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West Europe Report

(FOUO 46/82)



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WEST EUROPE REPORT

(FOUO 46/82)

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THEATER FORCES

FEDERAL REPUBLIC OF GERMANY

APEL ON NATO STRATEGY, NONFIRST USE OF NUCLEAR ARMS

Bonn EUROPA-ARCHIV in German 10 Jun 82 pp 353-356

[Article by Dr Hans Apel, FRG Minister of Defense: "The NATO Strategy Discussion--Comments on the Article 'Nuclear Arms and the Atlantic Alliance'"¹]

[Text] The debate about the validity of the NATO strategy is starting up again. I am not sorry about that--on the contrary. This is the only way in which we can clarify the basis of our security policy in a critical dialogue and, if necessary, modify it. This debate must place the conditions for securing the peace in Europe within the framework of a global point of view. We are dependent upon the export of our manufactured goods. It provides us with jobs and prosperity. We are thoroughly dependent upon the import of energy and raw materials. Together, the two result in worldwide economic dependencies which make it incumbent upon us to take diplomatic and development policy initiatives. They are of course also a part of our overall security policy. The issue here must not be to drag the East-West conflict into the Third World. Rather, unrestricted recognition of all peoples' rights of self-determination must remain the basis of our policies.

There is an increasing danger that conflicts within the Third World could have an indirect impact on European peace and security through concomitant economic effects, as well as direct impact through the spread of military tensions. Preservation of peace and limitation of conflict worldwide therefore constitute decisive tasks for our policies outside of Europe as well. Population explosion, raw materials and energy shortages, progressive militarization in many Third World countries--all that confronts us with new challenges. But we can successfully contribute to the solution of these problems only if we can secure peace in Europe. While our continent and peace policy for Europe cannot serve as a model for worldwide peacekeeping,

¹ Editor's Note: The article by McGeorge Bundy, George F. Kennan, Robert S. McNamara and Gerard Smith was published simultaneously in the journals FOREIGN AFFAIRS (Spring 1982) and EUROPA-ARCHIV (No 7/1982). A detailed critique by a group of German authors (Karl Kaiser, Georg Leber, Alois Mertes and Franz-Joseph Schulze) will be published under the title "Nuclear Arms and the Maintenance of Peace" in No 12 of EUROPA-ARCHIV (25 June 1982) and simultaneously in FOREIGN AFFAIRS (Summer 1982).

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the principles of renouncing violence, establishing trust and arms control are applicable everywhere. But an exacerbation of tensions between East and West in Europe would necessarily have grave consequences, be it only because we would then have to use greater resources for defense which would otherwise be available for tasks benefiting the Third World. Maintenance of peace and detente in Europe are therefore at the same time also important contributions to peace worldwide. Our security policy must be based on those facts. The implementation of securing the peace in Europe leads of necessity to the question of nuclear deterrence: I am fully convinced that the existence of nuclear arms has been primarily responsible for preventing acts of war in Europe since 1945. The unpredictability of the progress of armed conflict, once it has started, and the consequent unacceptable risks for all participants have prevented clashes of arms even on those occasions which could have been solved militarily under "prenuclear" conditions. Devastating wars have broken out in Europe's history for much less weighty reasons than the construction of the Berlin Wall or the suppression of the "Prague Spring." This points up the problematic nature of nuclear arms: they have, until now, preserved peace in Europe. Should deterrence fail however, the use of nuclear arms could spell the end of humanity. Even the most recent statement by the German Evangelical Church did not come up with a solution for this dilemma and therefore it envisions a "reprieve" during which the preservation of peace by way of nuclear deterrence can still be justified. It has, in addition, endorsed a central element of our security policy: that preservation of peace on the basis of military balance increasingly requires mutual trust in all areas, including arms limitation. To attain the latter, especially in nuclear arms, must be our objective.

On the other hand, we should not labor under the illusion that the atom can be banished from our lives. Even if all nuclear arms in East and West were to be verifiably destroyed, the knowledge of their manufacture and effects would persist. Humanity will never return to the state of its prenuclear "innocence." We must learn to preserve peace despite this. A nuclear war could be the end of humanity--just as certainly, a large-scale conventional war in Europe could signify the end of our civilization. That is why our strategy must in any case remain one of prevention of war. Not even the first shot must be fired.

From that standpoint we must give critical consideration to the article "Nuclear Arms and the Atlantic Alliance" by McGeorge Bundy, George Kennan, Robert McNamara and Gerard Smith concerning the question of renouncing first use of nuclear weapons. The article was published simultaneously in the journals FOREIGN AFFAIRS and EUROPA-ARCHIV. I am in complete agreement with several points:

--It is uncertain at best whether a limitation of nuclear warfare would succeed in the manner necessary to control and end the conflict. That is so because Soviet strategy includes the use of nuclear arms as an integral component of possible military operations.

--It is correct also that the debate about the NATO dual-track decision has long since acquired a character which goes beyond its purely military significance. The quality of the implementation of its two parts will prove

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whether or not NATO, if confronted with an unequivocal Soviet challenge, will have the strength to take those measures for preserving the military balance which it considers appropriate. Apart from questions of military strategy, each of which is of great significance, this question especially addresses the integrity of the alliance.

--I further share the opinion that only our conventional defense capability and its continuous improvement lends credibility to our strategy of deterrence. Our conventional forces must under no circumstances be permitted to lose their effectiveness, thus lowering the nuclear threshold.

That has of course some concomitant consequences. The authors hint at them. Even the 3 percent annual increase in actual national defense expenditures to which we agreed in 1979 and which progressively fewer NATO partners attain in view of their economic and social problems, will not be sufficient. A considerable manpower increase in NATO forces in Europe would be imperative. Are our allies ready for this? Can our country commit itself to it? Can the negotiations about the limitation of forces and arms in Europe and the proposed conference on disarmament in Europe result in greater conventional equilibrium at a lower level of armament? These questions remain unanswered. Nevertheless the four authors state that a positive reply on their part would have to be a condition for even thinking about renunciation of the first use of the nuclear arms option.

Another consideration appears of importance to me: even if the West were ceremoniously and officially to renounce any first use of its nuclear weapons in Europe, if in addition it were to conclude an appropriate treaty on this with the USSR and if it were, as a precondition for this, to make its conventional force equal to that of the Warsaw Pact, nuclear arms would still remain in the arsenal of the USSR and the Warsaw Pact. Even a nuclear-free zone in Europe would not eliminate the threat in view of the range of the SS-20s. Therefore, both sides would have to maintain nuclear arsenals covering the entire military spectrum as a potential for a survivable second strike and to modernize them as required. Only agreements for the qualitative and quantitative limitation of the respective potentials, which are verifiable at any time, could reduce the mutual massive distrust to such an extent that an actual and meaningful reduction of systems could be feasible. We Germans should in addition urge the alliance that the number and kind of nuclear warheads in Europe be verified, with the objective of reducing them significantly. NATO is presently reconsidering this matter.

Any use of a nuclear warhead has the additional effect of crossing the threshold between conventional and nuclear warfare. It becomes thus evident that the orders to use nuclear weapons of any kind, including tactical ones, must always be issued from Washington and thus shift the risk to their point of origin. The Soviets have always understood it that way. They never gave any consideration to a nuclear "disengagement" by the United States, which is feared by many Europeans, as far as their own military strategic situation is concerned. This would of course change, if NATO were to renounce, in a binding and convincing manner, any first use of its nuclear forces. The assumption made in the above cited article that "an effective policy of

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renouncing first use would also reduce the threat of a conventional attack in Europe" (EUROPA-ARCHIV 7/1982, p 195), is therefore astonishing, especially since this statement is made in the section dealing with military reasons for renouncing first use. The statement is not adequately substantiated.

Political reasons could perhaps explain this statement. The question must of course be permitted whether we may still maintain our defense strategy of credible deterrence even if it would threaten the loss of the political cohesion of the alliance. And it is true of course that the cohesion of the alliance and the basic consensus of the people as well as their defense readiness are of much greater importance to preserving peace than any NATO strategy. But then this is true also for every single member country of the alliance. NATO is an alliance of sovereign states with an indissoluble share of the cost and the risk. Obviously, the strategic situation of treaty members varies as a function of their geographic location. Even France and Great Britain--nuclear powers, as well--are in a better situation than we are. The presence of their troops on our soil changes this situation only to the extent that it directly involves them in any case of aggression. This is even more true for the United States. Obviously, it is directly involved in the defense of Europe through the presence of its troops. But our country would be the battlefield.

For us, a meaningful defense strategy must be oriented toward the avoidance of conventional armed conflict in Central Europe. Anything else would not constitute a fair distribution of risks as provided by the alliance--risks which are unavoidable if there is to be successful deterrence and avoidance of war. Anyone considering "no first use" must realize that he is advancing the cause of regionalizing armed confrontation in Europe and that he is permitting the approach of a separation of the United States from Europe. And this situation would not even change fundamentally if it were possible to establish a conventional military balance in Europe.

The strategy of NATO is first and foremost a strategy of avoiding war. It is therefore a strategy of "no first use" of any arms at all. Our strategy of a flexible response is not a doctrine of nuclear first use either. True, it does not exclude first use of nuclear arms as a means of deterrence. But it primarily provides for a defense with those arms with which the alliance is attacked--even against superior conventional forces. This specifically excludes the substitution of lacking conventional forces with nuclear means. Thus the alliance must under no circumstances neglect its conventional forces. We must be able in the future to arrest a possible conventional aggression by means of a conventional forward area defense.

For us the decisive present and future factor remains that we must continue our policy of detente despite criticism at home and setbacks in our relations with the East. We hope that this will result, among other things, in an approximate military balance at the lowest possible level. The FRG must remain the driving force for a realistic European security policy. Our country would be particularly vulnerable to the consequences of the wrong

security policy. For this reason, an animated debate about the prerequisites for securing the peace in Europe is mandatory. This includes NATO strategy as well. To me, there is no question that we must look out for our own interests, apart from the solidarity of the alliance and despite all the good neighbor policy toward East Europe.

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ECONOMIC

ITALY

FAILURE OF SYSTEMS AGAINST TAX EVASION

Milan IL MONDO in Italian 1 Jun 82 pp 12-17

[Article by Giorgio Cadoria and Roberto Ippolito: "Tax Evaders, Inc"]

[Text] Cash registers; audits at the banks; handcuffs for those who do not pay. There are many proposals for combating tax fraud, but they are invariably blocked. Why? Who is "shelving" them?

Conservative estimates by the Ministry of Finance indicate that one Italian in 10 does not file a declaration of personal income. A survey based on a sample of 600,000 taxpayers, however, has disclosed that 20 percent of all taxpayers are tax evaders. In the same conservative vein, it is admitted at the ministry that evasions of the IVA [value-added tax] amount to 6 or 7 trillion lire per year. In an interview granted to IL MONDO in August 1981--2 months after relinquishing direction of the ministry--Franco Reviglio declared that the total of taxes evaded can be calculated at around 28 trillion lire. The situation has in fact not improved since then--despite an increase in the yield of Revenue Service audits--for these results are still small by comparison with estimates which indicate that the total of taxes evaded has already broken through the "ceiling" of 30 trillion lire.

To judge by their words, however, the government and the political parties--majority and opposition alike--have made the fight against tax evasion a main plank in their respective platforms and programs. It has amounted to a slogan that has been reiterated for years without any substantial change in the situation. How can this be? Is the fight against tax evasion hopeless? Who is opposing it? What, specifically, is thwarting it? IL MONDO has analyzed the factors that have frustrated every attempt to compel those who do not pay their taxes to pay them, and reconstructs step by step the ways in which the tax evader is enabled to go merrily on his way.

The boycotting of the individual initiatives occurs, of course, in a context of problems of a more general nature. "To improve the level of compliance with the tax laws," former Minister of Finance Filippo Maria Pandolfi told IL MONDO, "laws and administrative actions are needed that are persuasive and tough. In order for persuasion to be effective the taxpayer must be able to function in an atmosphere of certainty and therefore of trust. This means

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that people should not have to believe they are the only ones who pay their taxes. The regulations should be coherent and stable; the rules of the game should be enduring. Governmental discontinuity, for example, is harmful. I've been a member of the cabinet for 5 years but minister of finance for less than 2 years; it would have been better if I had held the same post for my entire tenure in the cabinet."

Today, however, not only has the individual citizen's faith in the internal revenue system been shaken but certain actions can in fact even be construed as an invitation to tax evasion. "For months," says Carlo Vizzini, assistant secretary of the Social Democratic Party, "there have been rumors that an amnesty was possible. As they wait to see what will happen, those who have been successful in not paying their taxes are accordingly resorting to litigation in the hope that they will never have to pay. The question as to whether the amnesty should or should not be granted must therefore be resolved."

Handcuffs for Tax Evaders

This is the name given to the bill which, if approved by the parliament, will make it possible to arrest tax evaders. At the present time, thanks to the regulation prescribing the so-called "pre-judicial tax procedure," the courts can institute a criminal action only after a definitive audit has been made by the financial offices: another dozen years could pass before this occurs. In other words, the citizen who defrauds the internal revenue system knows there is every likelihood that he will not wind up in prison. On 13 March Reviglio introduced a bill to eliminate the pre-judicial procedure, but after the bill had been allowed to repose in a desk drawer of the finance committee of the Chamber of Deputies it subsequently became the center of violent debate and remains a "dead letter." "Opposition to the bill is very strong on the part of the DC [Christian Democratic Party], which is attempting to emasculate it," said Communist Deputy Giuseppe D'Alema. There is constant wrangling in committee over the text of the bill.

"It is essential to make a distinction between culpable conduct and fraudulent conduct, and to allow criminal prosecution only in the case of fraudulent conduct," said Christian Democratic entrepreneur Luigi Rossi di Montelera. His fellow party member, Mario Usellini, also an entrepreneur, went so far as to introduce an amendment (in contrast to the government's position) whereby the failure to issue invoices could not constitute a crime.

D'Alema is also critical of the current minister of finance, the socialist Rino Formica. "Faced with the opposition of the DC," he said, "the PSI [Italian Socialist Party] initially gave ground, in that Formica submitted a new text which from our point of view was less stringent in nature, and this resulted in delays. He subsequently introduced new amendments which will have the effect of creating a loophole in any appropriate solution to the problem."

Formica rejects this criticism, claiming instead that the text he had originally proposed was an attempt to reconcile the various formulas which had surfaced in the initial phase of the debate. Within the committee, however, there was no dearth of moves to prevent the arrest of the tax evaders, to redimension the penalties, and to make the courts subject to the decisions of the tax offices.

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Some of the reservations made are quite explicit. "Nothing is more sacrosanct," Vizzini declared, "than the principle of 'handcuffs for the tax evaders.' The new regulations, however, come into conflict with reality: I worry about what a magistrate could do using the new law as a weapon." Meanwhile, the dispute over the amendments enables the tax evader to remain at liberty.

Banking Secrecy

The objective was to bring Italy into line with the other Western countries (except for Switzerland, which is virtually the only country that regards credit institutions as absolutely inviolable). The legislation would have been made substantially similar to that currently in effect in the United States. In practice, provision was made in certain restricted cases to allow violation of banking secrecy in the interest of the fight against tax evasion (and also against those kinds of crime which are increasingly concealed behind bold entrepreneurial ventures). The ministerial decree conceived by Formica, however, appears to be irremediably buried. Prime Minister Giovanni Spadolini, a republican, initially supported the decree but subsequently blocked it by requesting the opinion of the other ministers, whereupon Minister of the Treasury Mino Andreatta, a Christian Democrat, adopted the criticisms of Silvio Golzio, president of the Banking Association, who had advised a resounding rejection of the idea of granting discretionary powers over the internal auditing function of the banks; Minister of the Budget Giorgio La Malfa, a republican, expressed uncertainty with regard to procedural matters; and Minister of Justice Clelio Darida, a Christian Democrat, opposed giving the revenue service access to professional offices on grounds that professional confidentiality should not be sacrificed "to the need for ensuring equity and openness in tax matters" (similar ideas had already been expressed by the Bar Association).

There are even doubts among the social democrats. "I do not believe," Vizzini declared, "that it is proper to allow the administration to violate banking confidentiality even when it is a party in a legal proceeding currently in progress; only the courts should have the power to do so." The "land mine" in the path of the decree was laid there by the Christian Democrat Giuseppe Azzaro, former undersecretary of finance, and by Usellini. Azzaro (who presented the committee report on the decree to parliament) has never concealed his own reservations. Usellini, for his part, devised the strategem that has obstructed the parliamentary process, that is to say, the request that a consensus be reached among the ministers before a study of the measure was undertaken by the parliamentary Committee of the Thirty. The ensuing negative opinion rendered by the ministers served to make passage of the legislation virtually impossible. Formica will now attempt to obtain a clarification of the viewpoint of the majority, but his only support so far has come from the ranks of the opposition. "The decree," D'Alema says, "is a positive measure, because tax evasion has found the banks to be a "safe harbor" for avoiding audits. I hope the Christian Democrats will rethink their position, at least in consideration of the imperatives of the fight against organized crime."

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Cash Registers

It was 2 years ago next 16 July that Reviglio introduced the bill providing for the installation--in business establishments--of equipment that will make it possible for the internal revenue system to audit gross receipts: special cash registers would make it possible to issue sales receipts that would also be valuable for tax purposes. These 2 years have seen absolutely no movement in this direction, however. No one on the finance committee of the Chamber of Deputies has yet come forward to push for a study of the bill or to move for its inclusion on the agenda. Government and opposition alike found themselves in agreement that there would be no further discussion of the bill. Was it laziness? Poor organization of the work of the parliament? Or was it obstructionism which--by concentrating attention on a single bill--manages to impede the normal activity of the chamber? These are all possible reasons. It is an irony of fate that the peaceful slumber of the bill was interrupted by the committee on only one occasion: when a request was made that the measure be studied in legislative session, that is to say, without the need for a vote being taken on the floor. The corresponding authorization was given, for studying a bill in legislative session should in fact speed up its approval: but in these past 3 months there has been no action on the bill.

Litigation

For years there has been talk of reforming the system for handling appeals. It would constitute an additional weapon for use against tax evaders--one that could be brought into play more rapidly and effectively. Concrete proposals to accomplish this purpose are hard to find, however. Reviglio had proposed a complete revision of the system but left the government before he was able to complete the draft of the bill he had in mind. Several bills were introduced in the chamber and the senate, primarily by social democrats and liberals and subsequently by individual deputies. These do not yet constitute the basis for an in-depth comparative study, however.

Every year, as a result, hundreds of thousands of tax evasion cases are added to the millions of unresolved cases. "It's also a problem of decentralization," says Undersecretary of Finance Francesco Colucci (a socialist), "that must be dealt with decisively. The bill for restructuration of the financial administration provides (and certainly not by chance) for the creation of regional internal revenue offices. These offices would be empowered to function autonomously vis-a-vis the central administration--unlike the existing departments, which do not decide on a great many questions and instead merely "pass the buck."

The tax evaders (and those who help them to take refuge in the ramifications of administrative inefficiency) find it easy to profit from this situation. After a certain number of years the audit reports are outlawed by the statute of limitations and the corresponding files wind up in the shredder--and with them not only any possibility for Internal Revenue to recover trillions of lire but also any possibility of finally uncovering the foci of tax evasion. This means that basically Internal Revenue must in every instance begin again--from scratch--an unequal fight against profiteers who are increasingly battle-hardened and increasingly protected.

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Table 1. The Mountain of Tax Evasion (in millions of lire)

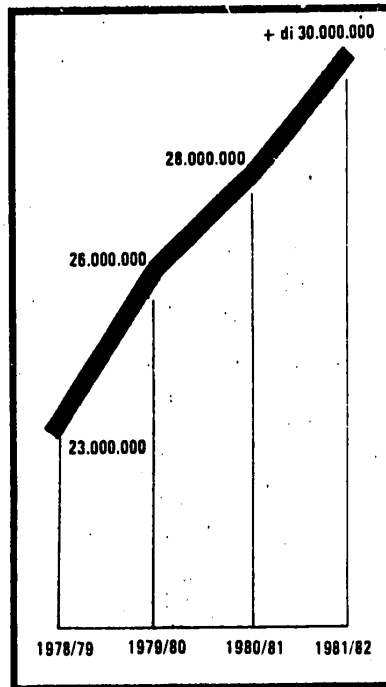
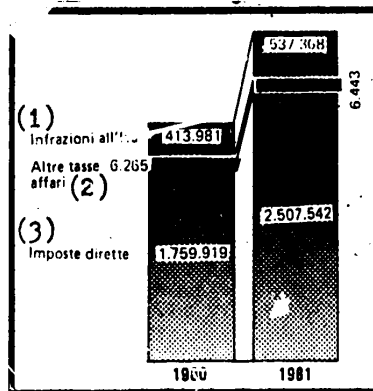


Table 2. Taxes Evaded but Recovered (As Established by the Revenue Service; in millions of lire)



Key:

- 1. Violations of the IVA
- 2. Other business taxes
- 3. Direct taxes

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Administration

The bill for restructuration of the financial administration was also introduced by Reviglio, but to date it has been passed only in the senate (on 11 November 1981), even though it is regarded as a measure of enormous importance. Emilio Rubbi, a Christian Democrat, chairman of the finance committee of the chamber, who hopes to be able at least to get it on the agenda this summer, declares: "It's self-deception to consider adopting instrumentalities that are more sophisticated than those already in force, unless audits have first been intensified to the greatest possible extent."

What must therefore be done? Should more personnel be hired? But won't it then be said that the economic situation does not permit all that hiring? "It's very shortsighted," Rubbi said, "because it overlooks the fact that the money thus spent can be offset by the sums recovered from the tax evaders and the improved rapport that would be established with the taxpayers. The problem, however, lies with the prevailing attitude in the civil service. If diligence on the part of individual civil servants is not solicited at the highest level, there is little inclination in parliament to hire more people. "We are anxious," Pandolfi added, "not to lessen the motivation of the personnel who are necessarily the sole protagonists in the struggle against tax evasion." Something has in fact been done with respect to hiring: 13,000 new employees have been added to the ranks since the first of the year. These are actually former temporary employees, however, who have had no training; in practice, they represent an additional obstacle to efficiency in the work of the offices.

"And the offices," D'Alema added, "must also cooperate more effectively with the revenue service. At present, if they receive a memo they will sometimes 'toss' it and sometimes make use of it; no one ever knows what its fate will be." This is an obstacle of no little import in the fight against tax evasion; it is an unexpected help for those who do not pay their taxes. The rivalry between two different official bodies is most intense at the customs-houses, where the revenue service and financial offices confront each other directly.

Colucci (whom Formica personally assigned to the revenue service) speaks of "a lack of coordination between the 'yellow flames' and the financial offices," and of "irregularities in connection with the intervention carried out both in the auditing and in the evaluation of tax evasion"; he also speaks of "policies that are too discretionary." The impression, among those who heard him, was that he was choosing his words carefully.

Revenue Service

Still quoting Colucci: "The revenue service should revise certain of its methods of operation with a view to a more rational utilization of personnel, acting in close conjunction with the financial administration." The role of the revenue officers in tracking down tax evaders is indispensable and decisive. For this reason as well, steps have been taken to bring the staff of the service (which has for years been shorthanded) up to full strength by

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recruiting 2,000 guards, 4,000 noncommissioned officers and 200 officers. The bill to strengthen the service, however, was introduced by Pandolfi in late 1978 and cannot be acted on until 1985--that is if everything goes well.

Is this one more indication of protection for tax evaders, who regard the "yellow flames" as a redoubtable adversary even under the "discretionary policies" to which Colucci made reference? It is difficult to give a definitive answer, but it is necessary to emphasize once more how far behind we are in the fight against tax evasion, even in respect to routine administrative action. What are the consequences? In this case the answer is easy. Immersed in a thousand tasks, burdened with a myriad of laws and regulations to enforce, the revenue officers find it increasingly difficult to operate with any degree of selectivity. Only their dedication and skill have enabled them to achieve results that are at times even exceptional, considering the means that are available to them.

Fiscal Receipt

Take for example the case of one of the few laws that for better or worse have been implemented during the past 5 years: the law making the fiscal receipt compulsory. Audits are the exclusive responsibility of the revenue service, which cannot employ more than a certain number of men for the purpose. Many fines are assessed for violations of the fiscal receipt law, and proposals have already been made for the temporary closure of business establishments that have committed multiple violations; but the evasions outnumber the fines. Above all, one is dealing with a type of evasion that leaves no trace: proof must be obtained "on the spot" or nothing further can be done. At the Ministry of Finance they point out that it is like traffic violations; at least a million a day are committed, according to estimates, but no more than 10,000 citations are ever issued in any 24-hour period.

In the case of the fiscal receipt law, the ratio of fines to violations is of course not as low as 1 percent, but it is not a great deal more than that. This situation gives rise to still another disadvantage: while the fiscal receipts make it possible to arrive at a more precise determination of a businessman's income for other tax purposes and especially for the IRPEF [expansion unknown], achievement of this objective is still far in the future and the incidence of tax evasion in the mercantile sector continues to be one of the highest. At the ministry they are saying, disconsolately: "With the IVA [value-added tax] being passed on to the customer, the principal effect of the fiscal receipt to date has been an increase in hotel and restaurant prices; one must continue to use it, however, because there is no easier course to follow."

Among other things, an atmosphere of connivance is to a certain extent being reestablished between businessman and customer--an atmosphere that initially appeared to have been dispelled when the customer was cast in the role of "adversary and auditor" of the businessman. "Defend your interests--and everyone's interests--so that the taxes will be paid," say the ministerial leaflets that accompany presentation of the fiscal receipt. Rather than pay 20,000 lire for a dinner with the IVA added, many choose to pay 15,000 lire without the IVA.

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Loopholes in the Laws

Could the fiscal receipt also become a spectacular loophole in a cumbersome and confused piece of legislation? Formica contends that "there are already too many badly written laws--laws that go after little things rather than what is important." His predecessors at the Ministry of Finance--Reviglio, Pandolfi and Bruno Visentini himself--have always argued that it is necessary to avoid engaging in a bogus "fiscal terrorism," i.e., proclaiming measures that later have basically come to naught because of an insufficiency of technicians capable of enforcing them.

It is also essential, however, to prevent the continuance--and consolidation--of tax evasion precisely as a result of the gaps left open in a succession of inadequate measures. Consider for example the possibility of deducting expenditures for gasoline from certain types of income. What happens, in a great many cases? You buy a decrepit automobile for a few 10,000-lire notes and register it under your firm name as a "work-related implement." The car then simply sits in the garage or even in the street, but to judge by the tax return filed with the Internal Revenue it is as if the car logs 30,000 kilometers per month.

What about audits, and--above all--the possibility of making them? As things are today, it is useless even to talk about it. Has not Internal Revenue itself, moreover, publicly admitted its own semi-impotence by resorting to the notorious "tax lotteries"? These were supposed to serve as a scare tactic, but have produced results so disconcerting as to suggest it would be advisable to drop the whole idea once and for all.

These fiscal measures would therefore be quite beneficial--from everyone's standpoint but above all from the standpoint of Internal Revenue--if they were completely revised or even abolished. In the case of certain taxes and fees--as for example those relating to government concessions--the state perhaps spends more than it collects; in the case of certain other taxes, the yield is so minimal that it does not even begin to justify the enormous expenditure of resources required for collection, especially in view of the traditional scarcity and inadequacy of these resources.

The problem is not merely one of rationality but also one of image. An internal revenue service that is impotent--or in any event, clumsy and always harried--will never be taken seriously. "The impression prevails," says Colucci, "that many of the weapons of Internal Revenue are blunted, because--among other things--people are certainly not convinced that they are dealing with an efficient administration."

Laws, regulations and other measures filter down from the parliament, or at least from the ministries. It is precisely in the "filtration" stage, however (and especially at the parliamentary level) that there is organized resistance, that pressure groups are active, and that corporate and partisan interests prevail. A law, a regulation or other measure are--generally speaking--initiated with the best of intentions but frequently wind up weakened or debased by a series of compromises. The results produced are often the opposite of what was originally intended.

