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INTERNATIONAL AFFAIRS

DIFFERENCES OF OPINION EXIST ON PLANNED EC CURRENCY SYSTEM

Duesseldorf HANDELSBLATT in German 13-14 Oct 78 p 1 DW

[Text] Brussels--Despite several days of talks between experts of finance ministries and issuing banks of the European community taking place this week in Brussels, the considerable differences of opinion on almost all elements of the planned European monetary system could not be eliminated. The experts practically capitulated to the difficulties.

Particularly in regard to such primary problems as intervention mechanisms as well as details and conditions of the credit framework, there exist great differences of opinion among the countries after the session of the currency commission.

Agreement seems in the offing, though, that credit facilities must be around 25 billion European currency units (EWE) or about 32 billion dollars. The division into short and medium-term tranches still is a significant point of issue, however. This credit facility is supposed to bridge the 2-year period until the planned European currency fund will be established.

Several countries, such as Great Britain, France and Italy, advocate the view that the short-term credit tranches should have a maturity of 6 months and an automatic extension option. The Federal Republic and the Netherlands advocate the retention of a maturity of 3 months.

The differences also apply to the currency basket which is to form the basis of the European currency unit. Additionally, they are debating the question of whether an intervention should be made for a currency only when it reaches the intervention point or whether such intervention might be triggered earlier by means of a certain warning system.

CSO: 3103

CYPRUS

GREEK PAPER REPORTS PALESTINIAN PLANS TO ABDUCT CYPRIOTS

Athens TA NEA in Greek 9 Oct 78 p 1 AT

[Article: "Are Palestinians Preparing Abductions of Cypriots?"]

[Text] If there is no commutation by the Cyprus Government of the death sentences imposed on the al-Sabai murderers, four specially trained Palestinian guerrillas are due to meet in Greek territory in order to organize abductions of Cypriot political and other personalities.

This information reached the National Security Service [YPEA], which in urgent and secret messages yesterday [8 October] briefed security services throughout the country and recommended adoption of strict measures to protect "Cypriot targets in Greece" and constant surveillance of areas where Arabs, particularly Palestinians, reside.

Specifically, YPEA received information that the Popular Front for the Liberation of Palestine "Black June" [as published] organization of Abu Nidal had formed a group of four Palestinian guerrillas for operations in Cyprus.

According to the YPEA message and according to information available to the security service, the possible timing of action is "around the middle of October."

The same message mentions that candidates for possible abduction are the Cypriot interior minister, the Cyprus police chief, General Kassios and possibly one of President Kyprianou's sons.

According to the same information, four Palestinian guerrillas have aliases and forged Libyan, North Yemen and Jordanian passports, and three of them are due to arrive in Greece from different directions between the 9th and 15th of this month for the purpose of meeting the fourth with the help of an Arab diplomat.

On the basis of all this, YPEA recommends adoption of "special security measures," primarily constant surveillance of "areas of Arab residence" in Greece.

CSO: 4808

FRANCE

PCF-PSF DEBATE CONTINUES UNABATED

Paris LE MONDE in French 29 Sep 78 pp 1, 10

[Article by Raymond Barrillon]

[Text] The debate stirred up within the left by the election defeat last March is continuing to rage in the ranks of the PCF and the PSF.

Speaking before the central committee of the French Communist Party, Mr Fiterman noted some "tactical errors" made by his party, but he repeated his attacks against the "double game" strategy used by the socialists.

At the PS, Mr Rocard once again condemned "archaism" and called for "a new language and renewed political practices," while Mr Mitterrand termed the election victories won by his party "significant of the success of our political line."

Since the legislative elections of 12 and 19 March, a little over 6 months has elapsed, all during which the two main parties of the left, formerly united, have made all of France a witness of their mutual inability to reflect on themselves, to study issues in depth, and above all, to keep quiet.

Since the election defeat, much more than before, day after day we have heard the communists and socialists claiming, with all evidence to the contrary, that they alone are pure as driven snow, and proclaiming their innocence aloud for all to hear. Has a week gone by when the PCF did not accuse the PS of betraying the joint program, of "turning to the right," of playing a "double game"? What week has gone by without the PS blaming the PCF for having sabotaged a possible victory because it "did not want to have power" and did not intend to exercise power unless it could be sure of being dominant within the winning coalition?

While for over 5 years neither the PCF nor the PS was unreasonable or presumptuous enough to claim for itself alone the merit and responsibility for their joint victories resulting from the movement created by the signing of the joint program on 27 June 1972, they have each now stubbornly been working to show that the spring collapse of the left is attributable to only one: the other party.

Will they ever end this? That is what those who don't want to abandon all hope of the resurrection of a united opposition are wondering, sometimes sadly, sometimes in exasperation. It seems that there are many such people, if we judge by the remarkable persistence of the "unitarian reflex" demonstrated by the second rounds of the partial legislative elections of Seine-Saint-Denis (23 July), of Pas-de-Calais (10 September), and of Meurthe-et-Moselle (24 September).

Is a thaw possible? We are hardly inclined to believe it, if we consider the behavior of the PCF and the contents of the report that its central committee heard on Wednesday, 27 September. Mr Fiterman, of course, does not deny that the recent election debacles of his party were "quite rightly of concern," nor that the PCF committed a "tactical error" in Pas-de-Calais, nor that a good number of its voters either abstained or voted socialist even in the first round of the "partial elections."

But he does not go so far as to question whether the attitude of his own party might have helped the "formidable pressure from the right" that he deplures and criticizes. He does not think at all of questioning the "orientations set by the central committee in April" and he repeats, not changing one iota, the analysis on the "rightist orientation" of the PS, on its "crushing responsibility" for the March defeat, and on its "strategy of playing a double game." Under these conditions, it doesn't seem that we can expect the slightest evolution -- if there is to be an evolution -- before the 23rd congress that will meet in May.

The situation appears to be both more complex and more changing in the socialist camp, where Mr Rocard's moves are becoming more and more deserving of attention. The deputy from the third district of Yvelines, a member of the directing board and of the executive bureau of the PS, on 17 September was questioned about a poll that was hardly favorable to Mr Mitterrand. He expressed the idea that a "certain political archaism is finished, and we must speak more truthfully and stay closer to the facts." These remarks brought him strong

objections from Mr Estier, a member of the national secretariat of the PS, who accused him of uttering "a criticism, to say the very least, of the actions and behavior of the first secretary of the party who represents the entire party" and he added: "Behind the idea of a change in language often lurks the idea of a change in party line."

Mr Rocard's reply, which we are publishing elsewhere, is very weak on the first of these two points and is surprising, coming from a man whose seriousness is attracting more and more people, including people on the right. He has hardly any chance of convincing anybody at all when he says he will "leave to Claude Estier the heavy responsibility for having drawn the name of our first secretary into a debate that could in no way concern specific individuals." But the essential lies elsewhere.

Mr Rocard, not retracting anything from his 17 September remarks, returned to the charge, denouncing "a certain incapacity for action and for traditional political discourse in dealing with the problems of our times," and he called "not only for a new language, but for a renewal of our political practices." That was the opening round in a period of self-criticism awaited for a long time by all those who are tired of the fratricidal verbiage of the left, and it is clever to try to keep these people from trying their luck in other parties.

We also find that Mr Rocard is extremely careful to stay away from the self-satisfaction felt by some other people because of the successive election victories of the PS. The "Mitterrandists" conclude from these gains that this would be a poor time to change course in any aspect, and Mr Mitterrand himself said this Tuesday morning that "these results are first of all significant of the success of our political line." But the deputy from Yvelines reasons quite differently. He finds that "the left is potentially a majority party," but it has a long way to go for this potentiality to become a reality. "The better our socialist program fits today's realities, the better its chances of winning will be."

So Mr Rocard's speech breaks with those we have been hearing for months. Of course, he still deplures "the deliberate intent of the communist party not to tell the French people the truth about the economic austerity that any policy to thoroughly transform our society would require," but he is careful not to cross swords with the PCF, a party which, however, has never spared him. And he refrains from repeating, after so many other socialists, that the entire problem of the left is the fault of

the French Communist Party, and the PCF alone, and that the PS is above all suspicion.

A new orientation? It is certainly too early to say so. A new tone? That does seem to be the case.

7679
CSO: 3100

FRANCE

PSF RESOLUTION ON EEC ENLARGEMENT DISCUSSED

Paris LE MONDE in French 29 Sep 78 p 10

[Article by Thierry Pfister]

[Text] Montpellier. Unanimity and an environment that everyone made great efforts to keep relaxed reigned while the socialist parliamentarians -- including Michel Rocard, but not Mr Pontillon, the president of the Union of the European Socialist Parties, who did not come -- ratified on Wednesday, 27 September at Montpellier the position defined by the executive bureau of the PS on the issue of the enlargement of the European Community. The socialists, who are in principle in agreement with this expansion, will only ratify the enlargement treaty if four preliminary conditions are met. These four conditions concern common agricultural policy, industrialization, regional development, and transitional phases.

To these four conditions relating to the contents of the enlargement process, there is one demand on form. The PS is calling for a parliamentary debate before the opening of the international negotiations. Aware of the fact that without them, the enlargement process may well fail, the socialists want to make use of this advantage by imposing on the French negotiators-- thus on Valery Giscard d'Estaing and on the government -- a precise and restrictive mandate.

This position on the enlargement of the EEC was expressed by the socialist parliamentarians, depending on their concept of the process of European integration, either by the formula "Yes, on condition that," or by "No, unless." This may be why Georges Sutra, the author of the report on the expansion, judged the position of his party "difficult," a term immediately challenged by Francois Mitterrand.

In fact, the attitude of the PS, while it is trying to be realistic and bold, is still somewhat hazy; the PC immediately latched onto this and again accused the PS of conniving with those in power. It is true that in the Mediterranean south the European issue may, for the two leftist parties, mean a shift away from one towards the other of 100,000 votes. These stakes are not underestimated by either the socialist or the communist leaders.

Mr Georges Freche, former deputy, the mayor of Montpellier, who is chairing the session, called attention to the problems of the Languedoc-Roussillon region. He explained that the agricultural crisis is striking a region where the industrial revolution can not penetrate, and therefore a region where reconversion is impossible. He stressed that the socialists of Languedoc-Roussillon do understand the need for enlargement of the European Economic Community, but he thanked the PS for taking into consideration the "cry of the inhabitants."

After Gaston Defferre, who presented the position of the Socialist Party as "both constructive and uncompromising," Georges Sutra explained the major outlines of the report that he drew up on the issue of the EEC enlargement (see LE MONDE of 27 and 28 September).

Francois Mitterrand then read the resolution adopted unanimously by the executive bureau of the Socialist Party on 26 September. This document states:

"The Socialist Party has the intention and the desire to contribute to the enlargement of the EEC to include Greece, Portugal, and Spain. On this depends the fate of the still fragile democracy in southern Europe. The Treaty of Rome, the program of the Socialist Party, the common program of the government of the left, set no other condition on the opening of negotiations for enlargement except the fall of the dictatorships that had oppressed the peoples of these countries. These countries, in the opinion of democracy, are now ready to apply for membership in Europe."

"However, while the participation of these three new countries in the political institutions of the Community is desirable, the extent of the economic difficulties caused by this expansion is considerable."

"The prospect of enlargement arouses among the workers and professionals affected some justified concern. So the Socialist

Party is subordinating its agreement to the adoption of a certain number of measures which, in its opinion, are essential."

"Right now, as Francois Mitterrand wrote to the prime minister, a broad parliamentary debate must of necessity precede any negotiations."

"For the socialists, the first of these conditions will be the radical revision of the common agricultural policy. This must include a true market organization for the products affected by the enlargement (in particular, vineyards, fruits and vegetables) in order to guarantee income and to improve living and working conditions. Speculation on currency fluctuations and dumping practices could be prevented, in accordance with Article 44, Paragraph One of the Treaty of Rome, if the system of minimum prices checked at the borders in the official currency of the importing countries were applied. Offices for each product established as soon as possible and regulating mechanisms would ensure that this policy would be applied."

"The second condition concerns industry. The Franco-Spanish agreement of 1970 signed by Jacques Chirac should be denounced. This agreement established an intolerable inequality in customs treatment between the two countries. Arrangements must be made after discussions with the workers affected and their union organizations in order to permit the sectors in difficulty (steel, naval construction, textiles, shoes) to maintain and increase their activity."

"The third condition is a detailed plan for strengthening regional policy."

Giscard d'Estaing's "Hasty Commitments"

"Next, the socialists feel that an enlargement of the EEC requires a transition with many different phases, whose duration can not be determined in advance. While it does appear desirable for each applicant to participate fully in the institutions of the Community as soon as the accord governing its entry is ratified, on the other hand, economic integration can only be conceived over a long period of time. The conditions for passage from one phase to the following phase must be verified at the appropriate time by the Council of Ministers of the EEC, ruling unanimously, in order to protect the legitimate interests and rights of all parties."

"Mr Valery Giscard d'Estaing has already made too hasty commitments to the applicant nations, without the slightest consultation. But the people affected, too often duped by government promises, can not accept just promises, 'guarantees' following the fait accompli of enlargement. The Socialist Party states that a necessary preliminary to enlargement is the precise acceptance in the statement of membership of the measures here indicated or, in other words, the commitment to implement these measures by all the states now members of the EEC and by all those who may in the future become members. This is in the interests of our country and of Europe."

"The Socialist Party can not follow either those who say with Mr Giscard d'Estaing an unconditional yes to enlargement, or those who with the Communist Party definitely shut the door to southern Europe by saying 'no, never.' The Socialist Party will only adopt its definitive position when the negotiations are complete, for then it will be able to determine the results in relation to the prior conditions we have defined. Here common sense coincides with the desire for an effective defense of the interests of France."

Francois Mitterrand, commenting on this document, said: "Yes, the socialists are ready for these negotiations on the enlargement of the EEC." He then explained that Mr Giscard d'Estaing had deprived himself of a way of imposing the conditions necessary for France by immediately accepting the principle of the entry of Greece, Portugal, and Spain into the Community. Also, according to the deputy from Nièvre, the PC has put itself out of the picture by rejecting the enlargement, and thus it can not defend French interests. Mitterrand also stressed that on this issue the PCF has been criticized by the Italian and Spanish communists.

The first secretary of the PS also pointed out that the RPR is also unfavorable to the start of negotiations. According to Mr Mitterrand, the Gaullists want "to engage in an escalation of nationalism." "What French citizen," he added, "will not understand that it is just simple common sense to defend tooth and nail the interests of French workers and producers while we move towards Europe? Our solitude will make our strength. We are the determining factors."

7679
CSO: 3100

FRANCE

PCF CRITICIZES NONDEFENSE OPERATIONS OF NAVY

Paris FRANCE NOUVELLE in French 25 Sep 78 pp 13-15

/Article by Victor Etienne/

/Text/ Considering the great lack of proportion between the development of their weapons and the scope of the missions assigned them by the government, what is the present status of the naval forces of France in the more general and essential context of national defense?

Mr Bourges, the minister of defense, along with the deputies of the majority, are trying to conceal the many instances in which our national independence and national defense have been betrayed: the unofficial but real and disguised reintegration as part of NATO, the abandoning of the all-azimuth strategy and the adoption of the so-called "forward" strategy based on our participation in the battle of Europe as part of a NATO disposition against the socialist countries, the standardization of weapons for the benefit of the multinational companies but to the detriment of our arsenals, the shift in military policy with priority now being given to career army units that specialize in neo-colonialist interventions.

The communists denounce all these surrenders, along with this damaging policy that turns its back on the true interests of our nation. The communists, in their proposed framework-law on national defense, based on the draft and operating with democratized military institutions, are proposing an effective policy, a policy in harmony with our national independence and our national sovereignty.

Very Close to a Career Army?

What is the status of the French Navy today on this grave issue of the national character of our defense?

The troops of the French Navy consist of 68,000 officers, petty officers, and sailors, of which only 18,000 sailors are draftees (26 percent).

Also, the sailors drafted either have desk or guard jobs in land depots or facilities, or a limited number work on weapon maintenance on fleet ships. Very few are reservists. From this point of view, the Navy has no national or popular character that would be given by conscription and by the use of reservists.

But considering the structures of our naval forces, we must be realistic. We could, of course, increase and improve the role of the draftees and of the reservists in the Navy. But the special requirements of operational maintenance and the need for the permanent availability of the fleet and of naval aviation will always require the Navy to keep a very strong, if not preponderant nucleus of career naval personnel.

