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WRITER, HAPPART DEBATE FOURONS SITUATION

Brussels LA LIBRE BELGIQUE in French 5 Nov 86 pp 1, 3

[Open Letter to Jose Happart by Jacques Hislair]

[Text] After similar action taken by the Senate the Chamber of Representatives has approved a "truce" on the Fourons situation. Unless something new happens during the interim, this should allow Michel, the new minister of the interior, to give further consideration to a case which is nearly 25 years old. Without any wish to reopen old wounds, I would like to take advantage of this occasion to write to you in all serenity. I believe that I know the Fourons area. With a colleague who was more bilingual than I am, I was even one of the first journalists to spend several days there, in the spring of 1962, in the course of a trip along the linguistic border which left us with memories of delicious meals. Young reporters are not always sent to the tropics, and the six communes in the Fourons area (now combined into one) are still a kind of "terra incognita" to the relatively small political world which decided its future in Brussels. Moreover, you know with what scorn for the people's will the Walloon socialists, who had never set foot in Mouland or Remersdael, abandoned these "crude peasants" and proposed to their Flemish colleagues: "You take the Fourons area and give us the Mouscron-Comines region."

It was not a language community conflict, as the "Louvain slap in the face" was in 1968, which has left my cheek still burning. It was a crude political transaction like that which took place in "Ruy Blas": "Give me the arsenic, and I will give you the negroes!" However, that is all in the past. Since then the majority of the people of the Fourons area has always expressed its desire to return to Liege Province. Your position as leader of your commune (as mayor or alderman leading the opposition) evidently reflects this desire. You are still in a strong position. What are you going to do with the power that you have?

I think I know the Fourons area, and I am not going to recall here the 20 years of political controversy regarding a territorial symbol which only impertinent people would compare to Clochemerle [fictional French town in the Beaujolais area]. However, I only know you through your written or televised statements to the press. I regret that I have never met you, and the impression which I have of you is both attractive and irritating, glorious and laughable. Behind the bragging and the caricatures, beyond the somewhat

fabricated personality which has a "rendezvous with history," who learned to speak Dutch in school but never speaks it now, who resists both the "Flemish occupation" (to use your own words), pressures from cabinet ministers, and the interested complacency of your new socialist "friends," who are you?

You give me the impression that you are intelligent, able, even astute, although appearing to be somewhat gruff. However, you always go a little too far. Is this deliberate? Are you fooled by your far reaching objectives or have people made you say these things? You speak of "dictatorship," when you know very well that it is a democratic majority (and not Flemish, either) which voted for attaching the Fourons area to Limbourg and that it would take a constitutionally much broader majority, now "impossible to achieve" to make up for the foolish actions of 1962. Perhaps your tactic is to demand more in order to obtain less. I don't know. However, I fear that your excessive statements will end up by tarnishing your distinctive image.

Talleyrand was not the only one to think that "everything which is excessive is insignificant," and your provocative answers to Flemish provocations threaten to exhaust the French speaking people who have no wish "to die for the Fourons area." More particularly because the only result of this heroic gesture would be to bring the socialists to power. Do you sincerely think that Guy Spitaels, who regularly brings you fair promises which turn into so many empty words, could do better than Prime Minister Martens? Regarding a process of accentuating the federalization of the country, which could be in the program of the next government, this would logically lead to confirming the "borders" between two consolidated states and to the suppression of the "facilities" granted to minority groups within each of them. Is that what you want?

I tell you that, instead of writing you this letter, which I consider a courteous one, I had thought of doing an imitation of Alfred Jarry under the title: "Happart-Ubu, king of the Fourons." It was tempting for the first few lines would say: "The action takes place in the Fourons area. That is, nowhere." I can imagine you very easily in the role of Father Ubu, shouting down the Flemish "with my green candle," and then successively sending into the trap Wynants and Minister Nothomb, while waiting to push Joseph Michel and Guy Spitaels into it.

However, the imitation would have been excessive, and I don't wish to do things the easy way. On your side, don't allow yourself to do that, either. If you decided suddenly--you are so impossible to anticipate--to astonish the political world by your moderation in speaking the language of your minority --as Baudouin de Grunne did at Wezembeek and as Henri Simonet did at Anderlecht--you would do much more for the cause of the Fourons area and for the cause of the French speaking people. In 1962, on my return from my first "major reporting job" in the Fourons area, I noted that the six communes there (now amalgamated into a single one) were "marked by two kinds of frustration: that of the French speakers who have been overwhelmed in Limbourg and that of the Flemish speakers isolated in their commune."

Some 24 years later, I have not changed my view. However, I fear that you have done nothing to answer this double and psychologically fundamental problem. Is there still time to do it? I hope so. If the truce in the

Fourons area could lead to realizing this hope, thanks to your efforts, together with those of Martens and Michel (after the courageous sacrifice of Nothomb), it would be an honor for me to meet you finally.

Happart Responds

Brussels LA LIBRE BELGIQUE in French 19 Nov 86 p 3

[Text] On 5 November, under the headline, "On Reflection," Jacques Hilaire wrote a "letter to Happart on the truce in the Fourons area." He didn't expect an answer--no more than Max Gallo, for example, when he sent an "Open Letter to Robespierre." However, 2 weeks later Jacques Hilaire received with pleasure a letter from Jose Happart "on the truce in the Fourons area." He thanked him and, having expressed a wish to meet him, he is evidently prepared to talk to him, "man to man," particularly on the questions raised in their exchange of letters. Meanwhile, it goes without saying that the letter from Jose Happart (written before the recent decision of the governor of Limbourg Province and the congress of the CVP [Flemish Social Christian Party]) can be added to the file on the Fourons area, for the information of our readers, without any other comment for the moment. The text of this letter follows:

Thank you for your letter. Associations of all kinds often write open letters. However, it is unusual that an elected politician should receive such a letter from a professional and very experienced journalist, who brings together an impressive amount of legal knowledge and brilliant literary talent.

DIALOGUE. I am therefore sensitive to your effort, but I might add--and this is my first basic remark--that a dialogue makes no sense unless both of us, from the beginning, can reach agreement on the fact that there can be differences of opinion on the same problem and that the fact that we don't think in the same way does not mean that our opinions are not respectable in each other's eyes.

I would hope with you (although I doubt it) that the CVP governor of Limbourg Province will allow enough time for the new PSC [Walloon Social Christian Party] minister of the interior to find a democratic solution for the Fourons problem, which has not been resolved for nearly a quarter of a century.

You, as a doctor of law, will understand that the "truce in the Fourons area" would end if the Limbourg provincial government were expanded to include the alderman receiving the most votes in the elections and if an order cancelling the royal decree affecting the Fourons area could be discussed in the cabinet (which is linguistically balanced, with the exception of the prime minister), which appointed me mayor.

In effect, this order from one chamber of the Council of State, speaking only Flemish, approved by unanimity by the Flemish people--led by their lawyers--was challenged by French speaking legal specialists who, in spite of their usual differences among themselves, were this time almost all in agreement. Hence, if this judgment, which was challenged in this way, was aggravated by further questioning the autonomy of language communities (as all of the aldermen are elected by the council and not appointed by the king), French

speaking political leaders should not be in a position to approve such an abandonment of their responsibilities for local government.

ANNEXATION - Having said this, I feel that the calm serenity with which you view the situation is close to mine.

I arrived in the Fourons area for the first time when you were discovering them in 1962. My parents, who were farmers, had just bought a farm there, because their own farm had been expropriated to allow the construction of the Chertal steel complex.

I am not particularly obsessed with communal confrontations and, over the past 15 years, I have acted essentially as a party member responsible for the Young Walloon Agricultural Associations, working both at the Belgian as well as the European level. Certain French speaking members of Parliament who supported the Lefevre-Spaak cabinet (which sympathized so little with your newspaper), in the framework of the kind of discipline in effect in political parties which then still had a centralized structure, in effect helped to maintain the Flemish majority in the Chamber of Representatives and the Senate. These people included both social christians and socialists. They supported the Flemish majority in voting for annexing the Fourons area to Limbourg Province.

In effect, I speak of annexation, when it is really a matter of an undesired attachment to another province. I speak of occupation, when it is a matter of a presence imposed on the people. I speak of resistance, when it is a matter of a struggle for democratic liberation.

I differ with you when you mention a swap, pure and simple, between the Fourons area and the Mouscron-Comines region. The delimitation of the linguistic border was more complicated since, in order to remain a part of Liege Province, a number of French speaking communes in the Valley of the Geer River in Limbourg Province joined Liege, whereas Dutch speaking communes in the Canton of Landen left it to be attached to the Brabant Flamand area.

The case of the Fourons area was and remains a special case, to the extent that, no doubt aside from its location on the outskirts of Brussels, it is the only example of out and out annexation, carried out against the clearly expressed will of the people concerned, as the consultation with the people, democratically organized by the Liege Provincial Council, acting unanimously, showed on 28 October 1962 (German speakers and, at the time, including Dutch speakers from Landen Canton).

However, as you have written, this is all in the past.

You ask me what I am going to do with the power I have in view of the wish of the majority of the residents of the Fourons area to return to Liege Province.

My answer is simple: I intend to continue to respect the sovereign expression of the voters in my commune.

INVITATION - You regret never having met me.

I would be happy to receive you in Fourons, and if LA LIBRE BELGIQUE so wishes, I would be prepared to arrange a very peaceful Sunday stroll through our six villages for the readers of the newspapers who would be interested in making this discovery. We would go to Mass together. (Moreover, it has been suggested to Mrs Portugaels, your colleague and editor of the GAZETTE DE LIEGE, that she might be interested in the way in which the Flemish clergy treats French speaking people attending Mass.) Then we might go on to discover the beauties and problems of my commune.

Your newspaper published my report card from the agricultural technical junior high school I attended, where I was first in Flemish.

I do not refuse to speak this language, which I respect.

I speak Flemish whenever I have a legal obligation to do so.

However, there is no question for me, as an elected official, to accept any examination of my ability to speak Flemish, as the Permanent Deputation of Limbourg Province reportedly sought to do. If I did this, it would mean that we no longer live under a system of universal suffrage, pure and simple.

And the members of the central government should, in this connection, speak three languages.

My commune and I deal with all Fourons residents in their own language, even if it is Flemish, despite the "facilities" which the minority wishes to suppress, imposing on French speakers even in cases of such personal matters as marriage, for example.

"They" don't force me to say anything which I have been fooled into saying. If I have given you the impression of always doing a little too much, no doubt this is because I have the feeling that too many other people never do enough.

SOCIALIST - On the other hand, you are right in thinking that on the subject of the Fourons question my attitude is and will remain the same despite pressure from the present cabinet or in dealing with positions which my socialist friends might accept in this area, if they were offered the possibility of participating in the government.

In effect, I am certainly a supporter "of the Left," because I prefer people to money. I have met with the principal party in the French Community and in the Walloon Region out of a desire to be effective and not to be ignored. However, like the Flemish, I am a Walloon first of all, and I intend to contribute to bringing together those who, in larger and larger numbers, are beginning to understand that Wallonia can only become weaker by going from unilateral concessions to capitulation.

When Flanders Province rejects negotiations, Wallonia no longer has to accept this. It should cling more closely to its European orientation, rather than to the survival of an artificial Belgian state, where Wallonia would steadily be deformed.

In your letter to me you say that you have decided to be serious: the Fourons area is not "no place at all."

As I am far from being as cultured as you are, I don't know who Alfred Jarry is or what "Ubu Roi" is. After looking at my dictionary, without any feeling of shame, I read there that "Father Ubu is the symbol of stupidity allied to totalitarianism."

As far as I am concerned, I believe that I am a democrat.

VOTING - I don't expect to remain a mayor or alderman forever, either performing my duties or not. There really is no "Happart affair."

There is a problem of respect for how the people vote. Do I astonish the political world by my moderation if I repeat that I will no longer take part in the activities of the high school in my commune if this school is given bilingual status and then is placed under single language (or unilateral) supervision in the Flemish language only, in Limbourg Province?

Is it extremism to want to take a step toward satisfying the constantly repeated will of the people concerned?

Is democracy negotiable?

Were the people of the Fourons area frustrated when they were part of Liege Province?

That's not my impression.

In conclusion, you speak of the "courageous sacrifice of Nothomb." He tried but did not succeed in dividing the French speaking people of the Fourons area. His failure was the failure of the pressures demanded by Flandre Province.

Joining my efforts to those of Martens and Michel would be possible, to the extent that the prime minister were not Flemish above all, Flemish before being Belgian.

Do you really think that this is the case?

If that were the case, do you think that such a man could remain prime minister?

I am fully prepared to discuss matters with you, particularly regarding these two questions. If that is also your view, "it would be an honor for me to meet you finally."

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CSO: 3619/14

CONSERVATIVE PARTY'S STRATEGY TO STAY IN POWER

Positioning, Leadership

Copenhagen BORSENS NYHEDSMAGASIN in Danish 7 Nov 86 pp 20-24

[Article by Stig Albinus and Erik Meier Carlsen: "With Schluter for All the People"; first paragraph is BORSENS NYHEDSMAGASIN introduction]

[Text] The Conservative Party intends to inherit the welfare state and government power from the Social Democrats.

During the spring months the Conservatives dropped 3 percentage points in the opinion polls and a feeling that Simonsen-Schluter pragmatism had gone too far with the Easter package and the cabinet shakeup led dethroned chief adviser Erik Ninn-Hansen, the shipping magnate, and Flemming Heegaard, the youngest colleague of the party's "eminence grise," to criticize matters in public.

But with the approach of this weekend's national council meeting in Falkoner Center, the ill will has been swept aside and superpragmatism has triumphed.

In spite of the balance of payments deficit and the grumbling in the ranks of loyal party voters the line is extremely clear. The Conservatives are deliberately stressing the middle spectrum of Danish politics, they want to inherit the welfare state and government power from the Social Democrats, they want to represent the consensus line that was the hallmark of the great Social Democratic leaders of old.

The national congress will pay tribute to the welfare state and environmental and health policy will be major themes. Finance Minister Palle Simonsen is unquestionably Schluter's chief adviser today, the government's internal coordinator and problem solver. Aided by the politically trained officials in the Finance Ministry he is laying out the deliberately middle-seeking line that is intended to assure the Conservatives a position as the pivotal point of any future government. Simonsen's line is Schluter's line and any tendency toward opposition was effectively eliminated with the controversial government shakeup that startled old party leaders.

Ninn-Hansen Removed

Former group chairman and chief strategist Erik Ninn-Hansen was removed from influence and his protege, Grethe Fenger Moller, was fired. Former party chairman Ib Stetter was also removed from his post as minister of industrial affairs. Defense Minister Hans Engell, who is the youngest hope of the not so pragmatic older Conservatives, did not get the promotion that could have consolidated his position as Schluter's successor.

Instead Simonsen's candidate as successor, Henning Dyremose, was added to the government and another superpragmatist, Lars P. Gammelgaard, also became a cabinet minister.

When the "disguised Social Democrat," Simonsen, carried out an "Easter intervention" that closely resembled a recycled Social Democratic policy shortly after he had dominated the government shakeup, Ninn-Hansen and likeminded colleagues decided the time was ripe for a counteroffensive. In 19 lines of shipping magnate Maersk McKinney Moller's report to the general meeting of the Steamship Company of 1912 in early May, the absolute rule of the giant concern called the tax reform "hostile to business" and criticized the increased tax burden of a "Christmas package and an Easter package...a real interest tax, a confiscatory compuslroy savings measure and massive energy taxes."

A week later Ninn-Hansen told WEEKENDAVISEN that the government was plagued by "lack of initiative, a mediocre attitude and a certain lack of solidarity."

Ninn-Hansen's good friend and the shipowner's lawyer, barrister Kristian Mogensen, known for years as the party's "eminence grise," had stated back in February in the party paper VOR TID that "the government went too far with tax reform. I am worried that there will be a negative reaction from the voters in 1987 or 1988. They will be disappointed."

It remains to be seen if his prediction is accurate.

But the first months after the revolt of the old Conservatives did not confirm this theory.

Help from Others

Schluter kept a low profile over the summer and left the media to Anker Jorgensen and Jes Lunde. The Conservative opinion poll figures soon bounced back. Although the government opened the fall season by shooting a white arrow at the balance of payments target, good spirits and self-assurance were restored. The debate climate made it clear that Schluter is in a strong position both internally and externally. The triumph of the pragmatic line has been given a decisive boost by conditions in the other political parties.

1. The Progressive Party's future is behind it. Schluter has convincingly shown that his government can only be upset from the right. But even though

Glistrup will probably show up in Folketing with five seats, there is nothing to suggest that his party can become the gathering point for dissatisfied nonsocialist voters to any great extent. The large group of voters who feel uneasy about refugee policy has not given the Progressive list of candidates a substantial boost. And Glistrup has obviously overstepped the detestability threshold as far as the large nonsocialist voter group is concerned.

2. The Liberal Party is scarcely equipped--and lacks the courage--to outline a clear right-wing opposition within the government. Uffe Ellemann-Jensen's election as party leader was only a partial solution because the job as foreign minister and Ellemann-Jensen's style exclude the possibility that the Liberal chairman can be considered as a candidate for the post of prime minister. The Liberal Party is like a snappy Italian car, one Conservative observer said. It looks good but it needs a 12-year rust guarantee. The Liberal Party's attempt to unite liberal ideology and social security has not appeared credible and the environmental issue once again revealed the party as the principal guardian of big agricultural and organized reactionary interests.

3. The Social Democratic Party's leadership crisis is more apparent than ever and the big opposition party lacks a clear strategy due to the unresolved conflict between the Lykketoft-Jakobsen line and the Svend Auken wing.

4. In the absence of a strong Social Democratic Party capable of handling government power, the cooperation between the Radical Liberals and the conservative government is working better than it has for a long time and Niels Helveg can cultivate his political romance with Schluter without worrying about the Radical hinterland.

Without real political competition from other parties, Schluter and Simonsen have implemented a decisive shift in Conservative strategy: the Conservative Party has not been forced by necessity to adopt a middle-seeking pragmatic policy, as Ninn-Hansen fears. The pragmatic policy is the strategy.

Strategic Shift

"There has been a strategic shift. We are no longer the party of business interests, Gentofte and Lyngby. We are the political expression of the common sense of ordinary Danes," said one of the pragmatists in the government.

The Conservative offensive on environmental issues is the latest indication of the strategy. And at the national congress, under the slogan "The Party in the Center," the Conservatives will place strong emphasis on health policy and open the way for priority changes and larger appropriations for the benefit of the public health system. This is a very long way from the Liberal idea of commercial hospitals.

This emphasis on health policy stems to a large extent from an analysis of the defeat of the Norwegian Conservative Party over the issue of waiting lists for admission to the hospital system.

"But this is not just something we are doing for tactical reasons. It is not Conservative policy that people have to wait half a year to get into a hospital," one of the young pragmatists said.

However the Conservative strategists do not hide the fact that there are obvious tactical benefits to be gained from taking the offensive in the area of environmental and health policy.

This involves a deliberate political outmaneuvering of the Social Democrats from the middle of the Danish political spectrum and an assumption of the Social Democratic Party's role as the primary guardian of the welfare state. In the wake of the new Conservative onslaught the Social Democrats are forced to make a painful choice. Either they must openly applaud the Conservative policy, thereby blurring the Social Democratic profile, or else they are forced to engage in a hopeless competition with the self-satisfied members of the Socialist People's Party in their wild leftist outbidding tactics.

While tribute is being paid to the Schluter-Simonsen line the old Conservatives around Ninn-Hansen and Kristian Mogensen will keep a low profile and leave the ideological excesses to Conservative Youth [KU] people. It is hard to voice political reservations when things are going so well.

Barroom Brawl in 1974

But there are special historical reasons why unity, keeping in step and loyalty are key themes in today's Conservative Party culture.

Experienced Conservatives feel a cold chill when they recall the "crude bar-room brawl." No one wants a repetition of that.

It was in 1973-74 that things broke loose. A state of "shellshock" was produced by Glistrup's victory in 1973 which sent the Conservative Party into a crisis that reached its nadir when the party won 10 seats in the 1975 election, an election in which the Liberal Party reached its peak with 42 seats. The Conservatives had to find a survival strategy before the party foled up altogether. Party chairman Haunstrup Clemmensen sought a profile that lay in the direction of the Social Democratic Party, while group chairman Ninn-Hansen extolled nonsocialist virtues and sought close cooperation with Hartling's powerful Liberal Party.

The conflict surged back and forth. Finally a rescue team consisting of Palle Simonsen, H. C. Toft and Hans Toft took turns appealing to Clemmensen and Ninn-Hansen to withdraw in order to insure the party's fragile existence. That caused irreparable damage to relations between Simonsen and Ninn-Hansen.

In 1974 Schluter was elected as both group chairman and party chairman to underline the search for a new unity.

That was the start of Schluter's long climb to power.

Now he has achieved it.

And he is not going to give it up.

It was he and no one else who brought the Conservative Party out from under the long shadow of landed proprietor Estrup and effectively dispelled any idea people had that the party is the arrogant advocate of wealthy Danes.

Ever since the party was founded in 1915 it has engaged in a long and weary pursuit of the ultimate goal--regaining the old Conservative Party's role as a national ruling party.

The capacity to rule lies deep in the Conservative tradition. In combination with the lessons learned from modern management it has equipped the Conservative ministers with a special ability to run things in Denmark. With very few exceptions the Conservative ministers have been capable and effective leaders of the ministerial apparatus. They are liked and respected by those who work for them and quite a few enjoy excellent cooperative relations with the government officials in their ministries.

The Conservative ministers are in excellent spirits.

Stupid Fool

Of course there are dark clouds on the horizon that could threaten the fairly certain prospect of a new 4-year ruling period.

There are the poor trade figures that have been difficult to correct. And the poor export situation. The ministers are concerned but they are confident that as we approach the election the Social Democrats will have a harder time than the government when it comes to offering credible solutions to the economic balance problems.

There is the government's tax policy. The real interest tax law, business taxation in the tax reform measure, energy taxes and in particular the agricultural measures have caused great annoyance in the corps of Conservative Party deputies. The Industrial Council is extremely bitter about the increase in company taxes and the elimination of the entertainment deduction. Leaders of the biggest firms in the country are not averse to calling the tax minister a "stupid ass" to his face in their anger over the tax policy. Criticism from the Conservative business ranks has irritated Conservative ministers. "But never mind, it is the middle we are talking about, not Poul Svanholm," one of them said.

There is the Liberal distaste for keeping a low profile. After the next election the desire to pitch into the Social Democratic welfare state could overwhelm Liberals and create a crisis in government solidarity, concerned Conservatives fear. But most Conservative strategists point out that the Liberal Party has evidently accepted its role as younger brother and has come to terms with the fact that it is really the inside four--Poul and Lisbeth Schluter, Palle Simonsen and Niels Helveg--who rule the nation.

As long as Schluter sits at the head of the table even the most worried Conservatives feel very secure about the future. And even the most embittered members of the Conservative rear guard know that the alternative to the Conservative government is something much worse.

Prospects for Engell

Copenhagen BORSENS NYHEDSMAGASIN in Danish 7 Nov 86 p 21

[Article by Stig Albinus and Erik Meier Carlsen: "Engell--Hope of the Right Wing"]

[Text] Defense Minister Hans Engell is Poul Schluter's discovery. But today he is also the rallying point for the only indication of an opposition to Schluter's line in the party.

No one could manage to cast doubt on the unique abilities of the prime minister and party leader. But even his warmest supporters may agree that he has given too low a priority to the development of new talent.

Schluter is an outgoing party leader who does not care to share the stage with competitors. It is not easy for him to give new talent room in which to try out their wings. But this was probably not the only reason why he did not--as Erik Ninn-Hansen and group chairman Knud Ostergaard wished--give Engell a more prominent position when the government was reshuffled in March.

It would have been preferable if Uffe Ellemann-Jensen had been forced to take over a combined Industrial Affairs and Economic Ministry. That would have provided room for Hans Engell to head the Foreign Ministry, which would have unquestionably made him Schluter's leading successor.

Schluter was personally responsible for naming Engell as defense minister when the government was formed in 1982. As party leader, Schluter had enjoyed extremely close cooperation with the journalist who headed the Conservative press service, which under Engell's leadership was by far the most professionally operated service at Christiansborg.

Engell has done extremely well as a member of the government and he has led his ministry almost without friction through a very difficult parliamentary situation in this area. But Engell is also the man among the younger ministers who most clearly has an understanding of the good old Conservative values. Engell stands clearly to the right of pragmatists like Henning Dyremose and Lars P. Gammelgaard, who are Engell's age and can be regarded as competitors in the line of succession.

Against that background the reshuffling of the government in March was a drama in the Conservative Party's leadership. Justice Minister Erik Ninn-Hansen was greatly handicapped in that situation by his strong sense of obligation to protect Grethe Fenger Moller, whose incompetence as labor minister had been a clear drawback for the government. Ninn-Hansen opposed the government shakeup and argued that it should be postponed until the summer. But if

it had to be done, Ninn-Hansen and Knud Ostergaard felt it was important to strengthen Engell's position by giving him a more prominent cabinet post.

Instead Ninn-Hansen's rival and archenemy Palle Simonsen prevailed in the cabinet shakeup and proved that he is the government's strong man. Simonsen's candidate as Schluter's successor, Henning Dyremose, was brought in as labor minister. Dyremose had left Christiansborg in disappointment after Schluter failed to give him a cabinet seat when the government was formed in 1982, back when Ninn-Hansen was still his chief adviser.

Lars P. Gammelgaard, who has been mentioned as a possible successor and who wholly supports the Simonsen-Schluter line, was also made a cabinet minister.