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Fiscal Register

The "fiscal register"--which was supposed to be the keystone of the Italian tax system--had a most difficult gestation period and subsequently, for so many years, has had a miserable existence. It, too, has had the misfortune to suffer from a measure of publicity which was disproportionate to the results that could objectively be expected--at least in the initial phase. The superficial enthusiasm for "pushing a button and nailing the tax evader" certainly did it a disservice. On the other hand, the resistance (more or less organized) to its introduction has unquestionably rendered an incredibly great service to tax evaders, so much so as to create the rather well-founded impression that the register was being boycotted in an effort to ensure a delay that could conceivably enable the tax evaders to claim immunity from prosecution in the future.

Whether or not that is the case, there can be no doubt that the fiscal register in any event came too late for a tax system that must increasingly--and immediately--deal with the emergency situations attendant on the economic crisis as well as with the urgent need for fairness in taxation. Many of the distortions of the tax system (and of course the most aggressively ruthless "distortion" of all, tax evasion itself) can be ascribed to this delay.

Now, however, the mechanism has been set in motion, and the tax register appears at last to be assuming a substantial role on the tax scene. The system is already in a position to supply a great many of the elements necessary for the so-called "cross checks" to verify that declared income corresponds to actual income. It is now possible to have audit results with a margin of error of around 20 percent, which is already quite good by comparison with the audits--based on inductive reasoning--that have for more than 30 years determined the legality or illegality of tax returns. These cross checks, for their part, can theoretically "catch up with" 90 percent of the taxpayers or presumptive taxpayers. They would deal a blow to at least a large segment of the tax evaders. It will nonetheless take a long time: there are insufficient personnel, and not all personnel are fully qualified. After all, data systems--no matter how flexible--are certainly incapable of bringing order out of the chaos that exists among taxes, fees, tribunals and customs because of the lamentable lack of coordination among the various services.

It is therefore essential that the tax register be managed by a reorganized financial administration. In the reorganization bill, for example, two innovations are contemplated that can no longer be postponed--namely, a single general directorate and a single personnel directorate--with the goal of eliminating absurd partitions that presently exist among individual services and even among individual offices of the same service.

It is therefore necessary to close an enormous gap, as for example in the case of real estate, both improved and unimproved. Only in a few pilot provinces has a start been made on recording data that refer comprehensively to the transactions (purchases and transfers) that took place in 1981 (and in any event, none that took place any earlier than 1980). Even in these pilot provinces, moreover, you have an information void that goes back for decades and has been aggravated by the chronic crisis of the real estate register.

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The increase in the number of IRPEF declarations (forms 740 or 101) filed by workers and pensioners has slowed down the storage of data that are essential (especially in the case of the 101's) to the "cross checks." In the great majority of cases, only income from securities is put into memory.

Provisional Audit Results

More years must accordingly pass before the tax register is fully operative, and before the fight against tax evasion can make consistent progress. In the meantime, one must continue to rely on the goodwill of financial managers, on the efficiency of the revenue service, and on the traditional political acrobatics to dig more coins out of the pockets of those citizens who are already paying their taxes. There is talk--persistent talk--of revising the IVA with a view to preserving the second-stage tax reduction scheduled for this year; there is always someone who will show solicitude for the so-called "legalized" tax evasion and thereby nourish the frightful government deficit. The legalized tax evasion, in this instance, would relate to the BOT [expansion unknown] and CCD [Confederation of Small Farmers], which might then no longer enjoy the privilege of the tax exemption.

What is certain, meanwhile, is that the provisional measures will continue to be in effect. The only anti-tax evasion measure, moreover, is precisely the one established by presidential decree concerning the provisional audit results. The decree became necessary when the fiscal register supplied the initial data on the 1977 cross checks. Irregularities appeared in approximately 600,000 cases, some of which were possible cases of complete tax evasion (by taxpayers who appear in the IVA or INPS files but not in those for direct taxes). The financial offices do have the possibility of recovering the tax owed fairly rapidly on the basis of a provisional audit, without prejudicing the subsequent final audit. It isn't much, but for now--unfortunately--it's all that can be done.

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ECONOMIC

ITALY

ECONOMISTS' REPORT ON STATE OF ECONOMY

Milan IL MONDO in Italian 1 Jun 82 pp 41-47

[Article by Paola De Benedetti, Eflsio Espa and Maurizio Valentini: "Devaluation in the 1980's Will Not Help the Export Trade"]

[Text] Summary of the Report

The causes of the weakness of the lira are not merely situational but derive in large measure from the structural problems of international trade. Our analysis of the report will concentrate on five points: 1) evolution of the Italian economy; 2) exports; 3) imports; 4) prospects; and 5) proposals.

The decision in favor of economic integration into the European orbit and--more generally speaking--the Western orbit (Marshall Plan, customs union, Common Market) has had a profound effect on the composition of Italy's foreign trade. The industrial system became specialized in the technologically mature sectors precisely because they are free from competition from the United States, which dominated the Western economies during the postwar period.

The system has also suffered from EEC protectionism, which is directed primarily toward protecting the production of commodities such as grain and meat--areas where Italy is traditionally at a disadvantage. This has forced Italy to buy on the world's highest-priced markets without being able to contract for the export of its manufactured goods on equally favorable terms.

The high incidence of labor disputes, and the high labor costs, of the 1970's compelled the industrial system to decentralize in an effort to increase labor productivity. Also in relation to this process, small and medium-scale Italian producers entered the international market by specializing in various of the so-called "mature" sectors--mature, that is, in terms of the means of production or in terms of quality. These exports succeeded in defeating the competition of the developed, and the developing, countries by virtue of low labor costs. In numerous instances Italy has obtained an increasing share of the world market: in the manufacturing sector, Italian exports increased--during the 1970's--from 6.8 percent to 7.4 percent of the total exports of the other industrialized countries.

The number one item on the debit side of the trade balance consists of petroleum products. It poses a problem that is indisputable and difficult to resolve, at least in the opinion of some of the participants in the discussion;

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but it is now being matched by the outflow in the chemical sector resulting from the failure of the attempt made throughout the 1970's to create an industrial pole of attraction concentrated in the South. The third largest item on the debit side is the deficit in agricultural food production, which developed not only because EEC policy has penalized Mediterranean agricultural production but also because of the changes that have occurred in consumer tastes during the past 30 years--changes that have revealed Italian agricultural enterprises to be lacking in adaptability.

The Italian system is in a state of continuing evolution: throughout the 1950's and 1960's it met international competition successfully thanks to the low cost of labor and raw materials. In the 1970's, however, the picture changed completely. The model began to malfunction as a consequence of the wage increases and rising energy prices. An economic policy was adopted that attempted to sustain production by increasing transfer payments to the community and to private businesses. These expenditures created a deficit in the public sector which in turn has resulted in a continuing adjustment of the rate of exchange--a circumstance that for some time had the effect of revivifying the industrial system.

At the outset of the 1980's this mechanism, too, entered a crisis stage. The positive effects of the devaluations have been diminishing substantially, and the impact of the inflationary differential is working increasingly to Italy's disadvantage. A structural policy must be established, in addition to controlling the deficit.

In certain strategic sectors the major decisions must be made by public management (energy, electronics and telematics sectors)--decisions which will even take the form of the organization of public demand--while in the "mature" sectors industrial productivity must be increased further and be adapted to the new dimensions of the market. All this, however, must be subordinated to the necessity for supporting technological innovation and research that will make it possible to expand the scope of technologically advanced production even in the mature sectors.

Analysis of the Report

Trade balances in the red, as the first signs of an economic revival appear; foreign exchange reserves dangerously depleted, so much so as to pose the threat of a devaluation of the lira in the fall. Once again the foreign "link"--that is to say, the complex of international factors that condition the Italian economy--is exerting its influence on economic policy. In the coming months the monetary authorities will be facing a difficult choice, a choice that is more political than technical: namely, whether (and how much) to throttle down the economic revival in order to save the exchange rate.

But is there a way to avoid the foreign "link"? Is it possible to modify the structural factors that restrict economic policy to a very narrow track between successive devaluations and economic stagnation? These questions were put to the group of economists that meets every 6 months at the invitation of IL MONDO to put the finishing touches on a report on topics of major importance: Mario Baldassarri, instructor in economics at Bologna; Innocenzo

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Cipolletta, director of ISCO [Institute for the Study of Economic Trends]; Marcello De Cecco, instructor at Siena and the European University of Florence; Lucio Izzo, professor of economics at Rome; Mario Monti, instructor in monetary theory and policy at Bocconi University in Milan; Franco Reviglio, professor of the science of finance at the University of Turin; and Luigi Spaventa, professor of economics at Rome and deputy of the independent Left. Because of his specific expertise in the field of world trade, Fabrizio Onida, professor of international economics at Bocconi University in Milan, was also invited to take part in the discussion. Angelo Tantazzi, instructor in economics at Bologna and secretary of the Prometeia research center, was customarily also included in the group that drafted these reports.

The Hunger for Innovation

The latest data concerning the balance of trade have served to confirm that as of the end of March the deficit had already exceeded 5 trillion lire. To protect the lira the Bank of Italy has recently drawn down the foreign exchange reserves, to the extent of expending as much as several hundreds of billions of lire per day. This was done, moreover, at a time when the industrial "machine" was just beginning to move forward again and the inflationary spiral was showing some signs of slackening. So once again the perverse train of events is set in motion: almost as soon as the economy has begun to move forward, Italy's accounts with foreign countries tend dangerously toward the debit side. One of the reasons is that companies are rebuilding their inventories, in the belief that an increase in domestic demand is imminent. The greater part of the deficit in this period--a deficit already aggravated by the strengthened position of the dollar--is caused by the increasing importation of petroleum and raw materials for the manufacturing sector of industry. An item-by-item analysis of the trade data, on the other hand, shows a favorable overall balance in the case of items other than petroleum products. In contrast to the positive results in traditionally active sectors such as clothing, textiles and machinery and the good performance of sectors such as metalworking and transportation equipment, the accounts for the chemical, food, paper and leather sectors are sinking into the red.

According to the participants in the discussion, the exceptional dimensions of the deficit are also to be attributed to the international situation. Indeed, the Italian economy has actually been moving forward at a more rapid rate than the economies of its own trade partners; but under these conditions the demand for Italian products abroad increases more slowly than the domestic demand for imported goods.

The balance of payments represents still another "question mark." Here, the deficit for the first 3 months of this year remained at the level of the previous year (3.433 trillion lire in 1982 compared to 3.408 trillion in 1981), but the high degree of vulnerability of the Italian economy to foreign influences is a source of concern. In 1981 the scarcity of credit available to domestic firms (because of import deposits and the credit crunch) induced many Italian firms to contract indebtedness on foreign financial markets. This has helped to provide "breathing space" for the balance of payments, but has also raised serious questions with respect to what will happen when these debts must be repaid.

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Table 1. Italy's Foreign Trade (in billions of lire)

(1)	(2) 1976		(3) 1977		(4) 1978		(2) 1980		(3) 1981		(4)		
	Esportazioni	Importazioni	Esportazioni	Importazioni	Saldo	Esportazioni	Importazioni	Esportazioni	Importazioni	Saldo	Esportazioni	Importazioni	Saldo
(5)	1,523.7	5,576.9	1,954.4	6,717.0	-4,762.6	1,930.6	7,520.2	2,298.0	8,440.7	-6,142	2,298.0	8,440.7	-6,142
(6)	1,523.0	11,871.2	1,954.4	18,588.5	-16,390.9	2,111.0	21,801.4	21,890.4	31,291.0	-91,007	2,298.0	31,291.0	-91,007
(7)	45,843.0	30,588.0	57,802.8	42,374.9	15,427.9	64,582.7	55,968.4	83,491.4	63,943.7	19,548	4,304.8	63,943.7	19,548
(8)	1,523.9	4,477.8	2,918.8	8,917.4	-3,001.9	2,388.8	8,340.3	4,304.8	8,097.6	-2,382	4,304.8	8,097.6	-2,382
(9)	4,146.2	1,616.9	5,026.6	2,468.9	2,559.7	5,327.8	2,803.6	6,788.2	3,005.9	+3,782	6,788.2	3,005.9	+3,782
(10)	4,833.8	703.9	6,392.8	1,233.7	5,159.2	8,086.8	1,418.7	1,788.2	3,005.9	+547	1,788.2	3,005.9	+547
(11)	1,300.3	881.0	1,816.2	1,333.0	483.2	-	-	6,710.5	934.4	+5,776	6,710.5	934.4	+5,776
(12)	4,278.9	4,223.6	4,886.1	4,281.4	-1,361.3	8,228.9	7,880.8	7,877.2	1,738.1	+789	7,877.2	1,738.1	+789
(13)	17,826.8	10,094.6	21,271.4	12,895.9	8,375.5	25,204.7	19,781.9	32,371.3	22,191.8	+9,179	32,371.3	22,191.8	+9,179
(14)	3,228.5	4,361.7	4,044.8	6,386.2	-2,164.5	3,969.2	7,394.4	5,838.8	8,694.5	-2,856	5,838.8	8,694.5	-2,856
(15)	2,878.8	1,129.2	4,105.4	1,809.5	2,295.9	3,969.2	4,235.7	5,838.8	8,694.5	+2,857	5,838.8	8,694.5	+2,857
(16)	8,717.4	3,199.7	7,337.8	4,386.7	3,062.1	30,391.5	7,289.1	5,838.8	8,694.5	+2,149	5,838.8	8,694.5	+2,149
(17)	47,487.7	47,836.1	59,924.8	64,550.4	-4,725.6	68,724.3	85,390.0	86,071	103,675.0	-18,665.7	86,071	103,675.0	-18,665.7

Key:

- 1. Categories
- 2. Exports
- 3. Imports
- 4. Balance
- 5. Agricultural, livestock, forest products
- 6. Products of the extractive and similar industries
- 7. Products of the manufacturing industry:
- 8. Food and similar products
- 9. Textiles
- 10. Clothing, accessories, etc
- 11. Wood and cork products
- 12. Metal products
- 13. Machinery
- 14. Chemicals
- 15. Petroleum and coal products
- 16. Other manufactured goods
- 17. Total

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The authors of the report, however, indicate that the problems of foreign trade are not exclusively of a situational nature. If anything, the oscillations of certain key variables (exchange rate, level of world demand, the international situation) have accentuated the imbalances of a foreign trade structure that has developed over the years.

1. Evolution of the Italian Economy

The choices made by Italy in the immediate postwar period necessarily evolved into certain specializations with respect to products and to export markets that led--in the late 1950's--to Italy's membership first in the Customs Union and subsequently in the Common Market. This produced a trend toward specialization by Italy in the "mature" sectors and toward a gradual deemphasis of the advanced sectors--a trend that was reinforced during the years that followed. The situation was further complicated, in a second phase, by the agricultural protectionism of the EEC, which operated in accordance with modalities that rewarded self-sufficiency (at the level of the Community) in those products such as grain and meat of which Italy was a disadvantaged producer and traditional importer. This economic integration has forced Italy to buy on the highest-priced markets in the world without being able to conclude contracts enabling it to export a comparable value of manufactured goods under equally favorable conditions.

Italy was accordingly unsuccessful (unlike Germany and Japan, in the same period) in making the transition from the production of consumer goods to the production of goods requiring an investment in advanced technology. An attempt was in fact made by introduce advanced technology selectively into sectors such as petrochemicals, nuclear engineering and electronics. Faced with the response of foreign competition, however, and because of the credit crunch in 1963-64, even the most courageous attempts at this type of investment were unsuccessful. Toward the end of the 1960's, the change in the relationship between unions and management led Italian big and middle-scale business to react by decentralizing production--that is to say, by hiring from outside the ranks of its own work force. With the exception of the steel, petrochemical and automobile industries, this phenomenon characterized Italian industry throughout the decade of the 1970's and led to significant changes in the very structure of foreign trade.

During the past 12 years we have witnessed an increasing specialization by Italy in the products of light industries that are relatively labor-intensive. It is a phenomenon which--among the so-called developed countries--appears to apply only to the Italian economy (see Table 2).

We are also witnessing an overturn of the structure of the Italian companies that are oriented toward the export trade. Whereas these export-oriented companies at first consisted basically of a small number of large firms, there is today a growing presence of those sectors in which small and medium-scale companies predominate, accompanied by a return to the export of "traditional" products. The more industrialized trade partners (that is to say, the countries of the OECD area) are moving toward verticalization of their production

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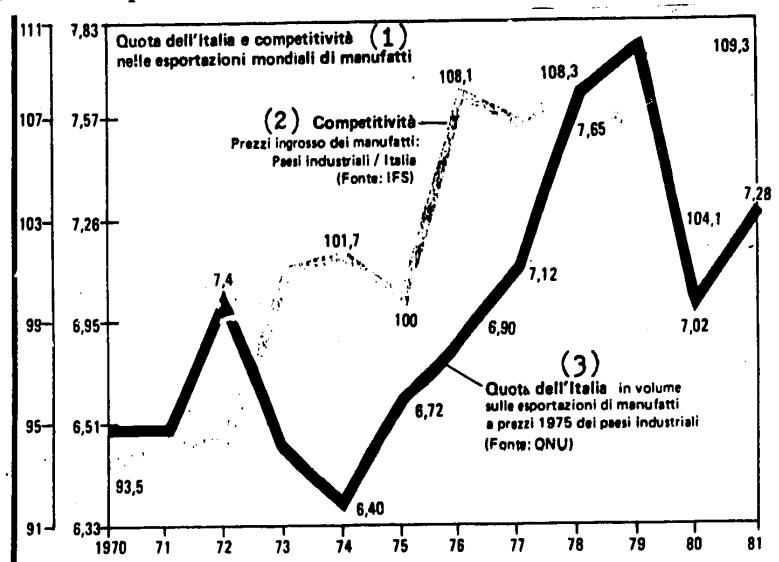
Table 2. Item-by-Item Composition of the Exports of Manufactured Goods (1979)
(values in percentages)

	Italia	Germ.	Francia	U. Unito (1)	Urss
Beni finali di consumo (2)	42,9	33,9	35,5	37,3	22,5
di cui: tessuti (3)	8,3	2,9	3,3	3,0	2,1
abbigliamento (4)	4,2	2,0	3,1	2,6	0,6
calzature (5)	6,2	0,5	0,8	0,8	0,3
mobili (6)	3,3	1,5	0,7	0,7	0,2
autovetture (7)	5,9	11,2	10,1	2,4	4,9
Beni finali di investimento (8)	27,9	30,8	23,5	30,8	38,3
di cui: macchine utensili (9)	1,9	1,7	0,7	1,0	0,9
macchine agricole e tessili (10)	2,6	8,1	3,6	5,9	6,1
macchine elettriche (11)	3,4	5,0	4,2	3,3	4,7
macchine per ufficio (12)	1,6	2,1	2,6	4,4	6,5
Beni non finali (13)	30,1	35,3	41,0	32,1	38,2
Fonte: Elaborazione dati Ocse (14)					

Key:

- | | |
|-------------------------|--|
| 1. United Kingdom | 8. Final producer goods |
| 2. Final consumer goods | 9. As follows: Machine tools |
| 3. As follows: Textiles | 10. Agricultural and textile machinery |
| 4. Clothing | 11. Electrical machinery |
| 5. Footwear | 12. Office machines |
| 6. Furniture | 13. Non-final goods |
| 7. Motor vehicles | 14. Source: OECD elaboration |

Graph 1. How Competitive Is Italy?



Key:

- Italy's share of (and competitive position in) the world market for exports of manufactured goods
- Competitive position. Wholesale prices for manufactured goods: Industrial countries vis-a-vis Italy (source: IFS [expansion unknown])
- Italy's share of the volume of exports of manufactured goods (in 1975 prices) by the industrialized countries (source: UN)

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and therefore toward an increasingly decisive presence of the multinationals. This has led to an intensification of the innovative content of production processes and products and has therefore served to create a void in certain traditional sectors of world trade--textiles, clothing, footwear, and so forth--a void which instead of being filled by the new "emergent" countries is experiencing a massive infusion of activity by the Italian economy.

2. Exports

Despite the present difficult situation, the picture that emerges from a detailed analysis of the sector-by-sector composition of the Italian balance of payments is still relatively reassuring. The Italian share of the export trade in manufactured goods compared to the share of the other industrialized countries increased--during the 1970's--to 7.4 percent from 6.8 percent, and this appears to have been due basically to factors relating to competitiveness; there is, in fact, a positive correlation between the Italian share of this trade, on the one hand, and the index of competitiveness (stated in terms of wholesale prices for Italian manufactured goods compared with the corresponding prices offered by Italy's competition). (See Graph 1.) Some of the participants in the discussion did not declare themselves in opposition to the thesis (which has increasingly been present in the press and in official statements) to the effect that the dynamics of Italy's trade with foreign countries is evolving into a structure characteristic of a developing country. Indeed, the analysis based on the mature sectors classification appears to have been superseded. One must instead speak in terms of: a) mature products, construed to mean those products that are rapidly defeated either by the developing countries (low wages, low prices) or by the advanced countries (more efficient technologies and the resultant low prices, or qualitative improvements); b) mature technologies, that is to say, those which are quickly transferable to the emergent countries (petrochemicals, in the case of the OPEC countries); and c) mature companies present in those sectors where there is an obvious lack of organizational and managerial factors accompanied by technological shortcomings, including the mass-production economies at the national and international levels. If one uses this classification, it does not seem that the balance sheet for the structural evolution of Italian specialization can be harshly criticized.

First of all, it is important to analyze the situation with respect to consumer goods, for the fact is that Italian exports are substantially oriented toward these goods. As in the case of certain so-called traditional sectors (textiles, clothing, furniture and so forth), Italy recorded--in the 1970's--indices of specialization and competitiveness that were either stable or actually high and continuing to rise, in a number of sectors linked to the machine-building industry (see Graph 2). These were sectors associated with the production of those consumer goods the export of which produced superior results for Italy, as for example textile, woodworking and leatherworking machinery.

Italy has, moreover, recorded noteworthy successes in the export of machine tools for metalworking; printing presses; machine components; and agricultural equipment. These are sectors which have a content of technological innovation

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that is more closely linked to applied research and experimentation at the engineering level than to laboratory research. A distinction thus becomes apparent between products that are linked to innovations derived from basic research, on the one hand, and goods associated with engineering "know how" and applied research--areas in which Italy still demonstrates a capacity for growth.

In the area of technologically advanced products, Italy demonstrates considerable lag--a circumstance which may perhaps stem from several different causes: 1) Some of these sectors are surrounded by barriers calculated to preclude the entry of new competitors; this is certainly true in the case of electronic components. 2. The policy of a progressive devaluation of the lira--a policy which Italy has followed for 12 years--has produced adverse effects on the structure of production, by favoring the protection of traditional products and serving as a disincentive to innovation. 3. The insufficiency of financial resources for use in research and development has slowed technological reconversion; indeed, it must be remembered that the structure of Italian companies is more dependent on external borrowing than is the case in other EEC countries. 4. The lack of explicit intervention in the form of an adequate industrial policy has made it difficult to provide incentives for investment in research.

These considerations raise some questions concerning the future prospects of the Italian export trade, particularly in those sectors where the competition comes from efficient and highly tested industries such as the German, Japanese and U.S. industries. Indeed, it was the "advanced" countries that in the decade of the 1970's caused Italian exports to decline significantly in terms of percentages (10 points in electrical household appliances, 3.5 points in office machines, 3 points in motor vehicles). As for the competition from countries of relatively recent industrialization (Brazil, Mexico, Taiwan, Hong Kong), it should be noted that the "emergent" countries of the 1970's have concentrated on only a few sectors that could pose a specific threat to Italian production. This is the case in the textile, clothing, footwear, leather and hides sectors. In other sectors, the penetration of the emergent countries has entered into competition with Japanese, American and German industry (civilian electronics, assembly processes, small household electric appliances, optical instruments and precision equipment)--products, in other words, that do not have a significant impact on the Italian economy. In other sectors (furniture, ceramics, jewelry, sports equipment), the experience and specialization of the concerned Italian companies serve to restrict the capacity for penetration by the emergent countries. Among other things, we are talking about exports of goods that have a limited elasticity with respect to price, or that serve to limit the danger that Italy's trade position will be threatened by the price war of the emergent countries. It is in the intermediate sectors, on the other hand, that the competition relates to price (steel, intermediate textiles) rather than to clothing and metalworking in general. Overall, the "price sensitivity" of the goods that Italy exports is therefore no greater than is the case in other countries.

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3. Imports

The cost of petroleum imports has for years been the historic "hole" in Italy's trade balance. It is a bottomless pit that swallows up billions of dollars, and it is difficult to add anything new by way of comment except perhaps to say that the possibilities for correcting the situation are slim if not actually nonexistent, at least in the opinion of some; that is, of course, unless the aforesaid "pit" draws the economy down to extremely low levels of activity. The trade deficit for the chemical industry is second, at the present time, only to the petroleum deficit. The crisis stems from the difficulties of public and private industry and from the associated failure of the grandiose investments made in the South, which were characterized by an exceedingly high capital-product and capital-labor ratio. The deficit in the food sector was intensified not only by the problems deriving from membership in the Common Market but also by factors relating to changes in consumer tastes--changes in response to which the Italian food production system has not demonstrated sufficient capacity for adaptation. On the other hand, one can point to a positive factor--the currently favorable position of a sector that traditionally shows a deficit, namely, the transportation equipment sector.

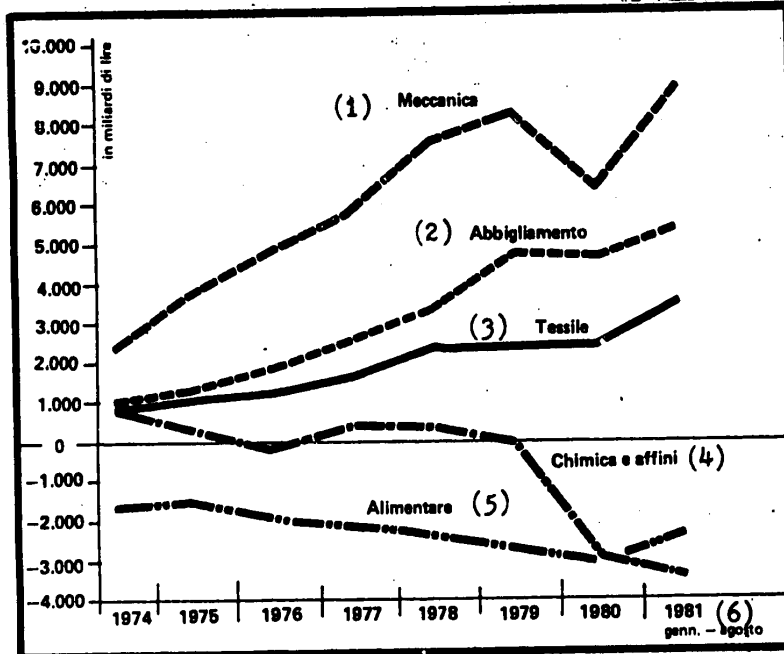
4. Prospects

Unlike the model of the 1950's and 1960's, which was based essentially on the low cost of labor and raw materials, in the 1970's the mechanism that governs the Italian economy in its relations with foreign countries changed substantially. On the one hand the crisis of big industry coupled with the development of the small and medium-scale enterprises integrated into the Common Market, and on the other hand the special evolution of public finance, have helped to determine the structure of the types of foreign trade described above. Notably, in Italy less than 20 percent of public expenditure is covered by new taxes, whereas in other developed countries (France, The Netherlands, the Scandinavian countries and Great Britain) the increasing outlays have been financed by appropriate fiscal management. The necessary public expenditures are therefore financed largely through the creation of a monetary base. According to some of the authors of the report, it is precisely this massive indebtedness that created the conditions for the inflationary differential and therefore for the imbalances in foreign trade; nonetheless, it is probably this model of development--based on the expansion of direct and indirect transfer payments to businesses and to families--that has made possible the transformation of the Italian economy from an economy centered on a few large companies in the industrial triangle to one that is widely distributed throughout extensive geographical areas.

The same policy of devaluation has been essential to the maintenance of the competitive position of the export companies and therefore also to the maintenance of the level of employment. The participants in the discussion expressed considerable doubt as to the possibility of continuing such a policy. In particular, the Italian economic system is demonstrating today--by comparison with 10 or 15 years ago--a more rapid adaptation to the new levels of the exchange rate, thereby lessening the classic positive effects of a devaluation.