Therefore, the main criterion for the national character of the Navy is the criterion of its missions. What are the missions given the Navy by the present government?

We need just take a look at fully official statements of the men in power.

Jacques Cressard (LE MONDE, 15 June 1978): "To ensure the security of our lines of communication; to manifest our constant presence in the 200-mile economic zone; to protect our interests beyond our national territory."

General Mery, the armed forces chief of staff at the Institute of Advanced National Defense Studies, on 3 April 1978: "The sea is now becoming a favorite area for competition and confrontation (this is why we are maintaining a rather large fleet in the Indian Ocean)." And he continued: "A maritime presence in the world is a fundamental and global mission for the French Navy. We thought it would be reasonable to be able to manifest this presence in a significant way in two areas at the same time: the Mediterranean and the Indian Ocean."

Mr Bourges, defense minister, on 15 June 1978, speaking in the National Assembly: "Our defense policy assigns four missions

to the Navy:

- a. Nuclear deterrence, mainly provided by our missile-launching submarines;
- b. The security of our sea approaches both at home and overseas;
- c. The security of our supplies and of our essential communications;
- d. The conduct of operations related to the support of our interests, especially in the Mediterranean.

During the National Assembly debate on 15 June 1978, the deputies of the presidential majority discussed these missions, but some were even more specific. According to Mr Lauriol: "The Navy must be able to handle the specific operations that our country may decide to undertake at any point of the globe" and "to provide protection for any prospecting for raw materials that France may decide to do at different points of the globe."

Mr Jean-Marie Daillet said: "Our world policy, especially our African policy, would lose its necessary support. Such a policy needs the sea, just as it needs the air, if it is to be possible."

While we must agree with the mission of nuclear deterrence and with the defense of the sea approaches of our nation, the other missions call for some reservations and comment.

Consequences of Neo-Colonialist Options

The neglect of our national energy resources for petroleum¹, the source of colossal capitalist profits, has placed our economy in a state of total dependency on foreign sources.

1. For the reader's information, here are some statistics. In 1960, petroleum came to 31 percent of the total energy consumption in France. In 1975 it was 62 percent, twice the earlier figure! It is customary to blame the automobile driver for this. But petroleum consumption in 1975 was broken down as follows, in millions of tons: home heating fuel, 30; industrial energy, 18; automobile fuel, 16; thermal power plants, 11; non-energy uses (petrochemicals), 8. Automobile fuel consumption came to only 19 percent of the total.

For 99 percent of our petroleum reaches France by sea, and 70 percent arrives in huge tankers after a trip of nearly 12,000 nautical miles (22,000 km), going around Africa by the Cape. That shows the vulnerability of our oil supplies by sea!

The Navy's mission of protecting our sea traffic thus amounts essentially to guarding the petroleum route. In this way the Navy in its missions is feeling the effects of the policy followed in recent years favoring the oil companies, a policy contrary to our national interests, as the French Communist Party has so eloquently shown. And therein lies an explanation of the interest shown by the government in the Mediterranean and the Indian Ocean.

Is this what our national defense is all about?

What must we understand by "the conduct of operations related to the support of our interests in the world"?

We have to agree that the men in power are not very explicit on this topic. Humanitarian pretexts (the presence of French citizens overseas) and cultural pretexts are sometimes advanced (General Mery speaking at the IHEDN [Institute of Advanced National Defense Studies]), but the explanation stops there.

But to see this clearly, we must go further.

Why, for example, must we permanently maintain a large fleet in the Indian Ocean? Outside of the islands of Reunion and Mayotte France has no more colonial possessions in that part of the world. What are we doing there?

What is our naval air force doing in Dakar?

In actuality, the French Navy is being given missions comprising two priority objectives in the eyes of those in power. These missions are, to use the very words of Giscard d'Estaing: "To act in favor of the north-south equilibrium, and to oppose the destabilization of Africa."

Intervention in Africa

We know what that means, spelled out more clearly. The north-south equilibrium amounts to keeping the underdeveloped or developing nations (the former colonized countries) in a situation of economic dependence, especially by means of the world price paid for the raw materials of these countries. As to the

opposition to destabilization in Africa, that is tantamount to opposing any evolution of the young African states toward progress, toward more democracy, toward political and economic independence. It amounts to keeping neocolonialist regimes in power by force. The accession of the African countries towards a true political and economic independence would threaten the interests of the big capitalist companies which exploit these African nations.

We may also think that these two options (the north-south axis and the opposition to destabilization) are an integral part of the overall strategy of the world capitalist and imperialist camp.

Based on the Atlantic Alliance, there has been organized a certain international division of labor in the job of defending the interests of the capitalist world. France's special job is to act as the policeman of Africa. This division of labor is related to the ever more complete, although officially denied, reintegration of France into NATO.

The most elementary geopolitical analysis leads to the observation that the Mediterranean and the Indian Ocean are favored areas for these imperialist interventions. This explains the transfer of a large part of the French fleet from Brest to Toulon.

The fact that the maritime defenses of our country on its Atlantic coast have become very inadequate now matters very little to the people in power and their Atlantic masters. Thus, by the decision of Valery Giscard d'Estaing, France no longer has an all-azimuth strategy and the Atlantic is not considered a region from which a threat could come.

Equipment Suitable for Missions?

The Navy's equipment is ridiculously inadequate. General Mery agreed with this assessment on 3 April 1978 in his speech at the IHEDN. There was one point on which everyone was unanimous during the 15 June 1978 debate in the National Assembly, including the minister of defense. Everybody recognizes that our Navy is reaching an alarming degree of age because of the non-renovation at the proper time of the ships reaching the end of their serviceable life.

The figures are incriminating. The life of a warship is from 15 to 20 years. In 1972, a naval plan called the "Blue Plan"

called for 360,000 tons for our fleet. In 1976, we had 318,000 tons. In 1980, we will be down to 255,000 tons, and in 1987, down to 227,000 tons. And this will happen despite the military program law of 1976, now in effect.

According to the minister of defense himself, we were building 15,000 tons a year in the 1950s, and only 6,000 tons a year during the 1960s, because of the priority given to nuclear forces.

If it were really applied, the present military program law would enable us to build 10,000 tons each year. But according to the statements of Admiral Lannuzel in March 1977, just renovating a fleet of 300,000 tons would require the construction of 12,000 tons a year.

Down to a Pittance

The military program law is falling behind in its application, and in 1978, only 8,860 tons will be built, and not the 10,000 tons scheduled.

So there is a great lack of proportion between the development of the Navy's equipment and the scope of the missions that this equipment is supposed to be used for.

In other words, our Navy is the victim of a reckless policy, a policy of national resignation. On one hand it is kept away from strict national defense missions and used for imperialist and neocolonialist missions; on the other hand, its age decreases its potential, so that the best of our naval forces are used precisely for missions foreign to the true defense of our country. And for the latter, only a pittance is left.

Another Naval Policy

There is not room here to detail a complete naval policy. That is not the purpose of this article. But it is useful to reflect on the missions that the Navy should have, in terms of a strictly and truly national and independent defense associated with great initiatives for international detente and peace.

These missions can only come from the national defense goals assigned by the French Communist Party and from the positions adopted during its central committee meeting in May 1977. They must be part of an all-azimuth defense policy. They would be:

1. Nuclear deterrence by missile-launching submarines.
2. Defense of the sea approaches of the entire national territory, which supposes:
 - a. Long-range naval air surveillance;
 - b. The possibility of attacking any attacking fleet by a contact and combat fleet, by a submarine attack fleet, by light missile-launching ships, and by naval air attacks using missiles.
 - c. Possibilities of close coastal defense.
3. Security and protection of our lines of communication. This mission, as we have seen, is now closely tied to the energy policy of our recent governments. But even if the preponderance now given to petroleum were to be reduced, our country should develop international sea trade, which the PCF strongly favors, within a perspective of peace and international detente. As far as national defense is concerned, the worst must be expected in the case of pressures brought to bear on our country, or in case of conflict, and the means of protecting our lines of communication should be provided (naval air protection, antisubmarine defense, anti-aircraft defense by anti-aircraft escort ships).
4. A variety of missions requiring lesser resources: surveillance of the 200-mile economic zone, oceanographic studies, sea rescues.

In all, the case of the French Navy, despite its undeniable specificity, perfectly illustrates the acute and serious problem facing the nation. Either our military resources are placed at the service of the egotistical interests of the big capitalist groups and the multinational corporations, and that is what the Giscard government is doing, no matter how they try to conceal it.

Or they are placed at the service of strict and true national defense, whose sole object is our territorial integrity, the security of our people, the freedom of decision of a democratic government, and the struggle for peace and disarmament.

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FRANCE

PCF LEADERS INTERVIEWED ON CONTROVERSIAL NEW BOOKS

Francis Cohen

Paris FRANCE NOUVELLE in French 11 Sep 78 pp 42-46

[Interview with Francis Cohen, managing editor of NOUVELLE CRITIQUE, by Dominique Vidal: "The USSR and We"]

[Text] "The time has come for serious reflection on Soviet socialism. The latter will be considered here in a critical fashion." This is how the five authors of "l'U.r.s.s. et nous" [The USSR and We] expressed themselves from the very first page of their book onward; the authors are: Alexandre Adler, Maurice Decaillot, Claude Frioux, Leon Robel and Francis Cohen, managing editor of NOUVELLE CRITIQUE who spells out their approach for us here.

Dominique Vidal: In publishing the introduction to your book "l'U.r.s.s. et nous" last Monday in HUMANITE, accompanied by an announcement from its Political Bureau, the PCF [French Communist Party] underscored the importance of that book in its eyes. This importance is undeniably concerned as one reads the work. What--and this will be our first question--was your objective in writing this book?

Francis Cohen: It is not up to me to answer regarding the book's importance. On the other hand, when it comes to the importance of the issue it takes up, I can say that it seemed to me to be essential.

What we were thinking of was socialism for France.

Some people, both friend and foe, keep telling the French communists that their disagreements with the CPSU "are a sham" and that, at any rate, once they are in power, they will act like the Soviets. The others--foe and friend--demand that the French communists "go further" and no longer have anything in common with Soviet socialism and with the USSR. All of this is based on what, in our opinion, is insufficient knowledge of Soviet reality and our relations with the USSR. We thought that one should have a better knowledge of what one is talking about.

[Question] You write: "The time has come for serious reflection on Soviet socialism." Were the earlier reflections not serious?

[Answer] Our idea is different. You have to have reflection. This reflection must be serious and--why not say so--novel.

On the subject of the USSR, we live on some very old ideas, shaped during other times and under other circumstances, under the rule of other necessities. It seemed to us necessary to clear the decks, for ourselves, the authors, first of all. We tried to countenance the "phenomenon of the USSR" and to ask ourselves what it meant to itself and to us.

[Question] Basically, your book can be placed within the evolution of the attitude of the PCF toward the Soviet Union.

[Answer] How could it be otherwise? We could not avoid asking ourselves why our party had gone from total approval, slightly deprived of any hues and shades of all that was happening in the USSR, to its present critical position and, in particular, why we ourselves were now writing this work.

In this first examination, we detected two series of causes. The first series can be roughly summarized in terms of a twin evolution: that of the advance of the worker and democratic movement in the world and in France which increases the possibilities and responsibilities of our party, to a decisive degree, by the way, thanks to the advance of worldwide socialism such as it sprang from the October Revolution; and that of the USSR and socialism, with the contradictions as limitation which their progress itself engenders.

The second series is marked by two dates, the dates of two violent shocks: 1956 and the 20th Congress of the CPSU; and 1968 and intervention in Czechoslovakia. We tried to find the reasons why the grave defects, the crimes, the dogmatic paralyzes, as revealed by the 20th Congress, were analyzed so late in our party and why it took so long to revise the false theoretical, ideological, and political evidence. We found that 1968 had shown the possibility of grave conflict between the Communist and the absolute need for an elaboration of the independent conduct, by each party, of its own policy, as a categorical imperative.

A third date is the 22nd Congress of the PCF and its prospects for a socialism under the colors of France. As we see it, this is more a beginning than an end and it is upon reflection on this socialism--which by the way will not assume its full range until the practice of socialism has commenced among us--that we will gear our research toward the forms of socialism existing today.

[Question] Is it not also significant that your book is not an official or semi-official document but rather the work of five communist militants who are quite familiar with Soviet reality?

[Answer] I believe that most profoundly. This is not a tailor-made job. I can reveal here that no party leader had any knowledge of our plan or our text until the book was available in proof form, apart, of course, from the managing editor of Editions sociales, Lucien Seve, who had confidence in us the moment we came to him to talk to him about our project and the moment we suggested that he publish it.

In some way we tried our wings, as it were, by participating with others--including non-communist specialists in an account that was published in the November 1977 issue of NOUVELLE CRITIQUE. Here likewise we did so by assuming responsibility for our share. Encouraged by the reception and aided, I must say here, by a team research effort, which brought several tens of comrades together, we wrote this book because we felt the political need for it. We did so undoubtedly also because--having some knowledge and some experience of our own--we felt that it was our duty to do so. I recall that, one day, one of us said: "This work is indispensable and, if we do not do it, who will?" Perhaps we gave ourselves a lesson in democracy here.

[Question] In your advertisement you say: "This book proposes some hypotheses, some questions, and some research directions. We did not come up with any judgements." Is this a style precaution or a scientific method?

[Answer] This is a profound determination. Did we succeed? It is for the readers to say! We also wrote--and we believe--that our examination is a critical examination, not in the sense of a pretentious condemnation but rather in the sense of an objective search of reality, of its contradictory motion, of its significance during our epoch.

I might add that we thoroughly investigated each word, each phrase that we used. We discarded any jargon, as well as the dead formulas which might have cluttered up our book. But we did not entertain any illusions; it remains completely and totally our work. But I must say that this exercise is salutary. If you will, we tried to identify, classify, and describe situations, facts, notions, and we tried not to have them turn up again in ready-made molds which we believed we could dispense with.

[Question] Let us now get to the content of the book. Very few people have been able to read it so far because it came out only in connection with the L'HUMANITE celebrations. Could you therefore give us the broad outlines of that book?

[Answer] Yes, although I must say that this could only be done in an outrageously schematic fashion here.

We first of all discarded the simplistic explanations of the history of the USSR: the struggle for power, the character traits and personal ambitions, the subjective errors; we did not compare reality to what "should" be in the name of preconceived ideas; we considered the USSR neither as the absolute evil, nor as the simple and final outcome of historical necessity.

We looked that society square in the face and we studied its various aspects, each as a function of our own specialization or by coordinating among ourselves: the economic base and its evolution, the social structure and its changes, the political life and the problems of democracy and power, cultural evolution, ideology or, rather, ideologies. A historical canvas is intended to put all this in its proper context for all readers--and they are indeed very numerous--for whom the 60 years of USSR [existence] are nothing but history. An introduction and a conclusion raised a whole series of political and theoretical problems.

Finally, we assign importance to a kind of preamble. We began with a review of the Stalinist period, with its at least 10 million innocent victims, its mixture of immense brutality and progress, of schematic poverty of thought and plentiful creativity. We thought that this was neither an accident of history, nor an inevitable penalty of socialism and we suggested explanations tied to the social condition of the USSR and its specific tasks. We felt that socialism's current situation throughout the world could not be fully understood without contemplating that period of time we are talking about here and including it in our reflection, with all of its aspects.

[Question] It is evidently difficult to make a choice among this bubbling cauldron of ideas--frequently very innovative--which you propose to the reader. Nevertheless, I was particularly struck by one idea which seems to me to run through your entire book: the idea of contradiction.

[Answer] This is so true that, at one time, we even thought of giving the book a subtitle--"In Praise of Contradiction."

It seemed to us that the essence of the problems which the USSR encounters--with regard to the part that deals with domestic facts--involves conflicts of interest between social categories and groups. At the very center there was the need for making a proletarian revolution in a country where the masses were rural; as it is on the basis of that rural mass that the working class develops with relatively very great speed. This working class has been numerically in the majority only for about 15 years. Its occupational, cultural, and political level came into contradiction with the structures and mentalities of the system that had been created earlier. We formed the assumption that there was, under Stalin, a kind of ideological compromise with numerous nonsocialist elements pushed along by the peasant masses. And they never entirely got out of that. One explanation for present difficulties then would be the resistance of those ideological and political elements, supported by the mentalities acquired by numerous members of the political management and leadership apparatus and also a certain number of intellectuals frightened by the leading role of that new working class.

