,400 hours of operation."

General Capillon uses two key terms to express better the Mirage F-1's place in air defense:

--flexibility of use: "It is now known how to go very quickly from one point to another, and also how to go very quickly from one type of mission to another";

--coherence: "The F-1/Super 530 pairing presently available constitutes a perfectly coherent system."

"This does not mean," the Air-Defense commander admits objectively, "that no insufficiency is noted. Thus it is that the modification projects referred to earlier are going to last another 3 years, which means that not all the F-1's delivered will be remodeled until 1984, which corresponds to nearly half the estimated life-time of the F-1."

One can understand that the Air Defense commander would have liked to have all the F-1's ready to the same standards sooner. One can also understand that he would have liked the range of the radar to enable his pilots to see farther and lower.

In its present version, the Mirage F-1 has a certain number of possibilities for countering electronic warfare. One will understand why this subject is not developed here.

Matra Super 530 and Magic

Two years ago, almost to the day (it was 19 December 1979), a big ceremony marked the delivery to the 12th Fighter Wing, at the Cambrai base, of the first Matra Super 530 air-to-air missiles, whose characteristics and performance place them in the forefront in the area of high-altitude and high-speed interception.

Since that time, the 12th Fighter Wing--which today has one squadron more than in 1979--has trained its pilots in the use of that missile, whose advantages over the interception missiles of the preceding generation we recall here:

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--it makes it possible to do interception without recoil or with very little recoil, even against hostiles flying at twice the speed of sound at 70,000 feet;
--it makes it possible to intercept the planes presently in service that have the highest performance characteristics, even when they are flying at the peak of their capacity.

"The process of equipping with Super 530 missiles is presently under way," General Capillon states; "after the 12th Wing, it is the turn of the 5th Wing, and the results of the test firings done, notably by using the restitution facilities of the Landes Testing Center, confirm its performance characteristics. It can be said that it hits the target in actual firing."

The F-1C pilots have far more experience with the Magic (Matra 550) air-to-air missile, and it could be said that its use is part of the training-type mission. "Recently," General Capillon reveals, "an F-1 of the 5th Wing took off from Orange at night; it went and fired a Magic at the Landes Testing Center, and came back to its base after having landed at another base."

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MILITARY

FRANCE

BRIEFS

NEW MILITARY RADAR EQUIPMENT--/Omera is now marketing new elements intended to enlarge the family of ORB-32 airborne military radars./ in boldface Indeed, Omera offers a /gamut of sub-assemblies/ in boldface permitting the building of systems adapted to all maritime missions, whatever the carrier. This gamut includes a /choice of antennas, transceivers, and visualization systems/ in bold face offering many operational modes, including monitoring of a tactical situation and automatic tracking of objectives with radio transmission of data to the launching vessel. We recall that this group of units has been tested as a whole in /trans-horizon firing/ in bold-face of long-range Exocet and Otomat missiles. The ORB-32 has already been adopted by five countries. Text /Paris AIR ET COSMOS in French 2 Jan 82 p 13/ COPYRIGHT: A. & C. 1981/ 6145

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GENERAL

ITALY

POLEMICS WITHIN THE INTELLIGENCE SERVICES

Milan IL MONDO in Italian 8 Jan 82 pp 14-15

[Article by Gianni Rossi: Arabia Off-limits to the 007s]

[Text] There is a generation gap emerging inside Italy's intelligence services (SISMI for counterespionage and SISDE for counter-terrorism). It centers on the retirement and modernization program which the new head of SISMI, Gen Linetto Lugarese, and his opposite number at SISDE, Prefect Emanuele De Francesco (both appointed in the wake of the P2 scandals which involved their predecessors) have introduced, to the accompaniment of considerable vocal outrage and bitterness both inside and outside the services.

According to the increasingly persistent rumors that seep out of the closely guarded rooms of the Barrachini palace and from Via Giovanni Lanza in Rome (where the two branches have their headquarters), a lot of secret agents who have won international recognition for their professional skills are beginning to lose their motivation. Some go further, and actually say they don't know who they are any more.