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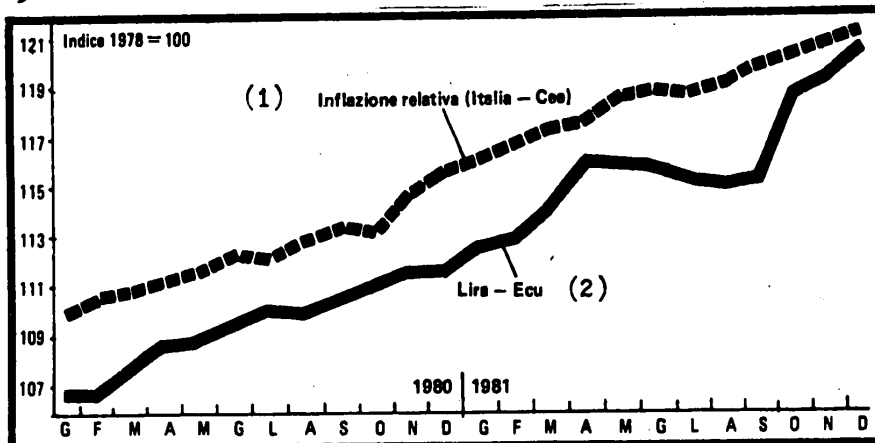
Graph 2. Machinery Is on the Upswing, However (in billions of lire)



Key:

- | | |
|--------------|-----------------------------------|
| 1. Machinery | 4. Chemicals and similar products |
| 2. Clothing | 5. Food products |
| 3. Textiles | 6. January-August |

Graph 3. The Differentials for Italy (index for 1978 = 100)



Key:

1. Relative inflation (Italy vis-a-vis EEC)
2. Lira vis-a-vis ECU [European Currency Unit]

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Still another major question mark--one that bears on the future of the Italian export trade--concerns the methods of financing the structural disequilibrium of the trade balance on the international financial markets. In fact, the sharp decline in the surplus of the petroleum-producing countries (even if--in the judgment of all the participants--we are dealing with a cyclic phenomenon) is reflected both in terms of a decreased absorption of goods by these countries and in terms of a decreased availability of funds on the Eurodollar market and, in general, on the international financial market. This trend could also prove to be a special source of concern for an economic system such as the Italian system in which financial protectionism has--by impeding the competition of foreign companies--greatly limited the capacity for acquiring liquid assets on the international market. In this connection, some of the economists emphasized that this policy had brought about an increasingly massive direct presence of the economic managers on the international financial market. The Italian companies are accordingly relatively less active in foreign countries, having increased their own indebtedness in order to finance their operations. The companies are therefore tending to integrate themselves with the rest of the world in terms of assets and capital, acquiring the foreign exchange which enables the Italian authorities to replenish their reserves by means of operations on the foreign exchange markets. In addition, there is the fact that the behavior of the dollar--which continues to be quoted at high prices because of the Reagan monetary policy rather than because of any actual conditions of strength on the part of the American economic system--is creating uncertainty with regard to the terms of payment on the international financial markets.

5. Proposals

In conclusion, the picture that emerges from the analysis of the principal specializations of Italy's foreign trade is not one of the rosier, but neither is it one of the gloomiest. There are undoubtedly weak spots--weak spots that have become structural--in the trade balance, but the discussion of the economists has given rise to several proposals relating to industrial and trade policy. In certain strategic sectors the major decisions must be made by the public managers (investments in the energy, electronics and telematics sectors).

Organization of Public Demand

It is true that we are dealing with sectors in which Italy suffers from technological lags, but it is not inevitable that these should be insurmountable barriers or that one must continue to compete only in the rear trenches. Rather than speak in terms of generic industrial reconversion, what is needed is to concentrate on applied research, on supporting the diffusion of innovation throughout small and medium-scale industry.

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ECONOMIC

ITALY

PROBLEM OF ABSENTEEISM, MOBILITY IN INDUSTRY DISCUSSED

Absenteeism, Mobility Decrease

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article: "Absenteeism and Mobility: Is It True That Someone in Italy is Working Like a Japanese?"]

[Text] We are attempting to make an initial estimate of two phenomena that are at the center of new industrial relationships.

The data show that despite some people's optimism the problems are very far from being solved. Some results have occurred more because of the economic situation and the weakness of the union than because a change has taken place in relations between business and labor.

The unions and business management now seem to be in agreement on at least two points: absenteeism in factories is on the downswing, and the initial experiment of moving from one company to another is proving to be a failure. However, the agreement goes no further; it stops there. Both the causes that have produced these two trends and the possible merits and responsibility involved are assessed in different ways.

CORRIERE DELL'ECONOMIA has made a comparison of the various positions, as it often does, by gathering a series of statements "directly from the source." We are reporting them along with other supporting information and two statements made to us by the president of the Turin Industrial Union, Sergio Pininfarina, and by the central director for personnel and organization at Alfa Romeo, Giuseppe Medusa.

What do these signs mean? Are we witnessing a change in behavior? A change in industrial relations? Can it be true that Italians are now working like Japanese?

Before giving the floor to the parties involved, it will be helpful to take a quick look at the figures on these new trends in order to put them into perspective.

Let's begin with absenteeism.

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Official data show absenteeism in quite a new light: from 1979 to 1981, absences from work in the Milan area (a significant benchmark for national comparison) have fallen by 2 percent in general manufacturing. This decrease is a bit too slight to indicate that the problem is behind us. There has been a change, maybe even a turnaround, but it is too soon to call it a definite downturn.

If we take a look at the reasons most frequently given for not coming to the factory or office (see the two pertinent graphs on following pages), we see that absences have been reduced mainly because of less conflict. In other words, there have been fewer strikes. Absences because of illness (the category where the most significant abuses are found) have stayed at the same level as in the past.

What weight, then, can be given to statements (which industrialists have been making, too) that absenteeism is being greatly reduced?

There probably are individual companies where this trend has taken on exceptional proportions. This is just an affirmation that cannot be supported by precise statistical data, but it is confirmed indirectly by what has been happening at Fiat, where absences have fallen off so much that it would seem that workers are coming in even though they are ill.

Why is all this happening?

One answer is obvious : concern about keeping jobs and massive, widespread recourse to the Wage Supplement Fund have induced lesser qualified workers to be more careful (we should remember that some companies have hastened to add even habitual absentees to the Wage Supplement list). The union's attitude has changed; it is no longer ready to protect excessive absenteeism. The judiciary's attitude has also changed; it has descended into the arena of public employment to combat compliant doctors and has often upheld provisions for dismissal adopted by private business.

Now we come to mobility.

The figures supplied by the Piedmont Labor Office (this is the only region where an "official" experiment has been done on intercompany mobility) leave no room for doubt: workers are rejecting job offers and the companies are rejecting workers. In short, it is a complete fiasco, despite the proof of availability provided by the union.

The reasons for failure are obvious: businesses are reluctant to hire transfer workers because they think the least trustworthy show up on "the list." Those who work in a big business look askance at a job in a smaller business because there is less union "protection," less job security and, generally, lower wages. Finally, there is the tendency to put off quitting till the last minute in order to take advantage of the Wage Supplement Fund (even with a second job without loss of seniority and, therefore, loss of "step" raises and severance pay).

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What conclusions can be drawn?

Abuse of absenteeism and low worker mobility remain problems to be solved. In the first case, the new trend's departure from figures reached in the past is to be attributed more to the economic situation, to prudence, or fear than to a greater sense of responsibility or a different attitude.

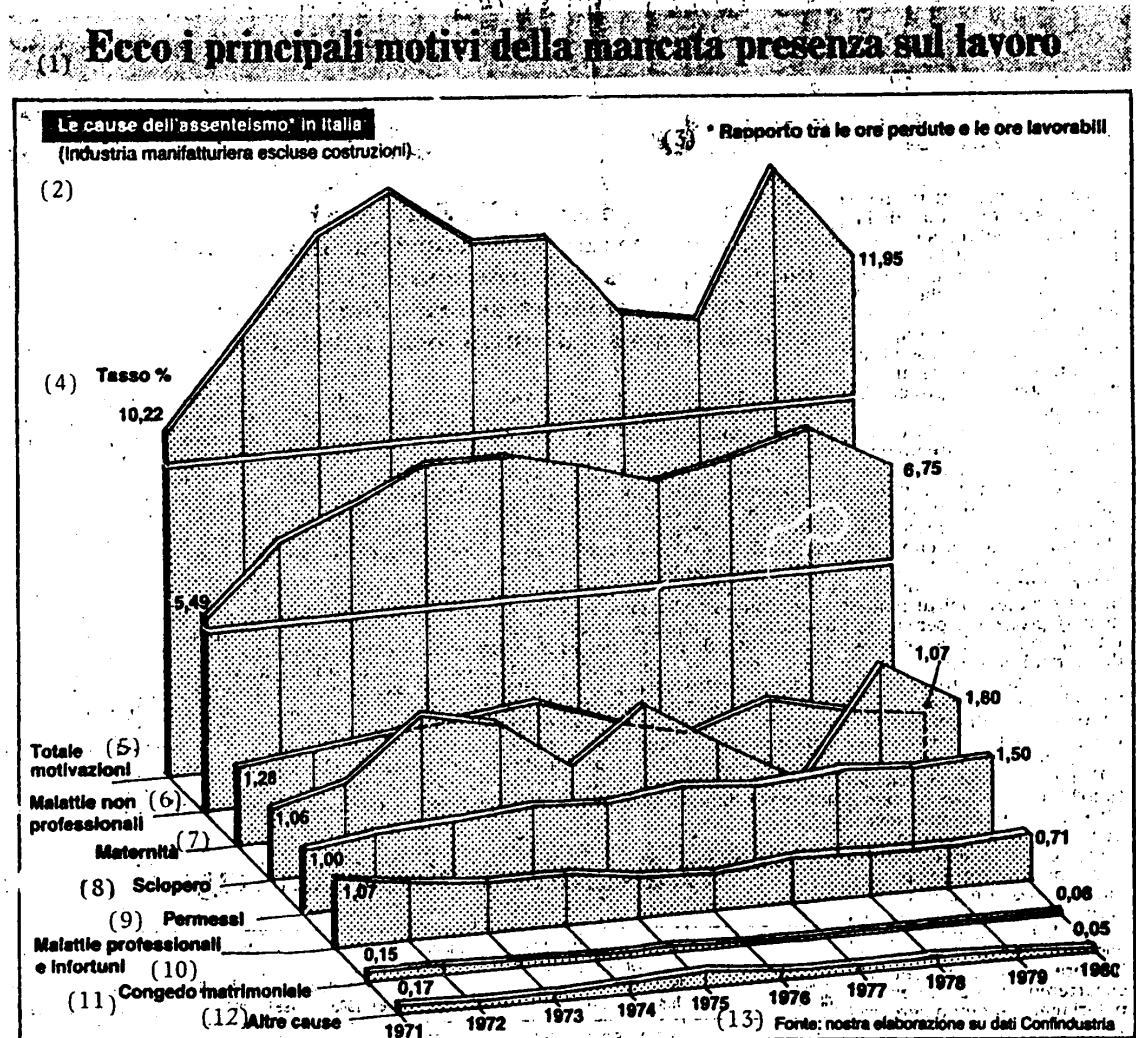
No one has thought of introducing stricter rules against abuse, because--it has been said--the workers have learned their lesson. In some cases, existing guarantees have even gotten worse, as in the case of supervision where the USL [Office of Studies and Legislation] have certainly not shown any greater efficiency than the INAM [National Health Insurance Institute].

The same can be said for the other problem under discussion. It is symptomatic that Confindustria [General Confederation of Italian Industry] has now forgotten, or nearly forgotten, the employment and mobility provisions that were once at the top of its list of demands. One might almost get the impression that business prefers to count on the union's weakness as long as there are no precise norms. One indication of this is that what has been accepted in Turin has not happened in other regions, where labor representatives may not have been as weak or as worried as the Piedmontese. In other words, the threat of layoffs has forced the union to make a virtue of necessity.

Does business not want to take advantage of the situation to retake ground lost in the past or use it to "destroy" the union for good? But what would happen if power relations changed?

One thing is certain: no better industrial relations than presently exist can be built on a changeable economic situation and on fear.

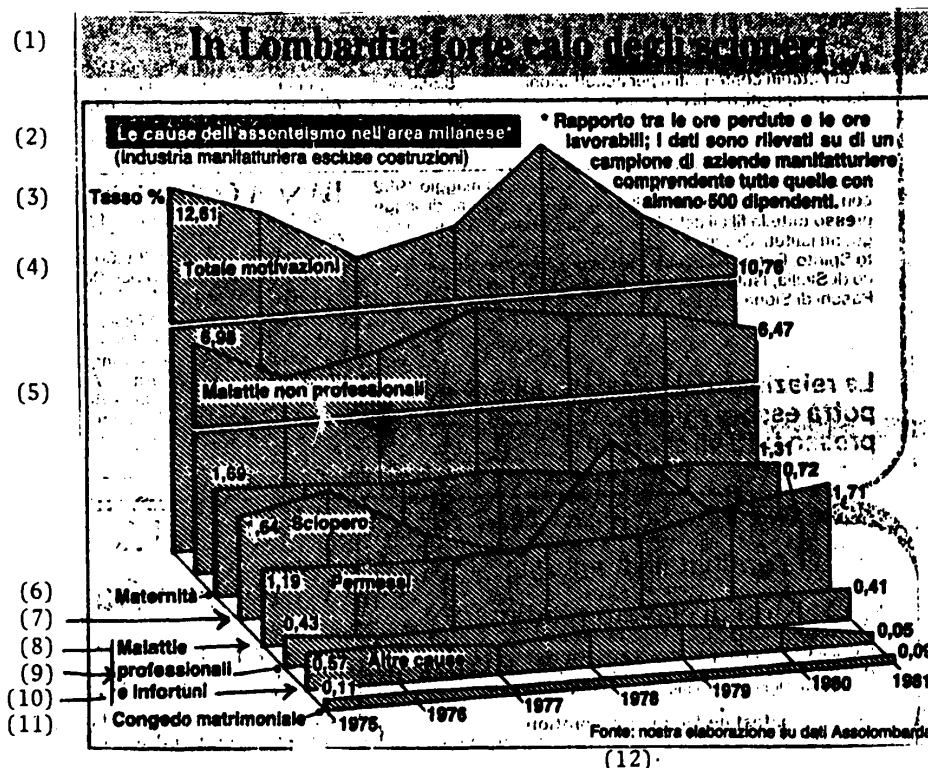
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- (1) Main reasons for labor absenteeism
- (2) Causes of absenteeism in Italy (manufacturing excluding construction)
- (3) Ratio of hours lost and hours worked
- (4) Rate in percent
- (5) Total causes 10.22-11.95 percent
- (6) Non-job related illness 5.49- 6.75 "
- (7) Maternity 1.28- 1.07 "
- (8) Strikes 1.06- 1.80 "
- (9) leaves 1.00-1.50 pct
- (10) Job-related illness and accidents 1.07-0.71 pct
- (11) Honeymoon leave 0.15-0.08 pct
- (12) Other causes 0.17-0.05 pct
- (13) Source: our interpretation of data from Confindustria

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- (1) Sharp Drop in Strikes in Lombardy
- (2) Causes of absenteeism in the Milan area (manufacturing excluding construction) Ratio of hours lost and hours worked; the data are taken from a sample of manufacturing companies, including all those with more than 500 employees)
- (3) Rate in percent
- (4) Total of causes of absenteeism 12.61-10.76 percent
- (5) Non-job related illness 6.98- 6.47 "
- (6) Maternity 1.69- 1.31 "
- (7) Strikes 1.64- 0.72 "
- (8) Leave of absence 1.19- 1.71 "
- (9) Job-related illness and accidents 0.43- 0.41 "
- (10) Other causes 0.57- 0.05 "
- (11) Honeymoons 0.11- 0.09 "
- (12) Source: our interpretation of data from Assolombarda

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Reemployment 'Fiasco' in Piedmont

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article by Giuseppe d'Adda and Renzo Ruffielli: "The Reemployment Mechanism Has Been a 'Fiasco' in Piedmont"]

[Text] With the passing months the "list" has gotten a little shorter. The 7,500 workers put on the mobility list by Fiat now number 6,550. However, the "reemployment" plan agreed to by the company and the unions after the sharpest dispute in the last 10 years has not been of any help here. The 950 employees who have dropped off of the list have found new jobs "on their own." They have therefore been "spontaneously" cut from the list. All the others are waiting for a "labor-market management" instrument to work when it has so far practically not gotten off the ground.

Labor mobility was started experimentally in Turin and Piedmont on 15 February. The workers on the list were offered 198 jobs over a 2-month period. To fill these jobs the labor office called 651 laid-off workers; 71 of these did not show up and 556 turned them down. Only 24 took the jobs offered. But not all of these worked out either: 12 were not hired because they failed either the medical exam or the probationary period.

The end of the first 2 months of the testing period has been marked by a series of arguments over the "refusals."

For business, the workers' saying "no" means the experiment has failed, but for the unions it is a much more serious matter that other companies have refused to hire the workers laid off by Fiat.

Franco Lotito, national secretary of the FLM [Federation of Metalworkers], says, "In many cases the jobs offered in no way matched the duties and qualifications of the jobs the workers had at Fiat."

Sergio Puppo, the other national secretary of the FLM, says, "Management must explain why the workers on the mobility list never succeed in finding a job while thousands of other former Fiat employees have already changed jobs. At this point you have to wonder whether it may not be a disadvantage to be on the list."

For the purposes of worker coordination on the Wage Supplement Fund, the jobs offered by the reemployment office were refused for quite valid reasons. "Most of the new jobs were in companies with fewer than 15 workers, and they could be fired without cause.

"Many of the refusals were due to errors made by Fiat in drawing up the list.

"In one case, a machinist was offered a job as an electrician, and he just could not do it."

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The Turin Industrial Union feels that job mobility has not worked mainly because there are no sanctions against those who turn down new jobs. Such sanctions, which even some unions agree with, would include cutting off payments from the Wage Supplement Fund (which comes to more than 90 percent of net wages). This "corrective" should therefore be introduced as soon as possible into the present system.

But even businessmen do not deny that it will take a long time for all the laid-off workers on the list to find a job, even if sanctions are introduced. Still, the experiment does have great value, especially for the future.

"When we set up the job mobility system," said Cesare Annibaldi, a Fiat industrial relations official, "we knew it could not work perfectly overnight. In a situation like this, with a very weak labor market, the difficulties we are having should be considered normal. But when the labor market recovers somewhat, job mobility will prove to be an instrument well adapted to its needs. We can avoid repeating what happened in 1977-78 when companies that needed personnel could not find anybody even though there were thousands of workers on Wage Supplement. For this reason, the union, too, should work hard to make job mobility succeed."

'Presentism' Becomes a Problem

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article: "And Now There Is the Problem of 'Presentism'"]

[Text] The winds of crisis have blown away many things. Both myths and certainties have crumbled, and habits and style have changed, even and especially in the factories. The myth of the secure corporation has been buried by the Wage Supplement Fund and layoffs. The union's militant image has faded, but management's image has been "freshened up." Power relationships have visibly changed over a decade.

Nobody is writing about the problems of "disaffection" or "refusal to work" any more. Nobody seems to remember the hundreds of young people back in 1978-79 who quit Fiat after barely 2-3 months on the "line" at Mirafiori because "you can earn 500,000 lire a month anywhere."

Absenteeism is among the more or less illustrious victims of the crisis. Three years ago, on 1 February in Naples (or, rather, in Pomigliano d'Arco), the strike called by the union over the murder of Guido Rossa turned into a long weekend. Almost 50 percent of the Alfasud workers, about 7,500 people, "stretched" the protest closing (which came on a Wednesday) with 2 days of sick leave (Thursday and Friday).

The company bewailed a loss of 3 billion lire. The union condemned the episode. But the long weekend did not stir up too much of a fuss. For Pomigliano, people said, it was not all that "abnormal." In fact, Alfasud has remained, rightly or wrongly, the symbol of the ungovernable, unmanageable factory.

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In 3 years a lot of things have changed in the automobile industry on the outskirts of Naples. In recent days, Ettore Massacesi, president of Alfa Romeo, said, "The rate of absenteeism for all of 1981 came to nearly 16.5 percent; in the first 2 months of this year it has fallen to 11.9 percent." And even this record has been surpassed. In March, when the company was deciding on the "lists" of workers to be laid off for 12 months, an all-time low of 6-7 percent was reached. In April, when the most critical moment had passed, things got a little worse. But absenteeism still stood at about 8-9 percent, an average that would have been considered unattainable only a few months before. Everything seems to indicate that even in "settling-down" phases absenteeism will increase only slightly over present rates.

Pomigliano d'Arco is thus no longer a negative symbol but is becoming a "normal" plant. But the outcome of the "case" of Alfasud is only the most visible aspect of a more general trend: absenteeism has been declining almost everywhere. In companies of all sizes, the "medically certified binge"--as it was called in former years--has been dwindling. This is true not only in industry; in public administration, too, the figure of the Grand Absentee, as Walter Tobagi dubbed him, is disappearing.

Gaetano, the Catania postman who managed to stay home 4 years out of 5 on the job, has been turned in and sent to jail. In Turin, people who moonlighted by being absent more than 100 days a year are down to one job.

In 1968 before the autumn heat wave, absenteeism in Italy went up on an average of 8-9 percent. Then at the beginning of the 1970's the trend was noticeably higher because--it is unanimously felt--the practice of not paying the worker for the first 3 days leave was eliminated and company doctors' examinations were abolished.

In 1974, Confindustria noted an average absenteeism quite close to 14 percent. It was calculated that "abusive absenteeism" exceeded 4 percent. This came to 6 trillion lire a year wasted for the national economy.

In this same period, companies found themselves obliged to increase staff personnel to account for a rather high average of absences, one that had come to be considered a structural phenomenon.

Alfa Romeo even "structured" its staffing to deal automatically with a 24 percent rate of absenteeism.

Since 1974 the averages have been gradually diminishing, but the most noticeable drop has been shown since 1980. In the last 2 years it has fallen almost 10 percent at Fiat. At Mirafiori, absentees now average 5-6 percent of the work force. This is a record that is hard to beat in Italy.

To a lesser extent, the same thing has happened in the other companies of Italy.

Pre-1969 rates have not yet returned, but they are coming close. All that does not take into account the effects "induced" by the fall in absenteeism. Micro-conflicts, for example, have almost disappeared (at Alfasud the average was 1,000

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ministrikes a year; at Fiat individual episodes took more than 3 typewritten pages a day to record). Tardiness diminished noticeably.

"Absenteeism is not a problem for business at this time," admits Felice Mortillaro, director of Federmeccanica. "Presentism" is caused by fear of losing one's job, the end of a kind of "condoning" attitude on the part of the union, the judiciary and public opinion and by less conflict in the plant; yet another phenomenon is at least partly the cause of it: supernumerary personnel. As absences have diminished, companies have essentially found themselves overstaffed.

Fiat has "counted" in its plant more than 12,000 people more than in the '70's. Alfa Romeo has at least 3,000 more. That has happened while, on paper, the labor force has stayed the same. "Presentism" (which was once limited to paid days) is therefore one of the causes of the increase in applications to the Wage Supplement Fund and in layoffs.

It now remains to be seen whether the new rates of absenteeism will stabilize at present levels even if the crisis takes a positive turn. Various businessmen are optimistic on this subject. However, Confindustria recalls that "absences are closely linked to the economic situation: they increase when the economy gets better."

Wage Supplement Sanctions Advocated

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article by Sergio Pininfarina, president of the Turin Industrial Union: "Whoever Turns Down a Job Change Should Lose Wage Supplement Benefits"]

[Text] The problem of worker mobility is not only a technical, union problem. Assuming a greater area of agreement among the various parties in their quest for common objectives in union matters, the problem is closely linked to the maturation process of the industrial culture in Italy. It must be patterned on the models of more advanced Western countries, even in terms of labor flexibility.

It is certainly due to this process that this principle became a part of the metalworkers' contract in 1979, but at 3 years remove it has not yet taken practical effect. In Turin, where its application was sorely contested in the notoriously difficult autumn of 1980, the first real experiment in worker mobility was launched a couple of months ago on the basis of what we think is a very significant agreement among the parties involved.

Unfortunately, however, the concrete implementation of the principle of worker mobility still lacks an essential element that was conceived as a key to reinvigorating the labor market and protecting the unemployed. I mean loss of benefits from the Wage Supplement Fund for those workers who have been called in by the employment office and who turn down the new jobs because they prefer to stay "on the Fund."

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This explains why the Turin experiment has had such a hard time getting started. In 2 months 200 jobs were offered, which rebuts any scepticism that the worker mobility mechanism can work even in times of great employment crisis; but of the 650 workers called in, 625 either did not show up or rejected the jobs offered.

Mobility on an exclusively voluntary basis is not working. It is time parliament realized this and drew the conclusions that businessmen and unionists reached at the end of 1979. Otherwise it is a waste of time to deplore the unemployment benefit system of the Wage Supplement Fund and decry the serious deficit of the INPS [National Social Security Institute], which at this rate is fated to worsen further.

Productivity as Bargaining Counter

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article by Giuseppe Medusa, central personnel and organization director of Alfa Romeo Auto SpA [Limited]: "A Possible Currency in Exchange for Wage Raises"; words in slantlines are emphasized in the text]

[Text] Few people are aware that large Italian companies pay for a working day of about 13 hours while the effective labor performed amounts to barely 5 hours a day.

Productivity in Wage Bargaining

Milan CORRIERE DELLA SERA in Italian 6 May 82 p 15

[Article by Giuseppe Medusa, central director of personnel and organization, Alfa Romeo Auto SpA [Limited]: "A Possible Bargaining Counter for Pay Raises"; words in slantlines are emphasized in the text]

[Text] Few people are aware that large industrial companies in Italy pay for a 13-hour work day while the actual work performed barely amounts to 5 hours a day.

/Actual/ working hours have plummeted; the unions have rigidly defended jobs for all these years while business has invested in labor-saving machinery; mobility within and among mass-production industries has been negotiated at a possible production loss of 10-15 percent a year: all this is behind the gradual deterioration of production levels, especially in heavy industry. It is understandable, then, that productivity has become a central issue in the most recent union negotiations.

This is the climate in which the recent agreement was reached between Alfa Romeo and the FLM [Federation of Metalworkers]. It is a truly productive pact not unlike the "productivity bargaining" of traditional British collective bargaining. Beyond the inevitable rhetoric, the model of productivity bargaining has inspired the parties to the negotiations to restore productivity at Alfa Romeo; the negotiations have been exhausting and protracted, lasting almost

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2 years, but they have made it possible to renew some labor-management procedures that have caused a jump in productivity of over 40 percent in the space of a few weeks.

This recovery has affected actual working hours only marginally, and it is the result of action by management, but it is also and especially due to a change in the workers' behavior. Absenteeism fell from about 20-25 percent for all the 1970's to about 10-15 percent 2 years ago; it is now under 10 percent and still declining. Mobility between departments has gone back up.

The process of clearing collective bargaining agendas (automatic wage adjustments tend to cancel out any negotiating margin) and the gradual penetration of a "crisis mentality" into the rank and file of the union open up concrete possibilities of linkage between wages and productivity in the immediate future.

It may be concluded, then, that the problems of /mobility/ and /absenteeism/ can become objective areas of contract negotiations, especially as bargaining counters to obtain wage benefits.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

BRANDT ON SPD/FDP COALITION PROSPECTS, SPD FUTURE

Hamburg STEERN in German 1 Jul 82 p 149-150

[Interview with SPD Chairman Willy Brandt by Werner Heilemann and Peter Pragal: "I Would Sooner Have Them Chop off Both My Hands"]

[Text] [Question] Mr Brandt, the SPD no longer wishes to work together with the FDP at all costs. On the contrary—there is a growing desire to carry out unadulterated SPD policies. Would this go so far as to risk a break with the coalition partner ?

[Answer] We are not including a breakup in our plans. We believe we should continue to fulfill the mandate the voters gave us in 1980, if that can responsibly be done. That is why we are honestly trying to put the 1983 budget together.

[Question] Is there still a point to reaching compromises with a partner one half of whose members have already decided to cast in their lot with the conservatives ?