Likewise, the nature of institutions still in existence does not enable us to find, amid confrontation and debate, any solutions that would correspond to the common interests and the problems are not really resolved but are simply cut off by the administrative organs. Here we can find one of the

major difficulties in bringing about the kind of regular democratic functioning which social and cultural reality calls for.

The government ownership of the major means of production and trade thus is not enough in itself. They have a long way to go to get to self-management where each producer is in effect the matter of production. The power of the working class does not boil down to the replacement of one class with another in the government machinery; it demands difficult, long transformations full of conflict which cannot be decreed but which result from the life of society itself.

[Question] But, in the USSR, as you emphasize, are they refusing to recognize these conflicts and these contradictions in the name of the monolithism which should prevail?

[Answer] The idea of monolithism as a matter of fact seemed to us to be incapable of accounting for the reality of a society that is as complex as this one from all viewpoints, in the midst of an evolution as fast as this one, with some groups that want to go fast and others that want to go slow, with diverse interests. In the end, could it not lead to the constraint to force everything back into the scheme and then on to empiricism because the facts of life are here and because they must be faced? Is this not exactly what the French Communists are reflecting upon?

But, here again, it would do no good to damn the presumed wickedness or ignorance of men. These ideas have produced a broad popular echo. One often gets the feeling of having arrived, the feeling that history is more or less finished and that the contradictions are nothing but the bad heritage of an obsolete world. The most absolute form of Soviet patriotism is a phenomenon of the vast masses. One must understand that the USSR always lived in a state of emergency: surviving, defending itself, building, participating in competition, and advancing. It was a vital thing to close ranks. Perhaps that was not enough.

[Question] This apprehension on the part of Soviet society implies a question which is something like a background for your book. "Under socialism," you say at one point, "there is a struggle for socialism." In other words, far from being a finished society, socialism is above all a long and complex transition toward communism.

[Answer] That is precisely the point--with one reservation however: we know quite a bit less about what communism will be than about what socialism "should" be. We are not projecting into the communist future the image of a tranquil paradise, without history--an image which we have had of socialism for entirely too long!

Socialism is not the application of a pre-existing scheme to its concrete forms. Experience demonstrates that in an evident fashion. This is what we find when we say that there is no model.

Socialism is and will be different. But it is one, no less. Just as capitalism is capitalism in political forms and varied structures, so socialism does not cease to be socialism when it assumes national outlines fashioned by the reality of each country.

[Question] Although judgements do not take up much space in your book, you do not escape the question so often addressed to the French communists: Is the USSR a socialist country as far as you are concerned?

[Answer] If it is not socialist, who is? Sweden? Great Britain? West Germany? Or perhaps nobody. Socialism remains yet to be invented; better still, it is a beautiful utopia which one must renounce--and long live advanced liberalism!

Let us be serious. The capitalist fire, which has been concentrated against the USSR for 60 years, would suffice to prove that something new and fatal for the still prevailing regime in the world has been born down there. That new thing is a system where the capitalists have been thrown out as a social and political leadership force and where the ultimate purpose of growth has thus been reversed: instead of that ultimate goal being private profit, it is the interest of the working man.

This is where we come to the beginning of the historical transformations, the differences, the evolutions, the failures and successes.

Why try to hide it: we have had quite a few surprises. Conflicts, even armed conflicts, can spring up between socialist countries. Relationships of domination may tend to spring up among them. Authoritarian forms of socialism have been able to take a lasting hold whereas we thought that democratic socialism was possible and whereas it is the latter toward which we are trying to move our country.

[Question] That brings up a new question: on what criteria can one base oneself in saying that a country is socialist?

[Answer] There is no stereotype for a socialist country. We have neither a real model to be reproduced, nor an abstract model to be implemented. There is a general movement of worldwide scale and it extends in terms of duration; here the decisive role is played by the action of the working class, the social class which sets in motion the advanced means of production and which is not at all interested in exploiting other workers. Each country takes its place in that movement as a function of what it is and makes its original contribution to it.

We kept wondering about the reasons why our party would consider one country as being socialist and another one not. It did not seem to us that our list is indisputably beyond reproach. We asked ourselves, for example, how one could say that Algeria or Angola are on the road to socialism--or, for that matter, Cambodia? Among the new research subjects, which sprang up during

each step of our work and which involved forces and debates, this question of socialism is in the forefront.

[Question] You say at the end of your work: "Things cannot be described in just one word. It is true that the Soviet Union is in a period of evolution. But it is impossible to predict or visualize the duration of that period, nor the fashion in which it will end." Could you perhaps, in the current stage of your reflection, come up with a "diagnosis" and some prospects?

[Answer] I shall beware of that. I can only bring in some ideas here on which, I believe, our team and those who work with it are relatively in agreement.

In the economic area, in spite of certain difficulties which the beginnings of reforms during the last decade could not substantially reduce, the USSR should continue to improve its position in international competition. Imperialism cannot look forward to any noteworthy relaxation of the pressure exerted by Soviet and socialist economic pressure upon its position and, consequently, it cannot hope for getting out of its crisis from that angle. The counterpressures exerted by it [capitalism], especially the revival of the arms race, do not seem capable of producing any decisive success.

But it is no less plain for anyone to see that the evolution of class relationships--of which I will speak right away, the volume and complexity of an industrial output that has become the world's second-ranking, the orientation toward the industrialization of agriculture, and the elevation of the material and cultural living standard--are creating new problems and new dissatisfaction in the USSR. Aspirations keep growing; the persistent social inequalities are increasingly less tolerated, as is the gap existing in current life with the most highly developed countries in the outside world or the insupportable inadequacies in terms of distribution, quantity, and quality of consumer goods.

One might think that the objectively necessary changes clash with the urgent needs of the economy, such as it is constituted, as well as obstacles of both an ideological and social nature, although their necessity may be officially recognized and affirmed. Changes in the country's leadership can always come about. Undoubtedly, the fact that the leadership has remained in the same position for so long--far from being the source of a wait-and-see situation--is a sign of hesitation in the face of the choices to be made. But, regardless of the discontent, regardless of the many unresolved problems, one could hardly think that one might envisage an abrupt change.

[Question] Under these conditions, how should one evaluate what has been called "dissidence?"

[Answer] It is rather feeble, above all because the Soviet mass is shocked that it is advocated by the foreign enemies of socialism and the USSR. It is no less the sign not only of the shortcomings of democracy but of a series

of problems which come up with urgency. But the forces of change can no longer come from the outside in the USSR as they did before, especially not in that country, where the people have given so much heroic proof of their final rejection of a return to the systems of exploitation. Now, the current Soviet situation is the result not only of uncertainties and confrontations. Beyond all that there is also a contradiction: first of all, you have the trials, the sentences, censorship, as if one wanted to contain the thrust in depth, a situation of movement; in medium-range terms, in effect, and in spite of the tough approach, we can discern a domestic detente here. Life progressively neutralizes authoritarian practices. We can observe here advances in ethics, technology, participation on the grass-roots level, an awareness to which the scholars, the writers, and the artists contribute.

Since you asked me for a prognosis, I will make one last remark: the USSR will not evolve--according to a theory of the inverted model--toward a socialism similar to the one which we want for France and undoubtedly not toward what we could imagine for it. But it is extremely probable that it will evolve, due to the action of its own internal forces, due to the action of its new working class and its youth, first of all, toward more and more socialism.

Paul Laurent

Paris FRANCE NOUVELLE in French 2 Oct 78 pp 40-46

[Text] Ever since its publication, "Le P.c.f. comme il est" [The French Communist Party Such As It Is] (1) has been big news. Everybody had indeed been waiting for it. We gathered around the microphone of FRANCE NOUVELLE to discuss this with Paul Laurent and eight of his readers of both sexes--all of them communists (2). Bringing out in just a few hours of discussion, in turn boiled down to about 15 sheets of paper, the full range of reflections suggested by that book, without schematicizing questions and answers is no easy thing both when it comes to debating and when it comes to transcribing. We thought that the best thing to do would be to go ahead without worrying too much about sequence or chronology.

Jean-Robert: I am going to give you my first impression, all of it. The thing that struck me first of all was the book's realism, the way in which it was written actually jibes with what I experienced in the party. The questions are those which are asked and the answers are given in a straight forward fashion.

Yvette: It is true, we have been waiting for this thing to come out. And it is also true that I was not satisfied on my first reading. I had expected that it would have advanced more toward the 23rd Congress. But, in the end, as you think about it, you realize that this is a book which rather

well resembles what one must today know about the party, the way it works, its evolution and its relation with the evolution of life in France. Things are well placed in context and then of course there is a certain number of points of approach. I am convinced that this will be a big help to the communists, especially the new members who do not know some of the things that sometimes seem evident to us.

Paul Laurent: You are saving me the trouble of providing a part of the answer. In the final analysis, this book's ambition is both simple and precise. It was prepared at the moment when an enormous debate was underway on the party and the way it worked. We thought that it would be useful to try to come up with a true image of the party, to explain why it was the way it was, and to start off in some directions of research in order to move better and further. It is not a matter of indifference that the people, who are discussing here and who are bringing in all kinds of judgements without sometimes knowing what they are talking about--it is not a matter of indifference that they should know the opinion of a party leader. I tried as best I could to present the status of the issue today. That may be helpful for anyone who wants to judge and improve something. As for the second one among your remarks, it is quite in line with my feelings. We have in our ranks at least 200,000 rather recent communists who do not know or who have an imperfect knowledge of the ways in which the party exists and works. The important thing therefore is not, right away, to go into the 23rd Congress but to provide a better political foundation for its preparation. To be quite specific, this book is first of all intended for the communists and, beyond that, for all those men and women--and there are many of them--who look to the party with interest.

Francis: There are things in your book which I knew about and there are others which I was less familiar with or which I had forgotten. Perhaps you have not been able to take up as many questions as you would have liked to. But, in talking about the disagreements expressed by the comrades on the party's policy and operations, I now have the impression that I am better able to respond to them. One could also use that book to organize a big debate in our cells. For a company militant, such as I, questions come up very concretely. What is my specific role on the job? What relationships should a communist worker have with the organizers? What I am saying here may be a little bit disjointed but at Orly Airport, the management was successful in getting our organizers to back down and you sometimes even see them going into the front office. And then there is the question of the communist cadres. They think that we are not trying to put ourselves in their place, that we forget the role which they have to play. I am expressing their worries here. This question perhaps was not taken up sufficiently in your book.

Paul Laurent: My book was not supposed to cover all subjects facing us in a thorough manner. But I believe that I explained that one important feature of our party is precisely represented by the fact that the people it consists of come primarily from the working class, from the most

disadvantaged wage-earning strata, those that are most exploited but also from all of the social horizons. Some people sometimes occupy important positions in the chain of command in the enterprises. Basically, the party is a little bit the symbol of the alliance which it is trying very hard to put together in everyday life. And those alliances do not shape up without contradiction. It is not enough to have your party membership card in order to overcome these contradictions as if by magic. But the thing that is important for the communists is to figure out that which, in their party's policy, is susceptible of responding to the fundamental interests of everybody. The thing that gives the Communist Party its strength is represented by the fact that--as a party of the working class--it is also a place for meeting, a place for action and common commitment for people who have come from different social strata. These contradictions in everyday life must be faced and we must not only see the negative aspects here. We must above all accentuate the positive.

Patrick: I have reason to celebrate today because I am a cadre and a communist. But I do not think that Paul Laurent has come up with a good answer on that question. I was personally happy that a book had been put out on the way the party works. To me that meant that this had been turned into a political and public issue. That is not evident to all comrades. Considering the circumstances, I was a little bit divided in my opinion. I told myself that this is a good thing that this problem will be discussed but at the same time I found, on the other hand, that the public expression of the discussion was being stifled. I finally said to myself: This book is a good thing. Now, does it open the debate or does it close it? I am entirely in agreement with what has been said so far. This book recalls forgotten things and I myself found some points here that I had overlooked earlier. Among other things, I am talking here about the bylaws. I delved back into that and I found that I had not read them properly. But one must not use this book only to answer criticisms on the way the party works. It must above all be a means for developing the debate. And if there is really a desire to promote an unemotional debate on the way the party works and if that desire is translated in practice--so much the better. I am confident. This is why, by the way, I came here in the first place.

Paul Laurent: Because we have to have a discussion here since it is not I who is going to decide, since the 22nd Congress has provided that the 23rd would discuss the bylaws, it is evident that the debate is yet to come, for its most essential part.

But since we already have a debate, tied to the election results and their consequences, I believe that it was useful to start with clear foundations and without any caricatures. Because it is the caricatures of the party which, in the big media, get so much publicity. If a discussion were to be started on the wrong foundation then the discussion itself would be wrong. For example, the following expression is correct: in the party, it is one man, one vote. Down through the years, some people have made fun of that idea to the point that, if you were to listen to them, we would have to

have a permanent general assembly of all the communists; everybody would be on the same level of equality, responsibility, and decision-making. That is wrong. We have elected leaders on various levels and they have responsibilities, initiatives, and decisions to make. In this sense, at a given moment, they count more than others. That does not alter the role of each communist. but any abrupt formula can--according to the circumstances--backfire.

Yvette: At the same time, it is said that each cell is responsible for the implementation but also for the elaboration of party policy. Now, on that issue, I believe that what you say in your book is rather the ideal image of what should be instead of what is. In everyday life, you realize that things are more complicated than that. Of course, we aim for that but you have to fight like hell. The battle for union at the grass roots, the need for basing oneself on specific things, clarifying them in a political manner, conducting the battle to win victories right away, taking into account our overall objective--that is no mean thing for any cell. The cell has a role of creativity and responsibility to play which is more important than ever before. Right now we have the issue of ways and means. Are all forms of organization what they should be? How far does the autonomy of each organization go in drafting policy?

Jean: Well, I have roughly the same opinion as Yvette. For example, I believe that, during the campaign for the legislative elections, we did many things but, considering the stakes, the mobilization of the communists was not on the desired level. One should ask oneself: Why? While noting that I believe it necessary and realistic for us to have a party of a million followers--are we going to find it normal that we have militants and simple followers or members? There is a gap to be closed inside the party in relation to the work which we have the ambition to do.

Paul Laurent: To the extent that you, Yvette, are already a militant on a very important level of responsibility, I understand very well that this book, for you, had its limitations. This being so, I believe that, when we talk about the role of the cells in drafting policy, the one thing we must not idealize is the type of participation we get. This is not a matter of constantly refining the party's entire policy but of discussing and having one or more new ideas which are then circulated in the party and which benefit everybody. Often, by the way, when an idea assumes force, we forget--and sometimes the people in the cell itself forget--where it sprang up. We have a debate here and we have ideas which arise. Those which are not sprang or which are of little value simply fade away. And those which create problems--good or less good--begin to circulate. We discuss them, they are approved or they are rejected. This sort of thing really goes on. This is where I contrasted the operations of the Communist Party against those of the Socialist Party. When we prepare a congress, there is no a priori; the discussion is free on the basis of the preparatory document; on the other hand, in the Socialist Party, they have three or four texts to which one must subscribe and the debate is over before it has really begun. Some of the group leaders have already said: You have to choose between our four

texts. Where is the contribution of each and every member under these conditions? For us, asking questions in order to improve things is very correct but we also have a considerable democratic gain here.

As far as the opposition between militants and members is concerned, I am basically against that. Because, where does it begin and where does it end? This is an unfathomable mystery. One can say without fear of being wrong that all members are militants in their fashion. There are degrees, of course, but I would be tempted to say: fortunately. It would be absurd, I said before, to erase the differences but the main task is to make the communist ideas progress and each one of us feels himself more or less accountable for achieving this progress. The act of joining is a militant act, first and foremost. The level of individual commitment, the place the commitment takes in the individual's life--these are tied to a whole lot of factors. The militants, by the way, are no longer entirely the masters of that. We do not want a party where everybody would be a simple follower of another person who is more militant. Each contribution is different and each contribution is precious. That, basically, is the idea behind a vanguard and mass party. It is on the level of ideas that we are in the vanguard and if we are very much in the vanguard, then so much the better. A party which wants to push self-management cannot have a stunted view of the role of each and every one of its militants. Committing oneself to the revolutionary party already is a considerable choice.