With the entry of these new faces Simonsen and Schluter cemented their pragmatic line. But superpragmatism has gained the ascendancy only on the basis of its present and potential success. If the opinion poll figures really decline, government power would have to be relinquished and if the prime minister drops dead the revolt in the Conservative Party could quickly gain the upper hand.

In the short run Palle Simonsen is Schluter's obvious successor. If Schluter holds out for another 5 or 6 years--and apparently that is what he wants--a successor will be sought among the ranks of younger party people.

Today the choice appears to lie between Dyremose, Engell and Gammelgaard. With the clear political-partisan overtones that characterized their placement during the reorganization of the government in March.

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JOURNAL NOTES NEW DEVELOPMENTS IN USSR POLICY TOWARD FRG

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[Article by Eberhard Schulz: "New Nuances in Soviet German Policy"]

[Text] By now, Mikhail Gorbachev has been in office longer than his mentor and predecessor once removed, Yuri Andropov. 4 years have passed since the end of the 18-year Brezhnev era. When Brezhnev died, the general belief was that his successors would try to relax the totally rigidified Soviet policy toward the West and the relationship to the FRG in particular. Have these expectations turned out to be right ? In the following article, we will be looking at four options available to the Soviet Union's policy vis-a-vis Germany, i.e. via the GDR; via normal relations with the FRG; via influence below the government level and via blackmail of the FRG.

1. German Policy Via GDR

Can one conceive of a German policy in which the relationship to the FRG does not constitute the decisive element ? Now, without a doubt it would be more to the Soviet Union's advantage if it controlled all of Germany. But if the Soviet leadership does not believe that this can be achieved and does not expect to have a substantial impact on the policies of the FRG government, then the next best thing is to concentrate its attention on the GDR, to strengthen that country and to draw the greatest benefit from it.

From the economic point of view, this appears to have been Soviet policy for some time; but when one looks at it more closely it is not as clear as it seems. In the latter half of the fifties, for example, i.e. after the establishment of diplomatic relations with the FRG, Soviet trade with the FRG rose at a markedly faster rate than with the GDR. In the sixties, up to 1967, this trend did turn around but even before the new "Ostpolitik" of the socialist-liberal coalition really got underway FRG exports caught up by leaps and bounds. Until this day, the Soviet government is trying to salvage the continuity of economic relations from the détente era. Of course if the Soviet Union should find it even more difficult in the future to earn the hard currency it needs for its imports on the West German market and if COCOM regulations place major obstacles in the way of the importation of Western technology, then it would make sense for

the Soviet Union to rely on the best performer in its own backyard, i.e. the economy of the GDR with respect to the potential for technological innovation--even if that economy is probably far behind the West in many areas.

At the 11th SED Party Congress in East Berlin, Gorbachev found words of praise for the GDR's economic policies and after he returned to Moscow a PRAVDA editorial made it clear to the Soviet public that many of the economic policy demands Gorbachev is making of the Soviet Union have long been fulfilled in the GDR. In East Berlin, Gorbachev expressed great interest in what he was told about the GDR economic model--specifically about the decision-making powers of the enterprises. Nevertheless, the Soviet Union will not be able to take over the GDR model in its entirety. The primary reason is that it wishes to preserve its ideological claim to pointing the way for all the socialist countries. But a number of things that are being done successfully in the GDR simply cannot be applied in the Soviet Union. The GDR is a small country which is easily surveyed. The Soviet Union, on the other hand, is huge and hard to move because of its weak infrastructure. For another thing, there are fundamental differences in the cultural traditions of the Soviet Union and the GDR.

But what is the extent to which the Soviet Union can rely on the support of the GDR with regard to its Western policy? In the past, the Soviet Union laid down the foreign policy guidelines for all the member nations of the Warsaw Pact and did not permit the individual countries to pursue individual policies of their own. Only Romania was allowed to act as a free agent to some extent. But in this respect, some major changes have taken place in the eighties and even the GDR, which once was the most obedient servant of Soviet foreign policy, has been speaking up with something of a voice of its own during the past 2 years.

A particularly drastic example of this has been the back and forth surrounding the trip Erich Honecker would like to make to the FRG. Now it is surely a problem for Gorbachev that the party chiefs of the other WP nations are all 10 to 20 years older than he and thus members of the very generation which he has just replaced in the Soviet Union. For another thing, he may not have as much rapport with Honecker as with Jaruzelski or Kadar for example. The primary cause of the tension between the Soviet Union and the GDR in Western policy, however, relates to the German question. Just as distrust of the FRG has rekindled in some segments of the political elites in Washington and Paris, the suspicion seems to have been aroused in Moscow that the GDR might be harboring some hidden national feelings in its active Western policy and, in particular, in its relations to the FRG.

The GDR leadership is well aware of the Soviet concerns. From time to time, this is even acknowledged in published accounts.² Occasionally, the Soviet leadership, too, goes public with its distrust, e.g. in the following categorical statements: "In truth, there is no special relationship whatsoever" [between the FRG and the GDR] or "the GDR strictly adheres to these principles. For that very reason, the diplomatic representatives of the socialist German state do not maintain any contact whatever to the ministry for inner-German relations..." Here is still another quote, on the emergence of two German nations: "That is the inexorable historical process which cannot be halted by any kind of agitation or magic formula." And finally: "If one considers the fact that the concept of 'freedom' is meant to designate the capitalist social system, then that leads one to the conclusion that it is the goal of the FRG's 'Germany policy' to do away with socialism in all European countries."³ The article in question also includes a box in which reference is made to the Salzgitter Central Registry: "The fact is that the FRG is taking careful aim at complicating relations with its neighboring German state..." All these incantations are not statements of fact but arguments against the policy of the GDR vis-a-vis the FRG.

Strangely enough, little attention has been paid in the West to the fact that a "parity government commission on cultural cooperation between the GDR and the USSR" constituted itself in Moscow on 2 June 1986. It is based on agreements reached between the SED leadership and the CPSU delegation to the 11th party congress of the SED.⁴ One major purpose of this government commission appears to be the ideological control of the SED, particularly with regard to the German question. Let us mention some of the peculiarities of this commission. It appears to have been constituted coincidentally with the signing of the actual agreement (according to GDR Television, 2 June 1986). On behalf of the GDR, the "government agreement" was signed by Kurt Hager in his capacity as a member of the Politburo and the SED central committee--without mention of any government affiliation. The commission is charged "among other things...with working out programs ...for the celebration of Berlin's 750th anniversary and other similar events."

The strongest indication of Soviet concern about the GDR has emerged in an area where one had the least reason to expect it, i.e. in the draft of an agreement on a chemical weapon-free zone in Europe. Hans-Jochen Vogel and Erich Honecker had agreed on 14 March 1984 that negotiations on this matter be conducted. The SPD and the SED then established a joint working group which met a total of six times. Both the Bonn foreign ministry and the American and Soviet governments were kept apprised of the progress of these negotiations. According to the West German participants, no objections to the talks were raised by the Soviet side. At a Bonn press conference on 19 June 1985, the working group made public the result of its discussions. PRAVDA did not feel the need to mention the subject at all. Instead, it carried two articles on 20 June dealing with Chancellor Kohl's participation in the gathering of the Silesians.

On 21 June, NEUES DEUTSCHLAND carried a summary of 15 statements dealing with the "joint SED-SPD initiative," prefacing it with a brief TASS item as an actual quote from a Soviet newspaper apparently was not available. The TASS version, at any rate, was quite bland, stating that "representatives of the SED and the SPD have spoken out in favor of the establishment of a chemical weapon-free zone in Central Europe" and failing to mention (as NEUES DEUTSCHLAND did in boldface) that this was based on a "joint political initiative by the SED and the SPD." On 20 June, Radio Prague asked the Soviet foreign ministry spokesman for comment on the "joint proposal" but Lomeyko, too, was loath to utter the word "joint" and in the end merely called "yesterday's initiative by the SED and the SPD" useful. But the fact remains that this draft agreement was very much in keeping with a proposal previously made jointly by the socialist countries even if that proposal did not contain detailed treaty language.

On 22 June, PRAVDA carried a report on a speech Honecker had made before the central committee on the preceding day, stating that Honecker said it was incomprehensible that Kohl would attend a meeting of the revanchists (i.e. the Silesian ethnic organization). The paper still did not say a word about the SPD-SED agreement on chemical weapons. On 19 July, NEUES DEUTSCHLAND quoted the Soviet weekly NOVOYE VREMYA [New Times] as having made mention of the "important political initiative recently undertaken jointly by the SED and the SPD." The German edition of "New Times" really does speak of an "important political initiative" but the word "jointly" does not appear in the piece.⁵ But a German-language broadcast by Radio Moscow on 22 July 1985 created the impression that the word "jointly" was used in the article after all. What purpose is served by this type of falsification ?

We could go on indefinitely. In many official speeches dealing with the problem of chemical weapons the SED-SPD agreement either is not mentioned at all or otherwise merely mentioned in passing. This policy cannot be explained by the fact that the Soviet Union has since reached the point of agreeing to a worldwide ban on chemical weapons--perhaps because it is worried about the easily transportable binary weapons of the United States. To be sure, the USSR has moved forward a little but no agreement has yet been reached on a number of important issues. Thus we are left with but one explanation, i.e. There are influential circles in Moscow which are afraid that talks between the SED and the SPD might bring the Germans too close together.

This is difficult to prove scientifically. Recently, a number of odd occurrences has raised the suspicion that the Soviet side may have made covert attempts to sabotage the further development of inner-German relations. By concluding its own cultural agreement with the FRG on 6 May 1986, the GDR not only caught up with the Soviet Union in its relations with the FRG but even passed it in the area of detailed plans, in a manner of speaking. Is that a reason for the Soviet Union to apply the brake ? In Berlin,

for instance ? The GDR is surely interested in principle in obtaining legal status for the intra-city borders; but was that really so urgent that it would precipitately take advantage of the welcome opportunity of the attack on the "La Belle" discotheque and use it as a pretext for curtailing the rights of Western diplomats "for security reasons" and in order "to combat terrorism ?" And do it entirely on its own to boot ?

The financially lucrative but politically somewhat embarrassing stream of asylum seekers from the GDR to West Berlin points in the same direction. The gain in hard currency cannot be so large but that the GDR--in contrast to its conciliatory stand on the influx of Tamils--would want to provoke a major rift with the FRG. For another thing, "Interflug" is not the only airline which uses Schoenefeld airport. Isn't it conceivable that the very people in the FRG who promptly called for sanctions against the GDR--as understandable as their chagrin may be--might not have done exactly what the opponents to all-too-close inner-German relations meant to achieve?⁶ Party chief Gorbachev, it is said, apparently knew nothing of the matter when Foreign Minister Genscher raised it in Moscow--but Soviet Foreign Minister Shevardnadze did. The alleged remark by Kvitsinskiy, the smart new Soviet ambassador to Bonn, that the Bonn government always makes a point of supporting the freedom to travel in other instances would indicate some familiarity with the subject. When the U.S. Department of State called in Soviet ambassador Dubinin to raise the asylum seeker issue, the Soviet press kept silent. There might conceivably have been a Soviet statement to the effect that sovereign rights of the GDR were involved--but there was none. Schoenefeld, after all, is not part of Greater Berlin.

And then there was the case of the high-ranking Professor Meissner. Maybe he really was an unfortunate shoplifter and a deserter torn this way and that by conflicting emotions. But why did he tell the BND the story of Naumann's coup against Honecker of all things before deciding to go back to the GDR ? Questions, nothing but questions.

If there is a serious foundation to these speculations, then there are limits to the ability of the Soviet Union to take advantage of the GDR's Western policy. As long as the GDR had no room to maneuver in the foreign policy field, the Soviet Union could not make use of it in its Western policies because no one would have taken the "zone regime" seriously. Now that the GDR is at least making an attempt to develop a foreign policy image of its own, its moves no longer necessarily satisfy the Soviet ideal. To be sure, the GDR leadership is not about to act counter to Soviet interests openly but it is giving unmistakable signs of holding differing views. No big power appreciates such an attitude--least of all the Soviet Union which is utterly unaccustomed to it.

2. Changeover to Normal Relations with FRG

For a good 7 years Soviet foreign policy has attempted to circumvent the FRG and, if possible, to isolate the FRG and the United States within the Western alliance. The Schmidt government had already tried to counter this policy and the Kohl government has kept on trying, despite Soviet intransigence. Although a silver lining seemed to be showing through from time to time--slightly after the death of Brezhnev; a little more distinctly after the death of Chernenko--it took until the spring of 1986 for the Soviet leadership to decide on a cautious revival of official contacts with the Bonn government.

The visit by Foreign Minister Genscher in July 1986 brought a tangible step forward. Agreements were signed which had been blocked ever since Genscher assumed his present post. Their political significance is not so much indicated by their content than by the compromise the two sides have finally managed to achieve with respect to West Berlin. The Soviet Union no longer rules out a de facto inclusion of West Berlin and the FRG agrees not to put the Berlin agreement to the test by raising substantive legal issues. In that sense, both sides have drawn pragmatic and constructive lessons from their experience with the FRG Environmental Protection Agency issue.

In the communiqués issued after the conclusion of Genscher's discussions in Moscow, the atmosphere was described as "businesslike and constructive" and Gorbachev, carefully circumscribing the Soviet point of view, said that the meetings had gone beyond the normal scope. Gorbachev apparently did not comment on Chancellor Kohl's standing invitation which he had not accepted but simply "taken note of" at the time it was extended; but Shevardnadze gratefully accepted the invitation now extended to him by Genscher. To be sure, the Soviet hosts criticized the "inconsistencies" of Bonn's policies (as they saw them) with regard to "support of the militant course of the U.S. administration" and the American proposal for an interim solution of the intermediate-range missile issue in Europe as well as to Bonn's "participation in SDI." And TASS, which commended the Bonn government for its stand on adherence to SALT II, said that it would do no harm to the FRG to issue a positive statement regarding a nuclear test ban. Gorbachev himself said that the FRG would find the Soviet Union to be a "reliable partner" if she would pursue an active policy on disarmament issues in its own interest and were to take practical steps. Under such circumstances, the Soviet Union would not meet the FRG emptyhanded. There is no telling as yet what this may mean in concrete terms--but it certainly sounds like an offer.

Thus far, it is only possible to speculate on the reasons for this change of course. The Chernobyl shock may have played a part in it. There is hardly any event since the end of World War II that has more clearly demon-

strated the need for constructive cooperation among Europeans in the interest of their common survival than the reactor mishap and its transnational consequences. For another thing, the Soviet Union is faced with grave economic problems. As yet, no one can say how the Soviets propose to as much as maintain their volume of exports to the FRG, its most important Western trading partner, in the face of the decline of the dollar, lower oil prices and their own oil production problems. Under these circumstances, an agreement on cooperation in S&T is of paramount interest to the Soviet Union--above all in the especially important area of agricultural research but also in the fields of health, nuclear energy and reactor safety. The phase of diplomatic isolation of the FRG by the Soviet Union thus appears to be coming to an end.

Nevertheless, it is still a long way from here to a constructive political position vis-a-vis the FRG. After all, the Soviet Union kept up its economic ties to the FRG even during the coolest stage of the relationship. In addition, the Soviet Union is looking for ways to activate economic cooperation with the European Community and to reassume its observer status in GATT. At present, there are few indications for a more conciliatory attitude on the Soviet Union's part with regard to major concerns of the Bonn coalition government. As recently as January, the NOVOSTI news agency, in a lengthy article, voiced criticism of the FRG with respect to the issue of reuniting families. At the February party congress, a German delegate from Kazakhstan (who was later elected as a candidate to the central committee) took the floor to show that Soviet Germans enjoy full civil rights.¹⁰ While the number of Jewish citizens granted exit visas increased during the spring, no such trend is discernible as regards the Soviet Germans. The horror propaganda campaign against the FRG initiated upon Chernenko's assumption of power is still continuing almost full force. Contrary to Soviet practice, it was hardly reduced in the days immediately preceding Genscher's arrival in Moscow on 20 July 1986. IZVESTIYA, the newspaper controlled by the presidium of the Supreme Soviet headed by Gromyko, did carry a letter to the editor on 25 May 1986 by German ambassador Joerg Kastl in which the latter registered a complaint against the improper attacks on the FRG but the newspaper added a lengthy commentary which, if anything, made the attacks even worse. Manfred Woerner, the West German defense minister, was accorded similar treatment when he appeared in an interview on Soviet television for the first time on 7 September. The interview was followed immediately by a commentary by Soviet foreign ministry spokesman Gennadiy Gerasimov.

Even if the Soviet leadership were to decide to return to a détente policy vis-a-vis the FRG, the experts of the central committee apparatus and the foreign ministry will point out that a new German Bundestag is to be elected on 25 January 1987. In Moscow as much as anywhere, people are certainly speculating on the outcome of that election; but it would run counter to all the rules of Soviet diplomacy for the leadership to take a specific

stand in advance. If need be, the new nuances discernible in the summer of 1986 can be expanded into a change of policy but they do not commit the Soviet Union to anything in particular in case a change of government takes place in Bonn early in 1987. After the Soviet leadership paid no attention to the FRG government and the politicians who make up the government coalition for years and after Foreign Minister Genscher was frequently accorded rather harsh treatment on his visits to Moscow, the results of his trip to Moscow in July 1986 maybe viewed as the start of normalization, if one is inclined toward optimism.

The Soviet government's conciliatory attitude is initially limited to the basics. The acceptance of an invitation to a soccer game between the national teams of the FRG and the Soviet Union in Berlin in August 1987 which was extended in Mexico in late June is an indication of the fact that the Soviet Union is prepared to talk in specific instances, if the proper formalities are observed--in this case, a formal invitation by the Lord Mayor of Berlin. This type of accomodation on the part of the Soviet Union can be portioned out in accordance with the political climate prevailing at a given time. There are some who may consider this worrisome. But if the chicanery stops and Soviet behavior normalizes itself in a positive way, then political tensions could be resolved in a manner which might open the way to more far-reaching agreements later on. In this sense, the Soviet Union has opened the door to better relations with the FRG at least part of the way.

There is hardly any need to mention that the Soviet Union still has not chosen to play the "reunification card." Concern over the fact that it might decide to do so has still not subsided among some observers in the member nations of the Atlantic alliance. These observers are afraid that by making such a tactical move the Soviets would not only appeal to large segments of the population in the FRG but might even put the Kohl government in an awkward position. But what they fail to see is that such a move would cause a political earthquake in East Europe, particularly under present conditions.

3. German Policy Below the Governmental Level

By the Western definition of foreign policy it is doubtless not "normal" that the Soviet Union is collaborating with all kinds of opposition elements in Western nations to the extent that it believes it can use them in the "struggle for peace." In his report to the party congress, Gorbachev succinctly summarized this approach as follows: "The Soviet public stands ready now and in the future to develop relations to non-communist trends and organizations, including religious ones, which are opposed to war." In this connection, he devoted a specific passage in his report to relations with social democracy. There was no need to dwell on the profound ideological differences between communists and social democrats, he said, or on the fact that their experiences and achievements are

neither identical, nor of equal merit--but it was unconditionally useful both for communists and social democrats to take note of each other's positions and views. This was particularly useful, he added, in order to activate the struggle for peace and international security.

These statements make it easy to understand why the Soviet leadership has been paying particular attention to social democratic politicians over the past few years and bestowed unusual protocol privileges on them. The social democrats wooed in this fashion were forced to recognize, to be sure, that the CPSU views cooperation with them as a marriage of convenience which applies exclusively to the field of military security policy. At the very same time, of course, Soviet propaganda lends support, wherever useful, to all kinds of groups ranging from the Greens to the militant opponents of nuclear power. And what is more, the CPSU also has the DKP engage in tactical campaign maneuvers which have the miners and nuclear power workers union newspaper EINHEIT [Unity] refer to an "alliance between the Greens and the DKP against the SPD."¹²

As in so many other areas, the CPSU has not yet been able to formulate a clear policy toward the social democrats. Anatoliy Dobrynin, the CPSU Central Committee secretary for international relations, commented on the relationship between the CPSU and the SPD in a lengthy and authoritative article recently.¹³ The article clearly states the goals as well as the limitations and obstacles to cooperation which the CPSU still has not been able to overcome. As far as the goals are concerned, the article's very title spells them out, i.e. "Cooperation for Peace and Security." The reference, of course, is to the security of the Soviet Union but Dobrynin expressly points out that "in the nuclear age the national security of individual nations cannot be achieved at the expense of others." He goes on to speak out in favor of "further development of normal, goodneighborly relations between the USSR and the FRG" which the Soviet Union considers extremely important. To be sure, Dobrynin adds, "certain actions by the present government of the FRG make it difficult to take advantage of existing possibilities in this regard." On the other hand, the Soviet people has a high regard of the SPD which "is making efforts to assure that war will never again originate on German soil." Dobrynin fails to mention that Chancellor Kohl made the same pledge jointly with Erich Honecker.

Does Dobrynin intend to use the SPD as a lever against the FRG government ? Yes and no--which is indicative yet once more of the characteristic ambivalence of Soviet policy. On the one hand, the author accepts the SPD as an ally to help counter the "offensive by the forces of conservatism" which poses a challenge to the labor movement as a whole and which is directed both against the socialist countries and against the workers in the capitalist countries. But in their contacts with SPD representatives the Soviets also took note of the fact that "they paid careful attention to the criteria of national security applying to the West German people

in their approach to foreign policy matters." Dobrynin then goes on to say that "the CPSU of course is also interested in guaranteeing the security of its country." This statement, to be sure, is followed by the above-mentioned observation that in the nuclear age the national security of individual nations cannot be achieved at the expense of other nations. But it is worth noting that the solidarity of the labor movement as a whole of which he spoke earlier is doubtless subordinated to national interests.

4. Blackmailing the FRG

Again and again, the Western neighbors of the FRG have voiced concern that the Germans might be blackmailed by the Soviet Union. Hassner has reduced this to the graphic concept--none too flattering for Finland, to be sure--that the Soviet Union is acting the part of an "objective Finlandizer" in its relations with all European nations.¹⁴ He cites two reasons, i.e. Soviet military superiority and the fruits of détente obtained by the FRG.

That the Soviet Union wants to blackmail the FRG is not easy to prove; but it is conceivable even though Moscow keeps denying it. If one looks for a rational explanation for the excessive deployment of the SS 20s, which cannot in fact be used against the territory of the United States, the leader of the alliance, then the thought of political blackmail against the FRG can scarcely be evaded. Warsaw Pact superiority in tanks could also be interpreted in this manner. But it is equally conceivable that such rational considerations played only a minor role in this excessive arms buildup and that irrational motivations exerted their influence on this absurd arms policy. The truth is that it is extremely doubtful that nuclear blackmail against another nuclear power could work in the absence of a totally assured first-strike capability--not only because no genuine precedent for such an eventuality exists but also because nuclear weapons are not suitable in the Clausewitz sense for a continuation of political relations between nuclear powers.

To be sure, this statement holds true only under certain conditions. It holds true on the one hand as long as the aggressor must count on his opponent's second-strike capability. Since NATO neither has the intent, nor the potential for an attack against the Warsaw Pact, this condition needs to be analyzed only with respect to the Soviet Union. We can assume that the Soviet leadership cannot count on a totally assured first-strike capability by the end of this century in any event. The second reservation is that the above statement can also only be applied to the Russian decision-makers because the Russians' risk posture (insofar as it can be determined empirically) virtually rules out a nuclear attack against the United States in the absence of a first-strike capability. For this very reason, any attempt at nuclear blackmail of the United States would be doomed to failure as long as the American government does not give its own people or the Soviets the impression (which it has doubtless not done thus far) that it can no longer withstand Soviet pressure.

This raises the question whether the Soviet Union might not be able to blackmail the FRG alone--by taking advantage of its nuclear potential. The fact that this has never been successfully attempted before does not rule out the possibility with any certainty. The FRG, after all, is not a nuclear power and it also has a peace movement which virtually turned nuclear weapons into its main concern as of the early eighties, i.e. not the then existing Soviet weapons but the planned American missiles. Furthermore, there is a widespread belief that irrational fear is a kind of German national trait. Would the Germans really succumb to a serious Soviet threat--out of fear of a mortal nuclear blow by the Soviets or an equally mortal potential response by the Americans ?

No particular care has been given to answering this question either within the Western alliance or, more specifically, inside the FRG. The alliance apparently believed it could dispense with this matter because it had concluded--rightly or wrongly--that a Soviet nuclear attack is highly unlikely and that the real danger is an aggression with "conventional" or chemical weapons. However that may be, it is hard to conceive of a military conflict on German soil in which attacking Soviet forces could escape combat contact with American units for any length of time. Past experience, however, indicates that all the Soviet leaders since the end of World War II have avoided a military conflict with the United States which might have developed as a result of one of any number of crises. The reason for this obviously is based on Soviet risk behavior; the Soviets are unable to rule out a nuclear reaction by the United States--however unlikely it might be--with sufficient certainty. To be sure, the excessive arms buildup by the Soviet Union in Europe is a fact which virtually tempts one to view matters pessimistically--the more so since one may well ask whether successive FRG governments have dealt with these concerns with the appropriate resolve. But why should the Soviet Union choose the high-risk military option of all things, if it can take advantage of far simpler methods vis-a-vis the FRG (particularly including West Berlin) ?