[Answer] Of course there are social democrats who ask us these days: What you people in Bonn are doing now, does it still make sense ? Aren't you making concessions and in the end getting nothing in return ? But: If one wants to govern and does not have a majority, one must make compromises. The SPD leadership believes that we should not—if at all possible—let direct participation in government policy slip out of our hands in these difficult times most of all.

[Question] But the risk you take is that the SPD will run itself into the ground. Does the party really want to risk slipping below the 30 percent voter preference mark or isn't it time to go into the opposition voluntarily and so gain in new attractiveness ?

[Answer] The opposition role is no guaranteed that one will fare better. I would rather say the point is to get one's political ideas across—as a government or as an opposition. But if we were forced to go into the opposition sooner or later, we would have to build up our strength anew starting from the cities. But you may be sure that this SPD chairman would rather have them chop off both his hands than to have the party leave its own chancellor in the lurch.

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[Question] How can you work together with a partner in good faith, if one must assume he is just waiting for an opportune moment to jump ship ?

[Answer] I admit I have found it difficult to understand some of the recent statements by the FDP chairman—and I am not the only one in the SPD who feels this way. But let me add this: There is not a single indication that I could see, even during the difficult budget negotiations, for Hans-Dietrich Genscher having set his sights on a change of coalition. For that matter, it would be quite something to turn one's back on the voter mandate.

[Question] What is the meaning of the coalition statement in the CDU's favor made in Hesse at Genscher's behest ?

[Answer] I don't think that a penchant for experimentation was behind it. The way they must have figured it in Wiesbaden and in Bonn was this: The SPD and the FDP together will not make it. But whether the FDP has now assured its own survival—I am inclined to doubt that. We social democrats say that anyone who wants to see the successes of the socialist-liberal coalition—which even the FDP in Hesse emphasizes—continue should vote for the SPD this time around. I have a feeling we will do better than was assumed before the FDP switched sides.

[Question] Isn't there good reason to believe that this switch in Hesse will be followed by a switch in Bonn ?

[Answer] I am not really looking for it—which, however, does not mean that it could not happen. Still, I have the impression that the reaction to the Darmstadt decision by FDP members and sympathizers may have dampened the enthusiasm for further thoughts of switching. The Bundestag fraction of the FDP, which would have to approve such a decision, is voicing greater reservations on the subject than it did just a few weeks or months ago. The second factor of uncertainty is whether the CDU/CSU really wants to have the FDP as a partner at this time. It isn't just Herr Kohl who would like to see Herr Genscher switch. There are also the crown princes—Albrecht, Stoltenberg, Spaeth and Weizsaecker—and the arch-crown prince Strauss who are all doing their best to prevent it because they want to protect their own chances for the chancellorship. The FDP can see all that, too.

[Question] That is not much of a consolation. It sounds as though the Bonn coalition was being kept alive by nothing more than the will to stay in power.

[Answer] On all major issues in years past, we did manage to achieve a great measure of sensible cooperation between the SPD and the FDP. In principle, we should be able to continue. We could do even more. We have now reached a point at which we could start revitalizing socialist-liberal reform policies. The coalition must regain a perspective so that people don't just have the feeling that there is a hole being plugged here and there just so the bottom line comes out right.

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[Question] Wouldn't it be better under the circumstances for the SPD to direct more of its attention to the Greens and the Alternatives instead of putting its money on the FDP which is gradually losing its role as a third force in parliament ?

[Answer] As a theoretical question, I can understand that very well. But as far as practical politics is concerned, it is very difficult to take it any further. It is obvious that some of those belonging to the Green/Alternative camp are abiding by parliamentary rules and eschew violence. Wherever that is the case, we can sit down and talk together. But the more important thing is for the SPD to make up for issues it has neglected and deal with issues such as the protection of the environment. To be sure, we have put a lot of sensible things on paper and have achieved this and that. But for some reason we have not been able to get our policies across with sufficient clarity. While I may be doing them an injustice, I do think these new groups are a passing—though perhaps not really a short-term—phenomenon.

[Question] But if the chancellor has only a half-hearted commitment to these policies, we cannot be too sure.

[Answer] Ecological issues are difficult, of course. But it is not the chancellor who is the adversary in this field. The dispute surrounding these issues is difficult above all because there are many people right now in industry who are afraid of losing their jobs. It is a painstaking process of mutual understanding.

[Question] The young people who have turned their backs on the SPD did not do so solely because they are disappointed about the lack of an environmental policy. More than anything else, they have their doubts about whether the Schmidt government is willing and able to carry out a serious-minded peace policy.

[Answer] Anyone who is capable of listening knows how deeply concerned the chancellor is about the peace issue—and the concrete results of his commitment to it are quite substantial. Let me remind you of what he and I said last fall on the subject of the peace movement. That looked as though we were drifting apart. And if you look at what we say today, you can see we are close together. A lot has happened. Helmut Schmidt now perceives much more strongly the profound, nagging and tortuous concern and unrest that has been growing up around us.

[Question] But there are members of the SPD Bundestag fraction who care less about the substantive disputes and more about ways of nipping the Greens—and by extension the FDP—in the parliamentary bud by introducing the British winner-take-all election system.

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[Answer] If there are such ideas being bruited about, I would call them spurious. In practice, this would lead to certain regions—I am merely thinking of Bavaria—being represented in a one-dimensional way politically. In a politically and denominationally polarized country like the FRG such a danger would have to be taken more seriously than elsewhere. But my main objection is this: If it is true—in spite of everything that makes me mad about them—that there really is something to these new GAL's, then it would be disastrous to nip them in the bud by resorting to such a trick. That would not do our democracy a bit of good.

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POLITICAL

GREECE

PROSPECTS FOR PAPANDEOU ERA SURVEYED IN DETAIL

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[Article by Stephen Milligan]

[Text] In country lanes all over Greece, whitewashed walls are still daubed with the Socialists' election insignia, a green rising sun. Everywhere from the loneliest islands to the crowded cities of Athens and Salonica, the enthusiasm for the *allaghi*—the great change—promised by Mr Andreas Papandreu seems undiminished. A recent opinion poll* found that only one Greek in 10 thinks that their new prime minister is doing a bad job.

This is pretty surprising in view of the fact that Mr Papandreu has pushed up tax revenue by over 50% and has completely changed his foreign policy. It now looks almost certain that Greece will stay in the European community and Nato and that the United States will be allowed to retain its four bases in Greece. But for most Greeks, who are more interested in style than policy, this matters little. They have been thrilled by Mr Papandreu's ability to be rude to foreigners (the fact that he himself was a foreigner for many years as a naturalised American citizen does not seem to matter). And they have been impressed by the gusto the new government has shown in embarking on its programme of social reform.

Mr Papandreu is probably the most brilliant public speaker in European poli-

*Opinion polls in Greece are notoriously unreliable because Greeks seldom tell pollsters the truth. But opinion polls conducted by Icap and the Centre for Political Research and Information (KPEE) successfully predicted the October election result by a new method. They asked their interviewees to fill in a mock ballot form and put it into a "ballot box" so that the pollster did not know how they had "voted". This seems to work well.

tics today: to hear the cadences and the rhythm of his rhetoric at an open-air rally is spellbinding, even if you cannot understand Greek. He is also a charming man, and those who meet him are hypnotised by his civility. But he has a disconcerting habit of promising one thing and doing precisely the opposite. Most of his colleagues who worked with him in his father's centrist government in the 1960s later deserted him, angered both by his double-dealing and his unscrupulousness.

Mr Papandreu's party, the Panhellenic Socialist movement (Pasok), is his own poodle. He set it up after the restoration of democracy in 1974 and he has manipulated it ever since. It should be more accurately called the Andreas Papandreu party (his father once formed the George Papandreu party). In government all ministers are totally subservient to the whim of the prime minister, who officially runs the defence ministry and unofficially the foreign and economics ministries too. One unfortunate minister, Mr Asimakis Fotilas, who signed an innocuous communiqué in Brussels condemning martial law in Poland without consulting his boss, was promptly fired.

The only constraint on Mr Papandreu's power is provided by the conservative president, Mr Constantine Karamanlis. The president can dissolve parliament and hold (or refuse to hold) referendums. Mr Karamanlis has so far not interfered with the new government's domestic policy but he has interfered, sensibly, with Mr Papandreu's foreign policy. He recently stopped Colonel Qaddafi coming to Athens by refusing to accept a return invitation to go to Libya.

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Although Pasok's nationalistic foreign policy has an alarming tone, it looks like turning out in practice to be much like that of the former New Democracy government, thanks in part to the president. The most constructive aspect of the new government's policy is its programme for domestic reform, which includes the creation of a national health service, the legalisation of civil marriage and the breaking-up of the dictatorial rule-by-nomarch in the regions.

The long-term hope—and it is still only a hope—is that Pasok's victory may have marked the emergence of a more stable and a more European pattern of party politics. Although Greece is the world's oldest democracy, modern Greece has shuttled between liberal and authoritarian rule ever since the country won independence from Ottoman rule. In the present century, there have been five military coups (the most recent junta ruled from 1967 to 1974) and political parties have proved notoriously unstable. Only one party in the present Greek parliament is more than eight years old—the Communists—and they split in half in 1968.

Two forces have hindered the development of a normal European democracy: kings and Communists. The Greek monarchy deserves much of the blame for the country's past troubles. During the first world war, King Constantine I openly opposed the policy of his prime minister, Venizelos (one of Greece's greatest liberal statesmen), who wanted to take Greece into the Franco-British-Russian alliance. The king forced him to resign in 1916 and thus opened up a schism between liberals and royalists that was to poison Greek politics for years afterwards and to encourage military intervention in government.

Again, in the 1960s, a ham-handed king caused trouble. When Mr George Papandreou (Andreas's father) as prime minister tried to replace his defence minister—because the minister would not sack right-wing plotters in the army—the young King Constantine II refused to let him do so. He then manoeuvred Mr Papandreou into resigning. This triggered off a crisis that led to the colonels' coup in April, 1967. The Communists, in turn, by their opposition to democracy—and by their attempts to take power by force in 1944 and in the 1946-49 civil war—encouraged those who believed that the only alternative to left-wing authoritarianism was right-wing authoritarianism.

Thus, in 1967, the colonels were able to use the spurious but credible excuse that they were acting to forestall a Communist coup.

When Mr Constantine Karamanlis returned from Paris in 1974 to restore democracy, he settled the question of the monarchy by holding a hasty referendum in which 69% of Greeks voted for a republic. He also gave Greece a well-balanced constitution and created New Democracy, a conservative party in the European mould. Mr Papandreou also helped in this democratising process by founding an effective left-wing alternative to Communism in the shape of Pasok.

If in the next four years Mr Papandreou can run Greece without a major political crisis, he could help to establish a system of *alternance* between the parties of left and right which would allow Greece to break out of the coup-democracy-coup cycle for good. The evidence of his first eight months in power is encouraging in that respect. The handover of power from New Democracy to Pasok in October went smoothly; Mr Papandreou has already dropped the more extreme left-wing commitments in his manifesto; and there is no unrest yet visible in the armed forces.

The Greek army was chastened by the collapse of the junta in 1974, although even in 1975 plots were still being hatched (for three weeks Mr Karamanlis had to sleep in a yacht to protect himself from midnight attack). Today, the risk of a military coup is fairly slight. Although Mr Papandreou has replaced the chiefs of staff, he faces little military opposition. His nationalistic foreign policy goes down well in the mess. To make doubly sure of the soldiers' loyalty Mr Papandreou has increased their pay sharply, mainly by giving them a new housing allowance.

So far so good. But as the rest of this survey will show, Greece faces some worrying problems under such an unpredictable prime minister as Mr Papandreou. Businessmen, in particular, would be wise to take a cautious view of investing in Socialist Greece. The three biggest risks in the next four years are:

- A war with Turkey by mistake. Turkish aircraft violate what the Greeks regard as their airspace around the islands in the Aegean about once every three days. It is quite possible that a trigger-happy Greek fighter pilot may shoot one of these aircraft down. This could pro-

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voke the Turks to seize a Greek island and start the first all-out war between the two countries since 1922.

● An economic shambles. Although Pasok's economic policy is slightly more cautious than that pursued by New Democracy in its last year in office, it is still highly inflationary. It is also oriented against the interests of private business. By 1983, Greece could be faced with inflation over 30%, a collapsing drachma and the need to deflate sharply at a time when unemployment will be rising.

● The premature death of Mr Papandreou. There is nobody else in the party who could lead the party with any authority (Mr Papandreou is the only man in the cabinet who has ever been a minister before). Without Mr Papandreou, Pasok could easily disintegrate.

Turkey's shadow

The Greeks are still obsessed by the Turks. This is hardly surprising in the light of the history of the Balkans since the fall of Byzantium. For 400 years, Greece was ruled by the Ottoman empire and, although it became independent in 1832, the tension with Turkey continued because there were no clear natural borders between the two countries; and because substantial numbers of Greeks still lived in Turkey and many Turks still lived in Greece.

For years Greece was an expansionist power which tried, and to some extent succeeded, in extending its borders to incorporate the Greek population living in Turkey. This irredentism (known as the "Great Idea") came to an end in 1922 when a Greek attempt to conquer part of Asia Minor led to a humiliating Greek defeat and the evacuation of thousands of Greek Christians from Smyrna (now Izmir). After this, 1m Greeks living in Turkey were "exchanged" for 400,000 Moslems living in Greece.

Today, the borders between Greece and Turkey are clearly defined and the minorities on either side of the border are much smaller (although there are still over 100,000 Turks in northern Greece). But all the conflicts of interest between the two countries have not yet been resolved. The acceptance in the United Nations that coastal states, including islands, have increasing rights on their continental shelf has encouraged the Greeks to lay claim to much of the Aegean Sea, to the inevitable fury of the Turks. And in Cyprus the continuing

presence of Turkish troops on 36% of the island, although the Turkish minority comprises only 18% of the Cypriot population, is deeply resented by the Greeks.

The Greeks believe that there is a real danger that Turkey might seize Greek islands, like Rhodes, that lie close to the Turkish coast. For this reason, they maintain a huge army of 150,000 men and devote nearly 6% of their gnp to defence spending. Most of the Greek army is now deployed in Thrace in northern Greece, and in the islands close to Turkey.

The notion of a "Turkish threat" seems pretty preposterous to an outsider. It is hard to see why Turkey would want to launch an attack on Greece: especially when the present military government in Ankara is so absorbed with Turkey's internal problems. But if you try to persuade a Greek that there is no Turkish threat he usually makes four points:

● If the Turks do not intend to attack, why have they created the so-called Army of the Aegean on their south-western coast with 125,000 men and a fleet of 110 landing craft?

● We know the Turks are capable of attacking a Greek island: look what they did in Cyprus in 1974.

● In the past Turkish politicians have made aggressive claims on the Greek islands. For example in 1976, the then Turkish prime minister, Mr Suleyman Demirel, said:

The islands of the Aegean Sea? These islands have been in the possession of the Ottomans for more than 600 years. Nobody would want me, in my capacity as a Turk . . . to call the islands of the Aegean Sea "Greek islands".

● Surely, in the light of Argentina's invasion of the Falklands, nobody should ignore the risk of a military junta trying to take over islands near its coast?

Actually, the military takeover in Turkey makes it less, not more, likely that Turkey will attack Greece. The ruling generals in Ankara have not made aggressive statements towards Greece; indeed, their minds seem to be concentrated on worries nearer home. Greeks are not impressed.

In opposition, Mr Papandreou took a tough line against the Turks. In the summer of 1976, a Turkish survey ship, *Sismik I*, started to look for oil in the Aegean, in waters which Greece said were above the Greek continental shelf. Mr Papandreou publicly urged the then Greek government to sink the ship.

In government, he has been only mar-

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ginally less bellicose. He has broken off the round of talks that had been conducted by the secretary-generals of the two countries' foreign ministries, and in recent months he has struck an increasingly nationalistic tone. He has, for example, begun to play up the constant infringement of Greek airspace around the islands by Turkish aircraft (the Greeks claim that their airspace extends 10 miles around each island; the Turks say that it extends only six miles). And there is now renewed worry about the continental shelf since it seems there is more oil in the Aegean than was once thought.

Nato nonsense

Worse still, Mr Papandreou has made no attempt to improve contacts with Turkey. Instead, he has concentrated on trying to get a western guarantee to defend Greece in the event of an attack by Turkey. He began by asking Nato for a guarantee, and seemed to suggest that Greece would once again pull out of Nato's military command if no guarantee was given. This was absurd. Nato could hardly give a guarantee which might involve the alliance fighting one of its own members (Turkey is also in Nato). Now, Mr Papandreou has modified his tactics. Instead of trying to bargain with Nato, he is trying to bargain with the United States—using the four American bases in Greece as his bargaining card.

The United States has already given a vaguely worded guarantee to Greece. In 1976, Mr Henry Kissinger wrote to the Greek government and promised that the United States would not stand idly by if there was any attempt to resolve any of the disputes between Greece and Turkey by force. Mr Papandreou wants something more precise. He would also like several European countries, including Britain, to make a similar promise.

The Reagan administration is willing to give Greece a firmer guarantee, but only if the Greek government first tries to improve relations with the Turks. Otherwise it fears that an American guarantee to Greece would go down very badly in Ankara. The bargaining between the Greeks and the United States over the bases is likely to start later this summer. Besides seeking a guarantee against Turkey, Mr Papandreou is also likely to ask the Americans for:

- A promise that the bases will not be used against the interests of Greece's friends around the Mediterranean. This could be tricky since the intelligence base

at Iraklion, in Crete, monitors events in, among other places, Libya. Mr Papandreou regards Libya as a friendly nation.

- A promise that Greece will be able to buy the American arms it wants. The previous government had insisted that the ratio of American arms supplies to Greece and to Turkey should not be lower than 7:10. Mr Papandreou is less concerned about this and more about what kind of arms he may buy.

- Some Greek "control" of the bases. This is likely to boil down to a demand that the Greek government should be told about everything that goes on at the bases. The Americans are already happy to tell the government about the broad lines of the work at the bases, but they are hardly likely to pass on all the secret intelligence picked up at Iraklion.

- A timetable for the "removal" of the bases over, say, 10 years. This will be a face-saving request to justify Mr Papandreou's promise that he would kick the Americans out.

At the time of the election, Mr Papandreou also called for the Americans to remove all nuclear weapons from their Greek bases. This demand now seems to have been shelved. Although the negotiations over the bases are likely to drag on for ages (they went on for seven years under the previous government), it now seems unlikely that the bases will ever be closed.

It is also unlikely that Greece will leave Nato, but the alliance's defence in the Aegean is still a shambles. When Greece rejoined Nato's military command in 1980 (it pulled out in 1974 after the Turkish invasion of Cyprus), it was agreed that two Nato bases would control the defence of the Aegean: the original Nato headquarters at Izmir in Turkey and a new Nato headquarters at Larisa in Greece. This scheme (known, after Nato's commander in Europe, as the Rogers plan) has, however, never been implemented because Greece and Turkey still cannot agree how to divide up their naval and air responsibilities in the Aegean. Earlier this summer, Greece refused to take part in a Nato exercise in the Aegean for this reason. Mr Papandreou, however, has not rejected the Rogers plan as he promised to do before the election. He now says merely that it is "partly in suspension".

Can he do a Sadat?

Mr Papandreou's friends say that he is not anti-Turkish at heart and that he

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dreams of achieving a grand reconciliation, crowned perhaps by a visit to Ankara as Sadat went to Jerusalem. Since he has such a nationalist reputation inside Greece, he has the power to achieve such a reconciliation. And it may be easier for him to do that if he has first obtained a western guarantee.

But, equally, he may be tempted to play up anti-Turkish feelings in Greece, especially if the economy goes sour—as it probably will. It is just as easy to imagine Mr Papandreou laying claim to 12 miles of territorial water around Greek islands (he hinted at this in Belgrade last month) as it is to imagine him as a great peace-maker. Such a claim would not be out of line with international law but, as the map shows, would give the Greeks control of two thirds of the Aegean. The Turks have always said that they would treat such a move as a *casus belli*.

Staying in Europe

In many ways Mr Papandreou resembles a former British prime minister, Sir Harold Wilson. He is a quite clever, rather arrogant economist who has come to power with little experience after a long period of conservative rule. He is also a consummate practitioner of the art of being all things to all men. His European policy is vintage Wilson.

He opposed Greece's decision to join the EEC and at first promised to pull Greece out if he was elected. Then he said he would pull out but would seek a special relationship with the EEC. Then he said he would stay in and seek a special status inside it, but would also submit the issue to a referendum in Greece. Now he has decided to seek a minor "renegotiation" of Greece's terms of membership. This means that Greece will remain an EEC member (a referendum is unlikely to take place since it would require the consent of President Karamanlis and he is not likely to consent).

In the October election, Greek voters indicated their opposition to Pasok's official anti-European policy in the simultaneous election for the European parliament. Pasok scored 7% less in the Euro-election than in the national election and the two most European-minded parties, the (Euro-) Communist party of the Interior and Mr John Pemaszoglou's Social Democrats did far better. All opinion polls have shown that EEC membership is popular in Greece (unlike membership

of Nato, which is seen as an American-dominated alliance). Mr Papandreou has got the message.

Greece joined the EEC in a hurry. Mr Constantine Karamanlis believed that membership of the community would help to protect Greek democracy; and he regarded it as one of his central objectives as prime minister after 1974. But some of the Greek negotiators, including Mr Gregoris Varfis who resigned, thought that in the rush Greece was settling for membership on bad terms. Mr Varfis has now returned to run Pasok's EEC policy.

In fact EEC membership has been pretty good for Greece, mainly because it is making a huge financial profit from the community. This year, Greece is expected to receive 47 billion drachmas (\$690m) net from the EEC, a fivefold rise on its receipts in 1981. This is equivalent to 1.8% of Greek gdp and is expected to finance half the forecast fall in public borrowing this year.

These figures are a little embarrassing for a government which says that Greece is getting a bad deal from the EEC. However, it can point out that EEC membership has had an adverse effect on the country's trade balance in the first year of full membership.

In 1981 exports from the EEC to Greece rose by 38%, while exports from Greece to the EEC fell by 2%—in a year when Greece's trade balance with the rest of the world actually improved. The deterioration in the balance of trade with the EEC has been particularly marked in agricultural goods. In 1980, Greece enjoyed a surplus of 6.8 billion drachmas (\$100m) in farm trade with the EEC; in 1981, this turned into a deficit of 1.1 billion drachmas (\$16m).

The first year of membership has shown just how protected the Greek market was before the country joined the EEC. Although tariffs had been reduced a bit, a reef of non-tariff barriers (including reels of red tape) had made it hard for European companies to export to Greece. Now these barriers are being slowly removed—although Greece still maintains highly discriminatory taxes against so-called "luxury" goods (a luxury good is anything that Greece cannot manufacture itself, such as a typewriter).

The true effect of EEC membership on Greece's trade is hard to measure because the EEC removed its own tariffs against imports from Greece some time ago; so the benefits for Greek exports

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were experienced well before Greece actually joined. But it seems clear that any damage to Greek trade from EEC membership is more than counter-balanced by the whopping profit Greece is making from the budget.

In March, the Papandreu government submitted a memorandum to Brussels outlining the changes it wanted to see. This document was as clear as a glass of ouzo-and-water, but it suggested that Greece would like a series of derogations from the EEC's competition rules to allow it to protect its infant industries from competition, and even more EEC spending in Greece. The Brussels commission thinks the money can be found, but that the competition rules ought not to be broken. When the other nine governments get round to discussing the Greek memorandum, their reaction is likely to be exactly the reverse.

There is no political reason why the EEC should grant Greece more special favours. Mr Papandreu's government has been singularly unhelpful on other issues in Brussels. It tried to stop troops from EEC countries participating in the Sinai peacekeeping force and it refused to go along with EEC sanctions on the Russians after the imposition of martial law in Poland. Since there is no real risk that Greece will leave the community, the EEC would be wise to dream up a few face-saving concessions and then tell Mr Papandreu to go and jump in a lake of olive oil if he is not satisfied.

Bureaucratic octopus

If you are a journalist and you want to spend a week lying on a beach, you should contact the Greek press ministry (preferably well in advance) and ask it to arrange a full schedule of appointments during your visit to Greece. This should give you a good tan.

Your correspondent made this mistake on two trips to Athens. On the second visit, it took the ministry eight days to arrange the first appointment (out of the 20 requested). In fact, the best way to arrange an appointment with, say, a minister is to find a girl-friend who has a cousin with a father-in-law whose secretary knows the minister's secretary. Then an appointment can be arranged in minutes.

The Greek bureaucracy is lubricated not by rules but by friends. This can be

rather endearing, but it is hopelessly inefficient. It ensures that decisions are seldom taken and that the civil service is grossly overstaffed. It also encourages corruption—not to induce civil servants to break the rules but to induce them to observe them.

This inefficiency can be extremely costly for businessmen. Thus, a large industrial company recently decided to build a new factory worth 250m drachmas (\$4m) in the Peloponnese. It applied for a building permit. Six months of intricate bargaining were required to get it. That delay added 10% to the building costs. The unhappy entrepreneur was told to count his blessings: "Others have had to wait nine years for such a decision". A more recent example: the Yellow Pages directory due out last year has not yet been printed, because the relevant bureaucrat has not dared to take a decision to replace printing equipment that was destroyed in a fire in October.

One of the central problems that afflicts the bureaucracy is the traditional Greek system of *rousfeti*, by which members of parliament use the bureaucracy to grant favours to their constituents. This has been the traditional way by which MPs have maintained their political support. Voters look to their MP to sort out their personal problems and, often, to find jobs for their friends and children. It is said, for example, that in Olympic Airways most employees come from the same geographical region as their boss (presumably under pressure from friendly MPs). The system began in the nineteenth century, when

voters expected those for whom they had voted to help them to secure employment, to intercede where necessary with a cumbersome, inefficient and unresponsive bureaucracy and generally to dispense favours. . . . The demands of place-seeking meant that the bureaucracy was much larger than was strictly necessary.†

And so it has continued ever since. Mr Christopher Tugendhat, the EEC's personnel commissioner, was amazed when he went to Athens two years ago, to discuss Greek appointments to the EEC commission, to find that ministers expected to give all the jobs in Brussels to their chums. It was with the greatest difficulty

*Quoted in Epikentra in May, 1981. Published by the Centre for Political Research and Information.

†"Short History of Modern Greece" by Richard Clogg (Cambridge University Press, 1979).

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that he explained that jobs in the commission are given to the most able applicants, not to party-political hacks.

Pasok promised that it would reform the Greek bureaucracy and end "partisanship and corruption in public administration". It has already committed itself to some important changes. First, it intends to alter the present electoral list system by which voters can choose which of a number of candidates from each party should be elected. That system encourages *rousfeti* because candidates from the same party vie with one another to promise more favours. In future, Pasok will oblige each party to decide the order of preference in which its candidates should be elected—rather than leaving it to the voter.

Second, the government has already changed the rule that all government decisions must be signed by seven separate bureaucrats (the rule was invented after the civil war to stop communist sympathisers in the civil service taking decisions off their own bat). In future only two signatures will be needed.

Third, the government is embarking on a programme of decentralisation which it hopes will transfer power (and corruption?) from the bureaucracy in Athens to local councils.

Fourth, the government has sacked some 300 "general directors" in the civil service because, it says, they were right-wing appointees. Instead it has appointed hundreds of new political advisers to act like members of French *cabinets*. These new advisers have all been party-political appointments, but Pasok believes that the new system will be fairer because the distinction between civil servants and party appointees will be clearer. These advisers will be expected to resign when the government changes.

The advisers have already been nicknamed the "Green Guards" and they are much in evidence in every minister's office. Most of them wear open shirts and jeans and seem to have been educated either at the London School of Economics or Harvard. Their enthusiasm is plain; but few of them have any experience. Many have been plucked straight from academia. The opposition makes much out of the narrowness of their expertise. A typical joke making the rounds in Athens goes as follows: A Pasok expert arrives at the gates of heaven and is greeted by St Peter. St Peter explains to him that he must do something to prove his identity. St Peter adds that when

Mozart arrived he played some music; that when Einstein came he split a few atoms; and that when Van Gogh came, he painted a few cornfields. "Who the hell are they?" asks the Pasok expert. "Ah, yes I see that you are a Pasok expert. Do come in," replies St Peter.