Emmanuelle: I somehow get the idea that your work is valuable above all in terms of contributing some very basic ideas. Personally, it brought me nothing.

Paul Laurent: Do you believe, for example, that the questions of the mass party are not discussed within the party?

Emmanuelle: I would have something else to say about militantism. If all of the members are militants from the very beginning, where is the mass party? Because I, instead of being the "organizational" secretary, could stay home, do nothing, and people would say: She is a militant just the same. If everybody, as you say, participates in team work according to his own preference, capacity, availability, then this is not only an ideal you but that means that everybody can do anything, at any moment, when he feels like it. There are certain restrictions. I, for example, find that there are meetings which I am not at all eager to go to, but I go, just the same. And I go there to assume my responsibilities, as they say, but that does not always please me either.

Paul Laurent: You are touching here on the problem of the level of commitment and conviction. Nobody forces you to do what you are doing. You make a voluntary decision which has its constraints but it is nevertheless a choice imposed by your own conviction, your own ideal. This obviously changes your way of life and the way your time is distributed. The rough side of militant activity sometimes, as compared to a more gentle existence,

produces contradictions in us. But when I talk of a voluntary choice, I also mean that it is made on a conscious basis of political understanding, of the need for a commitment on a certain level. This is the opposite of the stereotyped view which people have of us: a kind of army where some people give orders and others carry them out because they are forced to do so. And then, a mass party of course is also a way to make each individual's burdens lighter.

Francis: You certainly have to think about that issue. When they see me running in the workshop, to the door, in the morning, even when it is cold, being a little bit everywhere, then the workers tell me: You are really into this; well, if I would have to do as you are doing, I would certainly not rush to join the party.

Jean-Robert: The book does come up with some answers--or at least that is the way I understood it--to some questions with which I was confronted. You write that we reflect on a more frequent utilization of a form of public discussion. There is a strong demand here from comrades whom I know personally.

Paul Laurent: This brings us back to the concept of the party which it is possible and necessary to have today. This brings us back to all of the concrete issues coming up in everyday life. This is why--even when it looks as if we are repeating something quite obvious--we have to take a closer look: things are not always as evident as all that. It is also true--you are quite correct--that, in the cells, we have to be very careful to make sure that everybody can contribute. The person who is most committed, who has the most responsibility must concretely manifest the sentiment that there is value in all the others, in their militant activity, even if the level and frequency are not of the same order. If everybody is made to be proud of his commitment, then there will at least be a tendency to relate it to those who do everything.

Patrick: We talked about horizontal discussion, about contacts, about new forms of organization. I in any case am convinced that, if we really want to move toward a mass party, we could not avoid all that. I hope not only that public discussions will be allowed but that they will be encouraged. Naturally, there are special moments for that in the preparation of congresses. But between spending one's time discussing and not discussing, except at those moments, there is a need for finding a way to handle this situation. One might also ask oneself--when there is profound disagreement on a preparatory text for the congress--what possibility there is not only to amend it in detail but to review it in its entirety and start all over again. Here is another problem as far as I am concerned: When, on each level, a number of candidates identical to the number of jobs to be filled is presented, I say to myself that, from the democratic viewpoint, there is something that is not working properly.

Paul Laurent: I am not going to answer everything because that would require too much. But you are bringing in two questions on the basis of a

postulate which is not realistic. For example, at the last congress, on fundamental issues, coherent viewpoints, opposing those of the leadership, were expressed completely--in the party press, moreover. As proof of that I might mention the abandonment of the dictatorship of the proletariat as a concept and a practice. The question that comes up today is to figure out whether, at certain moments, on certain political occasions, in connection with a major problem which arises out of everyday life, one should not proceed in the same fashion, outside the period of the congresses. Regarding the manner of the election, it is completely wrong to say that the number of candidates is equal to the number of people to be elected. This is proof of the fact that certain simple ideas contained in my book are not properly known. Let us take a section of 300 members. We say--because it is reasonable and because it is a collective judgement--that we should have 25 or 30 in the section committee. Well, we have 70 candidates; it is difficult to discuss this with 100 or 150. So, we elect a commission which is the democratic outcome of the section conference. What is the task of that commission? To try to make a choice which will be subjected to the conference before the secret vote. It comes back and says: Here are the 25 names which we propose to you because we think that they are the most representative, the best. When it comes to drawing up the final slate, each individual can raise his hand and say: No, I think such and such a fellow would do a better job. Naturally, you do not wind up putting 70 in office because that would be an entirely different concept of leadership. So, we have to get around that figure on the basis of a democratic discussion. You have an elected commission which proposes the most democratic possible choice. The conference can rectify it because it is not the nomination commission which elects the section committee or the federation committee. In this sense, we can see just the same that this little book is useful. Because the idea currently spread around by our adversaries is that there is a group of people who comes from we know not where, of whom we do not know what it really is, and which proposes to the conference a list of names on a take-it-or-leave-it basis.

Patrick: When you write: If, on one problem or another, a militant or several militants have a disagreement which continues to exist, this is not necessarily a reason for eliminating them as delegates on the higher echelon--now, that is a good thing. But would those delegates have any responsibility?

Paul Laurent: What would their capacity be in terms of implementing party policy as defined by the majority? Would they themselves be able to go along with that?

Patrick: I am not talking about fundamental disagreement; that would obviously be aberrant. But as of what or as of when is a disagreement either partial or fundamental? For example, the disagreement on the dictatorship of the proletariat--is it partial or profound?

Paul Laurent: What we mean by profound disagreement is this: Something that contradicts the party's political thrust in overall terms. That is

true of the dictatorship of the proletariat. That touches on our policy. It is evident--and that is my opinion, in any case--that anybody who continues to think that we are wrong in abandoning this concept and this practice is actually coming into contradiction with the entire thrust of the 22nd Congress. If he were to hold an important leadership position and if one were to say to him: You are going to implement the line, just the same--then one would be putting him into an impossible situation. At the same time, that would be very bad for the party.

Eliane: I would like to say a word about the working class and the white-collar employees, because I am part of that. You write that it is in those strata that we have the best chance of finding a favorable echo. Right now, from where I stand, that does not look at all convincing. I happen to be in a cell where white-collar employees are not numerous. There are comrades who have greater experience in discussion and who monopolize the discussion.

My position is not a comfortable one. I have witnessed debates there where we had a strong proportion of workers in my residential section. The reactions were not the same. Some comrades say: We are letting the intellectuals have too much room. I was very happy with the publication of this book. I told myself: This will help us show our true face. People believe that we are obsessed with just one thing. In human terms, we will gain because we will be more permeable, more sociable, and closer to everybody.

Paul Laurent: When I wrote that we have the best chances of making ourselves understood among people who directly suffer exploitation by the capitalist system, this is based on a verified reality. It is a fact that the influence of the Communist Party is greater among the blue-collar workers than among the white-collar employees, that it is greater among the white-collar employees than among the management personnel, etc. But I repeat what I just said. In becoming a mass party, the party, in its ranks, symbolizes the alliance of the working class and the intellectuals.

Danielle: I do not feel at all happy with the section committee to which I belong. I do not work in the same building as my other colleagues from EDF [French Electric Power Corporation] who are there. My cell is in trouble. They said I was capricious because I wanted to attend this discussion with Paul Laurent. I did not like that idea at all. I have not finished reading the book but there is one thing that really got to me--when you explain that everybody is completely communist, with the same rights and the same duties, the same original contribution from his personality, his environment, etc. I agree with that, of course, but it is necessary to apply it better.

Paul Laurent: You are bringing up a question which was not stated as such but which seemed important to me. The party is a living and human organization with virtues and vices, with good things and imperfections. Deep down, a mass party is a party which, in overall terms, has great localized and circumstantial qualities and weaknesses. We have to fight against them and we must not resign ourselves to them. At the same time, we must maintain

a proper balance between our demands and reality. In my cell, we are not always equally solicitous of each other. We must accept ourselves as we are and we must accept this party as a big living body. One cannot approach the party in too idealized a fashion. We live in a class-struggle society with people who have their differences within the party. We have to take that into account in every way.

Patrick: Perhaps you are going a little bit beyond the discussion: I don't know. This has to do with the USSR and us. Roger Faivre asked you where the delay over the past 50 years has been made up. You answer that, in effect, it has not yet been made up but that the thing that must guide us is the will completely to make up what we have so far been able to consider as a delay. What I resent is that the delay with respect to reality in the Soviet Union is still very great; that there is a big job to be done; and that it is urgent for us very seriously to study all problems relating to this epoch.

Paul Laurent: I would like to say this in conclusion because that was not at all the book's objective. Especially since I knew that another book--"L'U.r.s.s. et nous"--was being written. But we must make sure that the word "delay" will not become a word that settles everything. We have to move ahead. That is the most important thing. Once upon a time we kept repeating: We are behind and nothing has been settled. Here is another example: We are not going to repeat constantly that it is necessary to rebuild union at the grass-roots level--it must be reconstructed! Of course, this must be said so that everybody's attention will be drawn upward. But what we need here is a general examination. It is true that, 20 years ago, as we look back, there was a restrictive attitude toward problems which we faced because of the disclosure of what had happened in the Soviet Union. Some comrades said to themselves: If this produces such a tremendous and brutal shakeup, then we will never be able to get out of this. A process of reflection was blocked. These are questions which are being asked today. We must move ahead in order to resolve them positively.

FOOTNOTES

1. "Le P.c.f. comme il est," Paul Laurent, Editions Sociales, interview with Roger Faivre.
2. Jean-Robert and Francis (Orly-Port), Yvette, Patrick, Jean, Emmanuelle, Eliane, Danielle (EDF, 8th).

5058

CSO: 3100

GREECE

'AKROPOLIS' DEPLORES RAISING OF MACEDONIAN ISSUE

Attacks Skoplje Policies

Athens AKROPOLIS in Greek 6 Oct 78 p 2 AT

[From the "Laconic" column: "The Ghost of the Balkans"]

[Text] The "Macedonian issue" is a thorn in relations among Balkan countries. Our country did not create it. For us the Macedonian issue is nonexistent. Moreover, neither Bulgaria nor Yugoslavia created it. The story starts further back and serves aims that are not immediately apparent. Our two neighboring countries merely took advantage of the issue. They turned it into an element of their policies. Since then, they have become involved in interminable disputes that pass through various stages of inflammation and subsidence. We must admit that Bulgaria long ago swept aside this issue in its relations with our country, but Skoplje [capital of Yugoslav Republic of Macedonia] maintains it against us and in certain instances actually does so in an infuriating and unacceptable manner. We are informed that the student identity cards Skoplje has issued to Greek students studying there whose origin is Greek Macedonia describe their nationality, not as Greek, but as Macedonian--as if Macedonia were another state or nation separate from the Greek nation. However, national minorities are not manufactured by such tricks. When national minorities exist their presence is felt in a thousand ways. No one can deny their existence, and no one can impose the recognition of a minority on anyone because some foreign government insists that there is one. This is true in the case of the "Macedonian nation." Consequently, let the two neighboring countries sweep this ghost from their policies, because it serves no purpose. It merely constitutes a source of disputes, friction and unpleasantness that spoils their relations and, to some extent, the relations of one of these countries with our country and impedes the development of Balkan cooperation.

Raps KKE Silence

Athens AKROPOLIS in Greek 12 Oct 78 p 2 AT

[From the "Laconic" column: "What Does the KKE Say?"]

[Text] The chairman of PASOK has agreed with Karamanlis that for Greece the issue of a "Macedonian" minority does not exist. This was proper, because an impression had been created that only the government was reacting to Skoplje's propaganda and to Belgrade's support for the former. Now the official opposition has aligned itself with the country's foreign policy on the same issue. However, it would be of special significance if the KKE were to take a position on this issue, because since 1924, when it dropped the slogan of autonomy for Macedonia and Thrace, it has at times contributed to the creation of the "Macedonian" issue--thus serving the designs of our northern neighbors and of Moscow against our country. Even early in 1949, after the notorious resolution of its fifth plenary session, the KKE explicitly promised that, were it to prevail in the armed struggle it had launched against the state, the "Slavo-Macedonians" would regain their... national existence and would be territorially severed from Greece. Consequently, this party should make clear its position on this issue which Yugoslavia persistently fans. It cannot sidestep it by keeping silent; otherwise we can be allowed to suppose it has merely placed the issue in the deep freeze, so as to take it out again someday when it has received orders from abroad.

CSO: 4808

GREECE

'I VRADYINI' LAUDS GOVERNMENT CONCERN OVER DEFENSE

Athens I VRADYINI in Greek 12 Oct 78 p 2 AT

[From the "Evening" column: "First the Armed Forces"]

[Text] The prime minister often attends conferences of the military leadership, which means that the armed forces continue to be among his primary interests. This is natural: the crisis continues, and the clouds on the national horizon have not dispersed.

Karamanlis' steadfast attention to the armed forces, that is, to the steady improvement of the defense mechanism and to its constant modernization, is expressed in a paragraph of the government statement that was issued after the conference the day before yesterday: "The prime minister stated to the supreme leadership that, despite the need for restraint in public expenditure, the armed forces will not be deprived of the means considered necessary for the fulfillment of their mission."

Indeed, this is the substance of the matter. During the last 4 years, following the complications caused by the junta coup in Cyprus and the Turkish invasion, the developing Greek economy has been confronting special problems because of extraordinary defense expenditures. Without this brake, the economy would have made spectacular leaps.

However, the nation's security is preeminent, and with this thought, which fortunately is shared unreservedly by all Greeks, the government has been giving absolute priority to the nation's defensive shield, which should be constantly improved as long as the crisis endures.

This should not be forgotten by those who, due either to ignorance or to naivete, deliberately simplify the problems the country's economy is facing or will face.

CSO: 4808

NETHERLANDS

DUTCH TO INCREASE LONG-TERM DEVELOPMENT AID TO ANTILLES

Rotterdam NRC HANDELSBLAD in Dutch 5 Sep 78 p 3

[Text] In the past the Netherlands have done too little to steer the development of the Netherlands Antilles in the right direction or to put the development process in a badly needed perspective for the future. The results of Dutch assistance over many years have been disappointing. Needed from now on is program assistance instead of assistance for incidental projects; it will enable The Netherlands, as well as the Antilles to define priorities in the execution of an integral socioeconomic development plan and to reach agreement on mutual obligations.

This advice is given by the National Advisory Council for development and cooperation to the government; it was published yesterday.

The National Advisory Council is not very optimistic about the economic perspectives of the Netherlands Antilles for the near future. The report states that present data contain a clear warning. There is a certain amount of economic stagnation partially as a result of the small dimensions of the economy; development possibilities are limited, maintaining present income levels will be accompanied by tensions and it is not clear what role the Antilles can play in economic respect in the surrounding part of the world.

The advice implies that Dutch assistance which concentrated on projects did not lead to good results.

This assistance was always given "on the basis of lists of wishes prepared by the Antillian government inspired by short-term political feelings with often a lack of mutual cohesion and cohesion between the various islands."

It could have accomplished more according to the advice, if it had been used for the execution of a development plan supported by a target oriented socioeconomic management.

Covered Up

According to the National Advisory Council the considerable Dutch assistance has not solved Antillian problems but covered them up. The assistance made a high level of spending possible and the Antillian government did not have to resort to drastic measures, such as, tax reform and reorganization of the inefficiently functioning civil service with far too many employees.

Now that a socioeconomic development plan for the Antilles is in the making to prepare for independence, the council did not want to advise on the size of future Dutch assistance.

Now that prosperity based on oil is past its zenith and Dutch support is diminishing, the Advisory Council has come to the conclusion that productive projects which create employment should be stimulated more than ever before.

There is a recommendation to support in the industrial sector local initiatives for the production of goods which are still being imported and of export articles. On behalf of tourism, the council envisions interesting possibilities for articles produced at home and for the products of craftsmen. There are good possibilities for the future of service industries and for craft industries.

Tourism

The advice states that with a view to the existing infrastructure development assistance will only be able to assist tourism with a limited contribution. Essential are here efficient management and good specialized education which can be supported by development assistance.

Also with a view to employment, the council recommends a number of stimulating measures for agriculture, horticulture, and cattle-raising in the Antilles. To avoid large groups of unemployed persons and unwed mothers being reduced to poverty, the system of social benefits should be expanded and improved. There should be initial financing out of assistance funds but only if there are assurances that continued existence of the system will not become dependent on development assistance.