The fruits of détente gained by the FRG are no doubt real and the Soviet Union takes full advantage of them in its German policy. How could it be otherwise in a country one-third of which is dominated by the Soviet Union ? Nor does the Soviet Union miss an opportunity to remind the public of its capabilities--and if it does not do so itself, the GDR calls attention to them for reasons of its own. The pawns available to the Soviet Union in this game are the status of inner-German relations and the survivability of West Berlin. This year was not the first time that the Soviet Union resorted to the unusual option of elucidating the status of West Berlin in a PRAVDA article.¹⁵ By flooding West Berlin with asylum seekers, the Soviet Union gave a demonstration of how easy it is to make life difficult for the city even without formally violating existing agreements or threatening to use military might. The placement of the PRAVDA piece makes it clear that the Soviet leaders look upon West Berlin as the spot where they can apply political pressure if and when the security policy of the FRG (or of the Western powers) is not to their liking.¹⁶

To be sure, the range of such options is limited. In fact, the Soviet political leaders are likely to be aware of the fact that methods of this kind tend to weaken at least those elements in the FRG which are working for détente. The fate of the Schmidt government which Brezhnev refused to accommodate in any way during his final years ought to be a lesson for Moscow. But there is something else that is probably even more important: there are no relaxations in inner-German relations (nor for that matter the refusal to agree to such relaxations) that would suffice to make the FRG quit NATO--quite apart from the fact that the Warsaw Pact would probably face a grave political crisis if the FRG really did leave the alliance. Nor has any FRG government ever agreed to cut the defense budget as a means of improving inner-German relations. And if the Soviet Union really did decide on reprisals against West Berlin--continuing to flood the city with foreign asylum seekers would surely be one such possibility--this would not only affect the alliance as a whole but would also touch on the victor's rights of the three Western powers. In the final analysis, a challenge of this sort might serve to strengthen the alliance rather than to shake its foundations and the Soviet Union would be faced with strong resistance on the part of the three Western powers.

Findings and Outlooks

This analysis indicates that new nuances are definitely discernible in Soviet policy vis-a-vis the West and vis-a-vis Germany. The passivity which characterized the final years of the Brezhnev era in particular has been overcome.

Many people in Bonn were surprised that the Soviets gave preference to the governments of Italy, France, Japan, Great Britain and other countries ahead of the FRG. After all, there was hardly any government that had worked harder for a return to détente than that of the FRG--quite aside from the fact of the weight the FRG carries in world politics. There are a good many people who find it hard to imagine that the policy of the FRG government seriously worries the Soviet political leadership. But in Moscow it is the FRG's outspoken allegiance to the alliance and the readiness to take part in SDI research which catches the eye--and not the hesitation which made headlines in the German newspapers. From the Moscow vantage point this is connected to leaving open the German question which the present Bonn government has raised far more often than its predecessor while being unable to come up with a clear definition of how the German question might be resolved within the European context in concrete terms. This combination is viewed by the Soviets as highly explosive mixture which apparently causes them grave concern in view of their confrontation with the United States under President Reagan. One might do well not to underestimate this psychological nexus even if such considerations appear absurd from the Bonn point of view, since the Bonn government never neglects to mention when it states its views on national problems that it intends to pursue its goals exclusively by peaceful means.

In 1986, Berlin turns out to be an especially critical item yet once more. It is particularly with regard to Berlin that the signing of the agreement on cooperation in science and technology may be viewed as a success for a target-oriented, pragmatic policy toward the Soviet Union. And yet, the influx of asylum seekers demonstrates just how vulnerable the city is. It is a spot where conflicts between the FRG and the GDR can be provoked whenever someone starts to worry that the two German states may be getting too close. In this respect, it is possible to cause embarrassment to the FRG or even to create unrest within the alliance without being readily identifiable as the perpetrator in each instance.

The Soviet leaders are unlikely to decide on a genuine show of confidence in the FRG government prior to the 1987 Bundestag election. Even after the election, such a decision would be difficult for the Soviet Union even if it felt it was in its own interest. On the one side, there is the present FRG government with its outspokenly national posture and its efforts at close policy coordination with the United States. On the other side, there is the SPD which not only has always been a dangerous ideological competitor of the communists but which also stuns the conservative Soviet military establishment with the almost revolutionary plans of its experts on security policy--although there is no chance that these plans will be adopted by the Western alliance anytime soon. In terms of foreign policy tactics it definitely makes sense to inject the partnership concept into the debate; but in terms of domestic politics, resistance against this highly suspect concept from the ideological point of view appears not to have been overcome by any means as yet.

It is simpler for Soviet German policy in every respect to proceed on more than one track and to lend particular support to the peace movement. To be sure, its impact is limited from the point of view of Soviet interests. It has neither been able to prevent deployment of the new American intermediate-range weapons, nor the participation of West German firms in the SDI research program and it is highly questionable that it can do serious harm to the present government coalition in the upcoming Bundestag election. For another thing, the Soviet leaders cannot expect their statements concerning partnership to instill confidence in the West German political parties as long as they attempt to influence the FRG's domestic political life in this manner--but that is unlikely to be viewed by them as a serious drawback.

In sum then, the new nuances of Soviet policy toward the West and toward Germany do not amount to a genuine course correction--either in terms of strategy or tactics. As before, no clear preferences for new political goals or unequivocal methods are discernible. Above all, Soviet foreign policy continues to be dominated by militaristic thinking which assigns greater weight to military factors in foreign policy than to genuine political dialogue--despite all the assurances to the contrary. In any event,

in Moscow there are no signs as yet of a "second détente." Zero sum thinking is still the rule. That the nuclear age no longer permits either the West or the Soviet Union to make use of their military power in Europe and that the continuation of politics by military means can no longer serve any rational purpose at least on this continent--these are facts that continue to be repressed at least in the practical policies of the Soviet Union and its military underpinnings. The chances for success of the disarmament talks at various levels to which excessive importance has been assigned over the past few years with regard to European security and Europe's future are correspondingly slim.

Given the importance which continues to be attached to these military issues in East-West relations in Europe, more long sighted political settlements in the sense of a peaceful European order based on a code of conduct among the participating nations are just as far off as progress in resolving the German question. A lot speaks for the fact that the present contradictions in Soviet policy toward the West and toward Germany will persist for the time being--the more so since Gorbachev will continue to be primarily occupied with domestic problems. These come first and only then the relationship with the United States and after that, relations with Western Europe and the FRG.

In this connection, one should not overlook the fact that the "elaboration of a long-term foreign policy strategy" of which Peregudov has spoken¹⁷ may not be without political and personal risk for the functionaries involved--all the way to the very top. Valentin Falin, the Soviet Union's former ambassador to the FRG, was recently quoted as having made the following statement: "A new policy does not take shape overnight or within an hour--particularly if new ideas are to be developed by people who used to think along entirely different lines and were taught to think along entirely different lines."¹⁸ Anyone who expects changes in Soviet policy should not leave the time factor out of his considerations--because the clocks in Moscow move a lot more slowly than those in Western Europe.

FOOTNOTES

1. PRAVDA, 26 April 1986.
2. Cf Stephan Supranowitz article in NEUES DEUTSCHLAND, 30 April 1986, p 2.
3. A. Tolpegin, "Ein Revanche-Ministerium" [A Revanchist Ministry], NEUE ZEIT [New Times], No 23, June 1986.
4. NEUES DEUTSCHLAND, 3 June 1986.
5. NEUE ZEIT, No 30/1985, p 26.

6. Interestingly enough, NEUES DEUTSCHLAND refers to an article in the West Berlin CP organ DIE WAHRHEIT [Truth]. Cf Karl-Heinz Gatterdam piece in NEUES DEUTSCHLAND, 31 July 1986. Cf also Peter Jochen Winters, "Der Asylantenstrom als Hebel gegen Berlin" [Influx of Asylum Seekers Used as Lever Against Berlin], DEUTSCHLAND-ARCHIV, No 9/1986, p 913ff and documentation in same issue, p 1013ff.
7. DIE WELT, 1 August 1986. Also, Karl Wilhelm Fricke, "Die Affaere Meissner-ein Fall MfS" [The Meissner Affair--A Ministry for State Security Case], DEUTSCHLAND ARCHIV, No 9/1986, p 916ff,
8. UPI, 21 March 1986; Radio Liberty, 135/86, 21 March 1986.
9. DEUTSCHE WELLE Monitoring Service, 22 January 1986, p 3.
10. PRAVDA, 28 February 1986, p 5. Also Vyacheslav Valkov, "Sowjetdeutsche: Spekulationen--Realitaeten" [Soviet Germans: Speculations and Realities], NEUE ZEIT, No 11, March 1986, p 24f.
11. FRANKFURTER ALLGEMEINE ZEITUNG, 30 June 1986; also cf Hans-Dieter Krebs, "Erstaunliche Gesten und freundliche Zeichen" [Surprising Gestures and Friendly Signs], DEUTSCHLAND ARCHIV, No 8/1986, p 791ff.
12. FRANKFURTER ALLGEMEINE ZEITUNG, 18 July 1986, p 2.
13. "KPD/SU und SPD: Zusammenarbeit fuer Frieden und Sicherheit" [CPSU and SPD: Collaboration for Peace and Security], VORWAERTS, 19 July 1986, supplement, p viff.
14. Pierre Hassner, "Europe between the United States and the Soviet Union," GOVERNMENT AND OPPOSITION, Vol 21, No 1, Winter 1986, p 23.
15. Stanislav Tsyubanov article in PRAVDA, 27 January 1986. The article is written in the form of a response to a reader's letter. It appears immediately below a commentary which claims that 900 Japanese communities with more than half of Japan's total population have come out in favor of nuclear-free zones. These sentiments could not be brushed aside by the Japanese government which has stated that it takes a positive view of the Soviet proposal for the destruction of nuclear weapons.
16. The realization that the continued survivability and freedom of West Berlin is not a military problem in the first instance is not new. Cf Eberhard Schulz, "Die deutsche Nation in Europa" [The German Nation in Europe], Bonn, 1982, pp 207, 250. Also, Eberhard Schulz and Peter Danylow, "Internationale Aspekte der deutschen Frage seit Mitte 1985" [International Aspects of the German Question Since the Middle of 1985], DEUTSCHLAND ARCHIV, No 5/1986, p 502.

17. S. Peregudov article, MEMO, No 6/1986, p 16ff.
18. Wolf J. Bell, "Falin: Eine neue Politik etabliert sich nicht ueber Nacht" [A New Policy Does Not Take Shape Overnight], GENERAL-ANZEIGER, 31 May 1986.

9478

CSO: 3620/87

PASOK OFFICIAL'S, MITSOTAKIS' ELECTORAL VIEWS

Athens EMBISTEVTIKO GRAMMA in Greek 12 Nov 86 p 5

[Text] Over the past few days, the Speaker of the Chamber of Deputies, Mr. Ioannis Alevras, has repeatedly asked the premier about the possibility of calling for early elections because he reportedly believes that only thus can PASOK and the government reverse the downward slide. According to Mr. Alevras, the economic situation is bound to worsen in 1987 and 1988 and, consequently, Mr. Andreas Papandreou's secret plan to hold regular elections (national and Europarlimentary) at the beginning of 1989 cannot succeed. However, Mr. Alevras has set, as a condition for holding early elections, confrontation with the Right and the aggravation of relations with the two KKEs before--as he specifically emphasized--they can consolidate their political gains made in the municipal elections.

The president of ND, Mr. K. Mitsotakis, does not believe that the premier will find the solution for early elections in order to seek a way out of the impasses that confront him. This because, as Mr. Mitsotakis believes, Mr. A. Papandreou knows that he would simply hasten his electoral defeat. On the other hand, ND's president believes that a rallying of the popular front is more probable, in which case there is a possibility for the electoral system to remain as it is.

However, as Mr. K. Mitsotakis stated during a conversation on the subject, ND would not have any problems even if Mr. A. Papandreou were to establish the simple proportional electoral system. "We have reached a 46-47 percentage," Mr. K. Mitsotakis maintains, "and this percentage will give us the votes to form a government under any electoral system, even marginally.

"In such a case, however," he added, "I will immediately bring back the reinforced proportional system and the preference cross [check mark]; I will hold elections immediately, as the constitution allows me to anyway, and I will get 200 deputies elected."

9731

CSO: 3521/29

BRIEFS

DISSATISFACTION AMONG PASOK MODERATES--The leftist-leaning policy followed by Mr. A. Papandreou is causing opposition and rifts within PASOK because many of its deputies foresee that there will be defections of moderate voters from the Movement to New Democracy. In this context, well-known Movement cadres openly express their dissatisfaction and they emphasize that PASOK's future is already gloomy. These same people also talk about creating a rallying point for PASOK's moderate cadres, in which case a name often mentioned is that of Mr. Apostolos Lazaris. There is serious opposition within PASOK against government maneuvers with regard to the scandals that are surfacing and which definitely tarnish the political image of the Movement. It is not to be excluded that soon there may be resignations and withdrawals from PASOK which will hasten the holding of elections. [Text] [Athens EMBISTEVTIKO GRAMMA in Greek 12 Nov 86 p 8] 9731

RUSSIAN NEWSPAPER'S PUBLICATION--According to its publishers, the Greek edition of the PRAVDA was much more successful than the other European editions. The first one (100,000 copies) was snapped up in two days and a second edition (50,000 copies, of which it is thought that about 20,000 have been sold to date) was needed. The newspaper will remain in Athens newsstands for one more week and in the rest of Greece for approximately one more month. However, for the time being, a more regular edition of the newspaper in Greek is not expected. [Text] [Athens PONDIKI in Greek 31 Oct 86 p 2] /7358

ALLEGED LEAKS--A very serious problem in regular contacts has recently cropped up in the relations between the Ministry of Foreign Affairs and the ambassador of an important Western power: every meeting of the ambassador in question with a specific member of the Ministry's leadership, or every time the former hands over a document, the news is published a few days later by a well-known pro-government satirical weekly. Those who are aware of the situation are uselessly attempting to bring him up-to-date on "PASOK realities," but the ambassador is extremely concerned. We shall surely hear more about it, more specifically about the way the foreign ambassador will react... [Text] [Athens POLITIKA THEMATA in Greek 14-20 Nov 86 p 10] /7358

CSO: 3521/39

POLL RESULTS: PRD'S EANES UP, PS' CONSTANCIO DOWN

Lisbon EXPRESSO in Portuguese 15 Nov 86 pp 1,3

[Text] Another consultation by the EXPRESSO/EUROEXPANSAO Popularity Panel made during the first week of November has revealed that Ramalho Eanes clearly emerges as the most popular leader of the opposition parties, benefiting from a considerable 10-point rise in his popularity rate, and that, last month, Victor Constancio registered a no less notable 15-point decline.

But this marked change in the position occupied by Eanes and Constancio among the electorate did not succeed in countering the bipolarizing trend that the Portuguese have been showing in their voting intentions. PRD [Democratic Renewal Party] rose to only a modest 11.5 percent, quite far removed from PSD [Social Democratic Party] (39.1 percent) and from PS [Socialist Party] (32.5 percent), which remain as major polarizers of the continental electorate's vote.

Ramalho Eanes' public reentry into political activity, upon assuming the presidency of PRD in October, may have been a factor to foster the sudden increase in his popularity, now gaining the support of many voters who had previously shown lack of decision regarding his performance.

Now, Vitor Constancio has disclosed a sudden erosion of his image, unexpected considering the wide support that he achieved during the brief period of a month; now holding a share of popularity exactly equal to that of the Christian Democratic leader, Adriano Moreira. The necessity for a PS secretary general to assume a more offensive attitude toward the government of Cavaco Silva, which prompted him to publicly cite the possibility of bringing about a political crisis, and some initiatives which were quickly stripped of their political impact (such as the shadow-government or the Democratic Left Convention) may have deprived Constancio of the sympathy of certain groups of voters from the PS borders of influence; voters who have now taken a stance of non-decision regarding his political performance (56 percent of those queried rate him as "so-so").

Also noteworthy is the drop in popularity suffered by all the organs of sovereignty, with particular emphasis on the president of the republic, who lost 11 points, allowing himself to be surpassed by the prime minister. Mario

Soares has currently gleaned 49 percent positive opinions, ranking after Cavaco Silva with 53 percent (he also lost 6 points during October). More disturbing, however, may be the positions of the government and the Assembly of the Republic, which now have a rather unpopular image among the Portuguese, and will see the decline in that image accentuated. Although October has been a month during which certain sectorial government measures were widely publicized, with an impact on the people, and the parliamentary work was resumed, neither of those organs of sovereignty managed to improve its public image. The government received 32 percent favorable opinions, and 14 percent unfavorable; and the Parliament has an almost nil balance, with 19 percent positive opinions, and 16 percent negative

PRD Rises, PS Holds Steady

Unlike the upheaval which significantly changed the score of the political leaders, the voting intentions remain close to what they showed in last month's consultation by the electoral panel. PSD continues to lead, with nearly 40 percent, and PS was almost not affected by the declining image of its secretary general, retaining over 30 percent of the voting intentions. It is also interesting to note that, just as PS did not suffer the effects of Vitor Constancio's decline in direct proportion, PRD did not benefit proportionately from the considerable improvement of Ramalho Eanes's image, rising only from 8.6 percent (in October) to the current 11.5 percent. Thus, the parties have shown that they have an image of their own among the electorate, and it is less dependent than what might have been anticipated on the oscillating popularity of their leaders. On the other hand, this stability in the electoral picture could be a result of the visible trend (which has been retained) toward bipolarization of the vote.

Eanes: the Great 'Leap Forward'

Ramalho Eanes' great "leap forward" is without question the most salient fact in the progress of popularity among the main political leaders in October. But, symmetrically, another fact of quite similar scope has occurred: the sharp decline in the popularity rate of Vitor Constancio, who during a month lost over a third of the support that he had gained, and only managed to stop his sudden decline at the point where Adriano Moreira also stands.

Ramalho Eanes has now emerged as the leading opposition figure, and may have benefited from the backing of a sector of the electorate which followed his indecision until he formalized the taking of office as president of PRD. In fact, it is the undecided and those who did not rate his performance as "good" or "bad" before, who have now decisively contributed to the notable improvement in the image of the former PR [president of the republic].

Now, Vitor Constancio reflects primarily the erosion of the image that he formed among the electorate. The loss of impact of his initiatives, such as the shadow-government and the Democratic Left Convention, the detraction of political force from acts such as the appointment of Ferraz de Abreu as

PS parliamentary leader, or the repeated references to the possibility of the triggering of an imminent political crisis may have brought about an essentially negative effect on public opinion, and alienated some more fluctuating groups with a Socialist vote.

Adriano Moreira and Alvaro Cunhal, for their part, have kept their images virtually unchanged, even managing to reduce the unfavorable assessments slightly.

Cavaco Loses Less Than Soares

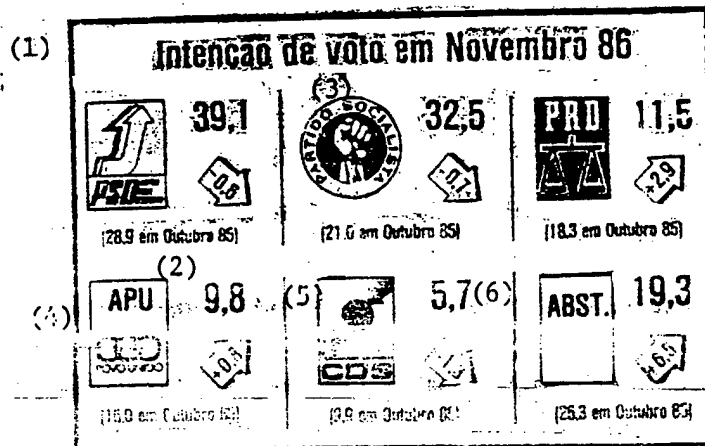
Cavaco Silva again regained the leadership in the Popularity Panel, although he observed a 6 point decline in his share of favorable opinions. In fact, throughout October, all the organs of sovereignty underwent a considerable erosion of their image, with particular emphasis on the president of the republic.

It was, moreover, the marked decline (under 11 points) of Mario Soares that enabled Cavaco Silva to regain first place in the sympathies of the electorate. However, the shares of popularity of the PR and the prime minister may be considered to be still within the limits of a certain stability. Throughout the months, Soares has held steady within a range between 45 and 60 percent positive opinions, and Cavaco, in a narrower range, varying between 50 and 60 percent.

But while the status of the president of the republic and the head of the government may be explained by a relative dimming of their image, owing to rather insignificant public intervention during October (it is the electorate without a definite opinion that increased percentage-wise in both respects, with no worsening in either case of the negative opinions, "poor" or "very poor"), now, the decline in the image of the government and the Assembly of the Republic appears to lie in more consistent reasons.

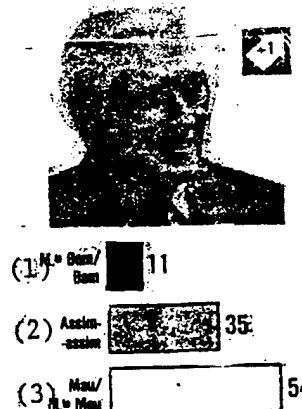
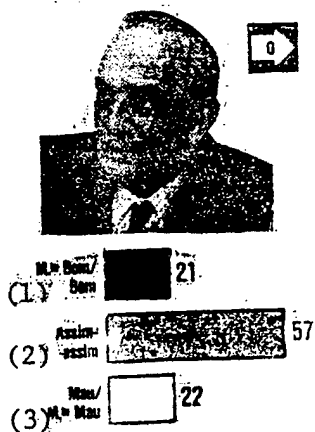
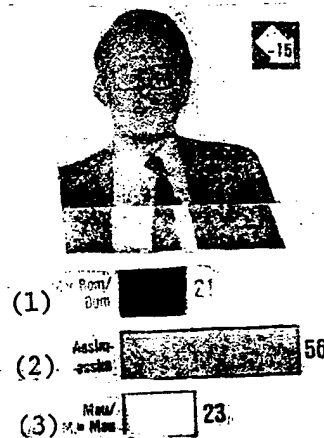
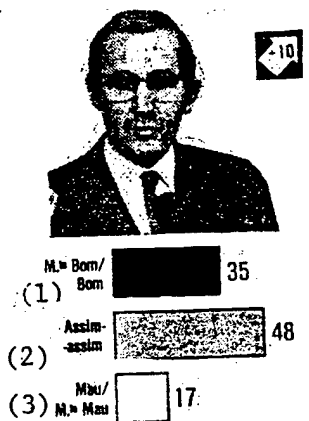
Certain government initiatives in October were widely publicized, such as the demolition of the clandestine houses in Arrabida, the opening of the school year, the patronage law in the cultural sector, or the great options of the plan. Yet the effect of these measures did not manage to improve the rather unsatisfactory image that the government still has in public opinion, with even a reduction in the balance between favorable and unfavorable responses to 18 percent.

The Assembly of the Republic also did not benefit from the resumption of parliamentary activity which causes it to return to the center of attention. This month, the AR had a 4-point drop in its figure, almost nullifying the meager positive balance still remaining to it (3 percent, at present).



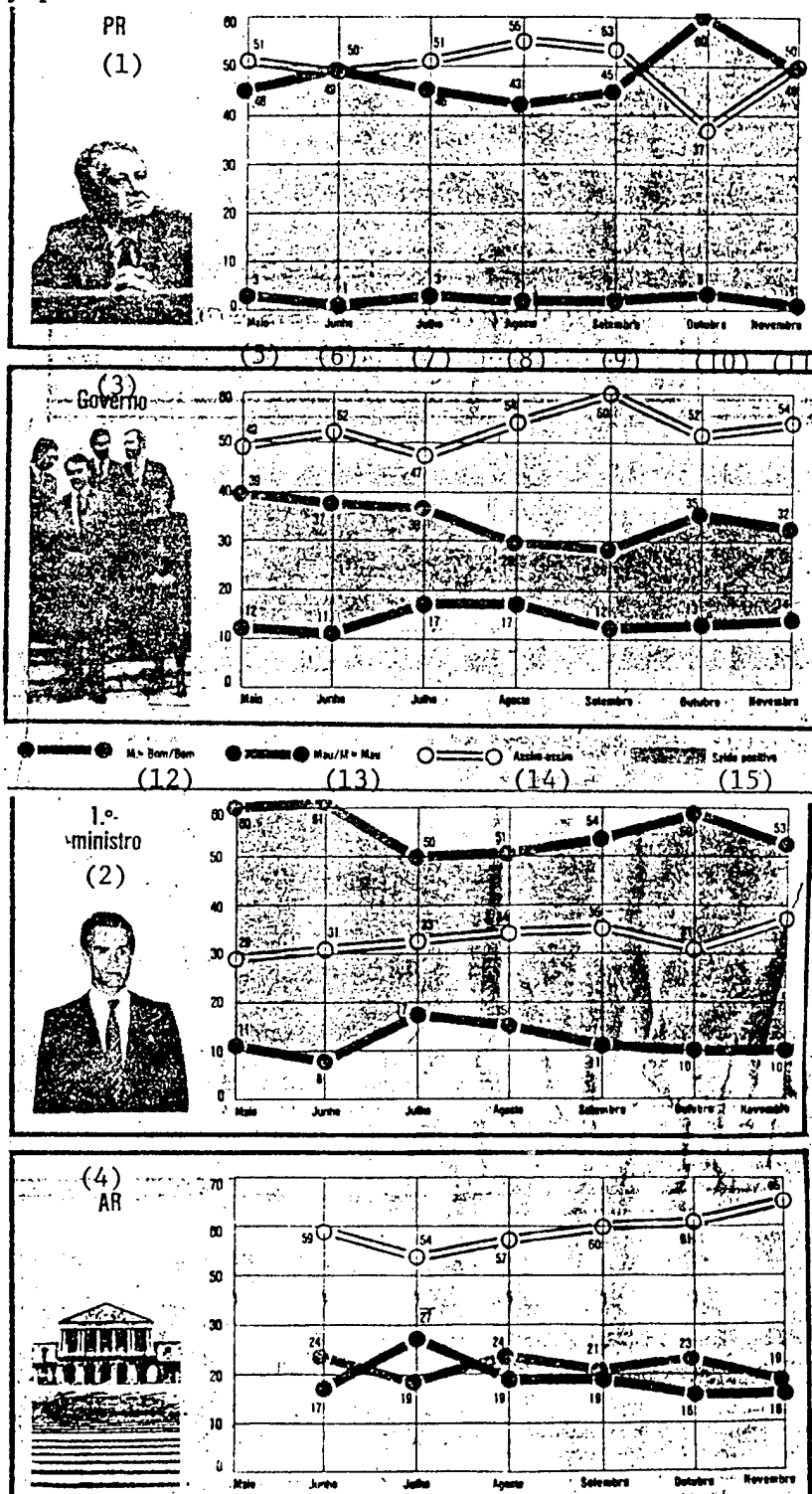
Key to Chart 1.