It is too early to say how the new system will work, but the government has undermined the chances of a lasting consensus on public appointments by carrying out an extensive and unnecessary purge. In its attempt to weed out right-wing appointees, it has sacked many able men, at every level from bank presidents to doctors. Thus, for example, in the small town of Veroia in western Macedonia, a veterinary surgeon who specialises in pig-farming has been transferred to Konitsa, a small town near the Albanian border where there are no pigs at all. His crime was to have been a supporter of New Democracy.

Mr Papandreou had the chance to introduce real meritocracy into the civil service and the nationalised industries. Instead, by giving so many jobs to his own supporters, he may merely have developed a new form of *rousfeti*. And instead of encouraging bureaucrats to take more initiatives, his actions so far seem likely to make them more nervous and cautious than ever.

Sunny side up

The long years of conservative rule in Greece have left the country in a feudal social condition; and the best things the Papandreou government is doing are in the field of social reform. One of the government's first acts was to legalise civil marriage. Until then nobody had been allowed to marry outside church.

The government also intends to make a series of changes to the law affecting families. The most radical will be the abolition of the dowry. At the moment, Greek fathers are expected to give their daughters a generous dowry when they get married. The size of the dowry is determined by the father's wealth and the social standing of the groom; a typical middle-class dowry is a flat. If the dowry is too small, the daughter can sue her father. Amazingly, most women seem to be glad that men will no longer have to bestow dowries on them.

The government also proposes to start providing social benefits for unmarried mothers (non-existent until now); to make divorce easier; to legalise abortion

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(at present it is allowed only if the would-be mother has been raped or if her life is in danger); and to set up family-planning centres. It has already passed a law to stop adultery being treated as a criminal offence (until then adulterers had been jailed and—worse still—banned from marrying their lovers).

A national health service

Greek hospitals have long been a disgrace (as unlucky tourists who have fallen ill have discovered). They are overcrowded and ill-equipped. The level of health care is poor because hospital doctors are paid a pittance and have to earn their income either from their private patients or by making money covertly inside the hospital. Postgraduate education in hospitals is terrible, while the financing of health care is complicated by the existence of 382 separate health-insurance funds. At the latest count, Greece spent less of its national income on health than any other country in the OECD (and much of that was spent on drugs: 30% of health spending in Greece goes on drugs, against 13% in the rest of the EEC). It is hardly surprising that those Greeks who can afford to do so go abroad for operations.

The new social services minister, Dr Paraskevas Avgerinos (himself a medical man), is trying to develop something like a national health service. He intends to submit legislation to create full-time, properly paid hospital doctors; to give every citizen a health card and the right to free hospital treatment; and to set up over 200 primary health-care centres. He also plans to set up a central health council to oversee the improvement of

the Greek medical system.

Down with the nomarchs

Like Mr Mitterrand's Socialists in France, the Greek Socialists are trying to decentralise power. This is a long overdue change. Greek administration is even more centralised than the Napoleonic model in France.

In provincial Greece, 55 nomarchs (like prefects) represent the Athens government and exercise total control over all local decisions. If a mayor of a town wants to buy a typewriter he usually has to ask the nomarch for permission. In Iraklion in Crete there was a rumpus a few years ago when the local council tried to change several street names which were named after Greek kings. The nomarch refused to give his permission; and the council won only by illegally ripping down the old signs. Town councils do not even have the right to levy rates or taxes: all their income is dished out by the central government. Last year a frugal 1.1% of the national budget went to local government.

The Papandreou government is moving towards reform in two stages. First, it has set up committees to advise the nomarchs, made up of representatives from town councils, farmers, workers and employers; and it has reduced the nomarchs' control over the town councils. It has also doubled the central-government grant to town councils. In the second stage (perhaps in two years' time), it intends to set up about 10 directly elected regional councils and up to 150 provincial councils. These new councils will have extensive spending powers although they will not be able to make laws.

These changes are not being made as a reaction to a separatist movement (as changes in France and Britain have been). Modern Greece is a new country and much of its territory was acquired only after a long struggle by local inhabitants to merge with Greece (and achieve "enosis"). Crete, for example, has a distinct local identity but it became Greek only at the start of this century—and most shops on the island proudly display the Greek national flag outside their front door. But, with luck, the government's devolution programme should give local government a shot in the arm and do something to free the provinces from the central bureaucracy.

Cleaning up Athens

Until now urban planning has hardly

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existed in Greece, as a visit to the ugly sprawling suburbs of polluted Athens will quickly confirm. As the cost of a building licence is usually more than the fine for unlicensed building, it is no surprise that the Greeks have flouted the few rules that do exist.

One of the most intelligent and imaginative ministers in the new government is Mr Antonis Tritsis, the minister for the environment. Mr Tritsis, aged 45, is a professional city planner (and incidentally a talented athlete who, for years, was the Greek national decathlon champion). He has set off at a sprint.

He is now working on legislation to try to control new building in Greece, notably in Athens and on the coastline. He intends to introduce tougher rules for hotel building by the sea—to stop the construction of ugly mammoth hotels and to stop the hotels taking over beaches. In future no hotels near the coast will be allowed to put up fences. These proposals are, however, running into strong opposition from the national tourist board.

He is also trying to disperse the *nefos*—the cloud of smog that hangs over Athens for much of the year. The *nefos* is a chemical soup of smoke, dust, sulphur dioxide, carbon monoxide and nitrogen oxides produced by industrial discharges and car exhaust gases. The city's geography, with its ring of mountains, makes it as vulnerable to pollution as Los Angeles; and the smog has been getting worse as the concentration of people and industry in Athens has increased. Athenians say the smog gives them headaches and nausea; and when it rains the sulphur dioxide turns into sulphuric acid which dissolves the marble of the city's ancient monuments, notably the Parthenon.

The previous government brought in regulations to limit the use of heavy oil (which has a high sulphur content) in central heating and to control polluting industries—but with little effect. When pollution got really bad, cars with odd and even number-plates were banned on alternate days. Mr Tritsis intends to be tougher. He plans stricter rules on industrial filters and fuels, to be backed up by a new team of inspectors (the previous government relied on exhortations which were ignored). He is considering a permanent ban on cars from a series of traffic-free cells in central Athens (see map). Since June 1st all private cars have been banned from the city centre for a trial period of a month, other than taxis—which cannot cope with the

extra business.

However, if private cars are to be banned permanently from central Athens, public transport will have to be improved. At present, there is only one central railway line and an overcrowded bus network. Mr Tritsis is now working on a plan to develop a pre-metro tram system (as in Brussels) which would run mainly on lines on existing roads but with a small underground section. He hopes that this could be designed to run around the periphery of the city, to discourage travel to the centre. He is also trying to encourage the building of more multi-storey car parks around Athens, and to discourage parking on the street so that more trees can be planted to humanise the dusty cityscape.

End of a miracle

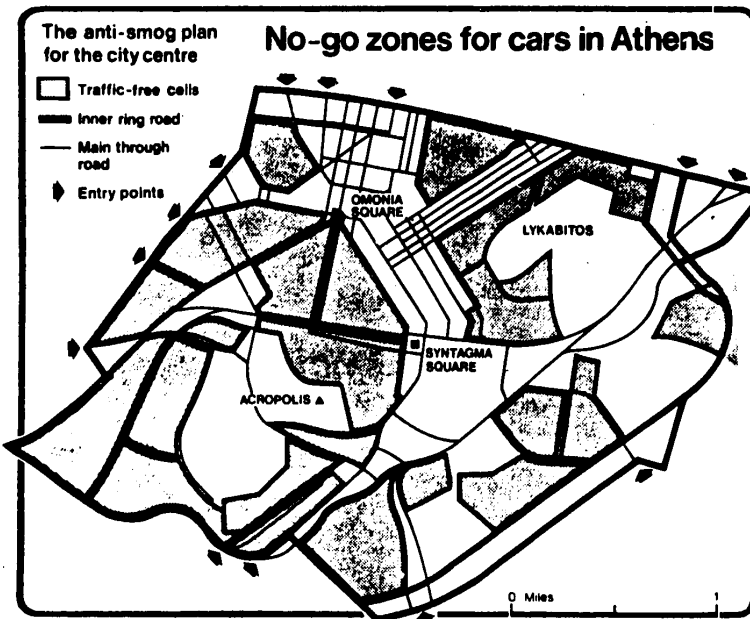
Over the past 20 years, Greece has enjoyed an extraordinary economic boom; and it has been officially classified by the OECD as a "newly-industrialising country" along with the likes of Taiwan. This boom was based on a rapid expansion in shipping and tourism (the number of tourists going to Greece has multiplied 14 times since 1960) and breakneck industrial growth. In the past 15 years, manufacturing industry's share of gdp has grown from 14% to 20% and, on average, the real value of its output has risen by 9% each year.

This miracle has now ended. Growth slowed down to a trot in 1980, and in 1981 the country's gnp actually fell. The latest OECD report predicts a very slow recovery. Greece is suffering like every other country from the world recession but, even if there is a general upturn in world trade in the mid-1980s, Greece is unlikely to grow faster than the OECD average. The prospects for all the main sectors of the economy are grim.

The shipping industry is still of vital importance for the Greek economy. Last year it earned \$2.5 billion (even more than tourism in net terms) and provided jobs for 114,000 Greeks. It is estimated that one Greek family in 11 depends directly or indirectly on shipping for its livelihood. In terms of ownership the Greek fleet is still the biggest in the world (although in flag terms it comes second to the Liberian fleet). Thanks to the earnings from shipping, Greece has been able to run a permanent deficit on its visible trade.

But shipping is now in dire trouble.

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From their offices in Akti Miaouli on the Piraeus waterfront, Greek shipowners can see the problem before their eyes. Dozens of Greek ships are lying idle in the waters beyond the harbour; some 330 Greek-owned ships, a fifth of the fleet's total tonnage, are laid up. It is the worst slump that the Greeks have ever known.

The Greeks have been worse hit than anybody else by the world shipping recession and the oil glut, because much of their fleet consists of tankers and bulk-cargo ships. There are now some signs that the worst may be over, but few of the big shipowners expect ever again to enjoy the kind of growth that took place in the 1960s and early 1970s. Greece is going to be badly hit by the increasing tendency towards protectionism as more and more countries insist that their own trade should be carried in their own ships. A mere 1% of the Greek shipping business is generated by exports and imports from Greece: the rest comes from cross-trading between other countries, often on one-off contracts. The Greeks like to see themselves as the taxis of world shipping competing with the buses who ply regular routes.

The Greek fleet also has another worry: increasing age. It is now the most elderly fleet in the EEC, which is one reason why its safety record is not good (the other reason is that its ships do not ply regular routes). There has been some improvement in the Greek safety record in recent years but more Greek ships were lost in 1981 than in 1980. Another concern is the increasing difficulty in recruiting Greek crews and officers. By law, Greek shipowners are obliged to employ at least 75% of their crew from Greece.

The problems that face the tourist industry are rather different. In midsummer, Athens and the islands—the principal tourist attractions—become grossly overcrowded. And many Greeks, including Mr Papandreou, feel that the growth of tourism needs to be halted before all Greeks become waiters. In Crete, for example, the mayor of Iraklion told your correspondent that he wanted to ban the building of new hotels on the island because "Greek civilisation" was under threat from the foreign influx. Last year, 5.6m tourists went to Greece—equivalent to two in three of the entire Greek population.

The Greek tourist board is trying to encourage tourists to visit less frequented

spots in northern Greece, to try maintaining and to come to Greece off-season. It is even trying to tempt tourists to come to Greece in the winter and go skiing. This campaign, however, is unlikely to have much impact. Greek ski resorts cannot compete with those in the Alps (the biggest resort at Mount Parnassus has no accommodation on the slopes).

In fact, the number of tourists going to Greece is unlikely to increase as fast in the next decade as it has done in recent years. This year, a small drop in the total number of visitors is expected. And because the government seems intent on not letting the drachma devalue enough to keep pace with Greek inflation, the relative price of Greek holidays is bound to rise. So the contribution of tourist earnings to the trade balance is likely to decline—particularly since increasing numbers of Greeks, put off by high prices and the hordes of foreigners in their own country, are now taking their holidays in Bulgaria and Rumania.

Remittances from Greek workers abroad have also declined as increasing numbers of Greeks have returned home from western Europe unable to find jobs. Net emigration of 70,000 a year between 1960 and 1975 has now turned into net immigration of 25,000 a year.

Manufacturing industry is also in trouble. Much of the growth in the 1960s and 1970s was concentrated in medium-technology industries like textiles, ship-repairing, cement and metal products. These industries will find it hard to compete with competition from countries in the Far East to which Greece is now more exposed inside the lower-tariff EEC.

Greek companies are still very small: half of them employ 19 workers or fewer (against 15% in the EEC). Profits are low—at least if the published figures are to be believed. According to a survey by the Icap consultancy, the average return on capital in 1980 was only 2.2% and the average profit margin on sales 2.1%. Worse still, most companies are heavily in debt to the banks (mainly because of the absence of an effective equity market) and the average debt ratio has increased in the past five years. According to Icap, the average Greek company now relies on bank finance for 77% of its capital. Such high gearing makes Greek industry very vulnerable to a slowdown in growth and to high interest rates.

The growth of agricultural output has already come down from a breezy aver-

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age of 3.4% between 1956 and 1976 to a mere 0.4% in the past six years. Higher farm prices inside the EEC may encourage faster growth, but the results of the first year of Greek membership in the EEC are not encouraging. Greek farms are still far too small to be competitive. Although 28% of the Greek population is still employed on farms, agriculture accounts for less than a sixth of Greek gnp.

Battering business

The long-term problems that beset the Greek economy have been aggravated by the politicians. The Socialist government inherited a macroeconomic mess from its New Democracy predecessor. In an attempt to buy votes the previous government had indulged in a reckless spending binge. The public-sector borrowing requirement had shot up from 6% of gnp in 1979 to 15% in 1981, inflation had accelerated to 25% and the current account had gone \$2.4 billion into the red in 1981.

To its credit the new government is trying to reduce public borrowing—to 12% of gnp this year—and to keep the growth of the money supply under control. However, its plan to cut public borrowing is not based on cuts in public spending, but on a whopping increase in taxation. In its first budget in March, the government proposed to raise tax revenue by over 50% while increasing public spending by "only" 43%. Tax revenue is unlikely to increase by as much as the government expects and public spending will probably increase by more. So the budget will not take much of the inflationary steam out of the kettle.

The government has also dished out generous pay rises to the lower-paid. The minimum wage was increased by 32% in January, and everyone earning under 35,000 drachmas (\$510) a month in the public sector has been promised full indexation against inflation (higher earners have been promised partial indexation). Similar indexation is likely to be imposed on private industry by the labour arbitration court. The official working week has been cut by an hour and all workers have been given an extra week's annual holiday. Most social benefits have been sharply increased: farmworkers' pensions, for example, have been raised by 67%.

These policies are bound to add to inflation (although it has slowed down slightly in the first six months since the new government was elected, mainly be-

cause of the fall in oil prices). They are also bound to impose what the OECD describes in its latest report as a "severe squeeze on profits" and lead to a further fall in private investment. The OECD reckons that private investment in Greece fell 12% in 1981 and will fall another 6% in 1982. To make matters worse for private industry, ministerial pressure is being applied to stop price rises (big companies which have asked for permission to raise their prices have been getting personal ministerial telexes asking them to freeze their prices). As inflation accelerates, the government will probably impose statutory price controls.

Most of the burden of the new taxation will fall on private industry. One of the most unfair new taxes will impose a levy on non-realised profits on companies' property. Thus, as the value of a company's assets rises in line with inflation (even though their real value is unchanged), the company will have to pay more tax. The government has also imposed a retrospective tax on distributed profits in 1981 and it has increased turnover taxes and stamp duty.

There is a great deal of tax evasion in Greece (the black economy may account for 15-20% of gnp) but, although the government is promising to be tougher in pursuing evaders, most of its new taxes will fall on those who are already paying taxes—notably Greece's wealth-creating business class and medium-sized and large industrial companies. This is a foolish policy which will slow down growth, increase inflation and add to unemployment. At present unemployment in Greece is remarkably low—a mere 2.5% by the official measure. However, because so many people in Greece are self-employed and do not register when they are out of work, this figure underestimates the real level of unemployment. This is probably nearer to 5%, still low by European standards. In the next few years it is likely to rise sharply thanks to the battering of industry.

The government says that it is anxious to attract foreign investment, but it could hardly have been more ham-fisted in trying to do so. The previous government had prepared a new bill to improve regional investment incentives; but when Pasok came to power it scrapped the bill and then took six months to re-draft it—thus ensuring that no foreign investment took place in the interval. The new bill provides for a range of subsidies worth up

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to 50% of the capital cost for investments in the poorer regions of Greece. However, the bill also provides that, for investments in excess of 400m drachmas (\$6m) half of the subsidy will be in the form of a state equity stake in the company (and for investments over 600m drachmas all the subsidy will be in the form of state equity). Investing companies will not be allowed to dispose of 20% or more of their total investment without the approval of the government. This is hardly likely to warm the hearts of nervous foreign investors.

The government has tried to subject the offshore shipping-finance companies in Piraeus to a string of new regulations. A delegation of angry shippers demanded to see Mr Papandreu to protest. When they explained to the prime minister that the new proposals would drive much of the business away from Greece, he agreed to ditch most of the proposals. Although the new government has plenty of experts—and an economist as prime minister—it seems to have a limited understanding of the needs of businessmen.

However, it has watered down its plans to "socialise" large sectors of Greek industry. Mr Papandreu never made it clear before the election what he meant by socialisation, but it was thought that he intended to nationalise major companies in the cement, petrochemical, ship-building and pharmaceutical industries. This would have given the state almost total control of Greek industry (some 70% of the economy is already controlled indirectly or directly by the state—mainly because most industry is owned by the banks and most banks by the state).

It now seems that the government merely intends to introduce a form of workers' participation in these companies. Committees of workers, shareholders, local councillors and civil servants are going to oversee their operations. This is meant to be modelled on the West German system of *Mitbestimmung*, but it could turn out to be just another arm of the deadly Greek bureaucracy.

Pasokification

Socialist governments usually curry favour with trade unions. So it is rather amazing to find that, within a few months of Pasok's election victory, the international trade union movement has accused the new government of rigging the membership of the ruling council of the General Greek Confederation of Labour (GSEE). Mr Len Murray, the British

union leader, is one of several European union bigwigs who have written to Mr Papandreu to complain. It is particularly extraordinary as, before the election, Pasok promised to free the unions from state interference.

In the past the Greek trade union movement has been under the thumb of government. The movement's money has been provided from a state-controlled fund, and governments have usually managed to get their cronies installed as union leaders. Past governments have been helped by the fact that right-wingers are comparatively strong in the unions (a legacy of the anti-communist mood after the civil war).

Pasok intends to give the unions more independence by allowing them to raise their own money. However, the party's true motives seem to be less worthy. Shortly after the general election, five trade unions affiliated to Pasok went to court to try to overturn the results of the election for the governing council of the GSEE (which had been held a fortnight before the general election).

Although the election system to the GSEE is grossly distorted (since many tiny unions are over-represented), there is little doubt that the rules were observed in the October election. The Pasok five objected to the election results on trivial-sounding grounds. They also submitted a second court application asking for a suspension of the ruling GSEE council at least until the judgment on the first application was given. A magistrate promptly accepted this request and ruled that a new "temporary" council should be appointed. Whereas the old council had been dominated by supporters of New Democracy and non-political unionists, 35 members of the 45-strong new council were Pasok supporters, and seven were Communists. Only three members of the old council were reappointed.

There seems little doubt that this decision was politically influenced, though Mr Papandreu himself was said to be extremely angry about it. (Curiously, the deposed president of the GSEE, Mr Christos Karakitsos, is an old chum of his.) The sacked council promptly accused the ministry of labour of "fabricating" the court decision in league with Pasok's trade union section and that of the two Communist parties. The council added:

It is self-evident that a well organised plan was carried out through legal procedures for the takeover of the Greek Confederation of Labour by governmental organs and for the

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violation of the fundamental trade union rights of the Greek workers.

Although the new administration of the GSEE is meant to be temporary, it is expected to hold office for at least three years and the ousted leaders believe that their successors will then be able to organise their own re-election. In late May, the ousted leaders decided to set up a new trade union grouping. The scene is set for rich confusion.

This strange story is not the only instance in which Pasok has tried to extend its corporate power. A sustained campaign has been mounted to "pasokify" individual unions, professional associations and agricultural co-operatives. Pasok is currently trying to change the rules for elections in the agricultural co-operatives to give all farmers an equal vote (at present farmers who own more land have more votes)—so that more Socialists will be elected.

The government is, however, planning to make three changes to trade union law which could make the unions more independent and more democratic in the long run. First, it is going to allow the unions to collect their finance directly from their members (although it will be difficult for workers to "opt out" of union membership). Second, it is going to make it harder for the so-called "rubber-stamp" unions, the tiny groups which sometimes have no members at all, to vote in GSEE elections. Third, it is going to introduce proportional representation into union elections (this will be fairer, but it will strengthen the power of the Communists in the union movement).

More worryingly for businessmen, the government is also planning to make strikes easier. It intends to eliminate certain restrictions on striking, such as cooling-off periods, and to allow workers in small non-unionised factories to call strikes. It is also going to make it much more difficult for employers to use the lockout. However, the government has recently modified its original proposals which would have given unions even greater power and would have legalised most political and sympathy strikes. Some comfort for industry.

Doubts galore

Whatever his faults, Mr Papandreu is no communist. Unlike President Mitterrand,

he did not give the Communists any ministerial posts after his victory. And by condemning the Cypriot president for his recent alliance with the Cypriot Communists—and by his own U-turns in foreign policy—he has ended the brief truce that the Greek Communists granted him after the election. There are fears that the Communists will now exploit their power in the trade unions to discredit the government, but these seem exaggerated. Certainly in parliament the Communists, with 13 seats, pose no threat.

On the right, New Democracy is in disarray. After its defeat in October the party promptly dropped its leader, Mr Rallis, and replaced him with the former defence minister, Mr Evangelos Averoff. But Mr Averoff is an old man and he is thought to be too right-wing either to win an election or even to hold the party together.

There is a faction in his party which would like to split off and form a new centre party, perhaps in alliance with the likes of Mr John Pasmazoglou or Mr George Mavros (a liberal who backed Pasok in October but who has been ignored by the government ever since). Such a party could mount a serious challenge to Pasok one day. A KPEE poll last year found that only 5% of Greek voters class themselves as Marxist-Leninists, 27% as socialists, 28% as liberals and 15% as conservatives. The liberal vote, which went heavily to Pasok in October, is the key to success.

For the moment, Pasok's control of power is complete. Its first eight months in power have been less disastrous than your correspondent had expected. The party's hair-raising foreign policy has so far proved to be no more than a tingle on the scalp for Greece's allies, thanks in part to President Karamanlis. Social reforms are proceeding apace. Some attempt is being made to shake up the bureaucracy. But the question-marks remain.

What are Mr Papandreu's true intentions towards Turkey? Could he return to a more irresponsible foreign policy to attract public support à la Galtieri? When will he adopt the deflationary policy that Greece will soon need to avoid a financial shambles? Will he rein in his anti-business colleagues? Nobody in Greece could offer your correspondent any answers to these central doubts.

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How Pasok won

Most Greeks felt it was time for a change last October. Since the civil war, Greece had always been ruled by conservatives, except for the brief interlude of centrist rule under George Papandreu in the 1960s. Pasok built up its vote steadily from 14% in the 1974 election to 25% in the 1977 election; then the collapse of the liberal Union of the Democratic Centre allowed Pasok to emerge as the principal opposition to the conservative New Democracy party. It won last October with 48% of the vote and a clear parliamentary majority (thanks to Greece's "reinforced" system of proportional representation, which helps big parties).

New Democracy's strongest card had always been Mr Karamanlis, who was associated with the return of democracy to Greece. But when he decided to become president in 1980, he was succeeded as party leader by Mr George Rallis, a drab middle-of-the-roader. In Greece, personalities are more important than policies, and the uninspiring Mr Rallis never caught anyone's imagination.

In its second term in office, New Democracy became a thoroughly rotten administration. It junked what had been a cautious economic policy and embarked on a massive spending spree to buy votes. And it became tainted with accusations of favouritism, dishonesty and corruption. This drove many businessmen to vote for Pasok in the hope

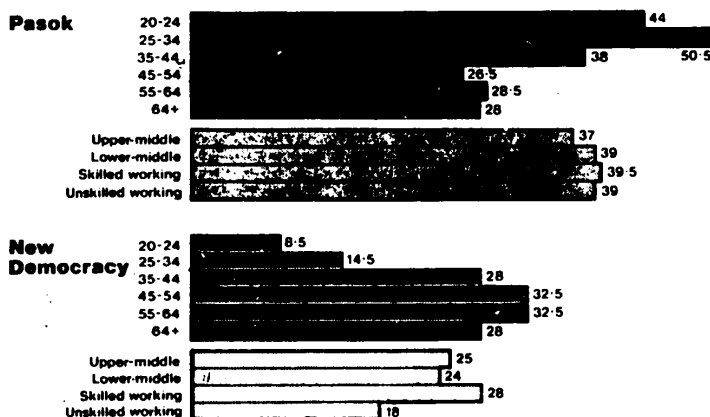
that it would end corruption and would clean up the bureaucracy. A KPEE poll just before the election showed that worry about "state inefficiency" was particularly marked among better educated voters: 17% of voters who had had higher education cited this as the main factor influencing their choice of party (against 6% of unskilled voters).

Indeed, one of the astonishing aspects of Pasok's victory was that its strength was equally spread amongst all classes. The same pre-election poll (see chart) found that 37% of the upper-middle class and 39% of the unskilled working class intended to vote for Pasok. There was only one sociological factor that clearly differentiated Pasok's support from that of New Democracy: age. The same poll found that 51% of those aged between 25 and 34 intended to vote Pasok, while only 28% of this age group intended to vote for New Democracy.

In Pasok's early years, the party adopted an odd foreign policy. Mr Papandreu not only said that he wanted to keep Greece out of Nato and the EEC, but argued that Greece should align itself with the third world. Few Greeks fancied being treated as third-worlders. But before the election, Mr Papandreu skilfully blurred his policy. He was thus able to win votes in the centre, without losing many to his left. The (Stalinist) Communists got less than 11% of the vote and only 13 seats in parliament: thus failing to hold the balance of power as they had hoped. None of the other minor parties won seats.

Age counted more than class

Pre-election voting intentions (%) by age and class for-



Source: KPEE Poll, September 1981

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Greece beyond Greece

Greeks have never been content to stay in Greece. Since the eighth century BC, when Greeks began to set up colonies in north Africa, Marseilles and Sicily, Greeks have sought their fortune abroad. Today more than 4m Greeks live and work abroad. The third biggest Greek city is Chicago, closely followed by Melbourne.

After the fall of Byzantium in 1453, thousands of Greeks settled across Europe and many of them made a major contribution to the European Renaissance, among them the painter El Greco. The first Greek books and the first Greek newspaper were printed outside Greece (in Vienna and Venice). And the formation of a secret society of Greeks in Odessa laid the foundation for the Greek independence movement.

In this century, there have been two major waves of emigration—to the United States, where over 3m Greek-Americans now live, and (in the 1960s) to western Europe, although most of the Greeks who went to Europe did not emigrate permanently. The Greek com-

munity in the United States has been remarkably successful and has not remained a downtrodden class. There are now 20 Greek-American mayors in the United States and over 2,000 professors in universities. The best-known Greek-Americans include Mr Spiro Agnew, Maria Callas and Kojak.

These communities abroad have always been held together as much by their religion as by their nationality. Thus the distinguishing feature of the Greeks who lived in the Ottoman Empire was their Orthodox Christian religion (many of them spoke no Greek at all). The church has always had an extensive social role. Today, in the United States, the church organises schools, culture, social welfare and even camping holidays.

The Greeks who live abroad need not feel that they are forgotten in Athens. President Karamanlis lived for years in Paris and Mr Papandreou spent much of his life in California and married an American wife. Nobody could accuse the Greeks of isolationism.