The National Advisory Council stresses that good agreements with the Antilles are necessary for supervision of the use of assistance funds, also needed is an administrative procedure which facilitates execution and decisionmaking. The council favors an international consortium for assistance to the Antilles.

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CSO: 3105

NETHERLANDS

NETHERLANDS ANTILLES TO GET PARAMILITARY DEFENSE FORCE

The Hague ALLE HENS in Dutch Jul/Aug 78 p 22

[Text] According to State Defense Secretary C.L.J. van Lent, "the first phase of the establishment of the Antillian Paramilitary Defense Force (AVG) will begin next year."

The government leader visited the Netherlands Antilles in April and one of the subjects he discussed with the Antillian government was the founding of the AVG, which will in the near future function as a paramilitary organization with a strength of about 200 men in its initial phase; its tasks will be internal security (assisting the police, guarding vital objects, and so forth). Mr Van Lent added that in accordance with the statute the external security of the Netherlands Antilles will remain the task of the Dutch navy till the day of independence.

A working committee consisting of Dutch and Antillian representatives, the so-called Demmink-Raven Committee, is now trying to solve problems concerning the introduction of the imminent first phase; many aspects are being studied.

It is already clear that Antillians will no longer be drafted [into the Dutch armed forces] after the first phase has begun. Antillian young men will then be drafted to fulfill their military duty in the AVG.

The marines stationed in the Suffisant marine barracks moved 30 June to the Parera Naval Base which was somewhat enlarged. The marine barracks will later become available to the AVG. The Dutch government will also supply material to the AVG; however, the government leader could not yet give any details.

Negotiating with civilian personnel is also a subject of discussion. About 125 locally-hired persons are now working for the Royal Navy in the Antilles. It is possible that this number can be reduced by concentrating military personnel on the Parera Naval Base. State Secretary van Lent said on this subject: "The legal status of Antillian civilian personnel employed by

the Royal Navy is in its most important aspects similar to that of Antillian government workers. It is possible that part of the civilian personnel will be transferred to the AVG, they will thus become Antillian civil servants. At any rate, I want to make it clear that no decisions will be taken before personnel involved has been heard."

Mr van Lent declared then that discussions are still in progress regarding expansion of the number of military functions in the Netherlands Antilles which require a certain amount of continuity.

"The original plan was to reduce the number of 3-year assignments to 40, this concerns military personnel sent to the Antilles with their families for 3-year assignments, as opposed to other military personnel with 9-month assignments without families. This reduction was actually never accomplished. I favor flexibility in this respect and believe that personal interests will have to be considered together with those of the organization."

The state secretary could tell us in conclusion that construction of the Military Recreation Center and swimming pool, which began after his dedication of a plaque during his visit to Curacao, will be finished next year.

10,319
CSO: 3105

PORTUGAL

PS' GAMA COMMENTS ON PRESIDENTIAL ROLE

Lisbon EXPRESSO in Portuguese 23 Sep 78 p 10

/Text/ The Portuguese attitude about institutions is not now the healthiest, I even believe without any exception. Facts-- and even mistakes--which it is not right to disregard were exaggerated by important sectors of the media, and an artificial disintegration was added to real disintegration, with both resulting in an increased degree of unrest in the country.

The political scope of the crisis, which is general, is based on four factors which have affected national life since the constitution went into effect: the lack of clearly defined and assumed presidential power, difficulty in forming a permanent parliamentary majority, the lack of coordination between presidential action and the parliamentary area, and finally the intense activity of pressure groups and individuals, without involvement of political parties. As long as these four factors are not taken into account, the solutions will be as temporary and inconsistent as the present one.

However, the period we are going through allows an approach to a less conditional solution, capable of creating the basis for gradually overcoming the political crisis. The initiative is up to the president of the republic, who has two types of solutions available to him.

In the first place, an unreasonable solution. Those who are trying to influence a definite choice for the Right are pointing in that direction. The frequency with which suggestions appear to maintain the present government until 1980, dissolve the Assembly of the Republic, resort to the referendum or sponsor the launching of a political movement, clearly demonstrate that there are forces with a strategy based on the tactical utilization, on the exploitation of the image of the incumbent president of the republic. The support given by the PSD /Social

Democratic Party⁷ to Nobre da Costa, after having criticized him harshly, is part of a policy of sudden support of Ramalho Eanes in all the options in which the president helped to remove the PS [Socialist Party] from decision making centers and consolidate a new bloc in which the PSD aims to dominate under the civilian leadership of Sa Carneiro. Those who are pushing the president towards a hasty solution are seeking his own gradual elimination.

In the second place, the president of the republic does not have a rational solution available. Rejecting party and pressure group exploitation is the democratic and national challenge which General Ramalho Eanes faces and which, if things go well, will determine his political future and his role in Portuguese democracy. The exoneration of Mario Soares and the rejection of a government of presidential initiative, closely related factors in the crisis, have to give place to a no-win solution. The political and institutional compromise, of which the president and the PS are essential elements, has to be found. A new government is possible, based on a negotiated balance between the president and the Assembly of the Republic. Just as the parliament and a party or parties represented there cannot impose a winner-take-all solution on the president, because he is the one who appoints the prime minister, the president cannot aspire to government domination, because it is the Assembly of the Republic which, in the final analysis, grants the government its ultimate authority. The second stage of the presidential mandate must be that of reconciliation with parliamentary institutions and not that of surrender to antidemocratic language. Useless confrontation must give place to dignified compromise. A presidential performance which would be limited to promoting the electoral interests of a party, even if this party were the PSD, what significance would it really have? Or which would end up by granting one more field of maneuver to certain pressure groups or to certain individuals, with the possible weakening of the PS and strengthening on the Left, of the PCP. What consequences would result for Portuguese democracy from such a presidential decision. And, in the future, what effect would decisions of this nature have on the public image of the president himself, then conditioned to a definitely anti-PS policy?

It is hoped that the president of the republic will welcome the rational solution and not the unreasonable solution on behalf of the national interest and democracy.

What is involved is justifying the constitutional future of the president of the republic.

General Eanes, elected under special circumstances, has a transitional mandate. Transition from a revolutionary period to democracy. Consequently he combines many functions and being president of the republic by direct election, he is also president of the Revolutionary Council, chief of the General Staff of the Armed Forces and president of the Higher Council of the Judicature, a situation with an abnormal concentration of powers in a pluralist democracy, but which is justified democratically on the basis of the transitional nature of his mandate. The clarification of the constitutional image of the president of the republic and his adaptation to the democratic model, to be obtained in constitutional revision, implies a reduction of the existing concentration of powers and a clarification of the relations between the president and the government. The hasty reinforcement of the role of the incumbent president, regardless of intentions, would be rooted in a concentration of powers and would violate the spirit of transition to democracy of the presidential mandate.

Besides, hasty presidential action could cause a strong reaction because of its excess, whose expression, at the time of constitutional revision, could be opposition to the election of the president by direct voting, with the ensuing change of the almost semipresidential nature of the regime. Because Ramalho Eanes is still a soldier in active service, overstepping the constitutional pattern and practice would certainly create indirectly the feeling that the presidency, regardless of the respective electoral system, should be occupied by a civilian, which can be detrimental for the future democratic balance, since the armed forces, in their three branches, have real talents for possibly filling such a position. The election of the president by indirect suffrage and the removal of the military from the presidential election are two risks which Portuguese democracy cannot run and which a not very discreet action could involve. Regardless of his mandate, each president of the republic has the unavoidable duty of defending the constitutional image of the president of the republic. Even if this has to be done against those who pretend the most to be his defenders now, since what is fundamental in this case is the medium term, the future. When, in fact, it is "presidential government" which operates against the president of the republic, it is the duty of all democrats, including the president himself, to defend it and defend each other.

PORTUGAL

AIRLINE TO RENEW FLEET

Lisbon EXPRESSO in Portuguese 23 Sep 78 p 12

[Text] TAP [Portuguese Airlines asked various commercial aircraft manufacturing companies to submit to it overall surveys on the nature of its future fleet, considering the planes now in operation and the foreseeable development of the market, until the beginning of 1990.

It involves a sort of invitation stage to preliminary bidding for a possible decision on the purchase of equipment, once the company decides that it must start the plan for the renewal of its fleet, beginning in April 1979, at the latest.

Contacts With Six Companies

The companies contacted were Boeing, which has been the only company supplying TAP up till now, McDouglas, Lockheed, Nord Aviation (Airbus) BAC [British Aircraft Corporation] and later Fokker, a Dutch firm which, trying to enter the market, is going ahead at the beginning of next week in Lisbon with a demonstration of its model F-28 (with 89 to 90 seats), and intended only for short range flights, which TAP pilots, who have been testing it, will fly in tomorrow from Amsterdam.

In the series of contacts which have been made with all these companies, and in supplying the necessary operational, economic and financial data, it is hoped that TAP will have assembled the surveys of all the manufacturers by the end of October or the beginning of November. An analysis stage will follow, until making a final decision, whose extreme economic and financial importance is unnecessary to mention. A decision which cannot be made much later than the beginning of 1979, to carry out the renewal schedule which has been outlined.

The TAP Fleet

The present TAP fleet is made up of 26 aircraft: 2 Beechcraft 58 (5 seats); 1 Beechcraft 90 (5 seats); 8 Boeing-727-100 (118 seats); 1 Boeing 727-200 (166 seats); 12 Boeing 707 (168 seats) and 2 Boeing 747 (366 seats). These planes provide four types of service: regional (Covilha, Braganca, Vila Real, Chaves, Portimao, Viseu and the connection between Funchal and Porto Santo); domestic (which connects Lisbon with Oporto, Faro, the Azores and Madeira); medium range (completely oriented toward Europe); and long distance (which flies to Africa and the American continent).

In regional service, TAP believes that the present equipment (the Beechcraft) is not suitable because of low seating capacity. TAP services recently made a study, tested about 6 types of planes and came to the conclusion that this type of service would require aircraft capable of transporting between 5 and 20 passengers. Portugal's lack of airport infrastructures does not give reason to believe that any decision can be made on this matter in the near future, with the exception of the Funchal-Porto Santo connection.

In the field of domestic service, the Lisbon/Faro and Lisbon/Oporto connections are the subjects of the main attention (and concern due to the nature of the service provided and mainly to the implications they have for the productivity and punctuality of some medium and long distance flights).

TAP, which does not foresee any significant growth in the volume of domestic traffic, seems to follow tenaciously the policy of using international flights to transport domestic traffic passengers.

It seems that the "air shuttle service" solution is not considered realistic, since traffic is light and is not uniformly distributed throughout the day. Operation of an exclusive fleet for domestic transport proved to be unprofitable and the operation of turbo-prop planes is not economically feasible or compatible with TAP's organization (in addition to creating a certain "deterioration" in the quality of service provided).

Operational Reorganization

Therefore, it seems that the solution to be adopted will have to take place, for mainly economic reasons, through the inclusion of

the problem in the framework of the general evaluation of the company's operation, which precisely is in progress as an aid to the foreign manufacturers. All of these manufacturers want to finally sell their equipment, even though they must include in their surveys data on all existing planes on the market, which are of interest to TAP.

The 9 Boeing 727 and 2/3 of the Boeing 707 fleet (retired from long distance) will provide medium range service (Europe). Although relatively new, the 727-100 are out of date, both economically as well as technically (noise); the 727-200 has all the qualifications to replace its partners on European lines (TAP, following the example of many other companies, expects to purchase three more planes to go into operation in 1979/80/81, with government authorization only lacking for one of them).

The other B707, which have been the company's main support, are threatened with not being able to fly to the United States beginning in 1984-85, due to noise pollution problems, for which Boeing has already found a technical solution, although everything indicates TAP will not adopt it, because it is too expensive. The two Boeing 747 are not many to meet very diversified demands (North America, South America, South Africa), a situation which the company will have to review soon, within the spirit which is guiding the studies on the balance of its operation and consequently its financial feasibility.

8490

CSO: 3101

PORTUGAL

BUSINESS COMMUNITY APPREHENSIVE OVER TRENDS

Lisbon EXPRESSO in Portuguese 23 Sep 78 p 13

[Text] The poor business climate for Portuguese retail trade continued during the second quarter of 1978, with the predictions of the merchants contacted for the usual INE [National Statistics Institute] questionnaire for this quarter not being optimistic.

The second quarter of 1978 was really not favorable for retail trade, since the number of companies which reported a drop in sales and orders for suppliers increased. However, the decline was not as sharp as in the previous quarter.

The development of sales (which is considered the main indicator) was similar, although the companies appear more accustomed to the "negative results caused by what they consider insufficient demand." About 77 percent of the companies polled decided to consider their "stocks" normal (13 percent more than in the previous quarter).

But 73 percent of retail companies indicated they were dissatisfied with the progress of their business from April to June 1978. They mention as causes "too high sales prices to the public," "lack of demand" and, moreover, "financial difficulties." Already in April, the companies expected that these factors would continue to operate.

In spite of the fact that there had not been any change in bank credit policy in the second quarter, it is confirmed that 11 percent of the companies failed to consider it "easy to get."

By branches the INE questionnaire on business conditions emphasizes that "furniture and furniture articles again reported the most unfavorable development "with that sector naturally being where the degree of dissatisfaction is the greatest."

Only the retailers of "foodstuffs and beverages" and "chemical pharmaceutical and related products" are of the opinion that their sales increased, although at a less pronounced rate than previously.

Regarding predictions for the present quarter, the companies polled (in June) are not optimistic about the behavior of the indicators of their business, "which must continue to be characterized by the "lack of demand" and the resulting maintenance of a "low level of sales."

Wholesale Trade: Sales Stagnate

In connection with wholesale trade, the companies' sales' volume continued sluggish with respect to the previous quarter, which combined with a slight increase of orders to suppliers, "will have helped to prevent the level of warehouse stocks from being 'below normal' (for most companies--70 percent of 'stock' is normal)."

Meanwhile, sharp differences in the behavior of the volume of sales indicator are observed on a branch basis. "Minerals, metals and industrial chemical products" and "hardware, utensils, notions and electrical equipment" showed increased sales, while "furniture and articles of furniture" (certainly as a reflection of the demand situation felt by retail dealers), "timber, cork bark and construction materials," "textiles, clothing and footwear," "machinery and equipment for industry, trade and agriculture" and "motor vehicles," moved in the opposite direction.

Wholesale companies' dissatisfaction with the way their business developed in the second quarter of 1978 is probably due to "a high level of sales prices," "shortage of orders," and "financial difficulties," precisely the factors mentioned by the retail dealers. In this connection, about 41 percent of the wholesale companies expect that such factors will not fail to influence their business in the current quarter, "because an improvement of the existing degree of dissatisfaction is not foreseeable"--as the INE reports in its brief interpretation of the results of the questionnaire.

On the other hand, the wholesale dealers have used bank credit more for current financing than investments. A trend which was maintained from the first to the second quarter, and which it is also not foreseeable that it will change during the current quarter, which generally "is not going to be a favorable period."

It should be pointed out that only the "minerals, metals and industrial chemical products" branch expects an improvement of its business situation, "although it does not fail to emphasize the negative effects of the high level of sales prices."

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LEADING ECONOMISTS ANALYZE SPAIN'S ECONOMIC PROSPECTS

Madrid EL PAIS in Spanish 17 Sep 78 pp 34-37

[Text] Unemployment is a fundamental concern of Spanish citizens. The solution to this problem depends on the recovery of relevant growth rates making it possible to control inflation and the foreign deficit at the same time. Professors Enrique Fuentes Quintana, Manuel Lagares and Victorio Valle and statistician and economist Julio Alcaide, who make up an Economic Circumstances Studies group (the ECE), analyze in this work the problems of employment and growth. This is the second study in a series of five, which began on Sunday with an analysis of the state of the economy and which will conclude with the formulation of proposals on economic policy.

There are three verbs that should make up an economic policy in order to respond to this insistent question of what is to be done in order to gain control of the situation in which we now find ourselves: 1) improve the domestic and foreign balances by slowing down the growth of internal prices in the direction of European levels and by persevering in the 1978 export effort, which in the future will consolidate what has been gained during the year now coming to a close; 2) raise the rate of development of the gross national product in order to: 3) permit a lasting and well-founded increase in total employment, thereby checking the gradual deterioration in figures of activity for the Spanish population and limiting the troubling and painful extension of unemployment.