1. Voting intention in November 1986
2. In October 1985
3. Socialist Party
4. United People's Alliance
5. Social Democratic Center Party
6. Abstention



Key to Chart 2:

1. Very good/good
2. So-so
3. Poor/very poor



Key to Chart 3:

1. President of the Republic
2. Prime Minister
3. Government
4. Assembly of the Republic
5. May
6. June
7. July
8. August
9. September
10. October
11. November
12. Very good/good
13. Poor/very poor
14. So-so
15. Positive balance

2909

CSO: 3542/21

GAMA SEEN ALTERNATIVE TO CONSTANCIO IN PS LEADERSHIP

Lisbon EXPRESSO in Portuguese 22 Nov 86 p 3

[Article by Jose Antonio Saraiva in column "Portuguese Politics"]

[Text] In view of a certain difficulty that Vitor Constancio has shown in establishing a style, there are those who are beginning to make predictions about who will be the next leader of the Socialist Party [PS].

Names are advanced.

One of these is Antonio Guterres.

It does not seem credible, however, that Guterres will someday, in the more or less near future, rise to leadership of the PS.

In a certain way, Antonio Guterres is to the current Socialist Party what Antonio Capucho has been to the PSD--he is at the same time a spokesman and a man who controls the apparatus. Now, neither the spokesmen nor the organization men habitually become leaders of their parties.

Another name mentioned is that of Antonio Barreto.

But neither does he appear to have great possibilities.

In the first place, because Barreto is more a theorist than a man of action--and party leaders are usually men of action.

In the second place, because (unlike the other possibilities for leadership of the PS) Antonio Barreto not only abandoned the party at a certain point but also joined the political forces that were combating the socialists. Now, political parties (no matter how great the changes that may take place within them) do not normally pardon such "betrayals" of team spirit.

Having eliminated the two above names--and not disclosing for the moment others on the horizon--it can be said that Jaime Gama continues to be the great adversary of Vitor Constancio and the leading candidate as his successor.

It happens that Gama made an error of judgment that forces him to wait for a while before again presenting himself as an alternative.

The error can be described briefly.

Before the last party convention, Jaime Gama thought that if he were not a candidate for leader Constancio would obtain 90 or 95 percent of the delegates' votes and would have almost unlimited power in the PS.

This led Gama to present himself.

He estimated that his candidacy would win something close to 40 percent of the votes; Victor Constancio's strength would thus appear to be drastically reduced and conditions would then be created for setting up an internal opposition.

This line of reasoning, however, was proven to be in error.

Jaime Gama was unable to block the wave that Constancio's supporters mounted and he ended up suffering a humiliating defeat.

A defeat that, one should note, could have been fatal to him--if new personalities had appeared in the PS with enough charisma to organize a following to contest the dominant line.

This did not happen--and Gama again became the strongest alternative.

But he will now have to wait for a while.

He will have to make a long trip.

And the time of that trip will offer Vitor Constancio a truce that under other circumstances might not be so long.

Constancio, in fact, still has a long way to go--because the Socialist Party will have to wait at least the time needed for Jaime Gama to recuperate.

8834

CSO. 3542/24

ABSURDITY IN NATIONAL POLITICS NOTED

Lisbon O DIABO in Portuguese 25 Nov 86 p 2

[Article by Joao Fernandes: "The Logic of the Absurd"]

[Excerpts] It may seem paradoxical, but I am increasingly convinced that in Portugal absurdities have a logic. Anyone would say it is absurd that parliament votes favorably on the budget and defeats the major planning options. But there is really a logic. The budget must be approved. In order to alter power. The great options had to be shot down because they would not fit into the budget it was desired to approve. Logical.

There may be those who say that since one thing or another is a responsibility of the government, logic would say either yes or no. And since the opposition is in the majority and it is unanimous in concluding that the documents are grotesque, if not worse, the only possible response would be a resounding no. Not so that another budget or other planning options could be formulated, but rather so that another government could be formed...

Anywhere else, this would be the logic. In Portugal, however, the logic is always different. What is said in parliament is that governments come from it, parliament. It is parliament that decides who is to be prime minister, emerging as the former's executor. It is true that the assembly accepted the government's program, which could lead one to think that it had given it authorization to govern. Wrong. Parliament let the program pass because if it defeated it there would be no government. And without a government parliament would not be able to govern through it. Absurd? Maybe. But logical. Or at least it is logical in Portugal and in the system in which everyone, the president of the republic, the government, the parliament, the courts and the people agree that Portugal lives...

There are those who tell me that everything is all right and that I am the complicated one, but I assure you that I have the greatest difficulty in understanding a system in which the opposition, being in the majority, is not the government. And in which the majority, being the opposition, don't wish to govern or even to have elections. It's logical, they explain to me. If there were elections it is possible that the minority government could become a majority, which would be very bad for the opposition. And the government also avoids elections because, being the minority, it could continue to be so, but in a situation in which it could not

be the government. Thus--with all logic, it would seem--parliament's main ambition is to be the government and the government behaves as if its objective were to be parliament...

There is thus no doubt that in Portugal even the most absurd things have their own logic. What at times becomes difficult is to describe it. Whenever the reader feels this difficulty, do what I do: fall back on the system. The system in which we live, as you know, is absurd. The parties do not present themselves to the electorate on the basis of what they intend to do, but rather supported on what they don't approve. Business firms are not appraised on the basis of what they make, but on the basis of how many jobs they provide. It is not the business firms that are in a difficult economic situation, it is the nation. What is happening, really, is that this country is being transformed into a nation of lunatics. And since lunatics have their own logic, it is clear that this exists. In spite of being absurd. Thus the government will go on and so will ANOP [Portuguese News Agency]. And on Sunday, if it doesn't rain, we'll all go to the soccer match.

8834

CSO: 3542/24

CONTROVERSY OVER PROPOSED 1987 BUDGET

Brussels KNACK in Dutch 12 Nov 86 pp 12-14

[Article by correspondent J. G.: "Because the Gentlemen Are Nervous, Guy Must Again Pay for It"]

[Text] This budget called a shrunken budget by Vice Prime Minister and Minister of the Budget Guy Verhofstadt (PVV) and cramp budget by SP fraction leader in the chamber Louis Tobback forms for its designer a sort of diptych together with that of 1986. They must be the starting point to ultimately finance an almost utopian net balance of 5.5 to 4 percent of the GNP. Verhofstadt's very ambitious plan apparently has had an ill-starred beginning. The special budgets by ministry for 1986 were for the most part hardly submitted to him at the beginning of October. Until the last week of this month a displeased Minister of the Budget Verhofstadt must wait for the figures of Employment and Labor plus Economic Affairs (both PSC), those of Public Health and Family, Posts, Telegraph and Telephones plus Education (all three CVP) and finally that of the Brussels region and Justice (PRL).

That is why the cabinets have been paying their way a great deal this year on the so-called tentative twelfth parts. That is not so unusual in itself as it appears at first sight. Since the Second World War, various years were completely interspersed with such twelfth parts. Robert Henrion (PRL), member of parliament, has nicely estimated that such a financing system has operated in more than 60 percent of all months since 1945. In all the cases it then involved every time years with successive government crises or years with exchange of partners. However, Verhofstadt cannot invoke that excuse and for the reason that he so explicitly refers to the dual nature of the 1986-1987 budget and the radical cuts which have caused the impressive delay. In the meantime, it has provided him, as a minister, with an enviable consolation: political control on behalf of the parliament has been reduced to almost nothing for 1986.

In connection with that, there came last week the somewhat surprising news that budget operations for October turned out to be 11.6 million francs better than those of October 1985. A stroke of good luck? No, the socialist financial expert, Freddy Willockx, asserted immediately, for not only have there been such drops in the past (in December a drop in debt of several tens of

billions is almost traditional), but the government deliberately presents the debt situation so depressingly to legitimize the drastic cuts of the Saint Anna Plan.

Bungler

With his budget for 1987, Verhofstadt is still some distance from the proposed 5.5 or 4 percent. However, his cabinet points out that they are coming back from a long distance (in 1985 they ended up with a negative balance of 12 percent) and that with a so-called unchanged policy the deficit would amount to 12.2 percent of the GNP. Now the minister of the budget estimates that they must come out with 8.1 percent, with which, however, the state is still a bit above the 6 percent of 1979, according to Verhofstadt, at the time the first year of a real deficit explosion. But according to him, they are really on the way to what he calls budgetary credibility and at the same time, he has taken a (technical) step toward the cash budget on the Dutch model, which he has long dreamed of.

In that sense, the 1987 budget can be consequently described as a genuine innovation. Now not only the mere figures in themselves, but the introduction of new techniques, as expected, had to create a hullabaloo on the part of the opposition. That happened--Willockx painted the gloomiest picture as a result of the disappointing economic situation, the economy plans and the empty central agreement--but that verbal opposition was overcome to a great extent by the criticism which Verhofstadt had to swallow because of his coalition partners.

So last week, Minister of Labor and Employment Michel Hansenne (PSC) bestirred himself very strikingly. He cast a nice stone in the frog pond with his assertions that government's unemployment figures for 1987 did not balance. Verhofstadt would refute that later and that criticism was partly attributed in a small circle to Hansenne's frustrations, who has sat until now in cabinet meetings and unsuccessfully pleaded for alleviating the bad results of the Saint Anna Plan for his ministry. And his greatest opponent thereby was calculating Verhofstadt.

A more telling shot across the bow came, in fact, at the end of October on behalf of the CVP-PSC research service Cepess. In a sensational report, it was calculated that the projected deficit was underestimated by roughly 30 billion francs. Now that research service has a scholarly reputation. No shoddy scribblings are generally produced there, but the Cepess analysis of the budget proposals which were submitted to parliament at the end of September, could not find much favor in the small world of financial and budget experts.

According to Guy Verhofstadt's cabinet, it was actually a confusing pamphlet, interlarded with mistakes, contradictions, distortions and insinuations. The usual Cepess seriousness was completely missing and the report was consequently interpreted in liberal circles as a political document which could be regarded as an extension of another, previous Cepess report, considered ill-disposed. For in September the research service had considered the CVP

strategy and came to the conclusion that it was no longer proper for this party "to have friendly discussion with Verhofstadt."

Now that Cepess document about the 1987 budget was used politically, among other things to a great extent, by CVP parliamentary member, Erik Van Rompuy, and, perhaps somewhat less, by his party colleague Jozef Dupre.. In the parliament's committee discussions some opposition work was perfunctorily carried out by lesser CVP and PSC gods, but the heavy artillery came from both gentlemen, who were "nourished" by the Cepess document which, according to Verhofstadt circles, was solely intended to create the impression that the minister of the budget was not taking it seriously or was simply a bungler.

The Revolution

Van Rompuy's criticism came rather hard, but it was not only in the attack on the figures. The former chairman of CVP Youth also brought up the subject of reduction of taxation and moved here calculatingly on rather slippery ground. For according to him, the government went just halfway with all financial reorganization measures, whereby the daily, DE MORGEN, could confidently declare the other day that the end of the tunnel is now completely out of sight. Still EVR continues to call himself a strong supporter of the policy of moderation. Consequently he says it is an illusion to dream aloud about the delights which the coming reductions in taxation could bring.

Verhofstadt himself had explained those "delights" in detail at his party congress in the middle of October. The four points which he emphasized were understandable for every citizen: elimination of the existing cumulative regulation for taxing a married couple, removal of the 22 existing assessment rates and reduction of them to (25 and 40 percent), drastic limitation of the 258 forms of "fiscal expenditures" to 10 deduction opportunities and finally a far-reaching simplification of fiscal formalities and obligations.

The minister of the budget has always continued to present this not as unilateral measures; they must fit in a large-scale fiscal reorganization ("a Belgian fiscal revolution") like that which now is being concluded, for example, in the United States, as well as elsewhere and from which a sort of fiscal contest can develop to lower fiscal pressure everywhere. However, if Van Rompuy regarded this as isolated intervention, which must be carried out immediately, according to the Verhofstadt cabinet, he is missing the mark and would be better off to look in his own ranks where the advocates of rapid taxation reductions are jostling each other. And one who is considering doing something now about that and also quickly and effectively is minister of finance, Mark Eyskens (CVP). In the framework of political proposal, he wants to reduce the phenomenal increase--which he himself raised initially--from 25 to 15 percent. Whereupon SP parliamentary member Frank Vandembroucke cleverly replied during the committee discussions with: "The minister of finance has been the perfect spokesman for the positions which were presented at the PVV Congress."

Sharp words from a coalition partner are not new for Verhofstadt. Even during the preparatory stage of the economy plan, it came regularly to verbal skirmishes, which, however, were regularly solved politically. The situation now--in which the CVP right wing and the PSC left wing have found themselves--is somewhat more serious. Tobback, who seldom lets go with commonplace expressions spoke sarcastically about it just before a committee meeting: "There is such a smell of chrysanthemums here."

Verhofstadt who continues to defend his 1987 budget in detail and with verve, should be concerned about the loyalty of his government partners, also be mindful of downright obstruction, on the submission of the ministerial budgets. In so doing the old rumor machine goes into operation about a coming government change. However, the budget minister's advisers are not convinced that a small group in the CVP main headquarters on Tweeckerken Street is aiming effectively at such a change. They see the party big shots presently quietly accept Verhofstadt's budget proposals. But they can for the same money today or tomorrow, through the analysis and dissection of the budgets of each separate department, be brought into line.

However, for government leader Wilfried Martens, a piece of cement has fallen away which holds his coalition together. After the current discomfort in the Happart affair, the dissatisfaction which has arisen in CVP circles about Martens' supposed benevolence in the DE MORGEN case and especially still with the 10 year plan for the army, the RTT [not further identified] orders and the Campine coal mines in prospect, it still is perhaps not too foolish an idea to look in the flower shop once in a while to see whether there presently still will be chrysanthemums.

8490

CSO: 3614/19

POLL ON POPULARITY OF DEVALUATION, TAX RISE, OTHER STEPS

Copenhagen BORSENS NYHEDSMAGASIN in Danish 3 Oct 86 pp 52-53

[Article by Jorgen Goul Andersen: "Don't Touch the Krone"]

[Text] Devaluation and an increase in energy taxes are the most unpopular measures the government could take, BORSENS NYHEDSMAGASIN's voter poll reveals.

When the government presents its proposals next week on economic measures, it is already certain that at least one of the measures will be strongly resisted by the people, namely the announced increase in energy taxes. Not less than 72 percent of the voters who voiced an opinion were unqualified opponents of such a measure.

This is shown by an AIM poll of voter attitudes toward economic measures that was undertaken by BORSENS NYHEDSMAGASIN. The interviews were taken in September, a few weeks after the publication of the catastrophic July trade figures.

It is not just the measures limiting consumption that are unpopular.

The poll also shows that speculations by some economists on devaluation completely lack contact with political reality. The government has invested its prestige and economic credibility in a steady course policy, and the steady value of the krone has gained great psychological significance among the voters.

Among the six possible measures asked about here, devaluation is the most unpopular in spite of the fact that devaluation is the measure that would have the smallest direct effect on the people. Of the voters who expressed an opinion, 73 percent are unqualified opponents of devaluation.

To get a realistic picture of the voters' reactions, reference was made several times to the deficit in the balance of payments. Besides this, the answer category was added: "I am actually against it, but can support the proposal because of the economic situation."

The poll's results therefore show voter reaction in a situation in which the economic situation is painted as gloomily as possible.

Formulation of the Question

In recent months there has been much talk about Denmark's deficit in its trade balance abroad. Many suggestions have been made on what the government should do to reduce the deficit in the trade balance. I will mention some of these suggestions and would very much like to hear what you think of each one. Please select one of the following answers:

to reduce the deficit in the trade balance, the government should

- 1) temporarily raise the value added tax,
- 2) give up the steady krone policy and devalue the krone,
- 3) raise energy taxes on oil, gasoline, etc.,
- 4) freeze wages for a year,
- 5) raise the value added tax on all goods except food,
- 6) introduce compulsory pension saving instead of wage increases for workers in the private sector.

Table 1. Voter attitudes toward economic measures on the trade balance.
Distribution of answers, percentage.

	Completely agree with proposal	Partially agree with proposal	Oppose, but accept proposal because of economic situation	Oppose	Strongly Oppose	Total
1. Temporary raise in value added tax	8	15	17	30	30	100
2. Devaluation	4	11	12	40	33	100
3. Raise in energy taxes	5	12	11	30	42	100
4. One year wage freeze	17	19	10	22	32	100
5. differentiated value added tax	22	35	13	15	15	100
6. Compulsory pension saving	15	22	11	26	26	100

Number of answers: 838

Table 2. Opinions on balance of trade measures according to political affiliation.* Percentage absolutely against the proposals.

	Party		
	Left of the Social Democrats	Social Democrats	Right of the Social Democrats
1. Temporary raise in value added tax	76	70	47
2. Devaluation	65	62	78
3. Raise in energy taxes	60	79	69
4. One year wage freeze	74	66	31
5. Differentiated value added tax	31	31	25
6. Compulsory pension saving	54	55	45

*Party preference at the time of the interview

In spite of the gloomy economic picture presented in the poll, there is, as can be seen from Table 1, very little acceptance of most of the measures proposed in recent weeks.

Devaluation and energy taxes are the most unpopular solutions with 73 and 72 percent of unqualified opponents respectively.

A temporary raise in the value added tax is also very unpopular. Only 23 percent of the voters completely or partially accept the proposal, while 60 percent are absolutely against it. On the other hand, there is a rather high support for the proposal for a differentiated value added tax -- formulated here as a proposal to have a value added tax on all goods except food. Twenty-two percent are completely for the proposal, and another 35 percent partially support it. Only 30 percent are completely against it.

There is also very little support for compulsory pension saving instead of wage increases. Only 37 percent favor such a proposal, while 52 percent are absolutely against it. It is not surprising that it is among the government employees that the greatest sympathy is found for the idea of introducing a forced pension saving for employees in the private sector.

Frozen Wages

The proposal to freeze wages for a year is partially or completely favored by 36 percent of the voters, while 54 percent reject the proposal -- of whom 32 percent "strongly oppose."

Independent businessmen are naturally warm supporters of the last-named proposal, but also among privately employed salaried workers there is some sympathy for a short wage freeze. Thirty-two percent completely or partially support the proposal, while 17 percent declare themselves willing to accept it because of the economic situation. Only 51 percent are absolutely against it. Among publicly employed salaried workers and wage earners there are, on the other hand, 65 and 62 percent unqualified opponents.

In addition, the social differences are rather small and predictable, in that they do not at all reflect the political affiliation.

The connection between party affiliation and opinions on trade balance proposals are shown in Table 2.

Devaluation Unpopular

Throughout the nonsocialist voters have a little more positive attitude toward the measures than do the working parties' voters. But there are exceptions: Nonsocialist voters are the strongest opponents of a devaluation -- but it is worth noting that two-thirds of the left-wing voters also reject this proposal.

The idea of raising energy taxes finds greatest support among left-wing voters, who here are caught in the dilemma between environmental goals and opposition to the government. In the other areas there are more supporters for action among the nonsocialist party voters, but only the position on the wage freeze makes any real difference between supporters of the government and the opposition.

Poll data:

Test sample: a representative sample of the voters.

Test sample size: 895, of whom 838 were over 18.

Time of interview: September 1986.

Interview: AIM omnibus. Quotes only allowed with statement of source: AIM, BORSENS NYHEDSMAGASIN, and Jorgen Goul Andersen.

9124

CSO: 3613/23

CORPORATE MERGER TREND ACCELERATES, CURBING COMPETITION

Hamburg DER SPIEGEL in German 1 Dec 86 pp 77-100

[Unattributed article: "Can Only the Mammoth Corporations Survive ?-- Merger Mania in German Business World: Concentration Grows Year After Year"]

[Text] AEG is targeting Daimler-Benz; Rheinmetall has bought up Pierburg; Orenstein & Koppel enters partnership with Faun-Werke--all these were headlines during the past 12 months. At the current rate, big corporations gobble up two smaller companies each day. And after every merger competition slackens even more.

Werner Dieters' business empire is widespread. From the corporate offices of Mannesmann on the Rheinufer in Duesseldorf, Dieters rules over steel mills and pipe factories as well as commercial, shipping and electronic firms. Dieters' empire includes firms such as Demag, the mechanical engineering manufacturer; Hartmann & Braun, the measurement instrument producer and Kienzle, the computer manufacturer.

A conglomerate of such size, one would think, takes up most of a man's time; but Dieters is not satisfied with it. He feels that his business empire which employs more than 100,000 people has not yet reached its optimal size.

At the annual stockholders' meeting in July Dieters said that he was "on the constant lookout to buy up firms which fit into the program." The stockholders then gave him the green light to issue more stock and take up an option loan which together would add two billion marks to the firm's coffers, i.e. purchase money, in a manner of speaking.

Helmut Sihler, a neighbor of Dieters' in Duesseldorf who heads the Henkel Corporation, also rules over a sizable group of companies. Henkel has a work force of more than 30,000 engaged in the production of detergents, adhesives, cosmetics and disinfectants. There are subsidiaries which bear the company name worldwide--from Barcelona to Buenos Aires; from Osaka to Oslo.

But Helmut Sihler, too, is not satisfied with his corporation's normal rate of growth. "We are making good profits in all areas," he said in early June, "and are planning to buy up an additional company."

These are two open declarations of intent in keeping with the present trend. The coffers of big business are full; the corporate raiders are doing better than ever.

Never before in the post-war decades has the question of who is buying out whom dominated the industry scene as it does at this time. Never before have so many managers spent so much time on acquiring other firms. And never before has business concentration made such rapid progress.

Clear across all business sectors--from future industries such as electronics and computers to sick industries such as shipbuilding and steel--gluttony is in full swing.

Daimler-Benz' board of directors led the way last year. The Stuttgart auto manufacturer which is earning tons of money with its passenger cars first bought up Dornier, the air and space company and MTU, the machine manufacturer--as a kind of warmup. Then, Daimler-Benz really got serious, acquiring a majority share of AEG stock. Acting on the precept that "what is good for Daimler is good for us as well" companies in all sectors of the economy have joined the acquisition game.

Every 12 hours, some big business firm springs the trap and some small company is taken under the wing of a stronger firm or two firms of equal strength or equal weakness decide to link up. Last year, the number of mergers with earnings in the billions increased by almost one-third. 35 of the mergers involved two firms with earnings in the billions.

With the help of a friendly bank and a state-owned Bavarian firm, MBB, the air and space company, for example, took over the management of Krauss-Maffei, the tank manufacturer and BMW became a partner of Loewe, the entertainment electronics producer.

All indications are that 1986 will top the record year of 1985. Rheinmetall has acquired the Pierburg carburetor group; Krupp has taken over Werner & Pfleiderer, a mechanical engineering firm. Kugelfischer has bought up Kochs Adler, a sewing machine manufacturer and Bayer has acquired Starck, a medium-sized Berlin firm specializing in metallurgy.

Major acquisitions in the food industry and in commerce: Dallmayr, the coffee roasting company, bought up its Braunschweig competitor, Heimbs. Previously, 50 percent of Dallmayr's stock had been acquired by Nestlé. Art patron Peter Ludwig sold his Monheim AG chocolate factory to the Jacobs-Suchard conglomerate. Commercial giant Asko entered a partnership with Schaper.

The professional merger specialists are doing extremely well. Carl Zimmerer of Duesseldorf Interfinanz says he "cannot provide" all the properties other firms want to buy. Hamburg business consultant Otto Gellert is also up to his ears in work. For months, he says, he has been trying to "rustle up" an attractive property in the processing field that a steel conglomerate wants to acquire--at any price.

The cartel lawyers who specialize in mergers are getting more and more inquiries from business managers regarding the chances of this or that buy-out passing muster by the cartel office.

Stuttgart-based Rainer Bechtold, who got the biggest merger of all (that of Daimler-Benz and AEG) through the cartel office without much difficulty is in particularly great demand. VW asked the Bechtold firm to shepherd the sale of its Triumph-Adler subsidiary to the Italian Olivetti concern.

The bankers are working overtime. Entire departments have been given the job of screening their files for the names of family enterprises which might be of interest to a major investor

With the help of Deutsche Bank, for example, Orenstein & Koppel, a Hoesch subsidiary, managed to acquire the highly profitable Faun-Werke. The same banking institution also helped Kloeckner-Humboldt-Deutz buy up Motoren-Werke Mannheim and more recently in the takeover of the Daimler-Benz tractor division. Westdeutsche Landesbank got the Lentjes group and machine tool manufacturer Gildemeister together.

Almost all the big banks placed calls to 63 year-old Otto Waldrich in Coburg, the owner of a profitable machine tool plant. His is a family-owned business without a suitable successor. Waldrich hesitated for a long time but ultimately sold out to Ingersoll, an American multinational corporation, with Bayerische Vereinsbank acting as a middleman.

This does not mean that competition is over once and for all--and in many branches of industry a certain minimum size is required to keep up with international competition.

Still, every new merger carries the West German economic system further away from the ideal image of a multitude of producers and not just a few who are in a position to dictate prices as well as products.