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POLITICAL

ITALY

OUTCOME OF LEAGUE OF COOPERATIVES CONGRESS

Milan IL MONDO in Italian 8 Jun 82 pp 22-26

[Article by Vittorio Borelli with Massimo Bianchi and Roberto Ippolito: "A Time for Carnations"]

[Text] The communists have lost an absolute majority in the Red cooperatives. The way is now open for the socialists to take a greater slice of political power. But something more important is at stake.

"This is the last communist president we'll elect," exclaimed a socialist delegate at the end of the 31st congress of the National League of Cooperatives [LNC], which was held in Rome 18-22 May. Was this a case, like so many others, of partisan feeling? Not exactly. The same conviction appears, although not in so many words, in the way in which many PSI leaders evaluated the results of the congress. The congress was marked from its opening minutes by a socialist battle against communist hegemony. The confrontation between the two historic parties of the Left eventually pushed into the background both the brilliant results achieved by the League in the last 4 years (see graph "The Parties' Share," following) and the complex problems facing the cooperative movement in the 1980's.

What is the basis for the socialists' conviction that they have won? What does it mean that the PCI has lost its absolute majority in the national council? What might the consequences be of a struggle between the two parties in such a delicate phase in the life of the League? And, especially, is it realistic to speculate that the 32nd congress, 4 years from now, might elect a socialist president for the first time?

There are basically three arguments supporting the socialist thesis. The PCI has definitely lost its absolute majority in the leadership bureaus. Bettino Craxi's party line has objectively proved to be closer to the needs and problems of the cooperative movement than Enrico Berlinguer's party line. The socialist ministers (Rino Formica, Gianni De Michelis and Claudio Signorile) stood out in the congress as the most authoritative and forward-looking speakers from outside the movement.

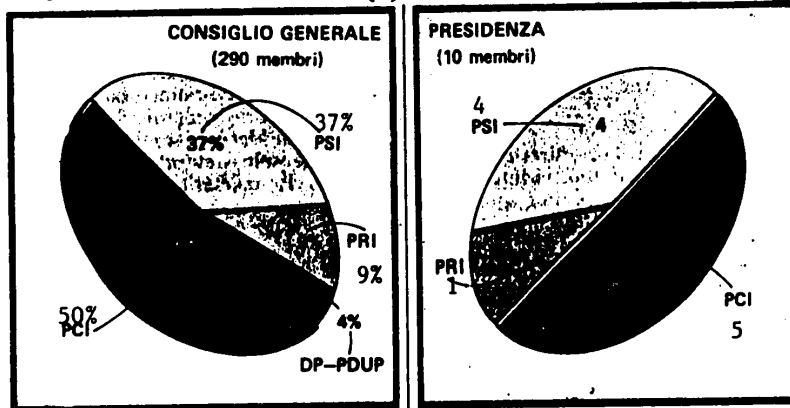
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(1) **Quanto valgono le componenti**

(2) *Consiglio nazionale*

(3) *Consiglio di presidenza*



- (1) The Parties' Share (2) National Council (290 members)
 (3) Presidential Council (10 members)

[General Council]			[Presidential Council]	
PSI	[Italian Socialist Party]	37 pct	PSI	4 members
PRI	[Italian Republican Party]	9 pct	PRI	1 member
DP-PDUP	[Proletarian Democratic Party- Proletarian Unity Party]	4 pct	DP-PDUP	[0 members]
PCI	[Italian Communist Party]	50 pct	PCI	5 members

The pre-congress phase was marked entirely by a battle of words. In the judgment of various impartial observers, the socialist offensive actually resulted in a mixed victory. True, in the National Council, the communists lost the absolute majority, going from 50 percent plus one of the members to a flat 50 percent; but the PSI also went down, from 40 to 37 percent of the membership. On the other hand, the proportions on the Presidential Council remain unchanged: 5 members for the PCI, 4 for the PSI and 1 for the PRI (see graphs above). But that is not the only consideration: any reasonable speculation about the figures must take into account the fact that the makeup of the leadership councils is the result of agreements negotiated among the various member groups without regard to the actual relationship of political powers. The very complicated rules of the congress actually tend to keep the delegates from voting on the basis of party affiliation or union card. Otherwise, the PCI would have an overwhelming majority of about 70 percent of both the membership and the businesses themselves.

Who Won

In what sense can one speak of a socialist semi-victory? Sergio Careddu, age 42, vice-president of the League in Sardinia, says, "This congress has shown that the socialist strategy can offer concrete goals to the cooperative movement. The same cannot be said for the PCI; despite the comeback attempts it has made

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in recent months, its party line has still shown elements of centralized planning and statism that lead it to downplay the role of self-management. This purely political factor carries more weight than any consideration of numerical strength. Also, we can look more closely at the matter of numbers. I personally think the PSI has grown more than its representation in the National Council may indicate." Paolo Babbini, an official for cooperatives in the PSI national leadership, adds, "I think a certain conception of the cooperative movement is wearing thin. The cooperative movement used to belong primarily to Emilia province, but it is becoming a national movement and is penetrating the industrial and advanced tertiary sectors. To meet these objectives, though, two conditions will have to be met: it will have to free itself from encumbering and anachronistic political control, and it will have to abandon a contradictory position concerning political institutions. That is why the PSI, which is an autonomous party but not hostile to the institutions, holds the trump card. As for the numbers coming out of the congress, it is true that the PCI has lost only one member on the National Council, but that one less is of great political value, because it confirms the end of communist hegemony."

How does the PCI answer these arguments? Apparently with a lot of self-control and by turning the arguments around. For example, Valerio Veltroni, age 33, the president of the cultural cooperatives, says, "It is curious that the socialist comrades are trying to claim as a victory what was made as a unitary choice. Our giving up an absolute majority shows that we are more concerned with the autonomy and pluralism of the League than with party interests. Everybody knows that if we had counted membership cards we would have had an overwhelming lead."

For Guido Cappelloni, an official in the communist leadership for cooperatives and the middle classes, the PCI-PSI contest for supremacy is just a false issue. "So far we have all underestimated the role of the cooperative movement. It is not only wrong but utterly ridiculous to extol merit and primogeniture with eventual wisdom. We all know now that the League must free itself from political control if it is to aspire to a more important role in the economy and society of Italy. And this is what the communist leaders in the League, in accord with the party, have done. The option of internal democracy, which in concrete terms means the free choice of the men who are to direct the movement honestly and professionally, is an option that the PCI has vigorously supported, even at the risk of some internal strife."

A Third Possibility

Which side is right? In a word, who really won the 31st congress, the followers of Craxi or Berlinguer? Observers outside the historical Left give us another key for interpretation: the PCI gave up the majority not so much because of problems of relations with the other members but because of image problems. In other words, at a time when the League is putting itself forward as a fulcrum for forming the much-discussed third sector of the economy, it needs to present an image of full party autonomy to those it will be dealing with on the outside: unions, government, banks, etc. (As for economic sectors, the first and second are obviously the private and public sectors, while the third sector would comprise cooperatives, small business, and craftsmen.)

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Mario Coco, age 43, for example, is of this opinion. He is a leader of the new Left group. "Anyway," says Coco, "the real decision-making power in the League does not go through the two major parties of the Left but vertically, through all the component members. There is today a whole area of communist, socialist and republican cooperativists whose aim is to depoliticize the movement by gradually reducing it to a kind of business organization. But there is also an area in the new Left made up of socialist and communist comrades who see the cooperative movement as an instrument of political cohesion. This is the real problem today. Similarly, at other levels, there is a problem because technicians and independents are deeply offended at partisan maneuvering."

The Independents

Costanza Fanelli, age 37, a Catholic and communist sympathizer and a woman official of the League, is preoccupied with this latter aspect of the situation: "Rather than wonder who won," says Fanelli, "I worry about who lost. And I think the independents have lost; in some regional congresses they accounted for up to 15 percent of the votes, yet they were sparsely represented in Rome. What is good, however, is the affirmation of women, who, along with youth and independents, make up what is new in the movement. There are now 37 women out of 290 members on the National Council, while the preceding council had 10. Of course, we are still far from reflecting the actual presence of women in the businesses, but we cannot accuse anyone of anything on that score. We are the ones who will have to work hard at getting organized."

One confirmation of the fact that the main problems do not consist in the PCI and PSI competing with one another comes from an uproar that occurred at noon on Saturday 22 May. The presidency of the congress decided against the electoral committee in proposing to enlarge the National Council from 200 to 290 members. After a rather heated discussion, the motion passed with only 65-70 percent of the vote. The opposition (a fact of life in a movement governed by political parties) stated that they voted against the motion because they were fed up with the outworn system of component parties and, from a practical standpoint, every meeting of the full new National Council would cost the League something like 290 million lire.

A socialist leader admitted, "It is true that the League is changing very rapidly, perhaps even more rapidly than we can tell at present. And within the traditional components things are not as they used to be. In the PCI, for example, they wore themselves out getting the vote through, and in the PSI there were more battles between the Craxists and the Left than there were against communist hegemonism." The Lombardian Left, whose front man is vice-president Umberto Dragone, has always controlled the socialist component. Many think that it has been the scene of struggles that have not been completely disinterested.

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The Craxists

But the Craxists shrug off these accusations. "They are gratuitous provocations," says Luigi Rosafio, age 39, a member of the League presidency and an official of the organization. "If we had really wanted to fight we would have gotten an overwhelming majority: 75 of the 115 leadership seats won by the PSI at the national level support Craxi. Rather we limited ourselves to a battle of ideas because we were not enthusiastic about the policy Dragone was pushing, as is shown by the fact that we did not vote for the president's report. It is easy to tell why: it downplayed the problem of the South and also the problem of Europe in terms of both power blocs and trade relations; nor did the report solve the problem of a certain ambiguity in relations with the institutions but continued along the dangerous route of urging a mechanical reproduction of the Emilian model."

The conclusions to Rosafio's arguments are drawn by another Craxist: "Maybe we won't succeed in electing a socialist president at the 32nd congress, but we will certainly succeed in electing a vice-president who is closer to our own ideas." At this point one must wonder how the League will achieve its objectives for the 1980's when it has so much internal contention: youth, women and independents inveigh against bureaucratic encrustation, the movementists oppose the supporters of business, the communists are against the socialists, the new Left is against the republicans, Emilia is against the rest of Italy, and even Craxi's followers are against Signorile's. This is all the more true because elements of conflict are appearing outside the League; for example, between the CISL [Italian Confederation of Labor Unions] and Confindustria [General Confederation of Italian Industry].

The Outsiders

The CISL has supported a policy of self-management for some time, and it has taken note of the League's high level of support for the 0.5 percent wage fund deduction issue; it has shared its efforts on the issue of the South and supported the arguments made concerning the so-called third sector. "Even so," explains Mario Colombo, CISL confederal secretary, "we think the cooperative movement is continuing to make a mistake in undervaluing the potential of self-management. The aid of concrete experience in self-management is often rebutted by adducing managerial-type considerations. How many workers in recent years have been told that the League is not the GEPI [Industrial Participations and Management Company]? That is the kind of argument that management usually makes."

While the CISL is concerned that purely economic arguments are prevailing in the cooperative movement, Confindustria has very different concerns. In an extreme case, it fears that all the talk about the third sector will end up in shifting the focus to a new form of public assistance. Alfredo Solustri, general director of Confindustria, explains, "Let's be clear about it: in a pluralistic system like Italy's, there has to be room for everybody, but everybody has to follow the rules of the game. The actions of the 31st congress explicitly accept the rules of the game, but now and then they tend to confer upon cooperatives an artificially preeminent role. Not only that, but the congress takes for granted things that aren't necessarily so, such as participation, support for big business and international cooperation. In short, overemphasis on the formula can lead to a privileged tax, credit and union system."

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I did not see any such dangers in Marcora's proposal to allocate 100 billion lire to Wage-Supplement workers who want to go back to work, but I thought they should be put under the Formica proposal, which would raise the members' capital quota more definitely and directly. At this point you have to wonder how far they would go toward ending the original characteristics of cooperatives."

The League's Answer

In the face of rising debate and criticism, however, the League leaders are maintaining an Olympian calm (see the interview with Prandini and Dragone). They are strengthened by past achievements and aware of enormous potential (no union troubles, absenteeism at 1 percent, member involvement in both production and management); they reply to the CISL that the movement cannot take on overtones of public assistance and that the only thing really prejudicial to starting up new business is a serious possibility of controlling the market and competition. Some even turn the accusation around, saying that the CISL is altering its own role as a union by taking on the direct management of a part of the cooperative movement.

Business's answer to critics is just as sharp. Costanza Fanelli, for example, says, "It is hard to find grounds for this argument. As I recall, the only national law that in any way pushes the cooperative movement down the road to a new kind of public assistance is law No 285, the law on youth unemployment. Otherwise I would say that the state has taken a completely hands-off policy in our regard." Even sharper is the answer from Alberto Zevi, age 36, a communist and vice-director of finances for the League. "Whoever talks about public assistance either doesn't know what they're talking about or they're bluffing. The truth is that now that we've gotten to this stage of development, with dozens and dozens of troubled businesses asking to be let in, the League must somehow undo the financial slipknot. In order to go massively into the industrial sector (where we now have only 18,000 members), we'll need big capital. Well, let the gentlemen from Confindustria tell us how it's possible if, by law, every member can carry up to 4 million lire in capital and if the annual return stays fixed at a gross 5 percent maximum. The Formica proposal takes this fact into account but doesn't deform anything, because it tends simply to raise the quota of capital by allowing small remuneration to members. We must not forget either that in many cases it is not now possible to remunerate members to the extent that obligatory reserves have been accumulated."

An authoritative confirmation comes from Adriano Antolini, age 43, an engineer and director of one of the largest cooperative businesses, the CMC [Masonry and Cement Cooperative] of Ravenna, which had 230 billion lire worth of production last year (more than 20 percent over 1980), 600 full-time employees and 3,000 workers. "Tax and credit facilities in the medium-to-large sector are tight," says Antolini, "certainly not comparable to those in the public and part of the private areas. In compensation, the strings on business capital tend to strangle companies. Just think: we manufacture more than 200 billion lire worth with 4 billion in company capital."

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The 1980's

But the arguments over a supposed or real new public assistance will not go away so soon. The third-sector project, which has only begun, will actually change many things in the Italian economic picture. In this connection Solustri observes, "There is still confusion of roles in Italy. The cooperative movement is contradictory in itself because it contains both very small businesses and real giants; just imagine what would happen if they add craftsmen and small businesses."

Maybe this is the point: in the 1980's will the League succeed in controlling the latent contradictions in a development that throws together small and large businesses, newly constituted cooperatives and cooperatives that have little to envy in large public and private corporations? Can it at the same time enlarge its sphere of influence among craftspeople and in small industry with all the contradictions that this sector, too, contains? The challenge is there.

Prandini and Dragone Interviewed

[Interview with Onelio Prandini, president of the LNC, and Umberto Dragone, vice-president of the LNC: "Prandini and Dragone: Here's How It Went"; interviewer, date and place of interview not specified]

[Text] Reconfirmed as president and vice-president respectively of the National League of Cooperatives, Onelio Prandini, age 45, a communist from Modena, and Umberto Dragone, age 48, a socialist from Milan, agreed to answer questions from IL MONDO on the results of the recent congress.

Question: In the National Council, the APCI no longer has an absolute majority and the PSI has fallen from 40 to 37 percent. In a word, who won this congress?

Prandini: This may sound like a platitude, but I say the League won. The congress went well from every point of view. In any case, the PCI has tended historically to lead the other components beyond their actual strength. This has also changed. The PCI and PSI have decided to support the new, emerging trends (youth, women, technicians) without worrying about supremacy.

Dragone: I agree. But in a certain sense we have won a moral victory. It is not a matter of numbers and chairs (if an actual count were made, the PCI would probably get 70 percent); rather the principle was accepted that the movement shall no longer be run like a country club. That is, with a component group that always has one more man, one more vote in reserve to impose its own point of view.

[Question] As it happens, though, some communists in some regions asked for a secret ballot.

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Prandini: Some mistakes were made both at the center and on the outskirts. In the end, however, the public vote passed with a large majority. That's what counts.

[Question] Does it often happen in the League that votes follow party lines?

Prandini: Almost never on questions directly concerning the cooperative movement. Usually the vote splits the parties vertically.

[Question] Then why did the PSI champ at the bit so much before the congress?

Dragone: Since we are not competing for seats, I would say that the main differences between the communists and us concern the role to be assigned to self-management. At the congress I deplored the lack of discussion of the third sector not merely as an economic factor but as a laboratory for experimentation with new labor relations and a new organization of labor. In short, by utilizing the European socialist experience we can see in the cooperative movement and in self-management one of the cardinal points for reform of the system.

[Question] Is this an argument from the movement or from business? It is an old problem for the cooperatives.

Prandini: It is an inescapable dialectic. One aspect or another tends to prevail according to the state of development in which the businesses happen to be. But it would mean the end of the movement if one or the other took the upper hand.

[Question] In view of the massive participation of ministers at your congress, some people fear that a future of neo-public assistance is in store for you.

Prandini: Not quite. Let's look at the figures: since the cooperatives have been in existence the state has spent 153 billion lire all told, in other words practically nothing. We don't want a feast, we just want to be able to develop according to our potential. That's in everybody's interest, not just ours.

[Question] What is the outlook for the League in the 1980's?

Dragone: The 1970's were the years of the unions; the '80's will be the years of the cooperatives. The secret of our success is the workers' participation and involvement in business. The demand for participation is now higher than ever, and everybody can draw their own conclusions.

Statistics on Cooperatives

There are 131,568 cooperatives in Italy on file with the ministry of Labor as of the end of 1981. However, only 88,383 were listed on the general index of cooperatives. Of the cooperatives registered, almost 55 percent do not belong to any central organization, while the remaining 45 percent (about 40,000 businesses) are subdivided as follows: more than 20,000 are associated with the

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Confederation of Italian Cooperatives (with a gross annual production of about 26 trillion lire); about 6,000 belong to the AGCI (General Association of Italian Cooperatives, with a gross business volume of 1.4 trillion lire in 1981), and about 15,000 belong to the National League of Cooperatives (with a volume of 12.405 trillion lire in 1981).

In the 4-year period between the 30th and 31st congresses, the League showed an increase in terms of both associated businesses (up 2,000 units) and members (up 500,000; the total now largely exceeds 3 million).

This increase parallels a quantitative expansion in the organized cooperative movement, which increased its size by almost 45 percent in 5 years (on 31 December 1976 there were a little more than 28,000 coops in the 3 main organizations. This increase is especially significant in light of the fact that only 30 percent of the companies belonging to the League operate in the construction industry (this sector has a higher percentage of cooperatives belonging to Confcooperative [Confederation of Italian Cooperatives] or AGCI or not belonging to any national organization).

Here is an x-ray of the structure of organized cooperatives.

Residences: There are 4,600 cooperatives organized under ANCAE [expansion unknown] (the industry-wide association) with a total of more than 400,000 members (260,000 in 1974) and a production estimated at 28,000 dwellings in 1981.

Production and Labor: ANCPL [National Association of Cooperatives for Production and Labor] holds almost 3,000 coops, which are largely concentrated in the North. They provide work for about 100,000 people (70 percent of whom are members). The increase in the number of people employed since the beginning of 1977 has been about 30,000 units.

Agriculture: More than 2,900 agricultural cooperatives belong to ANCA [National Association of Agricultural Cooperatives], and the number of members exceeds 450,000. Three-fourths of the gross product of the sector (2.1 trillion lire excluding national consortiums) are made by businesses in the Center-North, although 45 percent of the agricultural cooperatives are located in the South.

Distribution and Consumption: The 650 consumer cooperatives have about 1 million city dwellers as members and a production that reached 1.7 trillion in 1981. Sales cooperatives number a little less than 2,000.

Services: The ANCS [National Association of Service Cooperatives] numbers about 1,200 cooperatives with more than 50,000 members, 20,000 of which are in automotive transportation and 5,000 are taxi drivers.

Fishing: At present the Association of Fishing Cooperatives (ANCP) has 195 cooperatives with a total of almost 20,000 fishermen.

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In addition to the cooperatives operating in these industries there are 528 cultural cooperatives; 1,500 business organizations belonging to the Italian Federation of Health Insurance [FIM]; 162 tourist cooperatives (including the Italtourist travel agency); the Publishers' Cooperative and the advertising concession cooperative, Socop.

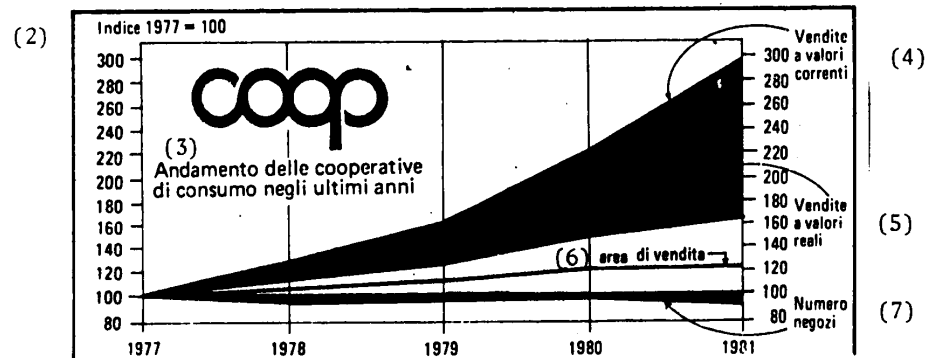
The League also operates in the areas of credit and insurance (with Fincooper, the national financial consortium, to which 1,300 companies belong, and Unipol, which serves the League, unions and some manufacturing companies); it also operates in the export-import trade (mainly through Intercoop).

X-Ray of the Fed Giant

[Association of Coops]	Number of Coops	Number of Members	1981 Volume (Trillions of Lire)	Employees
ANCPL (production & labor)	2,524	122,000	3.167	124,800
ANCS (services)	1,200	61,000	1.200	28,000
ANCAB (housing)	4,600	400,000		
ANCA (agriculture)	2,824	413,492	4.000	45,000
ANCC (consumers)	650	951,000	1.628	10,500
ANACC (culture)	528	130,000	0.100	2,000
ANCP (fishing)	200	20,000	0.387	1,000
ANCD (retailing)	257	20,000	0.678	2,000
ANCT (tourism)	180	6,450	0.100	2,000
FIM (insurance)	1,500	800,000		

N.B. Unavailable for this table are data relative to consortiums and the business volume of housing and health insurance cooperatives.

(1) **L'ammiraglia della flotta**



- (1) The Flagship of the Fleet
- (2) Index 1977 = 100
- (3) Progress of consumer cooperatives in recent years
- (4) Sales in current values
- (5) Sales in real values
- (6) Volume of sales
- (7) Number of stores

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POLITICAL

SPAIN

DEFECTIONS FROM UCD EXPECTED AS CENTER WILL NOT HOLD

Madrid CAMBIO 16 in Spanish 7 Jun 82 pp 24-31

[Article by Antxon Sarasqueta: "The Shadow of the Duke"]

[Text] When Vice President Rodolfo Martin Villa asked his former chief, with a question that in fact was more of a plea, "Adolfo, why don't you come back?" Suarez dryly answered him, "And why don't you leave? I went away and paid for my mistakes, many of which were made by you "barons"--but I took the responsibility. Now it's your turn."

The conversation took place in the midst of a lot of extremely diverse maneuvering and negotiations, which have been going on since last week, after the crashing defeat of the Center occurred in Andalusia, in order to save the UCD [Democratic Center Union] or at least the political options of the Center with respect to the Popular Alliance and the PSOE [Spanish Socialist Workers Party].

Suarez said "no" to Martin Villa, and he had said the same thing earlier to President Leopoldo Calvo Sotelo.

The Duke, who asserted that no one was authorized to speak for him but himself, does not want any more solutions or commitments with the "barons" or clans, who first destroyed him and later Calvo Sotelo. With his diagrams, drawn up on various papers in the silence of his study in Antonio Maura Street in Madrid, Suarez was completing his final plans in his move to regain the leadership of the Center.

The Blues

In the Moncloa Calvo Sotelo was receiving general support from within and outside the UCD for continuing as the leader of the government as an element for political stability. But his power within the party was beginning to decline. This was partly because he has not been able to exercise that power, as he himself is apt to admit in private, because he has been tied down by the internal struggles among the various political groups and families.

The strategy of remaining passive so as to be able to govern, if even with a low profile, has ended in the payment of a personal price. "What a great president Denmark has lost," commented one of the people who knows Calvo Sotelo well.

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Martin Villa was the one who, through his influence on the UCD executive committee, tipped the scales in favor of Calvo Sotelo when he "came abroad" as president of his party, replacing the Suarez "apparatus", headed by Agustin Rodriguez Sahagun and Rafael Calvo.

Seven months later, on Wednesday, 26 May, in a room in the INIA building of the Moncloa complex, where the centrist executive board was meeting to take stock of the extent of the Andalusia defeat and the situation in the UCD, Martin Villa was attacking President Calvo Sotelo.

One of those present at the meeting would recall later to CAMBIO 16 that the "blues," Vice President Martin Villa, Minister Juan Jose Roson, and former Minister Jesus Sancho Rof, were the only ones who used a precise and coordinated strategy. Their accusations were directed against the liberals--especially close to Calvo Sotelo--and against the director general of Radiotelevision Espanola, Carlos Robles Piquer, who was appointed by the chief executive.

If during recent months Martin Villa had privately criticized Calvo Sotelo's way of doing things, and had felt that he had been shunted aside because of the lack of responsibilities given his department, there is now no doubt that he is gambling on him being replaced in the leadership by a successor who would emerge out of what is known as the "founding board" or the "barons' group" of the party. In the end Martin Villa and Pio Cabanillas are getting closer to Suarez.

In the meeting of the "brains committee" which Martin Villa presides over in the Moncloa, and in which there participate, as well as the Secretary General of the UCD, Inigo Cavero, the Secretary of State for Information, Ignacio Aguirre, the UCD secretary of information, Javier Ruperez, the secretary general of the Moncloa Palace, Luis Sanchez Merlo, and advisors Jose Ramon Caso, Daniel Busturia and Jose Ignacio Wert, they are studying Calvo Sotelo's chances, and those of the UCD.

Almost everyone who was present at the summit meeting which the members of this committee held in the Moncloa on Thursday 27 May was in favor of replacing Calvo Sotelo as leader of the party, even though they stated that he should remain at the head of the government.

In the midst of the confusion which is pervading all sectors of the UCD it can be seen that there is not only a desire to change the direction of the party, but to put an end to its system of functioning through clans and groups of barons. Martin Villa himself seems to have been ruined by the role of liaison he has played with the employers' organization CEOE [Spanish Confederation of Business Organizations] and the Andalusian CEA [Andalusian Business Confederation], which was totally detrimental to the UCD, as Calvo Sotelo himself did not hesitate to admit.

With the general elections only a few months away, the UCD is hovering between life and death, while a great many of its leaders and cadres are looking for some ideological signs of identity to make their decisions consistent. Others are only making explorations aimed at coming to an accommodation with the Center or with Fraga for a spot on the slate which would guarantee them a deputy's seat.

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Among the former, two clear groups can be observed: the Christian democrats, who are more conservative, who are proposing a Portuguese-type coalition made up of each one of the groups and parties of the Right; and those who support the validity of the Center as a progressive option as opposed to Fraga's authoritarian Right and the Left of the PSOE. Men like Jose Luis Alvarez, Marcelino Oreja, Oscar Alzaga...are in favor of putting an end to that invention called the UCD and forming their own independent political force, allied with Fraga and all the rightist groups in a broad electoral front.

This idea is not shared by Landelino Lavilla, Fernando Alvarez de Miranda, Juan Antonio Ortega and Diaz Ambrona and that miscellany of Christian democrat politicians who belong to the more reform-minded wing, and who strongly criticize Fraga's rightist group.

"It must be remembered," one of its ideologues who, along with Lavilla, is working on the revitalization of the Center told this magazine, "that both Fraga and his vice president, Fernando Suarez, and a large number of their men are neo-Francoists, as is their background. Many of them are not for democracy; they are for something else."