The new economic policy would thereby inherit the faithfulness to the balances that characterized the Moncloa agreements and, based on them, achieve greater development and lower unemployment in the years to come.

A deep social desire to fight unemployment has been gaining ground among Spanish society this last year in step with the confrontation of and reduction in -- thanks to the Moncloa accords -- the sharp inflation accumulated over 4 long years of passivity. If we are to meet this well-founded social demand to fight unemployment and if the objective of employment is to prevail without our thereby forgetting the constant need for stability

in prices and the foreign balance, then it is obvious that the main requirement of a new economic policy is knowledge of the dimensions of the problem, or rather, of the problems: the problems of unemployment and employment in our society today.

This is precisely the principal purpose of the work on page 36 [Continued Drop in Active and Employed Population] which follows. It has been said on many occasions that the principal asset of any country is its population. It was by relying on that asset that Spain solved many economic problems in the past. However, as the figures so eloquently show, it must now be stated that Spain is not using that asset adequately. Our country does not have rates equal to that of Europe for its active population, but it does have European unemployment rates. Furthermore, this unemployment is unequally distributed because for the most part, the unemployed are young people, unequally distributed by sectors, sex and regions, which worsens the effects of its growing dimensions.

200,000 Jobs

In the face of this picture of the active Spanish population and figures on unemployment, it is necessary to formulate objectives that concentrate on social concerns and the problem of the economic policy which the country is awaiting and needs. They must be viable objectives that can be achieved through inevitable costs and sacrifices because in the field of economics, nothing is easy. One viable objective, although it is ambitious due to the efforts its achievement would require, would be the creation of 200,000 jobs a year, or 600,000 jobs in 3 years. These high figures would check any worsening of unemployment, but they would not eliminate it totally. Unemployment is the major economic problem at the present time, but it is not a recent problem. While achieving these objectives, the Spanish economy will have to live with the accumulated unemployment that must be remedied in a better manner than it has been in the past, through duly administered subsidies that are free from the waste and excesses that have accompanied them in past months.

Is it possible to achieve this objective with the spontaneous behavior of the Spanish economy that has characterized it since the crisis of the 1970's? Responding to this question is the purpose of the article on page 37 [After the 1974 Crisis, Little Growth and High Inflation and Unemployment]. The answer to the previous question is resoundingly negative for the reasons which the reader will find below, reasons which reflect the deep marks which the crisis of the 1970's has left on our economy.

Accelerate Growth

If the spontaneous growth of the economy does not resolve, but only worsens the problems of employment and unemployment, then it appears to be necessary to see what economic policy actions would be needed in order to achieve those objectives considered to be most viable in order not to create more

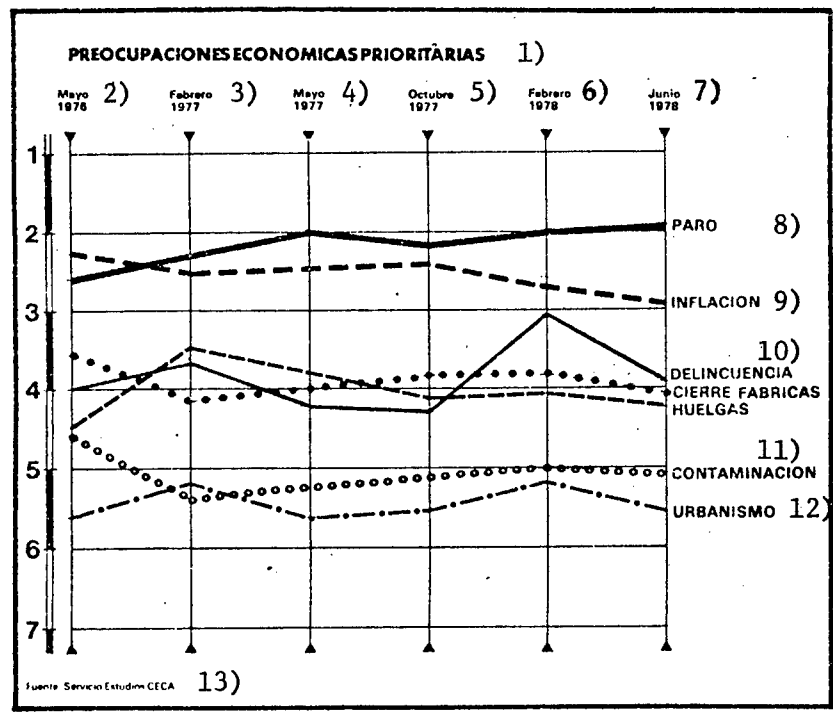
unemployment. It is frequently stated that this economic policy which is required in order to fight unemployment has names and figures.

Names: growth of the gross national product

Figures: accumulative annual development rates of between 4 and 5 percent. We would say an annual growth rate of the GNP of 4.5 percent in order to choose a center position broadly cited as the target toward which social desires of growth in 1979 would be directed.

In this an accurate statement? The article on page 35 [Growth in Quantity and Quality] is devoted to answering this question. Under the heading "Level of Employment and Rate of Economic Activity" [no such heading], arguments are given which, based on the particular Spanish economic situation, lead one toward a clearly negative response to the previous question. It is not possible to achieve an improvement in the level of employment under conditions of economic stability with a lineal growth in national spending and production. Increasing employment depends on many things. It demands a more complex and much more rigorous economic policy than a paltry general relaunching. The conclusions at the close of this general review of the situation should constitute a point of departure for an economic policy program whose content will be spelled out in the articles to come.

Unemployment, Primary National Problem



ENRIQUE RESEL

[Key on following page]

Key:

- | | |
|----------------------------|---|
| 1. Prime economic concerns | 8. Unemployment |
| 2. May | 9. Inflation |
| 3. February | 10. Crime, the closing of factories,
strikes |
| 4. May | 11. Pollution |
| 5. October | 12. City planning |
| 6. February | 13. Source: CECA [expansion unknown]
Studies Service |
| 7. June | |

The chart on the preceding page shows the evolution of the relative importance which economic problems have for the country, based on a poll conducted of a representative sampling of Spanish heads of families. During the last week of May and the early days of June 1978 -- when the poll was taken -- with respect to the Spaniards' concern over the economy, unemployment easily occupied first place (1.91), followed by the rise in prices (2.95). Personal safety (3.92), the closing of factories (4.11) and strikes (4.33) constituted a second group of problems whose importance is still considered far inferior to that of the previous problems. Finally, the deterioration of the environment (5.09) and the lack of infrastructures in the residential zones where people lived (5.61) appeared in last place. As a result, there are two subjects that are the main concern of Spanish families, in this order: employment and inflation. In addition, the chart shows the evolution of this opinion beginning in May 1976. The results of the first poll placed the rise in prices ahead of unemployment. In 1977, these problems changed positions and in 1978, there is a similar situation with certain points to be emphasized. The concern over inflation, although in second place, takes on its greatest relative value in October 1977, on the eve of the Moncloa accords, which undoubtedly reflects the incidence of the strong rise in prices to the consumer suffered by domestic economies over the previous months. The slow-down in prices at the end of 1977 and the first half of 1978 is faithfully reflected in the results of the poll in May of this year. In sum, the public continues to be aware of the threat of the rise in prices, but unemployment is clearly situated as the primary problem among their concerns.

Growth in Quantity and Quality

The employment objective aimed at not worsening figures on activity and unemployment cannot be achieved by the rate of development at which our economy has grown following the crisis in the 1970's. Whatever the relationship between growth in income and growth in employment, one thing is certain: A 2-2.5-percent increase in the GNP increases unemployment and reduces rates of activity.

A vigorous economic policy is justified. This means a policy aimed at making possible that which the spontaneous action of the Spanish economy could not achieve: the creation of 200,000 jobs a year.

This economic policy has frequently been reduced to its simple expression in terms of the growth rate of the GNP. Let us have a growth rate of 4.5

percent and all the rest will come. This is a simplistic way of thinking and therefore false and its elevation to the category of the single objective of the economic program can be enormously disturbing, particularly because it may transmit two erroneous images. The first is that a general relaunching of the different sectors constitutes the proper proposal, since it would be inflationary and absurd for it cannot be thought that growth would affect the sectors in crisis: the iron and steel industry, the ship-building sector, the textile industry, for example, all sectors with a need, or better, a requirement to limit their production and lighten their payroll to the benefit of general economic development.

Moreover, the development of national production cannot immediately be translated into employment figures because these are not always the same.

Drop in Job Supply

One marked characteristic of economic growth in Spain that is also seen in many other economies is the gradual tendency to reduce work needs by the productive system. Figures on the growth of the Spanish economy between 1962 and 1978 clearly show that between 1962 and 1972, the employment generating rate corresponding to the variation of a unit in the growth rate of production gradually dropped, while between 1973 and 1978, a unit variation in the rate of development generated increasingly higher rates of employment on the average. Technological progress, the evolution of wages and the very changes experienced by the structure of demand direct the trend toward a relatively smaller utilization of the labor factor by the productive mechanism.

The excellent studies done as part of the research program of the INI [National Institute of Industry], which make an in-depth analysis of the production-employment relations, confirm this trend. Between 1962 and 1970, it has been estimated that the labor needs per unit of demand for the Spanish economy dropped in value by nearly 28 percent at the same time that needs for capital increased. Another very clear fact that can be deduced from the studies is that there exists a marked difference in the generation of employment between the different sectors of the economy. There are intensive sectors in the utilization of capital and which therefore require the creation of fewer jobs in order to achieve a given increase in production.

Consequently, from the standpoint of the generation of jobs, growth in production cannot be uniform in the different sectors.

Choosing sectors in which growth will have the greatest effect on employment figures, in keeping with this policy, must be an integral part of the program of economic policy.

Nor must one neglect national spending. If unemployment is to be reduced, then investments and exports must express the economic policy and must necessarily receive the attention of the principal measures of the program.

At the same time, private and public consumption must reduce their rates of development if we want to have the necessary savings in order to finance investment growth. The uneven growth of sectors and discriminate action on the components of national spending are strategic and fundamental pieces of the program that Spain needs to help restore its employment figures. When one simply speaks of production development rates, this strategy is not manifested; rather, it is concealed.

Wages, Social Security and Investment

In addition, the level of employment is also associated with other variables of growth of national income. Among these is the wage trend. It is obvious that the greater the growth in actual wages, the greater the growth will be in the production required in order to generate a given increase in employments. Inversely, fewer jobs will be created if the growth in production remains the same.

The relationship between the evolution of wages, the growth rate and the level of employment has extreme importance from the standpoint of the establishment of the desired development objective. Any aspiration toward greater wage increases in real terms makes it more difficult to achieve a given rate of employment.

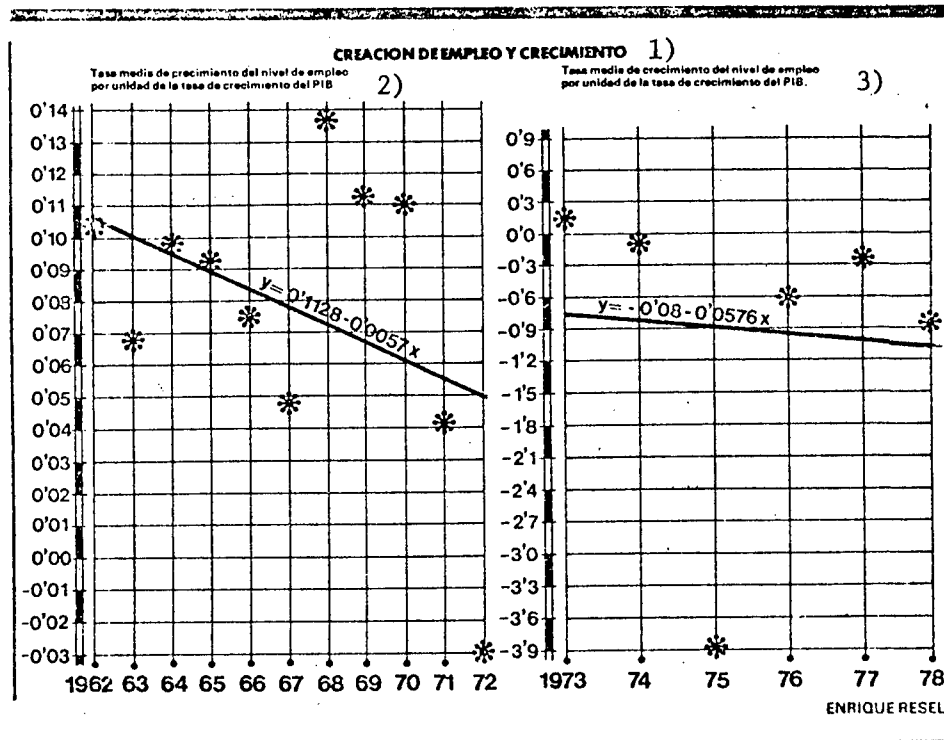
The increase in labor costs, which is of vital importance in determining the level of employment, does not only depend on the increase in wages, but also on Social Security payments and the productivity achieved in the use of equipment and facilities. Moderating rates of growth of Social Security which penalize employment and facilitating the mobility of labor in order to make better use of the equipment available are fundamental alternatives of an employment policy that are not necessarily expressed in national income growth rates.

It can be concluded that in answer to the question of whether a 4.5-percent increase in the GNP is sufficient in order to attain employment objectives, one can only respond with the old phrase of the economists: It all depends. It depends on the structure of production chosen, on the factors of national spending on which economic policy action and wage trends are based, on the other elements making up the cost of labor and on the mobility of labor. All of this means that the new economic policy should not merely be reduced to the consideration of the rate of development of national income. It must take in many more factors and comply with many more conditions and requirements.

Increasingly Costly To Create Jobs

Improving the employment level of the Spanish economy makes it necessary to plan higher production growth rates. And yet, the relationship between development and employment does not follow an immutable pattern. As the following chart shows, the historic experience of Spain demonstrates that economic growth has involved smaller and smaller relative increases in the

degree of employment. Between 1962 and 1972, the employment growth trend, which on the average depends on an increase in the gross national product, is downward. In other words, it becomes increasingly necessary to have greater growth in production in order to generate the same effects on employment. Between 1973 and 1978, the employment trend rates are negative and show a rising tendency in absolute values for every unit of increase in the rate of growth of national production. This trend does not require a lineal pattern for future growth, but rather, suitable sectorial programming that will have the greatest possible effect on the level of employment.



Key:

1. Creation of jobs and growth
2. Average rate of growth in the level of employment per unit of GNP growth rate
3. Average rate of growth in the level of employment per unit of GNP growth rate

Continued Drop in Active and Employed Population

No information is as invaluable and important for knowing the economic problems of a society as the figures on its population and activity. These figures provide the first lesson on an economy and it is through them that one can evaluate the situation and the difficulties affecting economic policy.

CUADRO 1

**EVOLUCION DE LAS TASAS DE ACTIVIDAD,
OCUPACION Y PARO (1)**

	1974	1975	1976	1977	1978	CEE 1977 2)
Tasa global de actividad (Activos sobre población total) 3)	38,2	37,4	36,6	35,8	35,4	40,7
Tasa de actividad (Activos sobre mayores 14 años) 4)	52,6	51,3	50,2	48,8	48,2	52,9 (1)
Tasa de ocupación (Ocupados sobre población total) 5)	37,2	36,1	34,9	34,0	32,9	38,4
Tasa de paro (Parados sobre activos) 6)	2,7	3,4	4,8	5,2	7,1	5,7

(1) Mayores de 15 años.
Fuente: Encuesta población activa I N.E. (2.º trimestre) 7)

Key:

1. Table 1. Evolution of Rates of Activity, Employment and Unemployment
2. EEC
3. Overall rate of activity (out of the total population)
4. Rate of activity (out of all persons over 14 years of age)
5. Rate of employment (persons employed out of the total population)
6. Rate of unemployment (unemployed compared with active population)
7. Over 15 years of age

Source: Active population poll of INE [National Institute of Statistics] (2d quarter)

Three factors characterize the evolution of the Spanish population in recent years and describe its current problems:

1 -- The population boom in past decades, brought about by high birth rates and the near disappearance of infant mortality, has led to a special structure of the population pyramid, with marked growth of the young population of working age.