Competition fuels a dynamic economy. It provides new products and improved production processes and helps bring down prices and costs.

Competition and a multiplicity of business firms serve still another purpose. In a political system in which mandates are only granted on a temporary basis, competition helps prevent excessive power concentration by business.

When economic power is concentrated in the hands of just a few dozen top executives in banking, commerce and production, an all-too-powerful counterforce to government tends to develop, i.e. people are in charge whose power can scarcely be checked.

It was no doubt the right conclusion which neo-liberal economists drew from the experience of the fascist era, i.e. that democracy and economic competition are two sides of the same coin.

If a colossus like Daimler-Benz acquires AEG or if Grundig is absorbed by the huge Philips empire, then this has an impact on the distribution of social power as well. Then it is just a handful of companies which decide on jobs, investments, prices and products.

The CDU/CSU politicians who are always saying that they have a commitment to the market economy are silent on this point. It is two top officials who grew up under the aegis of arch-liberal Ludwig Erhard who did speak up during the past several months.

State Secretary Otto Schlecht of the Economics Ministry, an economist of the liberal Freiburg school, warned the politicians that if the trend toward concentration continues "structures will emerge which might easily develop into a state within the state."

And Wolfgang Kartte, the agile head of the Federal Cartel Bureau, asked whether "the banking institutions and industrial firms with their immense power still have the market economy system in the back of their mind at all."

Kartte and Schlecht both concentrated their fire on the banks which have frequently taken advantage of their pivotal position in West German life to serve as middlemen in merger transactions. Just how powerful the banks really are the two men quickly came to realize.

Alfred Herrhausen, the spokesman for the board of Deutsche Bank, complained about the critics to Chancellor Kohl. Herrhausen asked his friend, the chancellor, how the government felt about its officials criticizing the banks and industry. The chancellor responded posthaste by telling Kartte and Schlecht to go easy on airing their political views.

Among those presently holding power in Bonn, Kartte is unlikely to find many supporters; but he has all the more support among professional observers of the economic scene.

In mid-July, the five-man monopoly commission appointed by the government and composed of two economists, one union representative and two representatives of business turned in a report which fully agreed with the findings of Kartte and Schlecht, stating that the "continuing concentration process" leads to further paralysis of the market.

The commission's view of the power structure of the West German economy almost smacks of social criticism: a small group primarily of salaried executives, specifically the big bankers, runs the West German business conglomerate. And these bankers and business executives see to it that the pressure from competition never gets too stiff.

Via a tightly woven network of personal connections on boards of directors, friendships and good relations to political leaders, the cartel of the economic powers that be lays down the organizational ground rules and helps the membership to keep on growing.

Erhard Kantzenbach, the chief expert, says that "large enterprises are political structures." Their managers, however apolitical they may give the appearance of being, exercise power the impact of which goes far beyond the walls of their production facilities.

Rudolf von Bennigsen-Foerder, the head of Veba, introduced himself to Johannes Rau, the minister president of North Rhine-Westphalia, by saying that he is "the biggest employer in North Rhine-Westphalia." Rau understood what Bennigsen was saying.

Companies such as Bennigsen's Veba conglomerate or Arbed Saarstahl, which employ large numbers of people, are responsible for the weal and woe of entire regions. Land finance ministers calculate their tax revenue on the basis of the earnings of such firms.

The monopoly commission has painstakingly divided up the German economy according to the "degree of concentration." What came out was the picture of an economy characterized by oligopolies, i.e. one in which a handful of market leaders dictate prices and products.

In many sectors of the economy, the three largest enterprises in any given field control more than 60 percent of the production. In the basic industries of coal, natural gas and oil, the three largest companies control 80 percent of production. In the photochemical industry, their share of production amounts to 87 percent; in ceramic tiles, it is 71 percent; in washing machines, 78 percent and in trucks, 91 percent.

Over the past few years, the experts found, concentration particularly among the 100 strongest companies in terms of sales has accelerated. In addition, the overall economic power of the already concentrated groups of industries has increased further.

There are many indications for the fact that there really is an inexorable trend in privately-owned economic systems which leads to steadily growing concentration of output and financial power. At least one of Karl Marx' many predictions is being proven right: he was the first to postulate this increasing concentration theory.

The process is always the same. The companies which do a lot of buying are always ahead when it comes to acquiring still more firms. But bigness rarely ensures growth in efficiency and profits although earnings in absolute terms do tend to rise in most instances. The result is that the big companies can only keep growing through internal investments or acquisitions. They just keep getting bigger.

The statistics leave little room for market economy illusions. In 1960, one out of eight members of the workforce was self-employed; today, it is only one out of 11. In most sectors of the economy, the big companies have been acquiring more and more market shares and some markets are dominated by just one company.

10 or 15 years ago, most regions of the FRG still boasted at least two independent daily newspapers; to day, large parts of the country are being serviced by just one publisher.

Concentration in the media is expected to accelerate still further. The expenditures for the huge investments in cable and satellite programming can only be met by the market leaders such as Springer, Bertelsmann and Burda.

The outlook is no better in other sectors of the economy. Hamburg entrepreneur Kurt A Koerber, a friend of former chancellor Helmut Schmidt and owner of Hauni-Werke, supplies almost all the cigarette automats in the FRG. Bosch has an almost 100 percent share of the market with its fuel injection pumps. And Daimler-Benz has 80 percent of the market in medium-heavy trucks.

The market in chemicals is dominated by Bayer, BASF, Hoechst and Henkel. The boards of these four companies control the fate of some 200,000 German workers--which is equal to 30 percent of the total labor force in that sector of the economy.

These chemical giants are among the highest earning and voracious concerns in the FRG. They took over an entire branch of the industry when they absorbed the paint industry. And most of the once fragmented pharmaceutical industry is now under the control of the chemical giants.

Whenever and wherever new markets in chemicals or allied fields open up, the companies get a foot in the door. In early 1986, Hoechst bought up the "technical ceramics" division of china manufacturer Rosenthal. It is a sector of the industry gaining in importance in space technology and engine building.

If others follow the lead of the Aachen-Munich group of insurance companies, a concentration boom in finance might be in the offing. Last month, the insurance group bought 50 percent of the stock plus one share of the trade union-owned "Bank fuer Gemeinwirtschaft."

The FDP's Otto Graf Lambsdorff speaks of " a trend toward overblown financial enterprises." Lambsdorff, committed to a competitive economy at least on paper, warns of "heretofore unknown concentration of power."

In the commercial sector, particularly in the food industry, an almost ruinous battle is going on. The experts believe that the selection out process will culminate in the survival of just one dozen food manufacturers. The outcome will be that the members of the resultant oligopoly will no longer engage in competition. The consumer who now still stands to profit from the price wars will ultimately be the loser.

But the producers, too, will suffer. Large buyers such as Aldi or Rewe-Leibbrand can dictate conditions when they make their purchases. This demand power is a cause of growing concern for the cartel officials.

Meanwhile, speculation is rife as to which company will be next in line to be bought and sold. Who will take over MBB ? Will Bosch and Mannesmann strike a deal ? Will Quandt (BMW, Altana) and Roehling (Rheinmetall) soon be following the example of Friedrich Karl Flick ?

It does not take much imagination to pick out powerful buyers and interesting takeover targets from among the hit list of companies whose earnings run into the billions. The most desirable companies include Nixdorf, the computer manufacturer; Rheinmetall, the arms builder and IWKA, the robot manufacturer.

The steel companies are trying to acquire a majority share of Fichtel & Sachs, the clutch manufacturer. The question is not whether the venerable, 91 year-old firm will stay independent but whether it will be bought up by Thyssen, Mannesmann or Salzgitter.

The large companies have plenty of money for acquisitions. Siemens, which is jokingly referred to as a bank with an electrical company subsidiary, has about DM 20 billion which can easily be turned into cash. Bosch, Mannesmann, Daimler-Benz, Veba, BASF, Hoechst and Bayer all have war chests, according to Kartte, which run into several billion marks each.

When interest rates were high in the early eighties, many companies, led by Siemens and Daimler-Benz, invested their profits in stocks. At times, interest earned on these was as much as was paid out to the companies' stockholders. It is unlikely that they would have earned as much through expansion and modernization of production.

When both the dollar and the interest rates fell, the companies began to change strategy. Since then, they have once again been investing in their production facilities. The preferred and easiest route taken is the acquisition of market shares.

Developing new production programs; building new factories; looking for good management; building up a sales organization--why bother to do it yourself, if you can buy it on the open market ?

But all too quickly the executives were inclined to equate bigness and success. Once they acquire a new company, they expect profits to rise at the same rate as turnover. But experience has shown that the opposite is more likely to be true. The list of failed acquisitions is surprisingly long.

The Karstadt department store chain, for example, owes it only to the reserves it set aside over the years that it can remain afloat despite the fact that the Neckermann mail order business it acquired 10 years ago is still in the red.

After VW tried unsuccessfully to acquire a majority share of Nixdorf, it acquired the Triumph-Adler office machine company almost without looking into the firm's status. Subsequently, VW virtually gave Triumph-Adler (which former VW chief Toni Schmuecker had called the concern "second pillar") away to Italian competitor Olivetti.

In 1974, Bayer-Leverkusen bought up the Metzeler tire company, invested DM 1½ billion in the venture and then sold the company 12 years later to Pirelli in virtually the same condition in which it was at the time of the original acquisition.

In his study on the impact of mergers in the United States, U.S. economist Frederic M. Scherer noted that on the average the rentability of the acquired companies suffered a "linear decline" after the merger.

Integration in a larger unit inevitably means less mobility, lengthier decision-making processes and more administration.

According to statistics prepared by the German monopoly commission, smaller enterprises tend to work more efficiently. In terms of turnover per individual worker, a standard of the effect of rationalization, BASF, Bayer and Hoechst, the three chemical industry giants' figure stands at DM 268,000--which is DM 153,000 less than that of the three next-biggest chemical companies.

In other sectors of the economy, too, biggest does not necessarily mean best. In mechanical engineering, the No 11 to No 25 firms in terms of turnover are doing substantially better than the first three.

To be sure, no one today will seriously contest the fact that it makes sense to build automobiles on an assembly line; to have pipes welded by robots; to have fully automated bottling plants for soft drinks or to have cigarettes rolled and packaged by machine. But when a cigarette company such as Reemtsma buys up several breweries; when a manufacturer

of pipes buys up a home computer company or when an automobile manufacturer buys up an aerospace company, then economic considerations hardly play a part in the transaction at all. Then the sole idea is to spread the money around in a supposedly risk-free manner and to provide still more playgrounds to occupy management's time.

The bankers and industrial leaders are even more likely to justify these transactions by citing the constraints of international competition rather than by pointing to anticipated gains in efficiency. In the tough, competitive climate of the world market, they say, only the giant enterprises are able to survive.

In the large-scale mergers in which he is involved, banker Herrhausen's primary consideration, he says, is "the world market situation." Walter Seipp of the Commerzbank likes to speak of "strengthening positions in international competition by means of strategically meaningful majority partnerships."

When AEG merged with Daimler-Benz, AEG chief Heinz Duerr cited hostile forces overseas. "The signs of the times are sounding across the Atlantic and from the Far East," was Duerr's flowery way of putting it.

The truth is that the national standards applied by the cartel bureau in its analyses do not necessarily provide an accurate measurement of actual market conditions. In order to provide realistic figures, the foreign competitors need to be added to the domestic producers.

Still, it is probably not entirely inaccurate to say that the concept of international competition is frequently used as a handy alibi to justify domestic accumulation of power. In any event, bigness in and of itself is not necessarily a condition for being able to prevail internationally.

The German mechanical engineering industry, made up almost entirely of small companies, leads the world in sales; the mostly medium-sized textile industry is constantly piling up successes and even the automobile industry, represented by firms such as BMW and Porsche--midgets as compared to General Motors or Toyota--demonstrates that numbers alone are no indication of success on the export market.

The arguments are used pretty much at will. AEG chief Duerr, for example, urged the cartel bureau not to approve the Triumph-Adler/Olivetti merger, arguing that they would together acquire 40 percent of the German market, thus endangering the position of AEG typewriter subsidiary Olympia.

Not long before that Duerr had inquired of the cartel bureau whether an Olympia/Olivetti merger or an Olympia/Triumph-Adler merger stood a chance of gaining approval, stating that he wished to carry out either transaction for the purpose of countering "increased international competition."

The economists would like to see the profits which go into the acquisition of other companies used instead to pay dividends to the stockholders who would then invest their earnings in ventures which appear most profitable to them.

But this simply does not happen, if big business turns only a small share of its profits over to the stockholders and holds back most of the remainder.

"This hoarding process," the cartel bureau's Kartte says, "puts the brakes on capital flexibility--and this violates the rules of the market economy."

They are unwritten rules which no executive--no matter what he says--will permit to limit his entrepreneurial freedom. He considers the written regulations bothersome enough.

The Berlin cartel bureau has been watching over these regulations. Since 1973, the bureau, housed in a wing of the former air ministry, has been empowered under the merger law to deal with company mergers. To be sure, the law, as it stands, is not as tough as it might be.

The bureau can only disapprove a merger, if it is expected to result in a dominant position on the market or if there is reason to believe that the merger will be used to engage in competition to force other companies out of business.

The bureau can do nothing even against major acquisitions such as those which Mannesmann undertook in the electronics industry, since they did not increase Mannesmann's share of the market.

In 1985, the bureau disapproved just seven mergers and even these applied to fringe sectors of the economy. The Hamburg firm of Kampfmeier Muehlen was forbidden from acquiring a majority share of Georg Plange Ltd, another Hamburg firm, because the two companies would jointly have acquired a dominant 27-percent share of the flour market in northern Germany. Also, NUR, Karstadt's travel agency subsidiary, was not allowed to merge with ITS, a Kaufhof subsidiary.

But not all the vetoes cast by the bureau become public knowledge. The bureau also maintains a confidential list of so-called preliminary cases involving firms which ask for a preliminary finding by the bureau regarding their merger plans and thus avoid a humiliating denial of their request.

Edzard Reuter, a member of the Daimler-Benz board, for example, decided against an acquisition of MAN's truck division after talking to bureau officials about his plans. Similarly, the representatives of coffee magnate Bernhard Rothfos were told by the bureau that it would not approve the sale of his empire to the Swiss Jacobs conglomerate.

The bureau which must make such far-reaching decisions has a by no means oversized staff. Kartte, a CDU man with a legal background, has a staff of 223. "Even the waterways and shipping agency in Mainz has a larger staff," he says.

But even that number is too big as far as most of the top executives are concerned. They firmly believe that their takeover strategies are in the best interest not only of business but also of preserving jobs.

Any veto by the Berlin bureau is regularly viewed as petty bureaucratic chicanery and often enough fought in the courts.

Siemens CEO Karlheinz Kaske, for instance, called a decision taken by the bureau 2 years ago "irreponsible and shortsighted." The bureau said no to a joint undertaking by electrical giants Siemens, Philips, AEG, SEL and Kabelmetall to produce fiber glass.

In the meantime, Siemens has been manufacturing fiber cable in one of its own plants. SEL, AEG, Philips and Wacker-Chemie will soon start competing with Siemens.

What it comes down to is that it is much more agreeable to work together than to compete with one another. There is a tendency either to short-circuit one's competitor or to join forces with him. But if neither can be done due to intervention by the cartel bureau, the way out is to co-operate or go into joint production. In that case, everyone can work together with everyone else, as is the case in the electrical industry where Bosch and Siemens are marketing household appliances via a joint subsidiary; where Philips subsidiary Grundig will soon be producing color TV sets for Blaupunkt, a Bosch subsidiary and Blaupunkt will return the favor by producing car radios for Grundig; Siemens and Grundig are jointly manufacturing enamelled wire; Bosch and SEL are jointly manufacturing video recorder components; SEL and AEG are jointly developing a digital car telephone system and where Siemens, Bosch and SEL are collaborating on satellite technology.

One can continue tracing these close relationships at will through a great many other sectors of the economy. Via the General Management Company for Industrial Partnerships, for instance, Siemens has formed a partnership with the Allianz insurance company and Deutsche Bank to operate Metallgesellschaft. Similarly, Siemens operates the Bergmann Electric Company in Berlin in a partnership with Deutsche Bank and Bayerische Vereinsbank. The firm is also involved in the management of the Blohm + Voss shipyard in a straight partnership with Thyssen and in the management of MBB via a stockholders group. Siemens and Ruetgers Werke jointly operate the Plania partnership company which, for its part, operates Sigri Elektrographit jointly with Hoechst. In a joint venture with Bayer, Siemens produces electrolytic catalyzers for high-intensity firing plants and, jointly with BASF, it operates a sales organization to market Japanese computers. Only insiders know what is really going on.

To help harmonize common interests, there are the multifarious personal connections. Friendships are nurtured; good relations always pay off. This is no longer done at the hunt as much as it was in the past but rather on the golf course, at Rotary meetings, on the fringes of board meetings and informal gatherings with others in the same line of business. This is where jobs are obtained and orders are agreed on. Quite a few things are worked out on such occasions which Kartte had better not be aware of.

There are not many who are permitted to take part in these conversations at the very top. When something really important is involved, one always hears the same names mentioned. Those who know say that this inner circle numbers about 100.

The Bosch executives are a perfect example of how silently power is exercised far beyond the confines of the company itself. Hans Merkle, the former head of Bosch, was the first man to mention Heinz Duerr as a possible new head of AEG. Bosch happened to be well acquainted with Duerr, who headed his own enamel machinery factory in Swabia.

It is hard to tell exactly how the payoff came about. At any rate, immediately prior to and following the AEG settlement, Bosch took over two jewels in the AEG crown, i.e. ANT, an electronics manufacturer, and Tele-norma, a telephone equipment producer.

It was Marcus Bierich, who succeeded Merkle, who proposed a successor for Mannesmann CEO Franz Josef Weisweiler following the latter's death to his colleagues at Deutsche Bank. Bierich suggested Werner Dieter, the managing director of Rexroth, a Mannesmann subsidiary. Dieter got the job.

This guaranteed a good connection to Bosch, since Dieter had worked for the Stuttgart-based company for a number of years.

At the monthly meetings of the heads of the steel companies, industry-wide matters of concern are discussed. The invitations are private and the meetings take place alternately in the home of a top executive, e.g. Otto Wolff in Cologne-Marienburg or at the Duesseldorf Industrie-Klub.

The group agrees on general policies to be pursued, e.g. vis-a-vis the IG Metall union or what demands are to be made of the political leaders. Detlev Karsten Rohwedder, the head of Hoesch, for example, implored his colleagues to refuse to pay back the steel subsidies.

The closer the cooperation among the various companies gets and the faster concentration proceeds, the smaller the number of those becomes who really hold any power. Several dozen business leaders--in most cases not the owners but salaried executives--then exercise control over the German business world.

In every instance, the protagonists or discreet behind-the-scenes operators are the top executives of the banking institutions with branches throughout the land, i.e. first of all the members of the board of Deutsche Bank followed by those of Dresdner Bank, the West LB Bank and the Commerzbank and these, in turn, followed by Bayerische Vereinsbank and Bayern Hypo Bank, which are catching up.

The large banks and (after years of abstinence) the insurance companies are omnipresent--to provide help, advice and money with which their coffers are currently bursting.

Kartte is convinced that the banks are assisting in the trend toward concentration in order to enhance their own power position. After all, he says, it is easier for them "to exercise control" over a handful of big enterprises than a multitude of small ones.

The banks owe their growing power to the extremely liberal German banking laws for which foreign competitors in London, New York and Tokyo envy their German counterparts. Under the provisions of the universal banking system, a legacy of the 19th century, the German banks are given a free hand to do just about anything. They may engage in trading stocks and bonds as well as gold and foreign currency; they may borrow and lend; they may become partners in business enterprises--and all of it under one roof.

In stocks, Deutsche Bank, Dresdner Bank and Commerzbank have picked up large enough cachets to enter into partnership with companies in all sectors of the economy, mostly with the market leaders in the different fields. At this time, the banks own about five percent of all the domestic stock.

And what they do not own outright they control via their seats on the boards of directors which are assigned to the bankers as a kind of birth-right.

The 12 members of the board of Deutsche Bank hold seats on some 150 boards of directors and are additionally represented on more than 200 boards of management and advisory councils. These positions provide them with information about the state of affairs at steel companies such as Mannesmann, Salzgitter, Hoesch, Kloeckner and Saarstahl Voelklingen (the former Arbed Saarstahl). They exercise control over VW and Daimler-Benz and are represented on the boards of power companies such as Veba, RWE and VEW and in the chemical industry on the boards of BASF, Bayer, Henkel, Schering and Ruetgers-Werke. In many instances, the house bank provides the chairman of the board.

In the pursuit of their own interests, the bankers do not flinch from neutralizing the rules of fair competition. This practice was demonstrated in an exemplary fashion in Franz Josef Strauss' Bavarian Free State.

The cartel bureau had let it be known that it would turn thumbs down on the proposed merger of MBB and Krauss-Maffei, the tank manufacturer, which Strauss, among others, had supported. As a consequence, MBB acquired only 12.5 percent of Krauss-Maffei's stock, i.e. far less than the 25 percent which triggers action by the bureau. Instead, the stock was bought up by Deutsche Bank, Dresdner Bank, Bayerische Vereinsbank and a state-owned Bavarian enterprise.

It is perfectly obvious and everybody knows it that the bankers and the executives of the state-owned enterprise only acted as strawmen on behalf of MBB. There is no doubt about the fact that MBB has taken over the management of Krauss-Maffei.

All Kartte could do was to protest vehemently. "The banks are benefitting from the market economy," he said. "Instead of sermonizing about it, they should practice what they preach in everyday political life."

Commitment to the competitive system does not appear to be overly developed among the political and managerial elite in the FRG. The rules of fair competition seem to rate no higher in the moral code of the establishment than its honesty in tax matters.

Those who are guilty of such infractions like to point out that competition has by no means died out thus far and that the Germany economy is not dominated by monopolies by any means.

The truth is that there are many markets where the customer is fought over as hard as ever--and if there is no serious domestic competition, foreign firms pick up the slack as often as not.

Controllers such as Kartte are not as naive as to think that total competition--where no producer is able to influence prices--is a state of affairs attainable throughout the economy.

But those who favor competition are right in saying that economic reality is inexorably moving further and further away from the ideal of pure competition--in the direction of oligopoly and monopoly.

SPD economic expert Uwe Jens puts it this way: "I am worried sick when I stop to think that we politicians depend on a mere four or five conglomerates in the end."

Social Democrats such as Jens would like nothing better than to pass legislation that would block "the gigantic mergers before the whole system falls apart."

Jens proposes that the cartel bureau's control function be activated whenever a firm acquires 10 percent of another company's stock--and not at 25 percent as is the case at present.

He would also like to see any merger vetoed which leads to a general decrease in competition. At present, the bureau must prove that the merger will result in domination of the market.

Companies which dominate the market and brutally abuse this dominant position should be broken up, Jens states. At present, there is no legal provision for this.

The social democrats and the experts are both trying to make life more difficult for the banks by calling for changes in the banking laws. The monopoly commission would like to see the banks' holdings in individual companies reduced to five percent.

The social democrats, who left the credit industry alone throughout the 16 years they were in power and are now operating under the safe cover of an opposition party, are now threatening to introduce a phased limit of five percent on bank participation in non-banking enterprises.

Nothing much is likely to happen--at least not as long as the CDU, a political party committed to the market economy, holds the chancellorship. Preservation of the status quo in the legislative realm would amount to success--at least as compared to what the industrialists want the government to do. Industry Association President Hans Joachim Langmann has straightfacedly asked for a relaxation of existing German merger law "in the interest of international competition."

Table 1. Dominant Position of Big Business in 1984

	<u>Total Number of Corporations</u>	<u>Percentage Share of Domestic Market of Three Largest Producers</u>
Newspapers	391	19.9
Spirits	137	32.2
Sewing Machines	47	49.2
Gasoline	16	60.2
Automobile, other tires	14	60.5
Cigarettes	11	62.0
Refrigerators, Freezers	18	69.5
Light Bulbs	28	80.3
Trucks	7	91.3
Typewriters	7	99.0
Motorcycles	3	100.0
Precious Metals	3	100.0

Table 2. Unbridled Concentration.

	<u>Mergers Submitted to</u> <u>Cartel Bureau</u> <u>for Approval</u>	<u>Mergers Disapproved</u>
1974	294	5
1975	445	0
1976	453	5
1977	554	2
1978	558	11
1979	602	2
1980	635	9
1981	618	11
1982	603	2
1983	506	8
1984	575	6
1985	709	7

Table 3. Power Concentration in German Economy: Some of the 600 Corporations Over Which Veba Chairman of the Board Rudolf von Bennigsen-Foerder Can Exert Influence.

