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## THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

NFAC-4602-81

24 July 1981

MEMORANDUM FOR: Director of Central Intelligence  
Deputy Director of Central Intelligence

THROUGH : National Intelligence Officer for Warning

FROM : Acting National Intelligence Officer for  
Western Europe

SUBJECT : Monthly Warning Assessment: Western Europe

1. Germany: The increasingly strident outcry against TNF is causing some difficulties for the SPD-FDP coalition in Bonn, although resistance has not yet reached crisis proportions. Both Chancellor Schmidt (SPD) and Foreign Minister Genscher (FDP) have been able to keep their respective parties in line and; at least in parliament, there is no current threat of a serious split in either party. Although the anti-TNF sentiments thus far have largely been identified with the left-wing of the SPD, they have encompassed other movements such as ecological (the so-called "Greens") and confessional groups as well. Anti-TNF sentiments reflect not only genuine fear of lowering the nuclear threshold in Germany, but also a certain nostalgia for the benefits of detente, and may be related as well to vague hopes of eventual German reunification. While one may posit that the USSR is exploiting and encouraging anti-TNF sentiments in Western Europe generally, it has thus far been largely successful in concealing its role to such an extent that direct Soviet involvement, however plausible and likely, is difficult to document.

Against this backdrop, the role of Willy Brandt and his recent "mission to Moscow" is particularly intriguing; the evidence to hand rather forcefully indicates that optimistic quotations to the contrary notwithstanding, Brandt in fact brought back no significant new Soviet concessions, and, if anything, confirmed Soviet rigidity in its method of calculating Western systems (insistence upon including US FBS, as well as British and French capabilities). It is difficult to establish precisely Brandt's motives for this initiative, but it is likely that his own personal aspirations played a role in his thinking. Over the longer term, it may emerge that the decision to go to Moscow was not of net benefit to Brandt, as the thinness of the Soviet offer becomes clearer, and as Brandt comes to be seen as over his head in a highly technical area where he cannot claim expertise.

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Whatever the reasons for Brandt's trip, he has succeeded in causing Chancellor Schmidt a certain amount of political discomfort and, unofficially at least, is seen by some as a leading, if unintended, spokesman of the anti-TNF coalition. While it remains to be seen whether TNF can continue to generate significant emotional response across a broad spectrum of the German body politic, it is clear that a concerted educational effort is required by the West German and American authorities to demonstrate convincingly why TNF is an essential element of NATO strategy to redress the current imbalance.

2. France: President Mitterrand's calculations in bringing the Communists into his government have never been publicly articulated, although the general lines of the thought process are not hard to discern: he genuinely believes in his historical role as the leader of Socialism in France, and recalls too well the fate of the last Socialist government in the thirties, brought down by Communist intransigence, in part occasioned by its exclusion from the government. Mitterrand probably also sincerely believes in the "unity of the left" as a concept, and holds that he paid a small price for bringing in Communist ministers, by which device he has to some extent bound their fate to his, at least as long as they remain in the government. He also holds that the presence of PCF ministers will to some degree inhibit labor agitation and, over the longer haul, he hopes to reduce even further the PCF's strength at the local level on the occasion of the municipal elections of 1983. Inclusion of the Communists will also still, at least temporarily, the left-wing of his own Socialist Party (the "Ceres" group), and should buy time to set the new course of his administration with his left flank fully protected.

That Mitterrand must realize that he is taking a calculated risk is clear, yet he must have concluded that the move was a net benefit to his administration. The problem of protection of sensitive defense and intelligence information has been forthrightly addressed by a number of senior French officials, yet it remains unclear just how effective such measures will be, since there have also been contradictory statements concerning what specific steps will be taken. The presence of the PCF in the government also provides that party, which suffered severe losses in its electoral base, a chance to regain some modicum of respectability, and it always has the option of dropping out over an issue which it is unable to endorse. There are also those who maintain that presence in the government will afford the PCF an opportunity to infiltrate the system more effectively, so that at the time of their departure, they will have better ensured their continuing access to information they deem important to their own political ends. Similarly, the PCF in government may enable its representatives to anticipate economic and political moves, the better to thwart them by advance knowledge, or at least to prepare their responses to controversial moves by prior knowledge of the government's intentions.

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A major unknown for the future remains the economic impact of the reform measures already announced by President Mitterrand and his government. Conventional wisdom suggests that raising the minimum wage, increasing social benefits and similar measures will result in larger deficits and pressure on the franc, if the experience of the Chirac experiment in 1975 is a valid yardstick. The full effects of these measures will probably not be felt until 1982, however, and much will depend on additional steps adopted in the future. For example, how radical will the changes be in the nationalization sector, and how rapidly will they be pushed? Will the French government impose price controls, as the weakness in the franc boosts inflation and heightens pressure on the international exchange markets? Will the French opt for a protectionist approach, and will they devalue? If so, when and by how much? How much support can they expect from Bonn? There remain many imponderables, but the passage of time in this instance will provide a much clearer picture of both the specific measures the Mitterrand government will adopt, and the time-frame in which they plan to proceed, providing a better base for projecting the longer-term impact of such significant changes on the French economy.

3. Italy: The precedent-shattering appointment of a non-Christian Democratic Prime Minister is generally perceived as a holding operation, reflecting the disarray in the Christian Democratic Party on the one hand, and the realization in the Socialist Party, on the other, that it lacks sufficient electoral strength to press unduly aggressively for the Prime Ministership now, particularly when the President of the Republic is a Socialist. How long this government will survive is difficult to predict now, yet it is apparent that it is in the interest of no one (except the miniscule party which Prime Minister Spadolini represents) for this government to be a smashing success. As a result, we can predict that while there may be minor accomplishments, and Spadolini may linger on longer than might appear likely at first blush, it is clear that his fate rests in the hands of others, notably the DC and PSI parties, and they will be the ultimate arbiters of when they feel themselves sufficiently strong to bring him down and make their own moves.

The one uncertain element in this equation is the Italian Communist Party, which finds itself with both good news and bad. The good news is that in theory, at least, it has the option of courting both the left-wing of the DC Party and the PSI, and of playing one off against the other, yet the bad

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news is that its recent electoral performance suggested stagnation if not modest erosion of its electoral appeal, which has raised an internal debate within the PCI over what course to follow in the months ahead. The PCI will no doubt attempt to turn this interim government to its own advantage, but neither the DC nor PSI represents a viable option at this time, and it will probably require another national election (which no party wants at this time) to sort out accurately relative popularities of individual parties in a fashion which might then permit formation of a stronger and more effective government at the national level.



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