2 -- Another factor that is particularly affecting the structure of the Spanish population, with its corresponding effect on the level of activity and unemployment, has been the return of a large number of European emigrants. Unemployment in European countries has been reflected in our higher population figures. The adjustments made by the National Institute of Statistics in the population figures, with an increase in the estimated 1978 population of nearly a half million persons, can be attributed in large part to the return of emigrants. The rate of growth of the Spanish population, which the INE put at 1.06 percent annually, has been adjusted to 1.19 percent. The population of working age (3.2 percent), which is Spain is deemed to be 14, is growing somewhat faster than the rest of the population (1.60 percent).

3 -- The uninterrupted rural exodus, with a drop in the active farm population at an annual accumulative rate of 3 percent, leads to a growth in the supply of labor totaling some 80,000 persons annually.

Natural growth, the return of emigrants and the rural exodus are the three factors that have a dramatic effect on the problem of Spanish employment.

Fewer Opportunities

In the face of this population development, the failure to create jobs -- following the 1974 economic crisis -- has been expressed in a gradual decline in rates of activity and employment, along with an uninterrupted increase in the rate of unemployment.

The drop in employment opportunities in Spain goes along with two different phenomena: the rates of activity of the population and unemployment figures.

The lack of working opportunities has drastically reduced rates of activity and employment, placing them at disturbing levels -- the lowest of all industrialized European countries. The rates of activity of the Spanish population are not European, as the figures in the preceding table clearly show. The rate of activity for persons over 14 years of age is under 50 percent -- specifically, 48.2 percent for the second quarter of 1978.

During the second quarter of 1978, the working population of Spain dropped to 12,201,900 persons, compared with 13,156,000 during the same period in 1974. This presumes a decline of 954,100 jobs. In order to regain the 1974 rate of occupation (37.2 percent), it would be necessary to attain the figure of 13,804,400 employed persons, 1.6 million more than at present.

At the same time, the rate of unemployment (active population without jobs) is 7.1 percent, a rate that is not only not European, but even higher than that of many Western countries, which nevertheless have rates of activity that are much higher than the Spanish figure.

This total figure has characteristics that worsen the consequences, three of which are fundamental. First of all, unemployment is mainly among the young, especially affecting the new generations that should join the ranks of the employed (17.4 percent of their active population) and women, with a rate of activity of 27.4 percent, which shows the discrimination that exists in the demand for employment. Unemployment also presents very marked regional disparities. Andalusia, which makes up 14.8 percent of the active Spanish population, has 30.1 percent of all unemployed persons. The highest unemployment rates on a regional basis are in Andalusia, the Canary Islands and Extremadura, all of which have unemployment figures of over 9 percent of the active population.

It is obvious that one cannot remain passive about this double characteristic to which the evolution of the active Spanish population and its levels of

unemployment respond. Spain cannot continue to be a non-European nation with these percentages of unemployed persons if we aspire to achieve improved living conditions, meet public and private needs, facilitate the development of backward regions and incorporate the energy and knowledge of the younger generations in a productive fashion. These legitimate aspirations cannot be satisfied by inadequate means. Neither a greater allocation of public resources nor an earlier retirement age nor an extension of the age at which children leave school is adequate. Above all, we need to have new jobs created through the development of productive sectors, within the framework of a coherent program of economic policy that receives the support of society. The purpose of employment must enjoy priority. Setting an employment objective that will halt the serious problem of the drop in the active population and the growth of unemployment is an indispensable element of the economic policy program for the future.

If there is one social factor that can be easily quantified, it is the determination of future employment needs. The young people who will join the labor market are already part of the population and we know how many there are. Considering that the Spanish population is growing at an annual accumulative rate of 1.20 percent, for an equal rate of activity (35.4 percent), there will be 158,000 more active persons every year. But the younger population between the ages of 15 and 25 is growing at a higher rate, at an average annual rate of 1.50 percent, which presumes the incorporation of some 200,000 new persons every year for the next 5 years. The employment objective could be summed up in the creation of a total number of jobs that cannot be under 200,000 a year. This would maintain the number of unemployed persons at 1 million and would not increase the rate of women employed. If the figure of 200,000 new jobs were exceeded, then the unemployment rate would be reduced. But the creation of jobs at a rate of 200,000 per year would only be sufficient if one assumes a neutral trend of farm employment. If agriculture yields an active population, then the objective figure of 200,000 jobs would have to be increased by the same quantity.

By 1983, it is estimated that the Spanish population will total 39 million. If the rate of activity is 37 percent, then the active population would be about 14.43 million persons. Since the figure for 1978 is 13.14 million, the figure would have increased by 1.29 million in 5 years, or approximately 250,000 to 260,000 active persons per year. If the employed population should increase at a rate of 250,000 to 260,000 per year, then the rate of unemployment would be under 4 percent. This means that the economic policy over the coming years must be aimed at a rate of growth of the employed population on the order of an accumulative 1.7 percent annually. That is the challenge and the requirement imposed by the Spanish demographic trend.

After the 1974 Crisis, Little Growth and High Inflation and Unemployment

The question which economists and politicians are asking is whether the Spanish economy can come close to the employment objectives (200,000 new jobs a year) if the "natural" behavior of recent years is maintained.

Evolución de algunas variables económicas 1)
(Tasa de crecimiento anual) 2)

	3) ANTERIOR A LA CRISIS ECONOMICA	DESPUES DE LA CRISIS ECONOMICA 4)		
		1978	1977	1978
DESARROLLO: 1. PIB (precios de mercado) ... 5)	8,6	2,4	2,4	2,4
2. Precios implícitos del PIB	8,7	15,8	23,0	20,5
3. Precios al consumo (media anual)	6,8	17,6	24,5	20,1
4. Precios al consumo (crecimiento anual)	7,1	19,8	26,4	17,7
PARO: 1. Pares estimado (miles) ... 6)	224,8	553,8	741,4	(1) 833,4
2. Pares encuesta P.A. (miles)	243,6	(2) 698,9	(2) 831,8	(2) 938,0
3. Tasa de paro	2,0	4,8	6,2	7,1
DISTRIBUCION DE LA RENTA: 1. Rentas de trabajo, sobre R.N. (%) ... 7)	66,3	64,6	66,3	65,0
INVERSION: 1. Tasa de inversión (% sobre PNB) ... 8)	21,2	22,9	21,2	19,7
2. Incremento de la inversión	7,8	-1,5	-2,1	-3,4
SECTOR EXTERIOR: 1. % Exportaciones sobre PIB ... 9)	12,5	13,3	14,6	15,0
2. % Importaciones sobre PIB	10,8	16,5	17,1	15,2
SITUACION PATRIMONIAL: 1. Deuda pública (miles de millones de pesetas)	480,7	632,2	617,0	672,6
2. Deuda exterior (millones de dólares) ... 10)	(3) 3 676	10 235	13 857	

(1) Al 31 de agosto de 1978. (2) Segundo trimestre del año. (3) Corresponde a diciembre de 1973

Key:

1. Evolution of Certain Economic Variables
2. Annual rate of growth
3. Previous to the economic crisis
4. Following the economic crisis
5. Development: 1. GNP (market prices)
2. Implicit prices of the GNP
3. Prices to the consumer (annual average)
4. Prices to the consumer (annual growth)
6. Unemployment: 1. Estimated unemployment (in thousands)
2. Unemployment, poll of active population (in thousands)
3. Unemployment rate
7. Distribution of income: 1. Work income, compared with national income (percent)
8. Investment: 1. Rate of investment (percent of GNP)
2. Increase in investment
9. Foreign sector: 1. % exports compared with GNP
2. % imports compared with GNP
10. National situation: 1. Public debt (billions of pesetas)
2. Foreign debt (millions of dollars)
11. (1) 31 August 1978 (2) Second quarter of year (3) December 1973

If one is to answer this question, then one must know the fundamental features that have characterized our economy since the crisis in the 1970's. The numerical portion of the preceding table reflects the basic vital data that describe the behavior of the Spanish economy before and after the crisis of the 1970's.

The changes that these figures reflect cannot fail to impress those who analyze them, no matter how well-known they are. The development of the economy leveled off after the crisis at rates that are one-third of previous growth, while prices tripled. The difference between the level of employment then and now is more than triple. The amount of economic development after the crisis of the 1970's has been small (low GNP) and its cost high (too much inflation and high unemployment).

Impossible Return

A comparison of the vital figures on the economy before and after the crisis of the 1970's cannot give rise to the slightest feeling of nostalgia for the past since there is no rational basis for such a thing. The results of the Spanish economy before the crisis are separated from the present by irreversible events. The doors of the economic past have been closed for good by four major events that define the new era in which we are now living: The cheap energy of the 1960's is gone forever. We have inherited the millstone of the high inflation of the years 1971-1974, whose correction demands a long process of economic rehabilitation. The crisis of the international monetary system has been undeniably manifested since the beginning of the 1970's and we are in that crisis. Developing countries, helped by the lag in technological growth, are competing advantageously with the nations that were ahead, giving rise to acute crises in entire productive sectors that are hurt by the new international competition.

It is from the angle of these new data that the future of the Spanish economy must be forged following the crisis. A return to the past has never been an answer for solving the problems of the future. On this economic occasion, such a return is literally impossible.

But the years lived with the economic crisis have not only left the bitter taste of short-lived benefits and impossible prices. They have taught us things that we should utilize in order to define a realistic economic policy.

The first and most direct conclusion to which the behavior of the Spanish economy following the crisis is that its natural development does not in any way make it possible to achieve the desired employment objectives, no matter how unambitious they might be. A growth rate of 2 to 2.5 percent will reduce the active Spanish population and increase unemployment. A passive attitude toward the behavior of our economy is not justified. It is necessary to act so as to vary the results that would stem from the natural and inadequate behavior of our production processes.

Lesson of Inflation

However, this basic conclusion is not the only one to derive from the figures in the table. There are at least three more lessons that come from the observation of results.

These three lessons are: the one offered by inflation; the one stemming from the foreign imbalance; and the one concerning the accumulation of capital and unemployment.

The lesson of inflation is important and cannot be forgotten if we want to find a way out of the problems of the crisis. The older generations which in many cases are now heading the country's economy have been educated by the inflation they have experienced. In many cases, they have learned from inflation. They have always had to deal with it in their past activities and business. Such experience has led them to conclude that continued inflation conceded opportunities to the economic development of the country. The value and prestige of the national currency were lost with inflation, but the latter produced -- many people believed and continue to believe -- three positive effects: It redistributed income in favor of profits and against wages, thereby facilitating the processes of investment, and it transferred wealth from creditors to debtors, thereby facilitating the payment of loans and rewarding those who decided to go into debt. Finally, inflation placed in the hands of the state a tax that was easy to collect and difficult to avoid, one that made it possible to finance public investments which the state could not back with the yields from other sources of public income.

Disappearance of Financiers

The validity of this traditional ideology -- which still dominates in extensive spheres of current societies -- was totally brought into question by the crisis of the 1970's. None of the three effects attributed to inflation -- which may have been a fact in other times -- is occurring at the present time. The redistribution in favor of profits rests on the hypothesis of a lack of trade union forces that might halt this redistribution process and an extensive monetary illusion shared by workers. Neither of these two hypotheses is valid in the current inflationary societies. The response to the current inflation is found in the indexing of wages based on the cost of living, or even on overindexing. This response naturally prevents inflation from redistributing income in favor of profits and from favoring the process of accumulating capital. Second, the transfer from debtors to creditors cannot be labeled as such when rates of inflation are those presented by the table. At such rates of inflation, one does not have the euthanasia of the financier who previously slowly transferred his resources to the owning class which went into debt. What is now occurring is quite simply the disappearance of the financiers. This disappearance is manifested in two facts of the greatest importance which interfere with development in all societies today: the explosion of interest rates, which are at prohibitive levels for investment but which are not profitable enough for savings, and the lack of funds saved with which to meet investment processes. There is no opportunity for creditors in this process. They have also been punished by being forced to pay interest rates preventing them from continuing to finance their investments and forcing them to find funds in a difficult, if not impossible, process of discovery. Finally, inflation

is not a useful instrument for financing government investments. The state has used the regressive tax which inflation is, but it has paid the consequences, since the funds obtained have not made it possible to cover the investments it wanted to. Rather, it has had to meet the frightful and daily growth of regular expenditures, which are increasingly useless and sometimes wasteful and costly.

Inflation Against Growth

Inflation definitely does not constitute the path needed to solve the growth problems of an economy. Inflation is a great enemy of development. The low growth rates of the economy following the crisis are not just coincidentally associated with prohibitive rises in prices. They are two sides of the same coin. Inflation is not equivalent to greater development; the opposite is true.

The second lesson of the behavior of the Spanish economy following the crisis is found in the figures on the foreign imbalance. The crisis sharpened the balance of payments deficit and these imbalances have but one solution: paying for them through an export effort that will restore the initial conditions. The attempt to compensate for international prices that are unfavorable to the trade of a country by means of a policy which uses available international reserves and the foreign credit capacity is nothing more than a temporary and extremely costly solution. A prolonged compensatory policy is an extremely serious error, as proved by the figures in the table, and results in considerable erosion of the country's holdings. Spain tried in vain to compensate for this unfavorable price relationship during the years between the beginning of the energy crisis and practically the beginning of 1977. The result is quite visible: an unprecedented growth of the foreign debt, which from \$3.5 billion in 1973 rose to over \$13.8 billion by the end of 1977. International prices have to be recognized by an economy. To ignore them is a mistake and adjusting to them is a necessity, however costly. This adjustment to new international prices has not yet been fully achieved by the Spanish economy. There exist energetic price protections whose correction cannot be delayed if we want to learn the lesson that recent experience teaches us.

Accumulation and Employment

The third lesson that can be derived from the figures in the table is found in the process of the accumulation of capital and employment. No more negative result is shown by the table than the one registered in the increases in investments since the economic crisis. This decline in Spanish investments is not alone, because in the line above, it is expressed in increasing figures for the rate of unemployment. It is not possible to take up a fight against unemployment and reduce its high rates unless we ensure that the red figures for investments are turned into black ones. This process necessarily depends on a restoration of the operating surplus of business, which has suffered greatly in recent years. The growth in labor

costs is explicitly shown in the table through the process of income distribution, which shows us how working income has radically changed its relative share of national income. If the objective of Spanish society is to improve its employment figures, such an objective will be unattainable if we do not soon halt the process of income transfers from the business surplus to wages. It is necessary to move to an expanding economy with potential and the capacity for growth if unemployment is to receive a constructive response. That response necessarily depends on the acceptance of the principle of rebuilding the business surplus margin. The conversion of European trade union forces toward this logic constitutes proof that this lesson has been learned in other countries: first of all by the German trade unionists, then by the British, later by the French, and finally, by the Italians. The cost of this apprenticeship was high in terms of the persistency of the crisis and this lesson can in no way be forgotten in our country.

Eight Conclusions for an Economic Policy

1 -- The objective of the economic policy program which the country needs must be to preserve the domestic and foreign balances, preventing any aggravation of the activity and unemployment figures. Translated into quantitative terms, the problem of the Spanish economy is concentrated on the creation of 200,000 new jobs a year in order to halt the gradual and constant deterioration in employment and unemployment figures from the beginning of the crisis up to the present time.

2 -- The natural growth of the Spanish economy from the beginning of the crisis (2 to 2.15 percent) does not make it possible to achieve these levels of employment. On the contrary, with the continuity of these rates of economic development, there would be a perpetuation of the decline of the active population and rising unemployment figures.

3 -- The opposition between employment objectives and the possibilities of the Spanish economy for attaining them justifies continued and energetic action of the economic policy. The principles of this new economic policy must take in the lessons from the experience of economic development following the energy crisis. This experience has yielded two fundamental lessons:

a) Inflation does not contribute to economic development; rather, it impedes it. It is not possible to achieve stable and lasting development if inflation is not reduced.

b) The economy must immediately adjust to the new international prices, making up for the higher cost of imports by means of the corresponding export effort. To fail to adjust the economy to the crisis gives rise to costs that are impossible to bear in the long run and leads to wasteful consumption of subsidized products. The adjustment of the Spanish economy to the new prices of energy products has not come about with the corresponding cost and wastefulness that must be corrected.