(1) ☐ = Veba-Töchter oder -Beteiligungen (2) ☐ = konzernfremde Unternehmen, in deren Aufsichtsrat v. Bennigsen sitzt

(3) **geletzt:** Unternehmen mit einem Nennkapital von mindestens 100 Millionen Mark

Höls	RWE	Fried. Krupp	Stinnes	Allianz	Ruhrkohle
Veba Oel	PreußenElektra	PreußenElektra Wasserkraftanlagen	Stinnes Reederei	Ruhrglas	Aral
Kernkraftwerk Brokdorf	PreußenElektra- Kernbrennstoff	MANN MIT MACHT  Rudolf v. Bennigsen-Foerder, Vorsitzender des Vorstandes der Veba AG		Glaswerke Essen-Karnap	Deminex
Kernkraftwerk Unterweser	Veba Kraftwerke Ruhr			Kristallglas- werke Essen	Raab Karcher
Kernkraftwerk Brunsbüttel	Schleswig			Norddeutsche Faserwerke	Braunschweigische Kohlen-Bergwerke
Kernkraftwerk Stade	Gemeinschafts- kraftwerk Kiel			FSG-Holding Ferngas Salzgitter	Ruhr Oel
Kernkraftwerk Grohnde	Energieversorgung Weser-Ems			Freiburger Energie- und Wasserversorgung	Main-Gaswerke
Kernkraftwerk Krümmel	Fränkisches Überlandwerk			Gelsenwasser	Thüringer Gas
Uranit	Gesellschaft für Energiebeteiligung	Rhenag	Tanker- + Schiff- fahrtsgesellschaft TTB	Chemie Verwaltung	Rhenus
Deutsche Gesellschaft für Wiederaufarbeitung von Kernbrennstoffen	Berliner Kraft- und Licht (Bewag)	Hastra	Hapag Lloyd	Veba Wohnstätten	Salzgitter

(4) Außerdem ist v. Bennigsen Präsidiumsmitglied in der Bundesvereinigung der Deutschen Arbeitgeberverbände und im Bundesverband der Deutschen Industrie

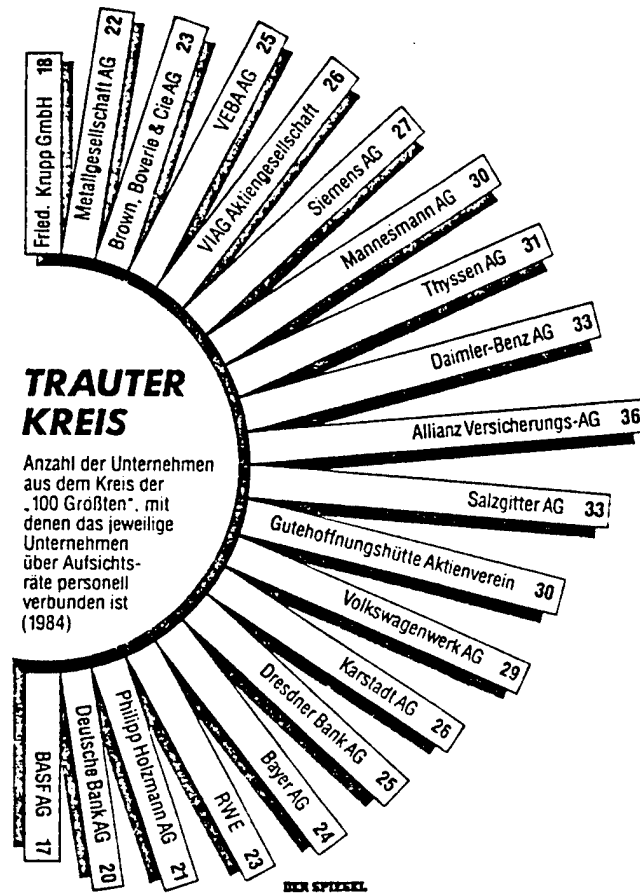
Key:

1. Veba subsidiaries or partnerships.
2. Non-Veba companies of which Bennigsen is a board member.
3. Boldface companies have nominal assets of at least DM 100 million.
4. Bennigsen also is a member of the presidium of the National Organization of German Employers Associations and the Association of German Industry.

Table 4. Partial List of Joint Ownership Ventures of the Three Largest German Banks and West German Corporations.

 DEUTSCHE BANK	 DRESDNER BANK	 COMMERZBANK
Daimler-Benz AG. Stuttgart	Daimler-Benz AG. Stuttgart	Daimler-Benz AG. Stuttgart
Krauss-Maffei AG. München	Krauss-Maffei AG. München	Thyssen AG. Duisburg
Metallgesellschaft AG. Frankfurt	Metallgesellschaft AG. Frankfurt	Sachs AG. München
Hapag-Lloyd AG. Bremen/Hamburg	Hapag-Lloyd AG. Bremen/Hamburg	Linde AG. Wiesbaden
Didier-Werke AG. Wiesbaden	Dortmunder Union- Schultheiss Brauerei AG. Berlin/Dortmund	Didier-Werke AG. Wiesbaden
Philipp Holzmann AG. Frankfurt	Bilfinger + Berger Bauaktiengesellschaft. Mannheim	Philipp Holzmann AG. Frankfurt
Horten AG. Düsseldorf	Heidelberger Zement AG. Heidelberg	Horten AG. Düsseldorf
Karstadt AG. Essen	Kaufhof AG. Köln	Karstadt AG. Essen
Süddeutsche Zucker AG. Mannheim	Wayss & Freytag AG. Frankfurt	Kempinski AG. Berlin
Hutschenreuther AG. Selb	Flender Werft AG. Lübeck	Hutschenreuther AG. Selb
VEW Vereinigte Elektrizitätswerke Westfalen AG. Dortmund	MBB, Ottofurt	Flender Werft AG. Lübeck
Allianz. Berlin/München	Allianz. Berlin/München	MAN Aktiengesellschaft. München
		Hochtief AG. Essen

Table 5. Number of Interlocking Directorates Among Top 100 Corporations
(as of 1984).



9478

CSO: 3620/88

CHIRAC GOVERNMENT OFFERS NEW GROUND RULES FOR BUSINESS COMPETITION

Paris LE MONDE in French 5 Nov 86 pp 1,35

[Article by Josee Doytere]

[Text] Floating prices, no holds barred in market competition: thus the government defines the new competitive rules, in a bill slated for immediate submission to the Council of State. It will go to the Cabinet for scrutiny on 26 November. It calls for free pricing, open markets, and tight reins on mergers—the three prongs of this new legislation. Implementation will be entrusted to a Council on independent competition, which will replace the current Competition Commission.

It was a long and painful travail that finally delivered a new set of rules on competition, which should bring France into the small and select company of truly liberal nations. They could have made do with a 30-line text denouncing the principle of violations of competition, secret understandings and abuses of dominant positions, leaving it up to the courts to decide what was right, with the passage of time and the settlement of hearings. An anti-trust agency could have been put into place and assigned the mission of monitoring mergers. The Cartesian proclivity for clear-cut and precise judicial constructs carried the day. The proposed bill contains no fewer than 100 articles, almost half of which spell out the conditions under which this new-found freedom may be operative, or the nature of sanctions that may be imposed.

The first result of the "free play of competition and trade negotiations, "and establishment of prices and margins shall be the sole province of enterprises themselves." Furthermore, within a period of 2 years, specific regulations (books, pharmaceutical products, taxi-fares...) will be revised. Meanwhile, a regulatory sword of Damocles hangs over every head: the government may, thanks to a ruling by the Council of State, "order emergency measures" in the area of pricing which would require "a crisis situation, extraordinary circumstances, a national calamity," or deregulation of the market."

The life-span of these measures is limited to 6 months at the outside. The Competition Council may intervene in the same way, wherever there exists an inability to allow the market to govern in a given sector or profession (legal impediments or monopoly).

Openness in the market is mandatory. Public notice of retail prices will remain mandatory, and the value of any premium or gift offered to purchasers may not exceed 5% of the purchase price, including taxes, of the product (instead of 10%), and a forthcoming decree will set that limit for items of very small value. Offers of free samples, discounts, and cash rebates will still pass muster.

Professional Relationships

Among professionals, all's clear: fees are paid by those who seek the services, billing is mandatory, and cover all discounts, refunds, and cancellations. The definition of practices in restraint of trade (which are banned: this is the very foundation of free market operation) has given rise to a lot of waffling and artful dodging, because the interests of distributors and those of industrialists are often contradictory. This is why agreements, concerted action, and understandings, secret or open, are prohibited, as is the refusal to sell (without a word's being spoken) but... the minister leaves himself the possibility to authorize, upon receipt of approval from Competition Council, several practices, such as the distribution of free samples to a selected mailing-list (which would bar a perfumer to ban the sale of his luxury products in department stores). Abuse of dominant market position or exploitation of economic dependency (weakness of the partner—tie-in sales—are banned, as are discriminatory practices: one may no longer, for instance, "sever long-standing trade relations on the pretext that the partner refuses to submit to unjustified marketing conditions" (and this one is aimed at outlawing arm-wrestling competitions between industrialists and super-market department stores).

Loss-leader sales (this is the apple of discord between the big and small businesses, but also between them and the giant department stores) are banned, and the only figure that counts is the one on the bottom line for the purchase, as shown on the bill. In case of complaint, the merchant may adduce other factors in his selling-price decision. The bill reportedly will also define the "right to match," when a direct competitor offers a product at a lower price than his, the merchant will have the right to lower his own price to match his competitor's, but he must first inform the administration, which will check to ascertain whether the competitor has or has not engaged in selling at a loss.

Mergers and Understandings

At another level, that of mergers and understandings between enterprises, the Competition Council is concerned only with major mergers, meaning those involving 25 percent of the market for a product or service (that is the 1985 act) and can support a volume of business of more than 7 billion francs. Such enterprises can inform the minister for the economy and the Council on Competition but are not bound to do so in all instances; the minister and the council may themselves take over a case. They have very little time to step in, but the minister may, if that particular merger poses a threat to free competition or strengthens an already dominant position without contributing to economic progress, can either order a return to the status quo ante or alter the operation, or take any measure designed to insure or to restore adequate competition.

Makeup and Role of the Competition Council

Entrusted with a three-fold mission (monitoring anti-competitive practices, surveillance of mergers, consultation on pieces of legislative bills and regulations still in the preparatory stages). the new Competition Council arrives at decisions and publishes an annual report. The Council consists of 17 members (a chairman and two vice-chairmen from the Council of State, the High Court of Appeals or the Audit Office, four magistrates, four qualified public figures co-opted by the aforesaid, and five professionals). Members are appointed for 6 years, and can serve for additional terms. It also includes a chief rapporteur and permanent rapporteurs. Another major change by comparison with the current Committee on Competition: rules are broad and no longer administrative. The Council itself can have access to a file, but the cabinet minister for the economy, territorial communities, the independent administrative authorities, the professional and labor organizations, consumer associations, and consular chambers may also apprise the Council.

Veto Right in Question

The investigative procedures are described in the list, a result of obvious concern with protecting the rights of defendants, with the Paris appellate court playing the role of instance of last resort. In addition, there is a simplified procedure and an emergency procedure. The decriminalization of infractions is sweeping, but the monetary sanctions (accompanied by infractions or not) which the Competition Commission can impose can be heavy (5 percent of the annual volume of business, or 5 million francs if the culprit is not an enterprise). In some very grave cases, the file may be forwarded to the Public Prosecutor.

Lastly, the minister for the economy holds the right of veto over decisions by the Council—but then again, he may not. It would be

subject to stringent restrictions, and could not be exercised save for very grave reasons, stemming from a higher interest, and essential to the economy as a whole. Mr Balladur will have to make that decision on Tuesday morning.

The professionals are, generally speaking, satisfied, albeit not entirely. Their unspoken and impossible dream would have been total freedom, with no possibility of a return to price controls. There could be no question of such a thing, given the record of behavior over the past 40 years, those involved will be covering their positions by making their price-hikes earlier on. As for the open market, don't bet on it: in that area, too, the force of habit is a mighty one. The doctrine of the effect of competition on prices is far from universal acceptance, and Alain Cotta, professor of economic sciences and well known among professionals, once wrote: "Stabilizing competition favorable to consumers absolutely demands the absence of openness."

The year 1987—since these bills, ordinances, and decrees all take effect as of the first of next January—will allow Baladur the time he needs to think again and sharpen his ideas about the doctrine and about these effects.

6182

CS0: 3519/29

BANKRUPTCY STATISTICS NOW INCLUDE MEDIUM, LARGE FIRMS

Lisbon EXPRESSO in Portuguese 15 Nov 86 pp II-III

[Text] The rate of increase in bankruptcies in Portugal declined during the first half of the year. This is an improvement in the Portuguese business picture, but it does not mean that the situation is flourishing; quite the contrary. Now, it is not just small units that are failing. The process has affected medium-sized and even some large business firms. It must also be considered that there are over 1,600 proceedings pending in the civil courts, and the judgments handed down are confined to 9 percent of the total proceedings pending. In other words, the official statistics per se cannot clearly show the margin of success or failure of businesses. The articles included on these pages, based on the most recent statistics from INE [National Statistics Institute] and COSEC [Credit Insurance Company], will provide readers with new, reliable data on bankruptcies in Portugal, showing how a certain cloak of fantasy conceals more tragic realities.

According to the data procured by COSEC, the diagnosis of the status of bankruptcies during the first half of 1986 reveals an overall improvement in the situation, compared with last year.

The analysis made by that public enterprise's office of studies indicates that the declaration of bankruptcy judgments published in the "Journal of the Republic" this year had reached 114, up to and including June. Although this figure is the highest "peak" reached since 1979 (see graph), the rate of increase in the judgments shows a slowdown in comparison with the same period of 1985.

The COSEC study to which EXPRESSO has access stresses: "An 11.8 percent increase has been noted in bankruptcies during the first half of this year, compared with the first half of last year, when a 15.9 percent rise was noted therein compared with the same period of 1984."

Thus, the trend already observed in 1985, in the direction of "more moderate increases in bankruptcy declaration judgments," has been confirmed, according to Gabriel Vale and Eugenio Guerreiro, technicians in charge of that office of studies.

Analyzing the series of data provided by COSEC, and noting the statistics published by the Ministry of Justice, one observes a considerable slowdown between 1984 and 1985. The rate of increase in bankruptcies (judgments published in the official newspaper), in fact, declined from 33 percent for the period 1983-84 to only 1 percent for the variation between 1984 and 1985.

On the other hand, the proceedings for bankruptcies, arrangements between the insolvent and creditors, and agreements entering the civil courts found their evolutionary trend reversing: from a 37 percent increase between 1983 and 1984 to an absolute decline of about 6 percent between 1984 and 1985 (see Chart I)

The Turn of the Large and Medium Business Firms

Despite this considerable "improvement" in the bankruptcy picture, major changes are observed in the data for the first half of this year. The COSEC study stresses that, "A trend has been noted wherein the bankruptcy judgments are increasingly affecting larger-sized business firms."

Comparing the first half of 1986 with the same period last year, one observes from the statistical data that there has been a very clearcut increase in the incidence of bankruptcies in firms with corporate stock exceeding 10,000 contos. Accounting for nearly 4 percent of the judgments for the first half of 1985, the firms in this bracket have already attained this year a percentual position exceeding 11 percent; in other words, their weight insofar as bankruptcy is concerned has nearly tripled.

Particularly telling is the case of the failed companies with capital stock in excess of 20,000 contos: from 1 percent of the total judgments during the first half of 1985 to almost 8 percent for the same period this year.

The same trend is noticeable regarding the size of the firms in terms of service personnel; with a increase also noted in the incidence of firms with over 50 employees; accounting for 14.7 percent of the bankruptcies during the first half of 1985, they have moved to 28 percent during the same period this year.

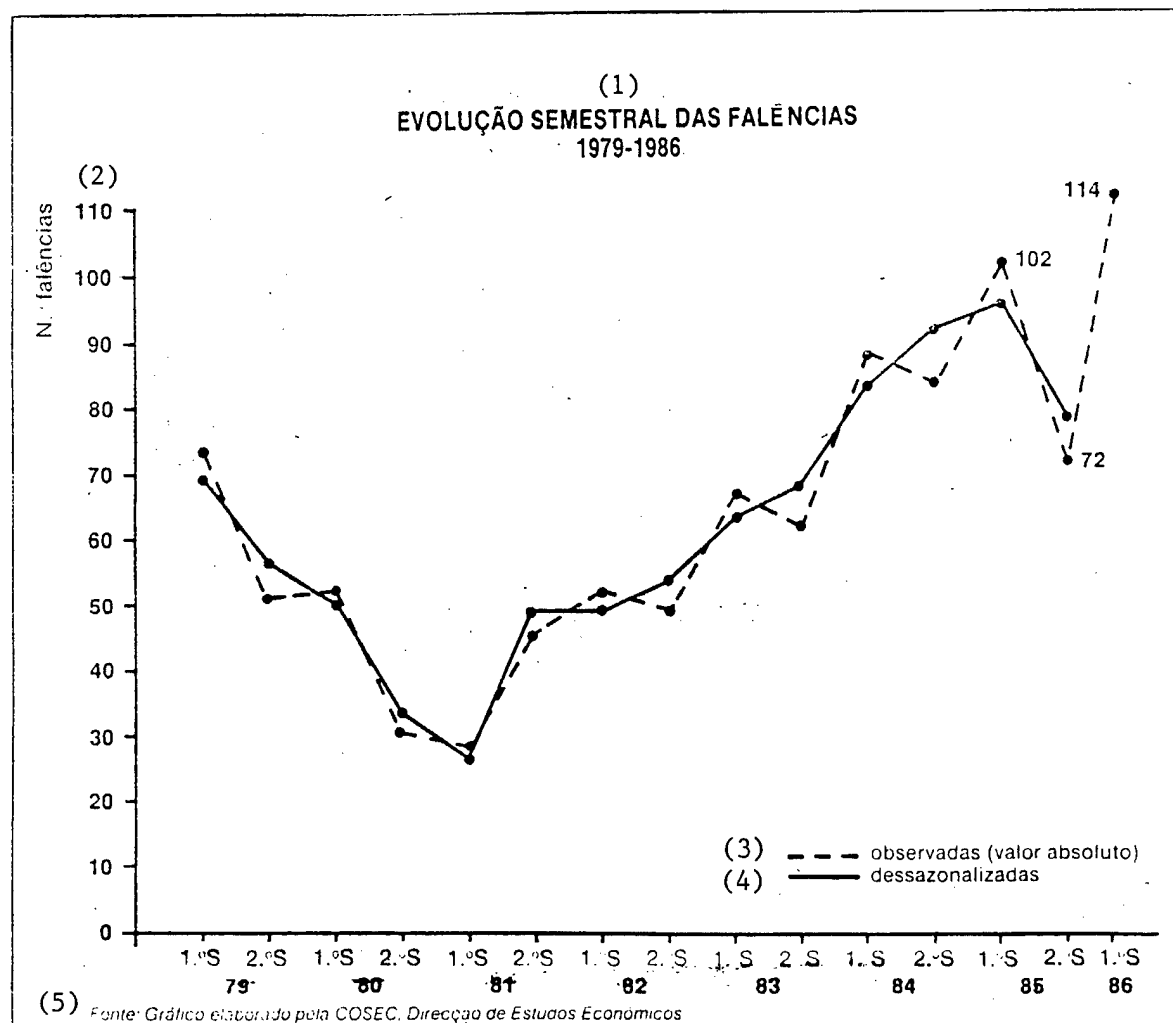
Porto: Largest Concentration of Failures

The structure of the geographical profile of bankruptcies has maintained the profile observed in previous years. During this first half, the concentration has remained in four districts, headed by Porto (one third of the failures), followed in descending order by Lisbon (22 percent), Aveiro (12 percent), and Braga (11 percent).

However, while the percentual increases in comparison with the first half of 1985 are very slight in the cases of Lisbon and Braga, the same thing cannot be said about the other two districts. Porto observed an increase in its weight, from nearly 28 to 33 percent of the total bankruptcies, and Aveiro rose from fourth to third place, moving from 7 to 12 percent.

COSEC's sectorial analysis reveals that the bankruptcies predominate in the textile and clothing industries, far removed from the others, with a percentage ranging between 17 and 18 percent of the total declaratory judgments. This sector is obviously the one evincing the most "mobility" in terms of bankruptcy.

The changes occur in the second and third places on the scale: Whereas, in 1985, these positions were occupied by the civil construction (with 9 percent of the total failures) and textile, clothing, and footwear dealing branches (with 8.6 percent), the first half of this year discloses a clear slowdown in the weight carried by these two sectors. On the other hand, a significant rise is evident in the number of failures among electrical equipment and household appliance dealers, and among food and beverage dealers, reaching the level of 8 percent of the total bankruptcies in both cases, and ranking in second place "ex aequo" [in fairness].



Key to Table I:

1. Half-Yearly Progress of Bankruptcies, 1979-86
2. No. of bankruptcies
3. Observed (absolute figure)
4. De-seasonalized
5. Source: Graph prepared by COSEC, Economic Studies Office

(1) QUADRO I Falências -- 1983 1985						
(2) Falências	1983	83/82	1984	84/83	1985	85/84
Publicadas no «DR» (4)	129	28%	172	33%	174	1%
Processos nos Tribunais Cíveis • Pendentes em 1 de Janeiro (5)	1078	5.9%	1220	13%	1443	18.3%
• Entrados (6)	262	20.2%	359	37%	337	-6%
• Concluídos (7)	121	22%	119	-1.6%	160	34.5%

Fonte: COSEC, Estudo citado sobre falências, e Ministério da Justiça, Estatísticas publicadas pelo Gabinete de Estudos e Planeamento.

(8)

Key to Chart I:

1. Chart I, Bankruptcies, 1983-85
2. Bankruptcies
3. Number
4. Published in "Journal of the Republic"
5. Proceedings in the civil courts, pending on 1 January
6. Entered
7. Concluded
8. Source: COSEC, Study cited on bankruptcies, and Ministry of Justice, statistics published by the Office of Studies and Planning

2909

CSO: 3542/21

ECONOMIC FIGURES REVEAL PRIVATE CONSUMPTION RISE

Lisbon SEMANARIO in Portuguese 22 Nov 86 p 24

[Text] Consumption exploded: supermarkets sold 10 percent more, in real terms, than in the previous year. Volume of fuel sales will rise 14 percent by the end of the year. The number of passenger cars sold increased 15 percent and commercial vehicles had an increase of 40 percent. The cost of a square meter [of land?] increased in recent months from 80 to 120 contos. That is the way the Portuguese economy works: when a cooling-off is desired, it comes to a halt, as it did in 1983; when an acceleration is intended, it drags along for 2 years and then suddenly explodes, unpredictably and nowhere near government forecasts. The Portuguese people are consuming everything, and right now, before inflation returns at the end of 1987. And that is why Miguel Cadilhe announced in the interview he granted last week that interest rates cannot fall as much as inflation (which the government will control, although only administratively through the end of the year).

Optimistic Survey

Although the latest INE [National Statistics Institute] survey will not be released until next week, it is already possible to outline trends for the fourth quarter: retail and wholesale markets will experience substantial growth. In the second quarter 80 percent of those surveyed said their sales would rise, compared with only 3 percent who said they would sell less. In the fourth quarter sales should thus largely compensate for the meager results achieved in the first two quarters of the year.

The INE's composite indicator (which includes orders, price changes, access to credit and sales) shows a 5 percentage-point improvement for wholesale trade (between the first and second half of the year), and 6 percentage points for retail trade.

More 'Super' Sold

For fuels the situation is quite clear: the 14 percent increase expected by the end of the year is due essentially to two factors: "super" gasoline and industrial heating fuel. Comparing the first two quarters of this year with 1985, sales volume of super increased 12.2 percent. Only industrial heating fuel exceeded this rise: its sales increased 16 percent. Another interesting fact is

Private Consumption Increased After 2 Years of Regression

[Percentage Changes in Volume and Prices of Selected Economic Aggregates]

Categories	1983		1984		1985	
	Volume	Prices	Volume	Prices	Volume	Prices
Private consumption (by residents)	- 1.0	+22.5	- 3.0	+29.3	+ 1.0	+19.0
Public consumption	+ 2.7	+21.8	+ 2.5	+18.6	+ 1.7	+21.7
Investment: Gross fixed capital formation plus changes in inventory	- 7.5	+24.9	-18.0	+21.5	- 3.0	+18.0
Domestic demand	- 7.0	+24.9	- 6.2	+26.0	+ 0.7	+19.2
Exports	+16.7	+27.5	+14.2	+30.3	+11.1	+16.2
Aggregate demand	- 2.9	+25.4	- 1.9	+27.1	+ 3.3	+18.4
Imports	- 8.7	+29.6	- 2.7	+31.9	+ 3.3	+11.0
Gross domestic product at market prices	- 0.3	+23.7	- 1.6	+25.1	+ 3.3	+21.6

that the sales volume of commercial aviation fuel has increased by 7 percent, which denotes a very unusual increase in traffic.

In reference to housing, another indicator of consumption by Portuguese households, we collected some statistics giving an idea of existing trends. Not only did loan applications rise 115 percent and contracts signed increase 25 percent from January through September of this year, in comparison with 1985, but the price per square meter in Greater Lisbon rose substantially. In a few months, a square meter for office construction rose from 80 to 120 contos and that for the most modest housing construction, previously selling at 20 contos per square meter, now costs between 30 and 35 contos.

More Than 10 Percent

In current consumption, expenditures in supermarkets have a significant impact: according to the supermarkets we consulted, there was an increase of 10 to 11 percent in sales volume in real terms, which means that in nominal terms billing by retailers must have risen about 22 to 23 percent. These figures furnished by the supermarkets contrast substantially with the government's indicators, which show increases in supermarket sales volume of about 7 percent.

According to the government, in the document sent to the Assembly of the Republic, private consumption was to increase in volume this year by 4.5 percent, but the increase will decline to 3.4 percent in 1987. In the major planning options, however, as the Economic and Finance Committee of the Assembly of the Republic acknowledges, no explanation is presented for these estimates.

Government Figures

"In view of the scattered information about the trend of wages and pensions and about trends of tax revenue, it has been estimated that disposable income will rise at least 7 percent in 1986, in real terms." These estimates, together with the amounts we have shown, indicate a growth of private consumption greater than 5 percent, rather than the 4.5 percent shown by the government.

What these consumption figures prove is that households are not saving more due to higher wages, but are, on the other hand, diverting almost all their income to immediate consumption and investment in housing, which shows the reduced confidence of the public in the prospect of a sustained drop in inflation, which in the month of October remained at 12.7 percent.