Deputy and member of the executive committee Joaquin Satrustegui, a liberal, took a harsher line: "Fraga says that there must be more deaths from the ETA [Basque Fatherland and Liberty Group] than from the others. Since we have a Constitution which has abolished the death penalty, is the leader of a party calling for assassinations?" And Satrustegui added, referring to the AP [Popular Alliance], "A party does not cease to be authoritarian and fascist when it stops calling itself conservative." Satrustegui recalled that while Fraga had been thought to have been defeated in the 1977 elections--along with the "magnificent seven" Franco ministers--and had to be dragged along by the constituent policy of the change which the Alliance leader rejected, it was the UCD who directed and carried out the change leading to liberty and the building up of the democratic system.

The plans of Lavilla, who is also not in favor of a historic agreement with the PSOE, but rather for setting in motion a new message of hope for revitalizing the Center--as he himself has expressed it--have various points in common with Suarez.

Both politicians have a good understanding on the personal level. Both stand firm in their decision to continue in the forefront of the political center. And the two may need each other mutually. The men closest to Lavilla and the political supporters who are gathering around him insist that the two individuals present the best alternative for the leadership of a "new center."

The social democrats who are gathering around Vice President Juan Antonio Garcia Diez and Minister Luis Gamir are taking up their stand beside Suarez. Meanwhile Antonio Garrigues' liberals are leaning toward a party of their own which would arise from the liberal clubs to occupy a part of the Center. The "hinge," with no alliance either with Fernandez Ordonez or with Fraga.

All of them, curiously enough, are seeking that essential center which up until now has been occupied by a UCD which was born out of the power to carry out the change of regime without a breakdown, with the least possible tension, but

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with the clear goal of a system of liberties. The majority which supported the UCD in the two elections which the government won (1977 and 1979) arose from the votes of a conservative Right, dragged along by the change, and from a progressive sector which envisioned the Spain of modernity and populism symbolized by Adolfo Suarez. These groups were irreconcilable, to the right and the left of the UCD, which they supported, attracted by its power and glory.

Until the interests and strategies of the PSOE on the left came up against the Popular Alliance and the more conservative sectors of the Church, money and the military.

Thus began the harassment and defeat of the Center/UCD, with its prime objective its creator and leader: Adolfo Suarez.

The socialists know that in order to achieve a majority they need that progressive vote which has gone to the UCD and which snatched victory away from them in the last election. Fraga, with the inner complicity of important men of the UCD and logistical and financial support from abroad, is beginning the process of turning toward the right which would reverse the arrangement of forces in that political sector.

That is, the Right would be dominated by the more conservative groups instead of by the more progressive ones. This action has its corresponding result in the street, where a neo-Francoist Right, which took refuge in the UCD in the midst of the whirlpool of the democratic transition, no longer has any compunction in coming out in support of Popular Alliance and the image of authority displayed by Fraga. Various characteristics of the centrist government contribute to this: not only the obligation which they feel to retain a consensus with the PSOE, but also the weakening of the Executive, which is causing predictions that he will fall from power.

"He Has Eaten Him Up"

At the same time, Fraga is beginning his upward trend, receiving a majority in the Galicia regional elections and confirming it overwhelmingly in the Andalusia ones; which makes the AP into the main opposition party in the new Andalusian parliament, after having come out of nowhere.

From his position as president of the government Calvo Sotelo accepts the theory of the "natural majority" which Fraga puts forward in order to align himself with the UCD, but rejects it as ill-timed. However, four factors work together to position him in the same sector as Fraga. First, what has been called the "turn to the right," which according to Calvo Sotelo's colleagues is more an image than a reality. The departure of Fernandez Ordonez and 16 other members of parliament who were located on the left of the UCD. Suarez' repeated accusations of "rightism," thus placing himself as head of the Center-Left. And the absence of a clear and firm position against Fraga being taken on the right, while the Alliance slogan was "A vote for Fraga is a vote for Calvo Sotelo," and therefore for power.

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What Center?

Finally, the stunning rise of Fraga coincides with the decline of Calvo Sotelo. "He has eaten him up," reflected a centrist.

The Left has been interested in helping along the concept of a "turn to the right," because such a shift by the UCD would allow the PSOE to take over the center-left area with its policy of moderation.

In Andalusia this resulted in a flood of 180,000 centrist votes to the PSOE, which gave them an absolute majority.

Little by little, the Center has been being watered down, and the UCD has lost its ideological identity. The prolonged internal struggles, which have mainly involved outside political strategy interests and personal confrontations, have ended by confusing the voting public and Spanish society in general.

With this situation as a background, a new political setup is now being planned, where the conservative Right would have more power and representation--which is perhaps more in accordance with social reality. The PSOE, which is collecting useful votes at the expense of the PCE [Spanish Communist Party] and other parties of the Left, is on the verge of power, and has the expectation of capturing it in the next general election. Thus the PSOE is obtaining not only the responsibility for moderation which power entails, but for keeping it once a majority is achieved with the support of a broad radical sector.

And the Center? What is the Center?

At the moment, for its own survival, whether under the name of the UCD or some other, an independent centrist option needs to recover the credibility which it has lost over the last 2 years.

"From my point of view--noted Juan Antonio Ortega, one of the ideologues of the new centrist project--it is a matter of bringing about a profound regeneration. In terms of words, moderation is already taken for granted in our country; we must define our ideological differences with the conservative right and with the PSOE."

There are predictions that this split between the Center and the Right and the astounding rise of the PSOE could give the victory to the socialists in the next general elections. This hypothesis even foresees the Center disappearing, and the formation of the "big right." In that case, political instability would reach truly dangerous heights. With 2 million unemployed, with the autonomies' process under way, social conflicts, terrorist attacks...a Left-Right confrontation presents a prospect which is unattractive and very frightening.

There is a segment of the population in Spanish society which does not identify itself with that conservative or neo-Francoist right which revolves around Fraga, that does place its bets on the option of a right which is modern, progressive, liberal and profoundly democratic. It can be compared with the

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most advanced rightist groups of Western Europe. It is a right which, if there is no centrist option, could either stay at home or vote, even for the PSOE, in order to bring about change.

"The Center to which the new UCD alternatives are addressing themselves lies among the progressive, modern and young bourgeoisie," one of its leaders who has great ideological integrity told CAMBIO 16.

The Leader

It is really a Center which has two alternatives: to line up with the Right or with the Left, depending on the circumstances. To fill the role of a buffer when it is a minority, and therefore what is known as a "hinge"; or of a mover of the Spanish Right if the ballot boxes grant it a role of leadership on the right. The key and the unknown factor is that that center may have 1, 3 or 5 million votes; 40, 80 or 100 deputies; which will not only depend on the social and political spectrum of the country, but on their capacity to organize an attractive, consistent and united political campaign with credible and skilled leadership.

Because the center is now not only searching for its identity, but for a leader who can take on Fraga and Felipe Gonzalez. This is the unknown factor. However, the nearness of the general elections does not allow for further delay. The centrists are looking for someone--they are not shuffling around any other names than those of Lavilla and Suarez--whose image is identified with the center, who keeps a distance from Fraga's conservatism and Felipe's socialism. Something which reflects a complete ideological formula with its image and its expressions.

This internal convulsion of the center has finished off a new leader of the party, Calvo Sotelo, as well as the authority of the "barons"--where is Jose Pedro Perez Llorca?--and it appears that it could finish off the UCD itself. The secretary general, Inigo Cavero, who places the ultimate responsibility for the Andalusian debacle on the president, Martin Villa, and on himself, is holding on to his letter of resignation waiting for an opportune moment. Some of the most important members of the centrist "apparatus" will leave with him.

The breakdown process is at the same time dragging along with it members of parliament and executives of the Administration who, in view of the turn that events are taking in the UCD are hesitating to take their seats again in the centrist ranks, and are fleeing to take up other positions near Fraga. The Alliance leader is waiting for the stampede "with open arms." Calvo Sotelo, when he is asked about it, has no other alternative but to say that "today, or at this time, I have no reason to believe these defections will take place." Right now in the lobby of the Congress of Deputies a half dozen deputies are talking about going over to the AP. Another, a member of the executive board, who was speaking in favor of a centrist party with a "majority vocation" denies that he believes in that, although they had decided it that very morning. "In my province--says the deputy--I have nothing to do, alone with the UCD. For me, allying myself with Fraga is the thing." At the same time, many think that the only way to strengthen and give importance to the center is to throw out the deadwood on the Right.

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But who is staying in the UCD? The green-orange "donuts" of the Democratic Center Union still have some assets, depending on the outcome of the crisis. Those who are betting on the center want to stay with the party, but those who cannot get along with Landelino, liberals, social democrats, Suarez...want to put an end to the invention. The continuation of the internal "war" at the time of the political council, which indeed is going to make it an extraordinary congress, would mean the death of the UCD from natural causes. This is the last service which certain accomplices who are remaining in the UCD can do for Fraga.

At this stage of the game voices are being heard calling for the historic role of a moderate center, which of necessity has to be reconstructed. On the socialist executive board they are coming out in favor of the need for that political center to exist. Santiago Carrillo is going to the Moncloa to plead for the Center.

The destruction of the UCD has been like a benchmark for reflection on the historic importance of the center and the role which this political sector plays in a modern society with structures and complex situations which only produce minority majorities.

So we are witnessing the moment of truth for judging the capabilities and talents of our political leaders from a historical perspective.

The real verdict will in the end come at the ballot boxes, a time which could be moved up to very shortly after the end of summer, according to sources in the government and on the socialist executive board.

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POLITICAL

SPAIN

NATIONAL ELECTIONS WOULD CONFIRM RESULTS IN ANDALUCIA

Madrid CAMBIO 16 in Spanish 7 Jun 82 pp 34-35

[Article by Jose Manuel Arija: "The Centrists Are Fleeing"]

[Text] If general elections were to take place right now, the socialists would win hands down. Almost a fourth of the voting public has already decided over the course of the past year to vote for the PSOE [Spanish Socialist Workers Party]. Decisions to vote for the UCD [Democratic Center Union] amount to 7 percent; for AP [Popular Alliance] 5 percent, and for the PCE [Spanish Communist Party] 3 percent.

This information comes from the latest poll carried out by the ALEF office of economic and social studies. A large number of undecided voters, amounting to 37 percent, will as always hold in their hands the possibility of surprises occurring when the day for voting comes.

Citizens' plans to vote remained relatively stable throughout the last 14 months, from February 1981 to March 1982. Then came the Andalusian elections, whose influence will undoubtedly be reflected in coming polls. But weeks before the Andalusian balloting the people polled already were showing a solid vote of three to one in favor of the PSOE and against the UCD. Throughout the different polls, another factor keeps repeating itself: Popular Alliance is gaining more votes than the communists.

If we compare the average data from the four polls mentioned with the results of the March 1979 general elections (on the total of voters) we find out that intentions to vote for the UCD decline by 66 percent, for the PSOE increase by 20 percent, that of the AP keeps rising, and that of the PCE is reduced by half.

This is a real revolution on the election scene, in the event that it is finally confirmed by the data. Andalusia already set the tone, emphasizing even more the differences caused by the rise of the AP. That is, the "undecided" people, who do not answer the polls, finally came to show where their preferences lay when the votes for the socialists and Alliance people were added up.

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UCD Bloodbath

From the data it can be affirmed that somewhat more than one out of every three voters, the majority of whom were former supporters of the UCD, do not know whom to vote for right now. This percentage constitutes a sufficiently important group to upset an election.

But what do we know about these men and women who do not know whom to vote for? Certain things can be discovered from the polls, apart from what has already been said that in 1979 many of them were centrist voters and some were communists. Another question reveals that 70 percent of the "undecideds" have no political opinions and are not interested; that there are more women than men; more older people than younger ones; that they belong to the lower social classes and that they live in small towns. This could be the typical makeup of the undecideds.

Age and social class are two important variables because of the different way that people behave. In general, persons of more advanced age are less apt to sympathize with the Left. On the other hand, 35 percent of youths of 18 to 24 years would vote for the PSOE, and 5 percent for the UCD (30 points difference in favor of the socialists); while 18 percent of those older than 55 years would vote for the PSOE, and 11 percent for the UCD [the difference falls to 7 point).

Social status also is an important factor in determining the response at the ballot boxes. Thus--if we leave out those who abstain so as to obtain closer figures--there turn out to be double the number of socialist votes in the lower classes compared with the upper, whereas for the UCD the exact opposite is true.

In the ALEF poll the people interviewed were asked to assign a number from zero to ten to the top political leaders, and it was pointed out to them that the zero indicated "total antipathy" and the ten "complete approval."

The result was that in all the polls taken over the course of a year, Fleipe Gonzalez has always been the preferred leader. The ratings of Fraga, Suarez and Calvo Sotelo have stayed every even.

Failed Leaders

The most recent poll reveals a general decline in relation to the same month a year ago: the leaders, in March 1982, had lost leadership. What is the reason for this? Of course, changes in the sample can have an influence, but the general fall in scores indicates that that was not the main cause. What could it be? One central factor could explain the decline in points: the trial for 23 February. The very moments of greatest tension and suspense in the trial chambers took place at the same time as the interviews with the people polled--from the middle of February to March.

Another two additional reasons could be a certain disenchantment with politicians; that the disillusionment about the centrist government which the poll reflects has extended indirectly to the whole governing class like a vote

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of condemnation. And, in the second place, that the new policy regarding television, which was followed up until February-March 1982, where the political directors and leaders were practically banished from the little screen, has produced those results.

With less appearances on television, lower scores, because explanations to the citizens were reduced.

All these reasons could have had a influence on the slight tendency to decline of Felipe Gonzalez. The sharp drop of Calvo Sotelo in October-November 1981 (which also coincides at that time with a sharp decline in intentions to vote for the UCD) could be explained if we remember that that was the time when the whole internal crisis of the centrist party occurred, with the departure of Fernandez Ordonez and the resignations of Rodriguez Sahagun and of Calvo Ortega from the leadership of the government party. The poll reflected that crisis in a negative way.

Technical Record

Type of Investigation: Probability Sample Poll

Population Polled: Individuals of 15 years of age and over; men and women from the Peninsula and the Balearics.

Sample Size: 3,000 interviews

Sample Error: 2 percent, with reliability of 95 percent

Date Carried Out: February-March 1982

Carried Out By: ALEF, Office of Social and Economic Studies, S.A.

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POLITICAL

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PILAR BRAVO EXPLAINS RESIGNATION FROM PCE

Madrid CAMBIO 16 in Spanish 28 Jun 82 p 47

[Article by Pilar Bravo: "Why I Am Leaving PCE"]

[Text] I have taken the step of leaving the Communist Parliamentary Group [CGP] and joining the Mixed Group, because the last meeting of the PCE [Spanish Communist Party] Central Committee (at which Marcelino Camacho resigned from the Executive Committee and Nicolas Sartorius resigned as first vice-secretary) convinced me that the renovation of PCE is impossible so long as Santiago Carrillo continues to serve as secretary general. And he will continue to do so because his removal will never be proposed by a Central Committee created in his image and likeness.

As I explained in my letter of resignation to Jordi Sole Tura, I had virtually decided to remain in the GPC until the end of the legislature, despite my expulsion from the Central Committee. This was due, partially, to my desire not to increase further the number of deserting deputies in a political situation that is confused and difficult in itself. Partially, it was also meant to be a gesture that would not impede the renovation of PCE further still. There was also the circumstance that there were among my deputy comrades some of the individuals who could most contribute to that renovation.

But, after the Central Committee meeting that I have mentioned, I could not remain in a Parliamentary Group which offered on its top level such a display of dissociation from society. In my view, the last victory of Santiago Carrillo and his old and young guard was the end of the party for and in which I have struggled since 1965. To me, being a communist meant, during all these years, being able to transform the reality. Today, in order to continue transforming the reality I have had to leave the Communist Party and Parliamentary Group.

I could not continue to accept a PCE and GPC leadership which, after having lost over 40 percent of the votes in the Andalucian elections, refused to analyze the reasons for it. They have chosen to become established in the 5 or 6 percent of the votes that they themselves anticipate in the forthcoming general elections, rather than proceed to make a stringent analysis that might lead to a loss of positions for many members of the leadership.

I could not contribute, even passively from my seat as a marginal Communist deputy (a position that was excluded from the November expulsions and sanctions) to the

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process of destruction of a party which, if it had pursued its course of the 1960's and 1970's, might today be a strong bulwark of a left which is faced with new, major responsibilities.

I believe that Santiago Carrillo is destroying that party which he helped to form at a different time. During the past 3 years, he has systematically taken over an entire part, the most active and vital part of PCE. When PCE was legalized, it was a party with two fundamental components. One consisted of us militants who joined the PC at the end of the 1960's. We were people who were fighting on behalf of democracy for our country, who wanted to put an end to every type of exploitation and oppression, and advocates of a democratic socialism. We rejected Yankee imperialism with all our might, but we never felt that we were especially linked with, or admirers of the Soviet bloc. We operated democratically, and shared very few dogmas. We felt free in the party, even when we were serving terms in the Francoist jails. We achieved a considerable impact on Spanish society, of which we felt that we were an inseparable part. We read with pleasure the books and writings of Carrillo, and considered him intelligent and daring, one of us, but probably with more experience and wisdom. We were Eurocommunists, even "avant la lettre" [ahead of the letter].

But Carrillo landed here, surrounded by a sect, consisting of individuals with hidebound dogmas and an undecipherable code. They viewed us with suspicion. We Communists on the inside were not pure. We discussed, we differed, we thought; we were glib talkers. They dispersed us. They were a closed, organized sect heading a disorganized group of militants. They were undermining a party which had attained precisely what was most difficult for the other European Communist Parties: being attractive to their people, transparent, close and entwined in the deepest recesses of the social body.

I am not resigned to burying everything that the men and women of my generation and experience can contribute to the left in this country. Eurocommunism, which represented for all of us the most serious attempt to renew the left, is now about to perish, if it has not already perished, under the PCE apparatus. But its key issues still stand; and they are essentially: independence from the two superpowers, democracy as something inseparable from socialism, the strengthening of the citizens' political participation and, in particular, the ability to examine all problems without dogmas, and with an open, critical view, including reflection on the party and on the leftist parties in general.

I feel associated with this project, which is more extensive now, converging in the Euroleft. I shall continue to devote all my political energy to it.

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POLITICAL

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SENTENCES SEEN AS HAVING UNSETTLED SOME IN MILITARY

Madrid CAMBIO 16 in Spanish 28 Jun 82 pp 29, 31

[Article: "Meetings With Stars"]

[Text] On 17 June, a group of military from the three branches met in a private club in Madrid. The attendees, nearly all individuals well along in years, with gray hair and very receding hairlines at the forehead, after harshly criticizing the government and the political parties, reached agreement on the need for removing from the government's control matters of military policy, particularly the appointments and dismissals of the commanders-in-chief and those holding high-ranking posts in the military administration.

Despite the fact that the collective petitions have been severely punished within the Army, the military who met decided to prepare a document for release among their colleagues and later have it accepted by the civil authorities. The document was their "terms" for the Armed Forces acceptance of the established political system.

Included among them was an expression of the approval by the authors of the document, who claimed to be voicing the majority view of the entity, for having the Army obey only the king, as supreme chief of the Armed Forces. They also deemed it feasible to create a Higher Council of the Armed Forces, a kind of military parliament which, together with the Joint Chiefs of Staff (JUJEM), would be the entity responsible for deciding on military policy and the time when Article 8 of the Constitution, whereby the military are called upon to intervene in politics when the integrity or stability of the nation is jeopardized, would go into effect.

The clandestine meeting of this minority group of military, who favor the Army's being set up as an autonomous, untouchable authority in the country, coincided with one of the most serious confrontations between civilians and military. On 16 June, 24 hours earlier, the government had, through two royal decrees, dismissed Gens Alberto Barrio Galan and Manuel Gonzalez Fuster as members of the Supreme Council of Military Justice.

While the government, in an official note, was stating that the two members of the military had been dismissed "because they were named council members exclusively for the 23-F trial, owing to the incompatibility of two other council members,"

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sources close to the coup plotters' lawyers expressed the view that it was all a maneuver to preclude the application of "extenuated imprisonment" to the 10 chiefs and officers sentenced in the 23-F trial to terms of under 3 years and 1 day, something which allows the military to serve sentences in their residences.

The first confrontation took place a few hours later, at the weekly meeting of the Supreme Council of Military Justice, when the dismissed generals attempted to attend it, claiming that their dismissal did not have executive status because it had not been published in the "Official Bulletin of the Army."

The president of the Court, Gen Federico Gomez de Salazar, had to use all his forcefulness to have the "Official State Bulletin" in which the dismissals of Barrio Galan and Gomez Fuster had appeared, respected.

Widespread Unrest

Shortly thereafter, in a very tense atmosphere, there began the meeting of the high military court, one of the points on its agenda being the petition for "extenuated imprisonment" for several coup plotters. Seven council members, including Jose Hernandez Ballesteros, Jose Contreras Franco, Jose Barcina Rodriguez and Justo Carrera Ramos, voted in favor of the extenuated imprisonment, and seven others expressed radical opposition to it.

To break the tie, the president of the Court, Gomez de Salazar, then made use of his "deciding vote" and settled the matter, denying the coup plotters a "conditional release."

It was as if the devil had been named. Adm Justo Carrero Ramos and Gen Jose Barcina Rodriguez, enraged, scolded the president of the Court, and accused him of "having sold out to the government," and of betraying the Army, "by allowing comrades-in-arms to remain in prison while the terrorists are going about free."

Gomez de Salazar strenuously rejected the charges and, in a firm, determined tone, asked Barcina Rodriguez and Carrero Ramos to retract their remarks, to spare him the painful duty of having to apply the regulations and arrest them.

These comments by no means calmed spirits, but aroused them even more. One of the council members lunged at the president of the Court, with an aggressive attitude. When he was led back to his seat by his companions, Gen Gomez de Salazar had no recourse other than to impose house arrest for 7 days upon Barcina Rodriguez and Carrero Ramos. Since the latter refused to accept the penalty, it was increased to 14 days for him.

The incident at the Supreme Council of Military Justice occurred in an atmosphere of widespread unrest resulting from the minimal sentences imposed on 22 of the coup plotters who, 14 months earlier, had intimidated the country with their weapons and uniforms, and had held the government and the Congress in captivity for 18 hours.

The president of the government was the first one to enter the fray a few minutes after the sentences were announced, rejecting them forcefully.

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The pressure from the military was not long in arriving. Shortly after the radio broadcast of the dissenting text of President Calvo Sotelo, high-ranking members of the military called Moncloa, suggesting that the Calvo Sotelo statement not continue to be repeated on the radio. Spanish Television, which had intended to broadcast it on its "Tele-Newspaper" program at 2100 hours, had to eliminate it from its news program.

Similar suggestions were received by the opposition leader, Felipe Gonzalez who, on the day after the publication of the verdict, used very harsh terms in describing it, noting that "no member of the military who has violated the Constitution and refused to obey the government should return to the Army."

In this atmosphere of criticism toward the high Military Court, the Joint Chiefs of Staff, the top-ranking organ in the military chain of command, had its first confrontation with the government, 6 months after having been elected, when it made public a note describing any comment that might involve "contempt for the action of the Supreme Court of Military Justice" as "unbecoming."

The confrontation had occurred even before the dissemination of the note, when Calvo Sotelo refused to approve a previous note written in terms far more harsh toward the civil society and the government. In spite of everything, the JUJEM did not have to dilute the content of its second note sufficiently. When it was made public, Calvo Sotelo remarked: "This is not the same note that they showed me."

The most severe criticism of the verdict had come from the Council of Ministers, when it rejected the extenuating circumstance of owed obedience mentioned by the high Military Court.

In an official note, the Council of Ministers stated: "According to the Constitution and the legislation in force, the FAS and the Civil Guard owe obedience to the government of the nation and to its president, who were unheeded in the course of events."

This tense atmosphere between the government and the Army has been used by the involutionist sectors of the FAS and the civil coup plotters to their own advantage.

What is clear is that, between 12 and 13 June, members of the Higher Center of Defense Intelligence [CESID] involutionary area and police officials exposed another involutionary attempt, and reported it to the chiefs of the military implicated, so that they might adopt the necessary disciplinary measures.

The reaction from the military coup sector was not long in coming. During the early hours of the morning between 13 and 14 June, four powerful bombs exploded at an educational center, an electronics laboratory, a materials warehouse and a shop in Madrid.

These four innocent facilities were actually an equal number of other camouflaged centers of the Special Missions Operational Group, the CESID's investigations group. Therefore, the individuals who set the bombs in the electronics laboratory

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or the materials warehouse were aware that they were attacking the infrastructure of the military secret services.

Consequently, the attack was merely a reprisal from the coup plotting sectors, including former members of the Central Documentation Services of the Presidency of the Government, which were headed by Col Jose Ignacio San Martin, currently sentenced to 3 years and 1 day in prison for the anti-involutionist activities carried out by CESID among the members of the Armed Forces.

The police investigations are aimed at the National Labor Union Action association of Jose Antonio Assiego, at a sector of the Falange under orders from retired Col Ricardo Garchitorena Zalba and at violent extreme right-wing groups which are in the habit of meeting with Comdr Ricardo Ynestrillas, one of those convicted for the so-called "Operation Galaxie,"

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POLITICAL

SPAIN

CENTER PARTIES TO LOSE INDEPENDENCE IN WAKE OF POLARIZATION

Madrid CAMBIO 16 in Spanish 28 Jun 82 pp 24-27

[Article by Antxon Sarasqueta: "The Move of the Right"]

[Text] After a preliminary interval of incredulity, shock and despair following its serious defeat in Andalucia, UCD [Democratic Center Union] is now attempting to shape its future, while still in power. For a month, the lack of ideas and the tendency to let the situation deteriorate coincided with maneuvers and reactions of the most diversified types.

Judging from his actions, Adolfo Suarez was the only one who had planned his future in detail, starting with a state of death throes in UCD: former President Suarez, a bold poker player who has wagered heavily on his return. Outside of UCD, the only one to have done so was the Alliance leader, Manuel Fraga.

Amid a fluid, uncontrolled state of affairs, with the most varied statements coming from the different Centrist leaders and a tissue of rumors and slanted news reports in progress, Leopoldo Calvo Sotelo felt harassed and disheartened in Moncloa Palace. The president of the government had on his desk a devastating study of UCD's status throughout the national territory. Calvo Sotelo responded with a laconic, "yes, all right," to the report given him on the departure of more deputies from the Centrist group, and evinced a "mute" silence regarding his secret negotiations with Suarez and Landelino Lavilla, president of the Cortes, to extricate the party from the tunnel.

Political experts and leaders, faced with the prospect of an unsupportable government, weakened to the maximum extent, are making studies and devising strategies with a view toward a possible calling of early general elections. Suarez and Felipe Gonzalez are meeting both publicly and secretly. For the absolute majority, there are but three options in sight, and only the ones leading to a left-center coalition government are certain. Hence, the process of the "move" of the right has appeared.

The overwhelming reality of a poll taken of 25,000 Spaniards which had just been submitted to the minister of the presidency, Matias Rodriguez Inciarte, introduced a disturbing new element into the dilemma faced a few months ago by the president of the government and of UCD, Leopoldo Calvo Sotelo: a dilemma between the reason for equilibrium and the fiendish complexity of a Spanish society involved in a process of transition, possibly for generations.

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His brief experience heading the government, wherein he has not yet spent a year and a half, and his activity in the UCD leadership, especially in the Andalusian campaign, coincide with his personal belief that Spain needs the moderation of a center. However, Calvo Sotelo is faced with the reality of the vote in Galicia and Andalusia, with the national trend confirmed by the largest government poll of recent times. Calvo Sotelo has reacted with an impenetrable silence, which he has not broken even with those who have been his closest collaborators during the past few years.

According to the data procured in the aforementioned poll, UCD is virtually at the zero point. Only in three provinces (Asturias, Teruel and Cuenca) does UCD retain the same percentage of acceptance that it did in 1979, when it won the elections for the second consecutive time. Elsewhere in Spain, in the majority of the country, the Centrist levels have dropped to less than 10 or 15 percent. In Madrid, popular support for UCD has declined to 7 percent.

In view of this reality, Calvo Sotelo had no option other than to offer a desperate type of solution, attempting a pact with Suarez and Lavilla; while the interior minister, Juan Jose Roson, elbowed his own way in as a "third course of action."