This is the onset, in a word, of the so-called mass defection among the professionals, and it affects mainly the most delicate of the intelligence agencies (by reason of its vital mission): SISMI. A sense of frustration, of being pushed aside, hangs over the delicate work of the 007s who are still left, because the new bosses find them too independent.

Among those who have paid the price (even though the machinery SISMI uses is the bureaucratic device of retirement "having reached the mandatory retirement age" is Carabinieri Col Stefano Giovannone, who led SISMI's southeastern division and most importantly was the man who maintained close ties with the top spokesmen for the incandescent Arab world, including the Palestinian leadership.

Giovannone's replacement is the litmus test of the Italian intelligence services' new foreign strategy. Until now, in fact, most of counterespionage's attention was devoted to building and strengthening good working relationships with the Arab nations around the Mediterranean. There were two major rationales behind this good-neighbor policy: to

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keep Italy out of the line of fire of the Palestinian guerrillas and other Arab irredentist groups; and to keep up steady penetration of the Middle East markets on behalf of the Italian weapons, installations, and telecommunications industries. And this entire effort was put forth in the overriding cause of energy, in order to get, in return, adequate supplies of oil at affordable prices directly from the Arab governments.

Using every means available to block the growing autonomy of the Italian intelligence services in the Mediterranean area at the outset were two extremely powerful intelligence groups: France's SDECE and Israel's Mossad. There were Mafia-style slayings and intimidation attempts in Italy on prominent figures in the planning industries who had contracts with Iraq (then looked upon as the Arab Bulgaria because of its subservience to the Soviets, but now on the way to better relations with the westerners), signed with the names of the more intransigent Palestinian organizations, but of dubious origin. There were leaks to the media, often sheer fabrications, concerning alleged payoffs to Italian parties in connection with trade agreements (such as the sale of Lupo-class frigates to Iraq and, quite probably, the ENI contract with Petromin). Attempts at internal destabilization ensued, culminating in the murders of several Arab spokesmen on Italian territory.

"These have all the earmarks," some SISMI officials told IL MONDO, "of a single maneuver designed to keep Italy from maintaining relations or entering into dialogue with the Arab nations."

And all this is going on just when "the CIA, acting for the American government and the other intelligence services of the European countries who are our allies are doing their level best to get control of relations with the Arabs," the same sources told IL MONDO.

Another blow to the freehand line in the foreign policy of Italian intelligence came with the recent influx of CIA personnel here, both before and after the arrival of the new U.S. ambassador to Rome, Maxwell Raab (a member of the very powerful American Jewish lobby who has business connections in Israel). While on the one hand, Italy's capacity for foreign penetration (and "foreign" for Italy in this delicate context means primarily the Middle East) was declining, on the other hand even policy toward the Arab states was changing, in line with the anti-Libyan positions taken by some socialist leaders.

For the Italian 007s scattered through the Arab world, life has got a whole lot harder since then and their very activities (split about 50-50 between diplomacy and business) were beset by serious difficulties. No better opportunity for transfers could have arisen, then, than the one tied in with the changes at the summits of the services in the wake of the P2 hurricane. By that time, though, it was all too evident that the structure of the intelligence services was coming unglued. One attentive political observer close to Prime Minister Giovanni Spadolini is beginning to wonder "if what we have here might not be a reemergence of parallel structures for the intelligence services, arising out of the growing heat in the political kitchen, to pave the way for the government to follow Spadolini's."

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This particular apprehension, too, coupled with mindfulness of the excesses of the services in the past and recently, may have moved Prime Minister Spadolini to let it be known that for the present he contemplates "no decision as to whether or not to appoint an under-secretary-delegate for the security and intelligence services." Just such an appointment, though, was what the DC, through Antonio Gava, who heads its political secretariat, called for only a few days ago. Even so, not all Christian Democrat troops share Gava's opinion. Here is the view of Erminio Pennacchini, chairman of the interparliamentary commission on the security services: "I believe this was a personal initiative rather than any practical requirement. My impression is that the problem is not yet imminent."