Even if the government is able to control some of the wage negotiations, it is unlikely that consumption will moderate its growth at the levels of this year, which obviously would frustrate the prospects of effective reduction of the price rise--that is, a reduction without there being a need for administrative control.

In this regard, Miguel Cadilhe ordered that a survey be made of collective-bargaining conditions in Petrogal [Portuguese Petroleum Co.], and suggested that managers in the public sector take into consideration the figures accepted by the Council on Social Harmony.

8834

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EUROPEAN ALTERNATIVES TO NUCLEAR DETERRENCE ANALYZED

Bonn AUS POLITK UND ZEITGESCHICHTE [Supplement to DAS PARLAMENT] in German
25 Oct 86 pp 3-13

[Article by Dieter Mahncke, Office of the President of the FRG, formerly professor of political science at the Armed Forces University, Hamburg: "Alternatives to Nuclear Deterrence as a Foundation of European Security?"]

[Text] I. Problems of the Defense of Western Europe

The problems concerning the defense of free Europe have been discovered neither by the peace movement nor by peace research. They are older than the Atlantic Alliance and time and again have been discussed and examined since the establishment of the alliance--especially in the alliance itself. Three problems are essentially involved in this connection: the actual defense dilemma, the question of the nuclear support by the United States and finally the problems of a nuclear defense in general.

The defense dilemma is based on the fact that a defense of Western Europe against military aggression appears to be nearly impossible without virtually destroying in the process what is to be defended. This applied to the case of a nuclear conflict and hardly any less also to an extended conventional war. The path taken thus far to circumvent this defense dilemma consists in placing the main emphasis of the defense strategy on the prevention of war. Since the danger of a war is primarily seen in the possibility of Soviet aggression¹ war prevention is in the first place the result of effective deterrence; it is tied to arms control and the effort to reduce the causes of tension.

However, from the start the NATO deterrence capability had to suffer from the numerical inferiority of the Western conventional potential of forces. Therefore the alliance started at a relatively early time--as early as the end of the fifties--to depend on nuclear weapons: at that time NATO was superior in this field, nuclear firepower appeared to be less costly than conventional manpower; beyond that the use of nuclear weapons in Europe always also implied nuclear retaliation on the part of the United States. But with the development of the Soviet nuclear potential and the growing

nuclear vulnerability of the United States, the second problem of European defense became acute: would the Americans risk their own cities for the defense of Western Europe?²

Apart--perhaps--from an independent European nuclear force, in final analysis there is no solution to this problem. As long as the Europeans depend on the U.S. nuclear umbrella, there remains no choice but to depend on the assurances of the Americans. However, from the European standpoint, that seems to be quite acceptable, namely, in the first place because there exists a U.S. interest in the defense of Western Europe, secondly, because the U.S. conventional and nuclear forces stationed in advanced positions would also be directly affected in case of a Soviet attack and thirdly because the European alliance partners are closely integrated in the nuclear planning process within the alliance and thus can assert their own interests and influence the thinking of the Americans. Moreover, the responsible Europeans know they themselves make an essential contribution to the strengthening and reliability of the U.S. commitment through their own reliability and their own defense contribution to the alliance.

The third central problem of the defense of Western Europe relates to the quality and the great destructive potential of nuclear weapons. Even though this very destructive potential is an essential element of its deterrent effect on which the Europeans rely and the importance of which they have always reemphasized in the past, uneasiness is increasingly spreading--not only within the peace movement. Are such weapons really capable of fulfilling the task of deterrence? If they are defined as "political weapons" exclusively, can deterrence in the framework of a doctrine that in final analysis cannot guarantee its success be at all credible? And even if the deterrence logic persists, isn't it true that the consequences in case of failure would trigger in any case a search for alternatives?

II. Motivations for the Search for Alternatives

These three central problems of European defense also form the sources sparking the search for alternative strategies: the nuclear destructive potential, the guarantee of the United States, and the defense dilemma. In a different way an attempt is made to overcome or circumvent these problems with alternative concepts. Hereby uneasiness and worry play a role. For it would be difficult to assert that the present defense concept has failed; the motivation rather arises from the fear that the system could fail.

In this connection especially two factors are of importance: on the one hand, the passage of time, on the other hand the decline of the U.S. superiority. The prolonged period of peace that we have experienced in Europe for now 40 years appears to many rather the cause for worry than for relief as to whether this peace can continue much longer: this is an

unparalleled event in history, isn't it? What reasons could there be in a world in which people have failed so frequently both morally and psychologically and at the same time have changed so little to place one's confidence in the long run in the system of deterrence? How long will it be possible for massive armament programs to continue without the occurrence of a catastrophe?

And even though the extent of destruction to be expected in a nuclear war constitutes an essential element of deterrence, the importance of this factor will not inevitably decline in the course of time to the same degree as the memory of the Europeans, Americans, and Russians of World War II fades and perhaps people will even get used to these weapons?

However, paradoxically it appears to be especially the younger generation which has no memory of World War II that is especially worried. But viewed psychologically, that is completely understandable: young people in particular ask the question whether a system of deterrence which is characterized by a constantly growing destructive potential can last and can guarantee their future--however well it may have functioned in the past.

But not only the constantly growing armament potentials provide reasons for questions. Much points to the fact that the decline of the U.S. superiority and the enormous expansion of the Soviet military potential have contributed to the development and increase of fear and doubt with regard to the reliability of the deterrence system or have even triggered them. This is possibly also the background for recent doubts in the reliability of the Americans. Those who have no confidence in the permanence of the deterrence and start out from the probability of the use of nuclear weapons regard as quite understandable the--alleged--desire of the Americans to withdraw from their obligations and to limit a possible nuclear conflict to Europe. They draw the conclusion therefrom that Europe must to a greater extent rely on itself; above all Europe must seek alternatives to the present defense concept.

III. Categories of Alternative Strategies

It is not simple to place the meanwhile numerous alternative proposals--of which only the most important ones can be dealt with here--into specific categories since occasionally they can be assigned to different categories depending upon the aspect that is to be stressed. But apart from these overlappings a division into three main categories can be made depending on goals and type of means used: nonviolent resistance, mobile defense in the depth of the rear area, and dynamic forward-moving defense.³

1. Nonviolent Resistance

The proposals of the first category try to develop as the only ones a completely novel, revolutionary alternative to the present system of

defense and deterrence. An example for that is the concept of Social Defense.⁴ The basic idea of this concept is that in case of aggression the victim offers no military resistance whatsoever. After the occupation has been completed the population would offer passive resistance by refusing any cooperation with the occupiers so that it would become extremely difficult if not impossible for the occupying power to rule the country. This prospect is supposed to be made evident to the potential aggressor in time and clearly to deter him from aggression from the start. Thus the idea of deterrence would not be abandoned by any means; rather a procedure is sought which, in case of a failure of deterrence, would entail a considerably smaller extent of destruction.

A prerequisite for such a system would be a society largely closed within itself and motivated. Extensive and detailed preparations would have to be made and ways would have to be found to reduce the opportunities for collaboration. The citizens would have to learn to suffer terror against themselves but also to tolerate terror and torture against others, for example close relatives. Obviously therein lie the principal difficulties of the concept. The possibilities and the readiness of a totalitarian power to ruthlessly employ force is underestimated as is the capability of people to resist individual terror is overestimated.⁵ The risk to the attacker and thus the deterrence effect would therefore be slight. In case of failure all he needs to do is to withdraw: without any losses to his armed forces and without any danger to his own territory.⁶

2. Defense in the Depth of the Rear Area

Only the concept of pure social resistance does not provide for any military defense; all other alternatives include forms of military resistance. Hereby most voluminous is the category of the proposals for defense in the depth of the rear area ("rear defense"). The proposals of this category differ in many respects; however, they have in common the motivations, the basic concept--and the weaknesses.

As regards the motivations, four considerations are decisive: a defensive structure is sought which is to have a "less provocative" effect and thus is to reduce as a result the probability of a war, which limits the damage in case of a conflict, which reduces the dependence on the nuclear weapons and which promises to be successful in case of an actual conflict. There are many proposals in this category. Some of them deviate--as regards armed forces structure as well as defense--from the existing strategy;⁷ others do maintain the principle of forward defense but propose fundamental structural changes which also boil down to a defense in depth of the area and which justify including them in this category.⁸

Basically most of the proposals include: a. reorganization and reequipment of the armed forces, whereby, e.g., small antitank units, light infantry etc. are to be created and b. to varying extent abandonment of one's own territory to let the enemy at first advance and then to wear

him down by attacks of the mobile, small antitank units in the depth of the rear area. In addition some proposals provide for armored conventional forces in the rear area, namely for one thing as reserves but also to regain lost territory as soon as the enemy has been stopped. Finally the role of the nuclear weapons is to be reduced.

All these concepts include military and technical aspects which cannot be dealt with here.⁹ But of course their assessment largely involves their probable military effectiveness. The higher this effectiveness is assessed the greater is the deterrent effect that is to be expected. That is the decisive factor, for the concept involves the possibility that the risk for the aggressor, at least in the first defense zone, can be considerably better calculated quite apart from the fact that--in case the aggressor cannot be stopped in the first defense zone--the defender in depth would be confronted with a conventional war on his own territory.¹⁰

The concepts have achieved a certain political relevance because of SPD defense policy spokesman Andreas von Buelow.¹¹ Referring to the destructive power of nuclear weapons and the question of the credibility of the U.S. nuclear engagement in Europe, von Buelow demands "a defensive system capable only for defensive action"--if possible on both sides--to build confidence and to achieve a security partnership. Even though armored formations are to continue to exist, for example to reconquer lost terrain, the "dependence on tanks" is to be reduced and replaced by an "infantry antitank network along the border."

The weaknesses of this concept are seen in the political aspect as well as in the military one.¹² The desire for a "security partnership" blurs or covers the considerable differences as regards the political intentions as well as regarding the Soviet readiness actually to change quantitatively superior and offensive military structures by which it has achieved political influence in the West as well as worldwide.

Furthermore, critics doubt that a militia army would be available in time and that it could hold its ground in the face of the dynamic of an attack far superior in modern material. In addition it is also criticized that this concept--corresponding to the idea of the "structural inability to attack"--excludes the possibility of counterstrikes, especially of the air force. Thus the attacker could bring up reinforcements without being hampered at all but his own territory in general would be treated as a sanctuary.

Doubts in the military effectiveness¹³ and, as a result, an inadequate deterrent effect thus are regarded as priority weaknesses of all concepts of this category. Added to that is the fact that the abandonment of territory is consciously taken into account and that the advantage of the limitation of damage then becomes problematical if the enemy in the rear area must be fought with conventional weapons.¹⁴ Apparently all concepts start from the assumption that the operations in case of an aggression

would take place on Western territory. The physical and psychological difficulties entailed by this fact are obvious. Nevertheless combat on NATO territory is accepted almost as a matter of course. This also applies to the present doctrine of forward defense even though prevention of losses of territory is a priority aim according to this doctrine: none of one's own territory is to be abandoned if possible.¹⁵ An obvious reason for the assumption that the NATO territory would be the scene of the operations is that NATO would be the victim: The only conceivable war within the framework of NATO planning would start by the Warsaw Pact forces crossing the border and penetrating into NATO territory. However, just as important is the fact that NATO does not want to appear as offensive under any circumstances: Even the term "Vorwaertsverteidigung" (forward-moving defense) was changed into "Vorneverteidigung" (forward defense) in the FRG in the seventies.¹⁶

3. Dynamic Forward-Moving Defense

The existing taboo not to cross the border under any circumstances was broken for the first time by new concepts of a "dynamic forward-moving defense." Of course within the framework of the NATO military doctrine the possibility, yes the probability of interdiction from the air on the territory of the attacker is provided in case of an aggression on the part of the Warsaw Pact (and only in that case). This has always been the case. Nevertheless this aspect of the defense has again been under discussion recently under the general term "deep strike"¹⁷ and a series of proposals has been submitted in this connection. There are two different approaches: one of them provides for comprehensive interdiction attacks with the aid of novel conventional technologies against the second and third echelons of the offensive forces (the first echelon is to be contained by the already existing NATO forces), the second starts from an immediate counter-attack on the Warsaw Pact territory.

The first-mentioned idea is indeed not new. Interdiction attacks have always been planned as a part of NATO strategy: They correspond to simple military logic if an aggression were to occur. However what is new is the more pronounced emphasis of the possibilities of new technologies. Consequently the arguments advanced against this concept--i.e. high costs, limited effectiveness, probable reaction of the Soviet Union (attack without great need for reinforcement, attacks in several batteries and squadrons)¹⁸--especially against excessive dependence on interdiction measures (will they--alone--be able to stop the advance?) and against the excessive expectations which are placed in the new technologies; however, they do not invalidate the idea of interdiction in case of a Warsaw Pact attack in general.

Of doubtlessly more far-reaching consequence is the second alternative, i.e. the proposal of "conventional retaliation," in other words an immediate or early counterattack on the Warsaw Pact territory (e.g. from Bavaria into Czechoslovakia or into the GDR) regardless of the stability

of one's own front and the interdiction attacks against the Warsaw Pact follow-on forces that are being conducted.¹⁹

If this proposal is not regarded as a substitute but as a supplement of the present doctrine of forward defense (in other words, one's own front is not to be neglected or abandoned), its strategic advantages are obvious: the operations would not be obvious and concentrated exclusively on NATO territory, above all the Soviet sphere of influence in Eastern Europe would be faced with direct and serious jeopardy in case of a Soviet attack. As long as the operation takes place on Western territory, the East Europeans would have no choice but to assist the Soviet Union; but as soon as Western troops enter Eastern Europe the reliability of the East European partners--always a ticklish problem for the Soviet Union--would become uncertain, for with great probability the Western troops would be regarded not as aggressors but greeted as liberators.²⁰ Therefore it is doubtful whether the principal disadvantage ascribed to this strategy by some would actually have an effect. If such alienation were not to be expected, the second possible disadvantage, namely the unacceptability of this strategy to the West European NATO alliance partners,²¹ would lose its objective basis (even though it may continue to be unacceptable even without objective reasons, considering the high degree to which many West Europeans--and also many Americans--would be worried by the thought that they could have a "provocative" effect.²²

If deterrence is the principal goal of the strategy of the West, the principal advantage of this concept may lie in the probable strengthening of the deterrence--since a Soviet attack would entail a direct danger to the Warsaw Pact territory and, what is even more important, a danger to the reliability of the allies of the Soviet Union, yes even of the stability of the Soviet sphere of influence in Eastern Europe as a whole. But at the same time this advantage could result in the considerable disadvantage of conventional retaliation, namely a possible redeployment and especially strengthening of the Soviet armed forces in the Eastern Europe. This would be of greater concern to the East Europeans than the threat by the Western armed forces and moreover it could raise new problems for the NATO forward defense.

IV. Some Criteria for the Assessment of Alternative Concepts

In assessing the feasibility and acceptability of alternative concepts some criteria are to be considered.

1. Does the alternative concept promote the principal goal of the security policy of the West, namely the prevention of war by deterrence?

All proposed alternatives stress the deterrence, none wants to replace it by anything else. In other words, all alternatives want to maintain an effective deterrence even though for many the principal motivation is not an improved deterrence but limitation of damage. However, if deterrence

is accepted as a valid goal, then alternative proposals are to be examined as to the contribution they make to deterrence. The proposals start from two different "deterrence values": one of them implies deterrence by withholding of a desired advantage, the other by a threat of punishment.

The concept of Social Defense clearly belongs to the first category. According to this concept, the conquered territory is supposed to prove "indigestible" for the conqueror so that he abstains from the start from the attempt of a conquest. Fundamentally the first category also includes all proposals which primarily aim at preventing an attack by forms of defense in depth. Their principal aim is not the threat of punishment but the denial of any gain. If only the conventional aspect is considered, then essentially the present doctrine of the forward defense falls into this category. Thus solely the proposal of conventional retaliation clearly belongs to the second category. But of course most forms of defense in depth, just as the forward defense, include the possibility of nuclear escalation and thus the threat of serious punishment. Viewed from that aspect they would belong to the second category.

Thus two aspects can be differentiated here: a. how soon and to what extent is punishment on enemy territory threatened and b. what role is played by nuclear weapons.

Different tasks are attributed to the nuclear weapons in the various proposals. Their role can be limited to merely deter the potential aggressor from using nuclear weapons, they can be held in readiness as a means of last resort in case of a threatened defeat, or a relatively big role can be attached to them by having the purpose of deterring any form of aggression by the threat and the risk of escalation.

Theoretically the deterrent effect is greater when a. damage is threatened also to the home territory of the aggressor and not only to its attacking forces ("expedition force"), b. an attack involves the risk of a nuclear war. The deterrent effect would be reduced if the aggressor at worst would run the danger of losing a limited conventional war on the territory of the attacked.

2. Does the alternative proposal take into consideration the (deterrence) value of NATO integration, i.e. the risk existing for an aggressor that in case of an attack all NATO member states and all alliance armed forces would confront him?

None of the proposals expressly approves of withdrawal from the Western alliance (although Social Defense comes very close to such an approval), but some would entail considerable problems for the present form of military integration and the system of mixed deployment in the front area.

3. Does the alternative proposal take the requirements of the forward defense into account, i.e. abandonment of as little territory as possible,

earliest possible ending of military measures and maximum possible limitation of damage? These are now valid political demands.

It is obvious that many proposals do not meet the demand of forward defense if possible not to abandon any territory at all. Certainly, some object here that the present doctrine in fact cannot fulfill this demand either²³ but at any rate there is a difference between a demand which could possibly be met by a changed defensive structure and the abandonment of the demand from the start.

In fact most proposals definitely provide for abandoning territory of one's own, namely allegedly in favor of a. a more effective and thus presumably more credible defense and b. for limitation of military damage. While the advocates of the forward defense argue that it is psychologically and politically unacceptable to base a defense concept on losses of territory, those favoring a defense in depth of the rear area feel that the abandonment of terrain could be psychologically acceptable if it goes hand in hand with limitation of damage. The present strategy, in contrast, is regarded as unacceptable on account of the probable destruction connected therewith. However, limitation of damage by loss of terrain is doubtful if lost terrain--as provided in many concepts--has to be regained from an enemy in all probability fighting resolutely.

Thus the extent of a possible limitation of damage essentially depends on whether the aggressor adheres to the rules of the alternative strategy and if he were to adhere to these rules during his advance, whether he would continue to adhere to them if he is being pushed back. This comment will undoubtedly make little impression on the advocates of alternative concepts since the damage in their opinion would at any rate be less (not least on account of the greater chance, in their opinion, to prevent a nuclear war). In general thus deterrence by conventional potential plus limitation of damage in the eyes of the advocates of alternative doctrines represents a more solid concept than the reliance on conventional and nuclear deterrence.

However, according to the current doctrine the limitation of damage is to be achieved by keeping the enemy away from one's own territory and by ending the hostilities as soon as possible by the threat of escalation and massive destruction. The advocates of some of the alternatives have doubts in this threat in twofold respect: In view of the consequences connected therewith, can it be employed in a controlled manner with the war having reached this stage. But these doubts also equally apply to all alternative proposals which provide for the use of nuclear weapons as a last resort.

4. Is it possible to implement the alternative technologically, financially, and in terms of personnel?

Some of the alternative proposals are based to a large extent on modern technologies, whereby they perhaps overestimate the new potentials (e.g., as regards antitank defense), underestimate the possible countermeasures and fall victim, repeated in the past, of a lasting superiority of the West in the military technology field. In addition, all advocates of alternative strategies who are striving in the first place for an improvement of the conventional capabilities are confronted with the problems of declining personnel strength and rising costs in the next 10 to 20 years. In this connection it should be noted that the present doctrine, too, is expensive and depends on modern technologies and sufficient personnel strength. Theoretically a redistribution of the resources would be quite conceivable.

5. Is the alternative concept capable of solving the problem of nuclear weapons? a. as regards the fundamental danger of nuclear destruction and b. with reference to the credibility of a nuclear counterthreat to maintain the deterrence?

Of course, no alternative concept can make nuclear weapons disappear from the international political scene nor would their advocates want to assert that their proposals offer safe protection from madness. On the other hand--and that is one of the central elements of alternative considerations--they claim that the incentive for the use of nuclear weapons would be greatly moderated a. by the removal of nuclear weapons from certain areas, preferably from all of Western Europe, so that no nuclear targets would be present and b. by thinning out instead of massing of forward defense forces. If the forces were actually thinned out the last mentioned expectation would be reasonable; however, if the massed attack forces were to be kept in readiness farther back, (as this is provided in various concepts), as a result there could be a renewed incentive for a nuclear strike.

The argument as regards the nuclear targets at first glance appears to be plausible even though other "attractive" targets would be conceivable, such as sizable population centers which could be attacked to demoralize the defenders; and this incentive could even become stronger the more costly and difficult it becomes for the enemy to deal with, e.g., the antitank defense and guerrilla tactics aimed into the depth. Moreover, there is no reason why nuclear targets should be attacked with nuclear weapons; it could be considerably more advisable to overrun them with conventional forces or to neutralize them by conventional air strikes. In fact that is the present trend on the Soviet side. The obstacle to the use of nuclear weapons is based on the effective threat of a retaliatory strike and not on a lack of targets.

But when is the threat of a retaliatory strike credible? This is the much more important question and undoubtedly one of the dilemmas of the NATO strategy (as well as all other nuclear strategy). NATO tries to solve this dilemma by combining conventional defense with the forward stationing

of some nuclear weapons and the threat of nuclear escalation. The fundamental idea of the forward stationing consists in making it difficult for an aggressor to evade a direct encounter with the NATO nuclear forces: The goal hereby is deterrence, for these advanced forces at the same time imply the entire nuclear retaliatory potential of the Americans. This signifies at least uncertainty and thus risk. At the same time, the concept of escalation tries to reduce the credibility problem--i.e. the question whether this enormous potential for destruction would actually be employed--into "digestible" snacks: if there are doubts as regards the use of the strategic forces of the Americans, there is perhaps less doubt concerning the use of a nuclear weapon stationed in an advanced position and limited (as regards range and effect) and if such a weapon is used, the doubts probably would also be less concerning a further escalation. In other words, it is expected that the greater credibility of the limited weapons stationed in advanced positions will affect all steps of the escalation ladder.

But the advocates of alternative concepts fear this very escalation ladder. Those who do not completely banish nuclear weapons from their concept--and in fact most of them do not--regard it as necessary to remove the nuclear weapons from this process and to assign to them merely the role of a weapon for deterrence of enemy nuclear employment and of a weapon of last resort from a threatening defeat. However herein lies a clear similarity with the former NATO strategy of "massive retaliation" with its known weaknesses, especially in view of credibility. If, e.g., nuclear weapons were removed from Western Europe and should be stationed at sea: in what phase of a European war would they then be employed, to what extent and against what targets? After a prolonged but unsuccessful conventional defense of Western Europe it could possibly be expected that the United States, after it had time for mobilization, would be more likely to consider strengthening of the conventional forces than starting a nuclear war. Would the deterrent effect be really increased if the possibility of a prolonged conventional conflict would become part of the NATO strategy?

6. Is the Alternative Acceptable in the Public?

Numerous advocates of alternatives to forward defense and deterrence strategy in their argumentation start from the premise that there will be an inevitable erosion of the support of the present NATO doctrine by the public.²⁴ However, there is definitely a basis for doubting the validity of this assumption. The assumption may be traceable in part to the fact that the various "peace movements" and the degree to which they influence or reflect public opinion have been exaggerated. Even where the erosion theory apparently can be substantiated by public opinion polls, other polls again reach entirely different results.²⁵ But even if such an erosion were to take place--and to some extent that may even be the case--the question arises whether the best or only way to deal with this problem is to change the doctrine (until something acceptable--as it were

a "strategy by plebiscite"--is found). Another possibility could finally consist in the attempt to develop a better understanding of the present doctrine by enlightenment of the public. But public acceptance is not the principal criterion for the choice of a military strategy, but it results from other elements such as feasibility, credibility and especially effectiveness in light of certain political goals, i.e. maintenance of peace (by deterrence) and ability for effective defense in case of a conflict. Public acceptance is built on that.

The acceptability of the various alternative proposals as a rule is assumed to be given: this assumption has not yet been tested. Undoubtedly it could be assumed that a lesser dependence on nuclear weapons and increased limitation of damage would make any doctrine more acceptable. The same would also apply to improved effectiveness. But these aims are common denominators of the Western strategic thinking as a whole. However, the idea of a "nonprovocative" defense, with which the advocates of alternative concepts are so amazingly preoccupied, is likely to be less important for public acceptance. The Western public considers the armed forces and the doctrine of the West in their present form--rightly--as nonprovocative and there are hardly any indications that the Soviet Union regards them as provocative. Even now it is accepted: "The NATO armed forces are incapable either of starting a war by a surprise attack or far-ranging offensives on the Warsaw Pact territory; their means just about suffice for a coordinated forward defense near the border."²⁶ More serious is the problem of misunderstandings or a mistake: In view of the present doctrine these criteria are of special importance.

A doctrine must convince not only its advocates but also the military and political leadership. But in final analysis the most serious disadvantage of most of the alternative concepts of a rear defense lies in the fact that they consciously include abandonment of, and operations on, one's own territory. It is at least doubtful whether this disadvantage can be balanced by the--uncertain--prospect of limitation of damage. Moreover a lesser dependence on nuclear weapons would indeed appear to be attractive, but the possibility of a reduced deterrent effect would, however, not be attractive. Any strategy that increases the risk of a war or generally permits doubts to arise about that is a lost cause as far as public acceptance is concerned.