At the same time, on the right, there has been an acceleration of the most crucial process in a long-standing operation backed by the economic and financial powers to regroup a "Portuguese style" or "French style" coalition around the personage of the Alliance leader Manuel Fraga. The purpose of the action, for which over 5 billion pesetas has been made available, is to reverse the areas of power in the right-center toward more conservative positions.

Former President Suarez, with a lengthy tactical silence, and pulling strings behind the scenes, made a final strike this week to regain control of the party. Suarez went so far as to interrupt a pleasant weekend at the estate of a publisher friend of his in Burgos to go to Moncloa; something which those who know him denied that he intended to do the day before. This move from the 40-room mansion and the countryside to the prolonged negotiations in Moncloa clearly reveals the Duke's interest in playing and winning the game.

Suarez' Humiliation

Concurrently with his secret talks with Calvo Sotelo and the president of the Cortes, Landelino Lavilla, the individuals who are closest to Suarez politically within UCD launched an offensive as logistical backup for their chief. Agustin Rodriguez Sahagun and Rafael Calvo were the most active.

Lavilla is currently the leader with prestige and credibility that UCD could hold in reserve to assume a high-ranking leadership role, without becoming spent. His decision to support a center dissociated from Fraga has attracted the most modernistic sector of the Christian Democrats, in an attempt to retain the image of a compact party and to put Oscar Alzaga and those accompanying him in the Fraga coalition into a role as "deserters."

Suarez is willing to have the Christian Democratic leader, Oscar Alzaga, a vital member of the CEOE [Spanish Confederation of Business Organizations] management

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entity, and Fraga leave the party, so as to bring UCD closer to destruction or to the new coalition. The Duke also wants to put an end to the "baron system" as a method for running the party and the government itself.

Suarez has not forgotten the humiliation to which they subjected him at the "House on the Prairie." There, during the summer of 1980, at a disgraceful summit meeting held near the Manzanares el Real marsh north of Madrid, the "barons" asked him to leave the room so that they might freely discuss his replacement: the replacement for him, who was fully president of the government and who had won the elections and the power for UCD on two occasions, with 7 million votes backing him; him, to whom they owed nearly everything.

Suarez' downfall was hastened in a deteriorating situation which was used for the coupist purposes that were to conclude with the rash attempt of 23-F.

With Adolfo Suarez replaced by Calvo Sotelo, a crisis with similar features is evident on the national scene today: a president of the government harassed both inside and outside of his party, and a weakened cabinet which must cope with a new coup-oriented offensive from the extreme right, even relying on the opposition in order to avoid its collapse and the early calling of elections; and suspicious intrigues and plots to foster a "caretaker" government in which "independents" would enter and there would be no dearth of military.

There are charges of military pressure against the president of the government, for his reaction against the 23-F sentences, which coincided with the general sentiment gleaned by the news media.

Two new deputies contributed to the moral discreditation of the Chamber of Representatives: the Centrists Modesto Fraile and Carlos Gila who, dissatisfied because the autonomy of Segovia was not achieved, stopped voting in favor of the government and left their group to vote against it, with the opposition, the following day.

In the Basque Country, another nationalist campaign against the government and Parliament, which had decided to pass the LOAPA [Organic Law for Harmonization of the Autonomous Process], with the impetus and backing of UCD and PSOE [Spanish Socialist Workers Party], was intensifying.

The occasion coincided with further terrorist action by ETA [Basque Fatherland and Liberty Group] and demonstrations by Herri Batasuna [Popular Unity]. The use of nationalism, separatism, Marxism and terrorism found its inciting echo in the extreme right circles.

Hence it was not unusual, under these circumstances, that there should be a reiteration of the rumors of a coup d'etat, nurtured partially by the biased news lines in collusion with coupism.

Concurrently, and as the best refutation of these rumors (embodied in a flat, simultaneous denial from Manuel Fraga and Alfonso Guerra), the Alliance party and PSOE are assiduously planning for the holding of general elections. Since his splendid rise in Andalucia, the AP [Popular Alliance] leader has toured Spain

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several times, from one end to the other, in an effort to expand his organization and strengthen the "natural majority" at the bases. The outpouring of Centrists to AP is now estimated in the thousands.

In PSOE, fate played a bad trick on its "star," Felipe Gonzalez, who suffered a sprain getting out of his car. And what if Calvo Sotelo calls for elections now, and forces him to conduct a campaign on crutches?

While he leaned on the crutch, and the photographers' cameras took pleasure in the image, Gonzalez replied with a smile: "They say that these pictures of a lame person with a crutch and of a pregnant woman produce more votes."

But what is being bandied about currently in the circles responsible for the Centrist leadership's foreign policy, and not without suspicion, are the names of two persons to hold the portfolio of that ministry in a potential government of a Socialist type. They are: Adolfo Suarez and Francisco Fernandez Ordonez.

200 Seats

The Duke's name has come up in the Socialist ranks in view of the suspicion of a high-level pact with Felipe Gonzalez to govern in a left-center coalition, with a majority in the Chamber. In fact, before both politicians met in an airplane flying from Madrid to Barcelona, they had met in the private residence of Felipe Gonzalez, although the location was kept secret.

Nevertheless, it is no secret that certain Centrists around Suarez advocate the formation of a left-center majority, if the foreseeable Socialist victory in the elections is confirmed.

At the present time, the most reliable sources give the PSOE 160 seats, while indicating an individual capacity of 50-odd deputies for Suarez, with the backing of the Social Democratic group, several of varied origin and "familial" acquisition, and others. This is the main opportunity for procuring an absolute majority in Parliament that would exceed 200 seats.

Those who know Suarez well, however, claim that he would not join a government headed by the Socialists. One of those sources told this magazine: "He would pay a high political price, which could end up destroying his chances in the future."

Actually, it would be the price paid by any right-wing leader who helps to consolidate the power of the left. This is perhaps why Landelino Lavilla has hastened to state that he is unwilling to sponsor an historic commitment of this type. Some give a reminder that, in Italy, Aldo Moro was assassinated when he attempted the same operation.

Suarez, along with Lavilla, and Calvo Sotelo in the government appear determined to relaunch the center option against PSOE and Fraga, with a party renewed in both structure and message. The Duke, with a few political collaborators, has devised a plan for rapprochement with the de facto powers, with whom he had virtually burned all bridges after the harassment and overthrow to which he was subjected at the initiative of these sectors.

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The leaking from the Suarist areas of reports containing political and social justification for the legalization of the Spanish Communist Party [PCE], based upon studies of public opinion, which have been kept secret up until now, has been interpreted by observers as confirmation of those plans of Suarez. In this connection, it should be remembered that the military uneasiness against Suarez started to become a challenge when PCE was legalized by surprise, contrary to the expectations of the militia's high commands.

A long-standing leader of the Centrist "apparatus," close to the Duke, told CAMBIO 16 that, upon his return to the top leadership of the Center, Suarez must also recover confidence in the relations with the economic authorities and with the Church.

For that, he needs not only willingness, but also time. And "gaining time" has been one of the first slogans emerging from the Landelino-Suarez-Calvo Sotelo "troika" at its meetings in Moncloa, the Cortes and the Hotel Ritz.

In an attempt to show that the government would not call for general elections before the end of the year, President Calvo Sotelo ordered the preparation of the General State Budgets for debate in Parliament, despite his minority status.

In addition to the remodeling of the cabinet planned with the resolving of the Centrist crisis, the backing of the Basque and Catalanian nationalists, the members of the Democratic Coalition and the right-wing politicians will be negotiated. Fraga has reiterated his goal, coinciding with that of the government, to extend the legislature until its natural conclusion.

PSOE is inclined toward early elections which would not occur beyond October. Pressed by its ascending line, PSOE also wants to go to the polls with a divided right. The D'hont election system, which is in effect in Spain, favors the majorities; and, in this instance, PSOE benefits from the useful vote of the Communists and, to a lesser extent, that of the center.

If the Socialists are confronted with a center diversified in its options, with UCD, the liberals, the nationalists and a right-wing coalition headed by Fraga, their chances will be increased considerably, according to the studies analyzed by the PSOE leadership.

This would not be the case if the right-center bloc goes to the polls as two different options.

The Socialists' electoral interests are inclined toward introducing a new element of distortion in the center bloc with the autonomous alternative of the Democratic Action Party (PAD) of the former Centrist minister, Francisco Fernandez Ordonez; but the latter has the expectation of running on the PSOE tickets with some of his followers.

The Majority on the Left

The electoral forecasts make it so difficult to discern the possibility of one group's obtaining the absolute majority in the Chamber by itself that the nationalists' support could prove to be decisive. Fraga and the Socialists are going in

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search of it. Thus far, the Catalonians have backed Calvo Sotelo; but the LOAPA and the proximity of the elections have created a breach between the nationalists and the center, awaiting more stable situations.

Despite everything, the current data indicate that, even when all the right-center efforts are pooled, before or after the elections, the majority may lie with the left. So, the initiative for pacts would lie with the Socialists.

If PSOE should win, it will seek a pact with the sectors to the right of it. The arrival in power itself would curb the pressure from the left, and also because the most radical sectors of PSOE would have a piece of the pie.

The historic compromise that the Socialists seek entails an understanding with the de facto powers. A majority at the polls would benefit their contacts in that direction, but the use of more common channels of the right and center would represent a greater guarantee for them.

This is why the strategy of alliances is one of the crucial topics to be debated by the forthcoming meeting of the PSOE Federal Committee, planned within a month. At present, all the political forces are waiting for the consummation of the operation of change in UCD at the meeting of its Political Council, the supreme organ between Congresses, announced for early July.

The gradual control of the party that Suarez has been assuming recently coincides with the hastening of the preparations of the Christian Democrat, Oscar Alzaga, to organize his Popular Democratic Party (PPD) which was created (according to its promoters) for the purpose of forming a coalition with Fraga.

The inevitable break-off is a matter of political timing, probably involving days or weeks. If Minister Pio Cabanillas describes Spain as a country of anarchistic individuals and Christians, the political option of the Christian Democrats, all by itself, has always met with the most complete failure.

The Spain of the 80's

Essentially, this entire ploy attempting to save CD for the next electoral contest is a lost battle if it fails to contrive a really new and attractive offer. Everything that smacks of continuity, power for power's sake, mediocrity or corruption no longer has an electorate in the Spain of the 80's. Andalusia has been the best example of this, and these symptoms are appearing more clearly than ever in the streets of Spain.

Not even the civil rulers are of any use now as an electoral influence. One prominent Centrist leader commented: "Since the vote is secret, what good are the civil rulers?" This is a sign of how democracy has been penetrating our country's society, despite the obstacles. The electorate's attitude also shows that the vote based on fear is no longer of any use. Now, the vote based on change is what counts.

PSOE has depicted the change as being synonymous with democracy and socialism. It has retrieved the cause which was traditionally associated with the progressive

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bourgeoisie, in a different time and place. The right has facilitated the operation for the Socialists, devoting part of its effort to debating the manifestations of its egotism and the rest to retrogressing in history.

The center's important role in the execution of the change and the consolidation of the system has been dimmed by its internal tensions and personal ambitions. It has also lacked a plan that would combine forces and maintain social backing. UCD ceased to be the hegemonic factor of the right, despite the fact that it had benefited the latter's economic and business interests. Never before did the banks earn so much as they did with UCD in power. Never before did business owners find more favorable conditions; and palpable proof of this lies in the Worker's Statute, with free layoffs and partial hiring. Of course, under conditions marked by such a severe crisis that the figure on unemployed has risen above 2 million, such a responsible social peace would never have been expected.

The influence of the external models (which conceals the influence of external conservatism) has been cleverly mingled with the mood of an authoritarian right which persists in letting history go by and refuses to project its own political alternative to an essentially young Spanish society in a process of European integration.

It was Fraga who offered an option of change for the right. As opposed to the progressive center, the Alliance leader proposes the right-center, a conservative bloc which has some nostalgic memories for many.

The one that led the change from the government is now lagging and moribund. UCD would have to demarcate its area of action very well and offer an attractive plan in order to penetrate a public that has been witnessing its final convulsions for 2 years. Its top-ranking leaders and associated groups reiterate that the cow is virtually dead and will have to be buried, but no one, or only a few have decided to leave the stable. The instinct for preservation has restrained many. Others still think internally that, with the new shift, UCD could again be the center party that it was, or at least could regain part of the support that it has lost.

With the Cortes closed, the government no longer has to undergo the blackmail of members of Parliament from its own ranks and the attacks of the opposition; although the ploy of putting the government on the ropes so as later to save it by the bell has been an agony for the Centrist executive branch, as part of the Socialists' strategy of attrition.

15 Crucial Days

The 15 most crucial days in the history of UCD and of the right as a whole have begun. On the decisions that are made apace with the shouting at San Fermin and the cry of "champions, champions!" at the World Soccer games will depend such an important feature of the country's political existence as the redefinition of its political offer from right to left, although it will obviously have particular influence on the right.

From there will emerge a new government, the date of the general elections, the programs and strategies of the political parties and countless measures that could

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have effects on matters ranging from the curbing of price hikes to an increment of billions in the public deficit, an improvement in services, increases in pensions, etc.; and general elections, which will be accompanied by the autonomous and municipal ones, which means establishing a new political map in Spain for 1983.

By then, and far earlier, there will also be a new general director of Spanish Radio and Television.

The position has again served to elucidate the internal battles in the party, as was the case, in part, with the one who previously held it, Fernando Castedo. And this week Carlos Robles' stay in the ranks of UCD per se was not given more time than a few days.

Suarez and Roson, directly and through their associates, have led the offensive against Fraga's brother-in-law, accusing him of seemingly favoring the image of the Alliance leader and his party.

This is, in essence, another attack on Calvo Sotelo, who was responsible for the appointment of Carlos Robles, and with whose work the president was relatively satisfied, according to his collaborators. The operation to dismantle Suarez and his associations in the party is being repeated with Calvo Sotelo, in its various phases.

Calvo Sotelo has had to remake his plans quickly, and now expects to remain at the head of the government only until the end of the legislature. That statement of his claiming that he would be "number one for Madrid on my party's tickets" is now viewed as rather "rash."

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MILITARY

FRANCE

OFFICIAL QUESTIONS HERNU ON AIRCRAFT CARRIERS, NUCLEAR SUBMARINES

Paris AIR ET COSMOS in French 29 May 82 p 46

[Article: "A Subject of Current Interest: the Replacement of the "Foch" and of the "Clemenceau"]

[Text] Charles Miossec, RPR deputy for Finistere, posed to the minister of defense a three-point question on the operational capacity of the Navy:

1) Naval component of tactical armament: The government seems to show a certain propensity for putting off the choices relative to national-defense policy, and as regards the aircraft carriers "Foch" and "Clemenceau" in particular --they constitute the main part of the naval component of tactical armament and are in principle to be retired from service in 1991 and 1996, respectively-- "it is still not known whether they will be replaced by nuclear-powered aircraft carriers in conformity with the decision taken in 1980." Does the present government intend to confirm this decision and translate it into action, and in what time frame?

2) Strategic Naval Force: The slowdown in the rate of entry into service of the new missile-launching nuclear submarines is becoming preoccupying, Mr Miossec considers. Of course, he adds, the decision taken by the Defense Council on 30 October 1981 to build one more SNLE [Missile-Launching Nuclear Submarine] was a good one, but since that unit will not go into service until 1994, which amounts to saying that that entry into service will coincide with the retirement of the "Redoutable" from service, one cannot really speak, Mr Miossec considers, of seven nuclear submarines. In 1994, the FOST [Strategic Naval Force] will actually have only six SNLE's in operational service, which constitutes a sufficient number to keep three units of this type continually on patrol, in view of the uncertainties and constraints connected with haulouts, overhauls and possible refittings, notably as regards armament. "When, therefore," the deputy asked, "will the decision be taken to go beyond this threshold of six SNLE's--a threshold below which, despite the refinements of the weapons systems on board, there is no effective deterrence...?"

3) Nuclear attack submarines: Great Britain, Mr Miossec recalled, has 12 of them; France has planned to have 5, the first of which is to be operational next summer. "But what will be the rate of building of these vessels, their number for the new decade, the rate of their entry into service and their firepower?"

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To this oral question without debate, the minister of defense had the minister of national education give the following reply, on the occasion of the National Assembly session of Friday 14 May 1982:

1) "Foch" and "Clemenceau": These two units will remain in service throughout the current decade. "As for the nuclear aircraft carriers, for which, in any case, the 1982 budget includes Fr 30 million in program authorization and Fr 11 million in payment credits, devoted to the first studies for the propulsion unit, the Parliament will be dealing with them on the occasion of the debates on the planning law." (Editor's Note: The corresponding bill will be submitted to the Parliament in 1983.)

2) FOST: "No date has yet been set for retirement of the 'Redoutable' from service, and there is nothing today that makes it necessary to take a decision on this subject," considers the minister of defense, who adds that Mr Miossec's assertions about the number of SNLE's in service in the 1990's are consequently unfounded. In addition, the minister declares, six missile-launching nuclear submarines constitute an entirely sufficient number for keeping three units at sea continually. This result will even be reached soon with the five missile-launching nuclear submarines currently in service.

3) Nuclear Attack Submarines: At the end of the next planning law, our forces will have four submarines of this type available. On 14 May 1982, the minister of defense signed (cf AIR ET COSMOS, No 908, p 5) the decision to start construction of the fifth nuclear-powered attack submarine. (Editor's Note: The "Rubis," the first submarine of this type, capable of launching not only torpedos but also SM-39 missiles of the Exocet family, will be operational next July in the Mediterranean squadron. The fifth should go into active service in 1988-1989.)

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MILITARY

FRANCE

XINGU AIRCRAFT DELIVERED FROM BRAZIL

Paris AIR ET COSMOS in French 29 May 82 p 47

[Article by J.G.: "The Air Force and the Navy Receive Their First Xingus"]

[Text] Last Tuesday, 25 May 1982, at the Le Bourget airport, the Air Force and the Navy took official delivery of the first 4 of the 41 Xingu twin-turbojets that the French government ordered in 1980 from the Brazilian builder EMBRAER-- Empresa Brasileira de Aeronautica--for the instruction and training of their transport pilots and to supplement or renew their fleets of liaison planes.

The ceremony of the symbolic handing-over of the keys, organized by the EMBRAER company and its representative in France, the Compagnie Generale d'Aeronautique (CGA), took place in the presence of numerous personalities, most prominent among whom were Engineer General Cauchy, director of international affairs in the General Delegation for Armament (DGA), representing the French minister of defense, Charles Hernu. Subsequently, Mr Ozilio Carlos da Silva, commercial director of EMBRAER, handed over the keys of the first two Xingu airplanes with the French colors to Colonel Daube, technical director of the Air Force Schools Command, and to Commander Abautret, of the general staff of the Maritime Patrol Air Forces. Mr Pierre Jorelle represented the CGA; Lieutenant General Roland Glavany, the French Office for Exportation of Aeronautical Materiel; and engineer Lamy, the STPA [expansion unknown]. The ceremony was conducted in the atmosphere of the very warm cordiality and already long friendship that link Brazil and France, and we take leave to regret all the more, in these conditions, the fact that circumstances did not permit the Air Force or the Navy to be represented by a general officer in this ceremony, at which Brazil's ambassador to France was, for his part, represented by his Naval and Air Force attaches.

Mr Ozilio, in his short speech, recalled that EMBRAER had presented its two products, Bandeirante and Xingu--in service in 22 countries today--for the first time at the 1977 Aviation Show in this very same place, and Mr Jorelle stressed, for his part, the extraordinary vitality of the Brazilian aeronautical industry, at the origin of which are the three men who "built" EMBRAER: Colonel Ozires da Silva and Messrs Ozilio and Guido Pessotti.

Two of the four Xingus present at Le Bourget had already been "received" by the official French services (cf AIR ET COSMOS, No 901). The four airplanes will

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proceed to Mont-de-Marsan, where the CEAM [Military Air-Experimentation Center] will conduct joint experimentation with them for the next 2 months. The Navy's first two Xingus will then be sent to Saint-Raphael, where the CAPA (Naval Aeronautics Practical-Experimentation Center) will do an evaluation for Navy purposes. Eleven Xingus will have been delivered to the Navy by the end of this year. During the summer of 1983, eight planes will arrive at the BAN [Naval Air Base] of Lann-Bihoue to be assigned to the Multiengine Specialization School. Three Navy pilots qualified for this type of plane are presently at Mont-de-Marsan; two of them were previously Atlantic pilots, and the third was a Falcon 10 pilot.

It will be the summer of 1983 before the Air Force, for its part, begins to make this type of plane operational in the Multiengine Airplane Specialization School based at Avord (Training Group GE 0319), which will then have 10 Xingus at its disposal.

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GENERAL

FRANCE

ARIANESPACE ANNOUNCES REVISED LAUNCH CALENDAR, 6 IN 1983

Paris AIR ET COSMOS in French 29 May 82 pp 48, 56

[Article by Pierre Langereux: "Thirty-two Launchings of Ariane Rockets Planned between Now and the End of 1986"]

[Text] The Ariespace company has just published the new calendar for launchings of Ariane rockets, as well as the state of orders and reservations as of mid-May 1982.

The Ariane calendar now provides for 32 launchings (including two open) between now and the end of 1986--i.e., in 4.5 years. Still, there will be only two launchings this year, because of the delay of the European MARECS [expansion unknown] 2 satellite. In effect, the modifications to be made in the MARECS 2 satellite have caused a halt in the preparation of the launcher in Guyane since 23 March 1982. Ariespace announces that the program will resume on 2 August, with launching now postponed to 10 September 1982 (cf AIR ET COSMOS, No 908). This fifth launching (L5) of the European rocket will also be the first operational launching of Ariane. The rockets for the following two launchings (L6 and L7), planned for end-November 1982 and end-January 1983, respectively, are about to be received at Aerospatiale's integration site (SIL) at Les Mureaux, near Paris, before they are sent on to Guyane.

Six Launchings in 1983

Ariespace specifies that the new calendar should make it possible to catch up on the delay caused by the MARECS 2 satellite. Thus it has been decided to increase the launching rate in 1983 to six firings instead of five. In addition, it is also planned to combine the launchings of the three satellites ECS [expansion unknown] 2, Telecom 1A and Westar 6 into two launchings with Ariane 3 rockets, which would make it possible, if necessary, to gain a launching slot in 1983. By virtue of these measures, the Ariane launching calendar would make up the delay as of the end of next year.

The six launchings planned for 1983 would be done partly with the rocket in its present version (Ariane 1) and partly with the new improved versions (Ariane 2 and 3), which will be available as of mid-1983. From that date on, the new versions will completely replace the present rocket, thus raising launching capacity while reducing costs.

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Calendar (as of mid-May 1982) of Ariane Launchings to End of 1982

Launch	Date	Payload	Launch	Date	Payload
Qualification Launchings					
L 01	December 1979	Neant (successful)	L 16	October	Spot 1 + Viking
L 02	May 1980	Firewheel + Amsat-Oscar 9 (failed)	--	December	open (or relaunch)
L 03	June 1981	Apple + Meteosat 2 (success)	L 17	February 1985	SBTS 1 + Spacenet 3 (N)
L 04	December 1981	Marecs 1 (success)	L 18	March	Intelsat 5A/F14
Operational Launchings:					
L 05	September 1982	Marecs 2 + Sirio 2	L 19	May	TV-SAT 1
L 06	November	Exosat	L 20	June	Intelsat 5A/F15 or TDF 1
L 07	January 1983	ECS 1 + Amsat-Oscar 10	L 21	July	Giotto + STC 1 (R)
L 08	March	Intelsat 5/F7	L 22	August	SBTS 2 + AUSSAT 1 (R) **
L 09	May	Intelsat 5/F8	L 23	September	TDF 1 or Intelsat 5A/F15
L 10	July-August	ECS 2 or Telecom 1A or Intelsat 5/F9*	L 24	October	Ariane 4 payload (first launching)
L 11	October	Intelsat 5/F9, or ECS 2 and/or Telecom 1A*	L 25	December	AUSSAT 2 (R) + Anik D (R)
L 12	December	Westar 6 + Telecom 1A or ECS 2*	L 26	Jan-Feb 1986	Unisat 1 (R)
L 13	February 1984	Spacenet 1 + Arabsat 1 or Telecom 1B	L 27	Feb-March	L-SAT (R)
L 14	May	GStar 1 + Telecom 1B or Arabsat 1	L 28	March-April	CLT (R) + DBS 1 (R)
L 15	August	GStar 2 + Spacenet 2	L 29	April-May	Intelsat 6/F1 (R)
			L 30	May-June	Spot 2 (R)
			L 31	June-July	Tele-X (R) or Unisat 1 (R)
			L 32	July-August	Intelsat 6/F2 (R)
			L 33	Sep-October	DBS 2 (R) + Unisat 2 (R)
			L 34	Oct-November	open
			L 35	Nov-December	Intelsat 6/F3 (R)

All the launchings on this calendar are firm orders except for those for which a special notation is made: (r) = reservation; or (N) = for negotiation. * indicates priority to the first satellite available. ** candidates also for the L 21 flight with Giotto.

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Arianespace next plans five launchings in 1984, including an open slot for a new payload or for a relaunching. We note that Arianespace will take over the exploitation of the Ariane rockets completely as of the end of 1983-beginning of 1984.

Nine firings are planned for 1985, including the first flight test of the new, improved Ariane 4, which will be twice as powerful as the present rocket. This first launching of Ariane 4 will also be used for launching a payload composed of one or two satellites, the choice of which has not yet been made. A competition will be opened among the French and European projects for this launching (free of charge) with Ariane 4.

The very great increase in the rate of launching of Ariane rockets at Kourou will be made possible by the placing in service, planned for the beginning of 1985, of the ELA 2 second launch pad at Kourou. It will thus be possible to do up to 10 launches per year, at the rate of one launch per month, either in single launchings with the Ariane 2, 3 or 4 rockets or in double launches with the Ariane 3 and 4 versions. The new Ariane 4 version is to be operationally available as of the beginning of 1986. Furthermore, the rate of 10 launches per year is expected to be reached in 1986, according to the calendar as presently established by Arianespace. In order to keep pace with this increased launching rate, it is obviously planned to increase the rate of fabrication, so as to reach eight rockets per year as of 1985 (cf AIR ET COSMOS, No 908).

Forty-two Satellites

The state of orders and reservations for Ariane launchings currently enables the ESA [European Space Administration] and Arianespace to plan 21 firings (15 to L25) between now and the end of 1985, with an open slot also available. This will be for launching 31 satellites, including 26 on firm order, 4 reserved, and 1 under negotiation (not counting the payload for the first Ariane 4). These launchings are planned on behalf of 10 customers, including 4 European (ESA, CNES [National Center for Space Studies], Swedish Space Corp, FRG) and 6 foreign (Intelsat, United States, Canada, Australia, Brazil, Arab League). Firm orders have already been placed by four American customers: GTE Satellite Corp, Southern Pacific Communications Corp, Western Union and Satellite Television Corp (subsidiary of COMSAT). This demonstrates clearly the export success of the European launcher.

In addition to this, 10 launchings are planned in 1986 (L26 to L35), to place in orbit 11 satellites for which there are presently reservations with Arianespace. These launchings are planned for seven customers, including two foreign ones (Intelsat and the United States) and five European (ESA, CNES, Swedish Space Corp, Luxembourg and Great Britain).

A total of 32 launchings are planned to the end of 1986, to place in orbit 42 satellites, 26 of them on firm order and 15 on reservation--not taking into account the results of the negotiations in progress, which involve more than 10 satellites for the United States (Spacenet 3, GStar 3, USSAT, etc), Great Britain (Skynet 4), NATO (NATO 4), France (SAMRO), and the future meteorological organization Eumetsat (operational Meteosats), etc. Also not taking account of

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the future European missions decided on but not yet planned for, with the satellites ECS 3 and 4 (between now and 1990), Hipparcos (1987) and ERS 1 (end of 1987), or of the new satellites that will emerge in the coming years.

Indeed, Arainospace expects to capture 25 to 30 percent of the 250-satellite market foreseen in the 7 years 1985 through 1991--i.e., 60 to 70 satellites, composed 85-percent of geostationary satellites, for which Ariane has been optimized.

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