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GENERAL

ITALY

PSI'S ANDO CALLS FOR REFORM OF SECURITY SERVICES

Milan PANORAMA in Italian 11 Jan 82 p 40

[Interview with Salvatore Ando, head of the PSI's State Problems section]

[Text] No sooner were the new chiefs of the armed forces and secret services appointed than all the political parties admitted that Giovanni Spadolini's government had indeed based its choices on criteria of professionalism and competence, in total disregard of political considerations. And yet, only 6 months later, we have a resurgence of attacks, polemics, and criticism aimed primarily at the way the secret services are doing their job.

The DC targets Spadolini and hopes to get political control of the services for itself. DC Senator Claudio Vitalone rails against the reform of the services and calls for reuniting SISMI and SISDE in a single agency. The Socialists, too, dismissing the tough stand the Prime Minister has taken ("Hands off the reform act!"), are pushing for radical change. In this interview with PANORAMA, Salvatore Ando, head of the PSI's State Problems section, explains why.

Question: Why do you think the present law governing the secret services needs revision?

Answer: What is happening every day cries out for reunification of the two secret services. SISMI and SISDE have broad areas of activity that overlap. And because they are doing the same things, they are perforce competing with each other. And their spying on each other uncovers irregularities first in the one and then in the other.

Question: Past experience has shown, though, how dangerous it is to concentrate all espionage and counter-espionage activities in a single agency, whether you call it SIFAR or SID.

Answer: Yes, there have been abuses. But now, when we have two agencies, aren't we seeing the same pattern of carbon copy and "bug" wars?

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Question: These are serious charges, but they are also pretty vague. What do you mean, in practical terms, by "bug" warfare?

Answer: When the missions of the secret services are not clearly defined it is inevitable that you will get a very dangerous internecine war. The revelations we have been hearing over the past few weeks from several of the majority parties' political secretaries about wiretaps should make us do a lot of thinking.

Question: Prime Minister Spadolini, though, has officially denied that the secret services are conducting electronic espionage against political leaders.

Answer: Yes, but the denial conflicts with what the leaders say. In any case, Spadolini ought to promise to keep a closer eye on the job of coordination between SISMI and SISDE.

Question: Spadolini has said clearly that he has no intention whatsoever of reforming the secret services.

Answer: And things will keep on going from bad to worse. You have proof of that in the expanding terrorist activities. Israeli intelligence warned western intelligence agencies, including the Italian ones, several months ago that a massive terrorist offensive against the top brass in NATO was in the offing. The German government got wind of it, too. Well, who took steps to provide proper preventive measures? We have reached a point where the other countries long ago ceased putting much faith in our security apparatus, so much so that with the Moro kidnaping and now with that of General Dozier we must permit American and German intelligence people to work on their own in Italy.

Question: You are saying that our agencies are not really concerned with terrorism. But isn't counter-terrorism the mission of SISMI, the agency that reports to Defense Minister Lelio Lagorio, a socialist like you?

Answer: Since reform, we no longer have for the two secret agencies any problem of direct control by the defense or interior minister. What we have is mainly a coordination problem, a gap in overall policy, a lack of clearly defined mission. We socialists get the impression that this drive has been absent all too frequently. Our quarrel with Interior Minister Virginio Rognoni, for example, is a matter of record.

Question: True. But just exactly what is it you charge him with?

Answer: For a long time Rognoni has been minimizing the matter of the Red Brigades' (BR) international ties, even after the police had found clear evidence of them, even after President Sandro Pertini's reports. It seemed to us that the interior minister had a kind of blind spot for the whole matter, and that his unwillingness to see was primarily due to domestic political considerations.

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Question: For instance?

Answer: Not to put too fine a point on it, fear of treading on the PCI's toes.

Question: But what do you socialists really know about foreign ties or about international involvement in Italian terrorism?

Answer: We have pieced together a series of facts and coincidences. First of all, there are statements by confessing [terrorists], which reveal the substantial support terrorist organizations got from some eastern governments. And the prosecution of Augusto Viel, a terrorist linked to Giangiacomo Feltrinelli, had come out long before these confessions. There is also additional evidence that involves Libya. I am referring specifically to the investigation conducted by Rome District Attorney Ferdinando Imposimato into the traffic in rifles sold to the Libyan government and subsequently discovered in a Prima Linea hideout. Don't these constitute more than sufficient cause for the security agencies to probe to the bottom of it all, and find out just who finances, arms, and commands terrorism in Italy?

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