V. Conclusions

1. Even the most convincing arguments in favor of the present deterrence doctrine and of the military strategy of the forward defense cannot deny various difficulties and disadvantages which are connected with this strategic concept. Even if it has proved to be successful--or at any rate has not failed--this cannot put the mind at ease so-to-speak once and for all. The present doctrine does not guarantee any total security--but none of the alternative proposals does that either. It is dishonest to consider an alternative proposal under the most favorable conditions but

to assume the most unfavorable conditions for the existing strategy. In other words, the advantages and disadvantages of alternative proposals must be balanced against the advantages and disadvantages of the doctrine.

2. But the question arises whether, because of the concentration on questions of military strategy, the field of vision has been inadmissibly restricted--at least as far as political, possibly also military thinking is concerned. Is it possible to avert the dangers of modern nuclear and conventional military power within the system of deterrence. A fundamental consideration of the causes and motives for deterrence and the present military strategy is necessary here.

Internationally we are confronted by a Hobbes type world. Despite all existing and increasing entanglements, this world is shaped by sovereign states which do not recognize any authority over them. There is no monopoly of power and, what is even more important, there is an absence of consensus concerning a fundamental, common system of values. At the same time, the international system is characterized by an abundance of international conflicts: conflicts of interests, conflicts of power, conflicts as a consequence of misunderstandings. In such a world states prefer not to renounce military power as political and military means in conflicts, at least as a last resort, as ultima ratio.

Weapons play a much more obvious role outside the European-Atlantic region. The doubts in principle in the value of weapons and above all the morally based rejection of force represent in some respect a development specifically shaped by the European-American society. This development was undoubtedly favored by the experiences of the two world wars and even more strongly by the development of the nuclear bomb. At the same time, the memory of the war and the awareness of the possibility of a nuclear catastrophe has presented the European-Atlantic region with a period of peace unparalleled in history in its duration. Nonetheless there exists uneasiness regarding the durability of this "unsure peace" and alternatives are sought--but less in view of the Hobbes type world than in view of the system of deterrence in this world.

3. The basic problem in the East-West conflict is the Soviet Union in its present political state. The Soviet Union builds on a long Russian tradition of authoritarian government and of imperialism. The authoritarian as well as the imperialist element have found their modern continuation in communism. The communist ideology and practice caused the development of a society with little economic effectiveness and insecure in domestic policy. This insecurity also becomes especially evident in the East European countries of the Soviet sphere of influence.

Thus tradition and insecurity lead to an expansionist and militarist policy. The military field is the only one in which the Soviet Union can compete with the West. Internationally the power and prestige of the Soviet Union are based nearly exclusively on its military potential. At

the same time this military power has not only control functions in Eastern Europe but it is the sole area in which an alleged "superiority of socialism" can be demonstrated by which the hope for a long-term Soviet victory can be nurtured and not least the people in Western Europe are to be intimidated and brought to heel, for freedom and prosperity of Western Europe are regarded in this perspective as a constant element of destabilization in Eastern Europe. The insecurity of the Soviet system and the strong dependence of the Soviet Union on military power are important explanations for the lack of success in arms control and for the fact that the Soviet Union continues to be regarded as a threat to Western Europe. Apart from improvements of the present system of deterrence, thus far no really superior alternative concept that can be achieved has been presented to effectively meet the threat coming from the Soviet Union.

4. Since the defense of Western Europe entails so many problems, there is the pronounced inclination among many advocates of alternative concepts to qualify or even to ignore the basic problem--Soviet threat. Subconsciously many of the advocates of alternative proposals have already accepted the failure of deterrence; that is the reason for the strong concentration not on deterrence but on abolishing or reducing the roles of the nuclear weapons and on limitation of damage.

5. In the framework of the present system of international politics there exists no solution for the dilemma of the nuclear weapons nor of deterrence in Europe that namely every use of military power in Central Europe involves the danger of large-scale destruction, that in final analysis there is no certainty as regards the nuclear guarantee of the Americans and that there is no absolute certainty that the structure of the system of deterrence will last in the future, too. But we must live with this dilemma. However, what can be done and is being done is to take the edge of them, in other words to make the system of deterrence so stable that the probability of being confronted by this dilemma will be reduced. This aim is also being served by a multitude of measures such as:

--Measures to improve the conventional defense to reduce an early first use of nuclear weapons;

--Improvement of the command system to maintain control over a possible escalation and to be able to use them with the aim of restoring deterrence and of ending the hostilities;

--Close coordination and integration of the nuclear planning of the Americans and Europeans;

Measures to stabilize the system of deterrence, prevention of a war "by inadvertence," arms control, but also political measures as part of crisis management and detente.

6. However, in the long run the risk of a war can be decisively reduced only by changes and alternatives outside the system of deterrence, i.e. instead of striving primarily for a change of the structure of deterrence as part of the existing system of international relations, increased efforts should be made to change and improve these relations. Armament and the system of deterrence are not the cause but a reflection of the facts of the international political system.

The ideas thus far presented in this connection can be divided into short-term and long-term proposals. The former include all measures aimed at reducing tensions, promoting collaboration in the most varied fields, at stabilizing the system of deterrence, achieving a greater degree of information and frankness. Detente, arms control, crisis management, and confidence-building measures belong to this category.

Such measures could accompany a policy whose aim it is to reduce the internal and external factors that are conducive to an expansionist and militarist Soviet policy. In the sense of an active policy, the West cannot do much to change the Soviet Union; but the West can counteract the expansionist policy of the Soviet leadership and it can constantly point out that there are better ways to guarantee internal security than oppression, in the hope that the Soviet leadership will change sometime. Undoubtedly a change in the Soviet Union would not automatically cause a fundamental change in the international political system; however, the change could render invalid one of the main problems of the present system--the insecurity and the expansionist efforts of the Soviet Union which is primarily supported by military power--and it could contribute to creating the conditions for a long-term change of the system.

For such a change fundamental requirements apply which in themselves include fundamental changes: Above all, an increasing consensus on certain basic values, e.g., respect for life, freedom from force, freedom of opinion, freedom of movement; in other words, a consensus which leaves room for different domestic policy systems, but at the same time would make possible gradual but decisive development of peaceful methods of solving conflicts. Solving of conflict peacefully is based on confidence, confidence in common moral concepts at least in some sections. One of the principal problems of the present international system is not the existence of conflicts but rather the nonexistence of functioning and effective methods of nonmilitarist conflict solution.

Long-term changes of this kind are the only hope to achieve an effective solution of the nuclear dilemma of the present international system.

FOOTNOTES

1. That does not mean that the possibility of an unintentional war or the dangers of an escalating crisis are overlooked. Bilateral and

multilateral measures to limit such dangers occupy their place in the Western security policy as do procedures for crisis management.

2. The first half of the sixties was characterized by one of the most extensive transatlantic debates on this question in which nearly all arguments had surfaced once before; cf. in this connection Dieter Mahncke, "Nuclear Participation. The Federal Republic of Germany in the Atlantic Alliance 1954-1970," Berlin-New York 1972.
3. Of course this is a rough division not satisfactory in every respect. A detailed survey of the various concepts is provided by Karl-Heinz Lather and Heinz Loquai, "Alternative Concepts of Defense," in TRUPPENPRAXIS (1982) 9, pp 623-627, (1982) 10, pp 703-712, (1982) 11, pp 787-794; also Guenther Schmid, "Alternative Security Policy Concepts," in: Bundeszentrale fuer politische Bildung (publisher), "Political Education and Bundeswehr," Bonn 1984, pp 46-67. See also Lothar Brock/Berthold Meyer (editors), "The Future of the Security in Europe," Baden-Baden 1984; Institut fuer Friedensforschung und Sicherheitspolitik: "NATO Strategy versus Alternative Concepts," Hamburg 1983; Manfred Schleker, "Emergency: Peace. Security Policy and Function of the Bundeswehr in the Discussion," Baden-Baden 1984; Michael Struebel (editor), "Peace and Security Policy Alternatives," Giessen 1985; Wolfgang R. Vogt (editor), "Dispute Peace. Positions and Analyses on the Security Policy and Peace Movement," Heidelberg 1984.
4. Cf. e.g. Theodor Ebert, "Social Defense," 2 volumes, Waldkirch 1981; furthermore the written comment on the hearing in the Defense Committee in the German Bundestag in: Alfred Biehle (Editor), "Alternative Strategies," Koblenz 1986, pp 241-248 (with additional references). See also the minutes of the hearing from 28 November 1983 to 6 February 1984. German Bundestag, stenographic protocol, 15th session, p 158 ff.
5. The mostly used historical examples of successful nonviolent resistance--the favorite example is India--differ especially from the cited theory in that the occupying powers were highly cultivated democratic states governed by the rule of law, which withdrew finally on their own inner initiative. Much more revealing are the unsuccessful attempts at social resistance.
6. Undoubtedly a retreat would be a loss of face but the question remains whether or not an attacker would be deterred if he would expect success with his attack. To meet these drawbacks, there are variants of the concept that provide a degree of military defense in addition to social resistance; thus Heinrich Nolte/Wilhelm Nolte, "Civilian Resistance and Autonomous Defense," Baden-Baden 1984. This is a combination of the idea of nonmilitary social resistance with the idea of the so-called "defensive defense" or defense in the depth

of the rear area. Hereby the disadvantages of both categories, however, do not cancel each other out; they rather combine.

7. See Horst Afheldt, "Defense and Peace, Policy by Military Means, Munich-Vienna 1977; same author, "Nuclear War. The Disaster of a Policy With Military Means," Munich 1984; furthermore Emil Spanocchi, "Defense Without Self-destruction," in: Deutscher Bundestag, Stenographische Berichte, p.19/65 ff., and E. Afheldt, *ibid.* p.19/166 ff. The written comments on the hearing in the Bundestag can be found in Biehle (footnote 4), p 621 ff, and p 655 ff., respectively. Related to these ideas or building on them are the proposals by Jochen Loeser, "Neither Red nor Dead. Survival Without Nuclear War. A Security Policy Alternative," Munich 1981, and the same author, "Forward Defense in the Federal Republic of Germany," in: OESTERREICHISCHE MILITAERZEITSCHRIFT (1980) 2, p 16 ff. and by Andreas von Buelow, "The Buelow Paper. Strategy of Confidence-building Security Structures in Europe. Ways to Security Partnership," Frankfurt 1985.
8. This applies for example to Lutz Unterseher ("Safeguarding Peace by Avoidance of Provocation?," in: Vogt (footnote 3), p 95 ff. who does not postulate "any calculated abandonment of sizable sections of our defensive network," but proposes a structure that is very similar to those of other concepts of an area defense. Franz Uhle-Wettler proposes the creation of a "light infantry" for antitank defense, see: "Battlefield Central Europe. Danger of Excessive Technical Sophistication of Armed Forces," Munich 1980. F. Birnstein pleads for a closely meshed "obstacle system" directly at the border to slow down the advance of the enemy and to gain time for a mobile defense with mechanized forces; cf. "The Forward Defense. Core of the Conventional NATO Defense," in: EUROPÄISCHE WEHRKUNDE (1985) 5, p 213 ff.
9. A general discussion can be found in Josef Joffe, "The Uneasiness Regarding Stability: Is Europe Capable of Defending Itself by Conventional Means?," in: EUROPA-ARCHIV (1984) 18, p 549 ff.
10. To avoid this dilemma some propose to supplement the system with elements of guerrilla warfare and Social Defense. See C. v. Weizsaecker, "Deutscher Bundestag, Stenographische Berichte, p. 15/37 ff., J. Galtung, *ibid.*, S.19/210 ff.
11. Cf. A. von Buelow (footnote 7).
12. Cf. Lothar Ruehl, "Europe Would be Subjugated to Soviet Rule," in: FRANKFURTER ALLGEMEINE, 12 Sep 85, p 9.
13. In this connection see "Debate: Alternative Strategies" in: NEUE GESELLSCHAFT/FRANKFURTER HEFTE (1985), pp 112-121, especially p 116 f.

14. It is also a tricky question whether the use of chemical weapons against hidden motorized infantry teams could appear to be "attractive."
15. But Afheldt and Buelow believe that the concept of forward defense in fact also means a defense in an area 70 to 100 km from the border.
16. The worry of appearing to be offensive is particularly strongly developed in all advocates of alternative concepts. Even the defense against the resupply in case an attack has taken place is regarded by some authors as provocation.
17. Also follow-on forces attack (FOFA) or "Rogers Plan." cf. Bernhard W. Rogers, "The Atlantic Alliance. Prescriptions for a Difficult Decade," in: EUROPA-ARCHIV (1982) 12, p 369 ff.
18. See J. Joffe (footnote 9), p 553 ff.
19. See Samuel Huntington, "The Renewal of Strategy," in: Huntington (editor), "The Strategic Imperative," Cambridge, Mass., 1982; same author: "Conventional Deterrence and Conventional Retaliation in Europe," in: INTERNATIONAL SECURITY, Winter 1983/84, p 32 ff.
20. Here my opinion differs from that of Joffe (footnote 9), p 556, who sees as one of the most important disadvantages of these thoughts that the East Europeans could interpret them as increased Western aggressiveness.
21. According to J. Joffe, *ibid.*
22. Cf. Afheldt, Buelow, Galtung et al. At the same time it should be remembered that the Warsaw Pact doctrine starts out completely as a matter of course from attack and occupation of Western territory. This is confirmed by Warsaw Pact maneuvers which frequently--as shown by the monitoring of the maneuver communications--"war games" on Western territory; cf. e.g., the report in: FRANKFURTER ALLGEMEINE, 24 Oct 84.
23. See footnote 15.
24. Cf. P. Terrence Hopmann (editor), "Rethinking the Nuclear Weapons Dilemma in Europe," London 1986. Vogt (footnote 3) speaks of a "decline of legitimacy" of the existing doctrine.
25. See e.g. the Sinus study "Security Policy, Alliance Policy, Peace Policy," of the fall of 1983--in other words during the height of the rearmament debate in Germany--according to which 43 percent of the interviewees were of the opinion that the concept of nuclear

deterrence had kept the Soviet Union from attacking the West during the past 30 years, 37 percent did not believe that and 19 percent were undecided. Of course this does not provide any answers concerning the confidence in deterrence in the future. However, in the past the answers considerably depended on the question and the timing. During the fall of 1983 28 percent of the interviewees of another poll felt that the stationing of the Pershing II's would increase the probability of a Soviet attack, but 40 percent believed that the stationing would increase Western security and 28 percent felt that would not have any influence. Just one year later the number of those who viewed the stationing as increasing our security grew to 48 percent; the number of those who considered an attack more probable as a consequence had declined to 22 percent. (EMNID, Representative Polls on Security Policy).

26. According to L. Ruehl (footnote 12). Of course it is obvious that this tenacious desire not to appear to be "provocative" towards the Soviet Union--regardless of how provocatively the Soviet rearmament and military doctrine must appear to us--has something to do with the timid obsequiousness that is noticed by many observers in the case of the left--not only in the FRG; cf., e.g., Hans-Peter Schwarz, "The Federal Republic of Germany in the Heightened East-West Relations," in: W. Link (editor), "The More Recent Developments of the East-West Conflict," in: ZEITSCHRIFT FUER POLITIK (special issue) 1984, pp 85-93.

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MILITARY APPROPRIATIONS FOR 1987 MODERNIZATION

Athens I KATHIMERINI in Greek 20 Nov 86 pp 1, 3

[Excerpts] The deputy premier and minister of National Defense, Mr. G. Kharalambopoulos, announced yesterday that in 1987 175.5 billion drachmae will be made available from the national budget and American FMS [Foreign Military Sales] credits for the modernization of the Armed Forces.

Compared with last year, this amount will be made available for new armaments programs or the servicing of loans for new armaments, for the completion of ammunition reserves, for spare parts and fuel, etc. It was not announced, however, how much would come from the national budget and how much from American FMS credits.

The allocations from the 175.5 billion drachmae budgeted for the Armed Forces for 1987 will be made as follows:

75.5 billion drachmae for the armaments program and specifically:

Army: surveillance radar, armored artillery vehicles, modernization of 155 mm. howitzers, new armored personnel carriers and tanks, communications systems, ammunition, spare parts, miscellaneous items of individual equipment, etc.

Navy: new frigates, new tank transports [LSTs], destroyer armaments, missile-firing systems and anti-submarine torpedoes.

Air Force: F-16 aircraft, capability improvement of reconnaissance aircraft, fire-fighting vehicles.

In addition to the 75.5 billion drachmae, the following amounts will be allocated in 1987:

54 billion drachmae for the payment and servicing of loans for the purchase of weapons systems ("Mirage-2000" fighter aircraft, Army combat zone communications, in addition to previous debts for frigates and "Chinook" helicopters).

14 billion drachmae for the implementation of armaments programs through the Greek defense industry ("Artemis" anti-aircraft weapons system, portable weapons, vehicles and Jeeps).

32 billion drachmae for the purchase of spare parts and fuel for the training of the Armed Forces during the next 12-month period.

MILITARY

GREECE

BRIEFS

OFFSETS OFFICE EXISTENCE QUESTIONED--What purpose does the Office of Offsets Counsel serve for deputy minister for National Defense, Mr. Stathis, when the same functions are performed by the War Industry Service whose founding statutes provide, with regard to jurisdiction, for the development of a war industry as well as for offset benefits from signed agreements and their implementation? [Text] [Athens EMBISTEVTIKO GRAMMA in Greek 12 Nov 86 p 3] 9731

PRESSURES FOR SPRING BASES AGREEMENT--Diplomatic and military circles concur in their forecasts that the probability of the renewal agreement for the bases being signed in the spring is not to be excluded. In these forecasts they take into consideration the urgency that the United States places on the matter, mainly because of investment planning in all of their military aid as well as pressures that they already exert on Greece through the F-16s. It is pointed out that the contract for the purchase of the aircraft from General Dynamics has not yet been signed. The same circles maintain that the urgency of the matter is determined by the result of the municipal elections, which provided clear indications of the electorate's change of direction. The American side, not only surprised, but also displeased with the results, wishes to sign any pending agreements with a Papandreou administration. The same forecasts exclude the possibility of a referendum on the matter of the bases as a Papandreou move. This, because the present premier would not be willing to run the risk--in the improbable chance that it might have a negative result. Then he would have to abide by the results and the popular behest, but would find himself in a difficult position with the United States whose economic assistance he needs, not only for the current economic crisis, but to pay off the American portion of the "purchase of the century." [Text] [Athens EMBISTEVTIKO GRAMMA in Greek 12 Nov 86 p 6] 9731

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DETAILS PROVIDED ON ARMS PRODUCTION, FOREIGN SALES

Lisbon O JORNAL in Portuguese 14 Nov 86 pp 18, 19

[Article by Antonio Duarte]

[Text] Washington gave the keynote...If even the Americans try to sell arms to Iran, why not Portugal? Sources connected to the Portuguese Government have confirmed to O JORNAL the sale of military materiel to the Khomeyni regime since the beginning of the Iran-Iraq war. They point out, however, that the first contacts were with Iraq and that a small portion of our arms exports still goes to that country.

In a little less than 2 months, two planes landed discreetly on the runway of the Portela airport to load military materiel. The different size of the planes from two belligerent countries can give one an idea of the degree of importance of these transactions: first, an Iraqi Air Force transport plane; then, an Iran Air "Jumbo" civil plane.

The Iranian Boeing-474 "Jumbo" would be discovered by an ANOP New Agency reporter who last weekend reported the presence of the plane at the Lisbon airport and, citing a "Portela air station source," revealed the shipment of arms to Teheran.

Although, through its spokesman, Ambassador Brito e Cunha, the Portuguese Foreign Ministry said it did not know anything about the matter, the fact is that an Iranian civil plane on Portuguese soil would normally raise questions since Iran Air planes do not fly to Lisbon.

At the same time, the exports of arms and ammunition are always authorized by the Ministry of Defense with the consultation of the Foreign Ministry. According to the Portela air station source, the military materiel "comprises the special shipments customarily authorized by the Foreign Ministry."

Meanwhile, Arab military sources in Lisbon assert that Portuguese-Iranian military materiel trade has totaled about 20 million contos in the last 3 years. According to these reports, sales amounted to 3.3 million contos in 1984; 11.2 million in 1985; and 4.7 million in the first half of this year.

The Portuguese companies that export the greatest volume of military materiel to Iran are Portuguese Defense Industries (INDEP)--comprised of the former

Braco de Prata Factory (FBP) and the former National Munitions and Light Weapons Factory (FNMAL), in Moscavide--the Ociras Foundry (COMETNA), and Trafaria Explosives (EXTRA).

The Defense Industries Nucleus (NID) in the Portuguese Industrial Association is comprised of 20 companies, which are the ones that manufacture military materiel or military-specification components.

The two main companies in this nucleus--because they are public enterprises and because of their large size--are INDEP and COMETNA. The others, including EXTRA (whose former chairman of the board was Commander Alpoim Galvao), the Portuguese Explosives Corporation (SPEL), Tudor (batteries and electrical equipment), and UMM (Jeeps and military vehicles), are not public enterprises but have bank shares and state participation (IPE).

At the present time, INDEP exports the well-known G-3 automatic rifles, ammunition and mortars; COMETNA is filling a 2-year contract to supply motors; EXTRA is "stuffing" grenades and mortars, with outer shells received from Israel and Italy.

The leadership of the Association of Friends of Arab Countries told ANOP that it regrets the fact that Lisbon airport "is now serving for the loading of arms for Khomeyni's Iranian regime."

On the other hand, "Atlantic solidarity" (NATO) implies (theoretically) compliance by Portugal with the embargo on the sale of arms to Iran. But, if not even the Americans comply with it...

At the time of the formulation of the law on the delimitation of sectors, the defense industries sector was assigned to the state; and it is in the name of the interests of the Portuguese state that the military materiel companies continue to export to Iran.

Let us consider one example--INDEP. The company employs 3,100 workers and is currently going through a crisis stemming from a smaller demand for its products (the G-3 is beginning to become obsolete on the arms market).

Only 5 percent of INDEP's production goes to the Portuguese Armed Forces. This means that the other 95 percent has to be distributed to belligerent countries. In 1983, INDEP exported 5 million contos (at constant prices) of arms and ammunition; in 1984, 4.5 million; in 1985, 7 million. This year, according to data ascertained by O JORNAL, exports of those products should amount to only 3.5 million contos.

Despite the significant drop in the level of exports, INDEP is surviving thanks to the exports to Iran, which absorbs the greatest percentage of national production of G-3's (it is common to see Iranian soldiers holding Portuguese G-3's).

But Why Iran?

The former FNMAL and FBP--factories that would emerge to form INDEP--belonged to the Army. Their production was immediately and exclusively absorbed by the needs of the colonial war.

With 25 April 1974 and the end of the war in Africa in 1975, the Army ordered its military materiel factories to direct their sales abroad. But without commercial dynamism, the Army reached the conclusion that it did not have the vocation to manage companies that no longer served it.

Therefore, in 1980, the INDEP public enterprise was established, integrating the former workers of the FBP and the FNMAL--some (2,500) with public service special status and incorporated into the Retirement Fund; others (600) incorporated into the Social Security Fund. Armed Forces officers remain on the management staffs.

Three Export Areas

The INDEP had barely been established when the Iran-Iraq war broke out. Previously, three areas, which market prospects had indicated to be ideal for the penetration of Portuguese-manufactured arms and the development of commercial exchange in other sectors of activity, had been defined.

--Countries with a certain industrial development in which Portugal has difficulty in trade penetration;

--Third World countries without imminent belligerency but where arms are sold regularly but not in significant volumes;

--Countries with great purchasing power [as published], because they are in a constant state of belligerency; oil-producing countries.

Implementing this program in terms of Portuguese commercial and political interests, the Defense Ministry directed its exports first to the United States (the civilian light weapons market), NATO, and Canada--the first area defined; then, to the Latin American and African countries--the second area.

With the outbreak of the Iran-Iraq war--the third area of potential customer-countries--INDEP received an appreciable number of orders for that region of the Middle East. At that moment, the option was clear: the first contacts were made with Iraq.

Later, France began to supply Iraq with every type of military materiel. Portugal became "confirmed" to the other belligerent country--Iran.

Iraq Pays Late...

Today, Iraq's oil production has been mortgaged to France because it does not have any other means of paying for such costly imports. Even if Portugal were

again to opt for Iraq, it would not receive payment for over 2 years. Thus, the bulk of Portuguese arms exports is going to Iran and a small part to Iraq-- to satisfy "Greeks and Trojans."

Our sources are emphatic: "In practice, the embargo on Iran is nonexistent. We have to fight for the survival of the defense industries, otherwise the social cost will be much higher."

On the other hand, they excuse themselves (politically): "The products manufactured in Portugal are not decisive on the field of operations; rather, it is the planes, tanks, and missiles."

Replace the G-3

This will be the worst year for Portuguese defense industries since 1980. Even Iran is already ordering fewer G-3's. As a matter of fact, the G-3 manufactured in Portugal is the same one made 30 years ago, despite maintaining its quality. But it is ever more difficult to compete with new products (arms equipped with electronics, new technologies, the laser rifle, etc). When they were created, the public arms enterprises did not receive capital appropriations. They had to resort to bank loans and, in practice, have existed to amortize them.

Thus, the factories have not undergone changes, improvements or growth. For example, just a production line to manufacture new ammunition costs about 800,000 contos. From what we know, INDEP continues to wait for the Army to give it suggestions or designs for a new weapon that will replace the G-3.

On the other hand, reconversion of the Portuguese defense industries would entail measures that involve personnel reductions (retirement, in the majority of cases), putting the companies on a sound financial footing (obligations to the banks), and technological evolution (investments in new factory lines that will permit a larger range of products and, consequently, constant sales).

Therefore, in the matter of the arms industries, in the short term we are dependent on Iran's belligerency. May Saint Khomeyni help us.

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