4 -- Attaining the employment objectives (200,000 new jobs per year) demands a rate of growth higher than what would be natural (2 to 2.5 percent). This higher growth of the GNP, frequently set around 4.5 percent, is unfortunately too often considered as the practical expression of the employment objective. It should be said that the level of employment in Spain is not only linked to the rate of economic development proposed. It depends on many other causes, including the following fundamental ones: the productive structure from which this rate of development is derived; the orientation that is to be given to national spending (consumption, investment, exports); the level of real wages that has a fundamental effect on the demand for labor; and the utilization and productivity of industrial operations or plants.

5 -- A general and indiscriminate relaunching of national spending can in no way contribute to a policy of employment such as the one Spain needs. It is indispensable to plan for the component parts of economic growth: what sectors and how much, what components of demand and their quantity. This means that the economic policy faces a double difficulty: technical (concentrating on economic sectors that are growing) and political (ensuring that demand acts in such a way that its impact on employment will be maximum), which will make it necessary to promote the demand for investment and exports and moderate the growth in consumption in a responsible manner.

6 -- A point of crucial importance for the new economic policy is its stimulus for investments and exports. These two components of demand must play a decisive role in the program of increasing employment. The variables on which investments and exports will depend must be stimulated by the different measures of the economic policy.

7 -- The prime objective of employment makes it necessary to moderate the growth of wages and check the increase in Social Security costs. Only if these two elements of the labor cost are limited will it be possible to halt the constant worsening of unemployment and the decline in the activity of the population. Furthermore, since the cost of labor depends on wages and productivity, every increase in productivity should open the way to a noninflationary growth in real wages. Consequently, the mobility of labor, the facility of temporarily using equipment with excess capacity and the retraining of personnel so that they will master new production techniques must constitute possibilities which the economic policy will provide to business in the service of higher and better employment.

8 -- The proper orientation of this difficult economic policy of growth, aimed at generating jobs, makes it necessary to properly select the component parts of demand and the sectors whose production should be promoted, which can only be done with the support and contribution of all social groups. Business must be ready to take on an important investment effort. Wage earners will have to put up with lower relative prices for their work, holding back on distributive demands -- lineal increases. The credit system will have to reduce the cost of money and increase its capacity for acting

as a middleman. Sectors with problems will have to carry out far-reaching restructuration projects in their production setups. Consumers will have to follow a line of austerity that will facilitate the generation of the necessary savings and the public sector will have to adopt without any delay the necessary discipline in its economic and financial behavior.

11,464

CSO: 3110

TURKEY

BRIEFS

COAL DEPOSITS VERIFIED--Group District President Dogan Kartal of the Turkish Coal Works Society announced that the coal fields in the regions of Mardin and Siirt have the capacity to supply the Dogu region for 50 years. The Turkish Coal Works Society Group District President Kartal, who came to Diyarbakir to examine borings made in ore fields in the Dogu region said: "25% pure coal ore beds have been found under Turkish soil. Rich asphaltite was confirmed in the coal ore fields in the Silopi region. The coal in this field was found to have a calory value in the neighborhood of 4500 to 5500." He stated that "in ongoing work, the amount of coal found has been fixed at 150,000,000 tons in the regions of Silopi and Sirkak, and 3,200,000 tons in Elbistan." [Text] [Istanbul MILLIYET in Turkish 28 Sep 78 p 6]

PERSONNEL CHANGES--Turkish Aircraft Industry Corporation General Director and Council of Managers Head Mehmet Akyurt has been removed from his duties. Likewise, Turkish Sugar Factories Assistant General Director Munir Ozden was removed from his duties and has been given a ministry advisorship. In like manner, Turkish Iron and Steel Works General Director and Council of Managers Head Hasim Akduman was removed from his duties and Refik Oral, assistant secretary at the Ministry of Industry was appointed in his place. Onder Akyol was appointed head of the Light Industry and Handicrafts Office of the Minsitry of Industry. Sumerbank General Director Oztin Akguc has resigned from his duties. It was learned that Akguc, who was appointed to these duties only 6 months ago, was separated from his duties due to political pressures. [Text] [Istanbul TERCUMAN in Turkish 4 Oct 78 p 3]

CSO: 4807

FRG WEEKLY DISCUSSES NATO MANEUVERS IN EUROPE

Hamburg DIE ZEIT in German 15 Sep 78 p 5

/Article by Lothar Ruehl: "A Superjump Across the Atlantic--NATO Maneuvers Demonstrate Increased Readiness for Action"/

/Text/ The focal point of the largest Western military exercises: the U.S. program for transferring troops to Europe.

Tank columns, intensive activity in the U.S. supply depots, the landing of long-distance transport planes from the United States at the air bases of Ramstein and Frankfurt these days make up the external features of the big NATO fall maneuvers in the Federal Republic. More than 200,000 men will participate in maneuvers over a period of several weeks. NATO Europe-Center Supreme Commander Gen Franz-Josef Schulze comments: "Even during the time of Kaiser Wilhelm II there were no maneuvers on that large a scale in the German Reich." This is indicated by the fact that the three German army corps plus the two U.S. ones, the British Army of the Rhine and the two army corps from Belgium and the Netherlands are assembled in the Federal Republic.

The core of the preparations, as in every year, is the reinforcement exercise REFORGER--an abbreviation derived from the U.S. "Return of Forces to Germany." What is meant by this, to start with, is exclusively U.S. troops coming from the United States to West Europe, mostly to the Federal Republic, to participate in big exercises here. At the height of the Vietnam War the Americans at times had removed up to 37,000 soldiers, and permanently withdrawn two complete brigades and four fighter squadrons, to the States in order to keep them in readiness in their own country as part of the central armed forces reserves, though for the reinforcement of the U.S. armed forces in Europe. Since that time, every year in the fall a pertinent number of formations have been returning to German stations for a period of several weeks.

REFORGER 1978 and the Crested Cap U.S. Air Force reinforcements assigned to it serve a far-reaching aim in this year's exercise: the doubling of U.S. combat troops in central Europe in case of tension within 10 days, and

the tripling of the number of fighter planes within 7 days. This program of reinforcement in cases of crisis is one of the two main U.S. contributions to the long-term strengthening of NATO which was decided at the summit conference in Washington last spring.

The fact that this was not to be taken for granted had been made clear in May 1977--in other words, only a year before the decision--by Carter's secretary of defense, Harold Brown, when he struck the budget allocations for REFORGER 1977, amounting to 50 million dollars, from the military budget. His reasoning at the time was this: He had only just approved the stationing of two additional brigades in Europe at the urging of the NATO supreme commander in Europe, thus fulfilling the former obligation toward the allies to send back each year the two withdrawn brigades and the four withdrawn fighter squadrons for exercises; REFORGER could therefore be eliminated.

Only the urgent remonstrations by the NATO generals in Europe caused Brown to desist from this plan. He went along with the argument that the annual reinforcement exercise of the U.S. forces not only demonstrated the U.S. state of readiness for defending West Europe from the outset but also improved the ability to do so if it came down to it.

In this connection the latest controversy between the Federal Ministry of Defense and NATO Supreme Commander Haig about the extent of NATO maneuvers in the Federal Republic and in northwestern Europe also gains political significance. In addition to their show value, these combined maneuvers of the individual national armed forces and certain regional NATO command groups--called Autumn Forge--have a practical military result: to practice the concerted action of the individual national forces over a large area, for some length of time and on a planning scale approximating actual war conditions. An example: Up to 1,500 fighter plane actions take place during a day over FRG territory; a single army corps, however, can coordinate no more than 300 such actions a day with regional flight safety regulations; thus, without the exercises being combined at a central point in General Haig's Autumn Forge, the air force could not realistically exercise together with the army.

Objections raised by people in the FRG Defense Ministry to the effect that Autumn Forge was essentially a "self-portrayal" of General Haig and his NATO headquarters in Europe and was having an adverse political effect on the relations between the FRG and Eastern Europe for a while definitely hurt the previously good relations between Haig and his German ally. The term "self-portrayal" to describe the big maneuvers originated with a study submitted by the command staff of the Bundeswehr (Federal Armed Forces) headed by Inspector General Harald Wust to the political desk of the Defense Ministry. Haig and other high-ranking officers were particularly perturbed when the German criticism was also published in the press as it reported the welcoming of the U.S. REFORGER formations by Parliamentary State Secretary von Buelow at Ramstein on 6 September.

Buelow's Misgivings

Moreover Buelow rather awkwardly had raised doubts in a radio interview about the timeliness of the large-scale fall maneuvers in Germany, alluding to the negative reaction in Eastern Europe. An aggravating factor, in the view of the NATO generals, was the fact that Buelow used this argument as a representative of the FRG Defense Ministry after the organ of the GDR Armed Forces, NATIONALE VOLKSARMEE, had described the maneuvers as provocative and indicating aggressiveness. Haig thereupon requested to see the federal chancellor. An immediate Bonn statement confirming agreement with Haig's ideas defused the matter.

The strategic concept of transferring troops for reinforcement from the United States to Europe via an aerial bridge across the Atlantic in the event of a crisis is not a new one. Kennedy's secretary of defense, McNamara, had already come up with it at the beginning of the sixties when, in order to save foreign currency and provide global strategic flexibility, he developed a plan to station as many U.S. forces as possible in the States proper and to radically reduce the size of forces stationed in Europe.

The U.S. planners were figuring on the newly increasing long-distance transport capacity of the C-5 Galaxy and C-141 Starlifter superjets and on maritime transport initiated in timely fashion for shipping heavy materiel to Europe, by way of container ships. This concept has become reality since the beginning of the seventies. Big Lift, as the first exercise for transferring a U.S. division back to Europe was called, is no longer a vision of the future but a matter of military routine.

In case of emergency the big REFORGER operation is to bring six U.S. divisions to central Europe in a period of 10 days, three of them reinforcing the Army Group Center in southern Germany and three of them the Army Group North in northern Germany. The assembly area for these reinforcements, --intended to be the tactical army reserves of the NATO commander, Europe Center,-- in the southwest is the Saar-Palatinate-North Baden-Rhine and Rhine Hesse area, with the two big airports of Ramstein and Rhine-Main for the landing of the large flying transports, and in the northwest the area between Luxembourg and Lower Rhine.

From these reception areas the U.S. reinforcements would move with smaller transport planes, heavy helicopters, by road and by rail to their assembly areas for advance defense. According to the NATO plans, by this time the British Army of the Rhine, the German army corps, the already available U.S. forces and the still to be assembled two Belgian and Dutch army corps would already have been mobilized.

The scale of the troop movements needed for this becomes apparent if one draws a comparison with the U.S. Army forces permanently stationed in FRG territory, with their approximately 190,000 men and 3,000 combat tanks. With the 6 divisions from the United States, including the corps and army units connected with them, about 100,000 men would come to Germany and would have to be supplied there by the existing U.S. military organization and the German reception and supply forces.

The U.S. Army forces in Germany are divided into two corps, with two divisions each, forming part of the 7th U.S. Army, which in addition to these four divisions incorporates three independent brigades and two armored reconnaissance regiments. The whole force is estimated at a strength of five and a half divisions, with half of the army's personnel not forming part of combat units. So, even after activating an additional brigade from their available personnel (with the second brigade being activated in the United States), the U.S. Armed Forces will still have a relatively ample cushion of supply personnel, so that reinforcements from the States can be flown over without complete rear services. This too is practiced annually in REFORGER.

The reception countries, particularly the FRG, will have to establish the requisite infrastructure investments in the next few years. The German share will amount to about DM 1 billion. For its part, Washington has included in its plans additional procurement of materiel for all its projected armed forces in Europe. Heretofore heavy weapons and equipment for two and a half U.S. divisions have been stored in Germany. The Americans intend to store heavy armament for another two or three divisions in northwestern Europe, with the FRG Government asking that such additional arms depots also be established in the Netherlands, Belgium and Luxembourg. As a result of the air force reinforcements from the United States in the event of a crisis, the number of the U.S. combat squadrons stationed in Europe is to be raised from 25 to 80, with another 20 fighter squadrons providing reinforcement. Half of these air force reinforcements are to be stationed in Great Britain, and part of them in Italy.

Reinforcements Still Too Slow

A 100--percent REFORGER, such as is to be built up and to be ready for action by 1982, would represent the biggest transfer of troops overseas in history. Never before have 100,000 soldiers, ready for action, been transferred within 10 days across 5,500 kilometers of ocean from one continent to another. Neither in World War II nor in the Korean War nor in the Vietnam War did the Americans organize troop reinforcements on such a scale in such a brief period. Once this program is actually implemented, 10 days after the start of the operation more than half of the active U.S. Army divisions would be in northwestern Europe--mostly on German soil. With this project, the United States, in the words of the NATO representative of the U.S. Secretary of

the Defense, Ambassador Robert Komer, "is switching from the concept of mobilizing after the start of a war to the immediate employment of forces of action before the start of a war"--a revolutionary change in war preparations in U.S. history.

The demonstrative effect of such massive reinforcements, which according to British plans in the event of crisis would also include reinforcement of the British Army of the Rhine from 72,000 men to about 125,000 men, ought to make a great impression on all of Europe and particularly on Moscow.

As far as U.S. strategic thinking is concerned, it is a question of a long overdue correction of the thesis that the higher quality of the NATO forces can offset the greater number of the Warsaw Pact forces in Europe. This long held NATO assumption will no longer stand the test of reality, particularly including the qualitative balance of forces in Europe. Thus General Haig said at Ramstein recently: "With a relatively small presence of forces we have incurred military security risks which in the case of tension have to be removed by timely and sizable troop reinforcements."

Whether the intended deterrent effect would actually be created by a 100-percent REFORGER in the event of a crisis would depend on several things. For example, the stored equipment could no longer be "mothballed" in waterproof covers but would now have to be kept in such a way as to make it immediately available for action. This has now been tested by battalions of the 5th U.S. Infantry which flew overnight from Louisiana to Ramstein in the Palatinate with only one intermediate stop in Labrador and were able to take over their heavy armament from depots near Karlsruhe, Mannheim and Kaiserslautern the very evening following their arrival.

On the other hand, this very example also revealed the limitations of immediate readiness for action by U.S. troop reinforcements. Part of the tanks and vehicles of the troops flown to Europe had to be loaded on two transport vessels in the port of Beaumont in Texas on 21 August, with the ships landing at the docks of Ghent and Rotterdam on 6 September. The rail and road transport from the divisional depot at Fort Polk over a stretch of about 200 kilometers to the port of Beaumont began as early as 4 August. Thus the transfer of the armament not yet stored in Europe for one of the three brigades and the remaining troops of the division took about 35 days.

The solution of the problem envisaged by the Americans is to be found in a permanent REFORGER organization, which has been in the making for 4 years. Year after year it is creating a solid base for the transatlantic transport thrust with every technological and logistical and available financial means.

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CSO: 3103

INDUSTRIAL ASSOCIATION HEAD INTERVIEWED ON ECONOMY

Hamburg DER SPIEGEL in German 2 Oct 78 pp 44, 46-47, 49, 52

[Interview with Rolf Rodenstock, new president of Federation of German Industries (BDI) by SPIEGEL editors Rudolf Wallraf and Peter Boelke]

[Text] [Question] Mr Rodenstock, after Hanns Martin Schleyer's death German industry seemed hard put to it to find a new president for the BDI. Your predecessor Fasolt resigned after an ingloriously short time in office, and now compromise candidate Rodenstock has become the new president of the Federation of German Industries...

[Answer] I admit that I had some qualms when I was asked to be a candidate. Yet I do not feel that I was chosen for lack of anyone better. After all, I was asked earlier and repeatedly whether I would be prepared to take on this or a similar office.

[Question] Why were you willing now to take on the job?

[Answer] When I was weighing the pros and cons of the situation (which came up quite unexpectedly), I was bound to ask myself in all conscience whether, as an employer, I could allow such an important business association to be leaderless for even a short time. Upon conscientious examination I came to the conclusion that I could not refuse to accept this responsibility.

[Question] Where was your conscience when, once before at the end of last year, you were asked to become the BDI president?

[Answer] At the end of 1977 the situation was somewhat different because no immediate decision was required. And we did in fact see that there were other possibilities.

[Question] Actually the other possibilities were restricted to Mr Fasolt. Why is it so difficult for German industry to find a president for the federation?

[Answer] This is quite like politics. The demands have grown with respect to the entrepreneurial as well as the political sector. Relations with the

government, with parliament and representation in international bodies--all these have become more extensive and more complex.

[Question] In that case would it not be better for the federation and its leadership to have a full-time president?

[Answer] I admit it is always a certain handicap for us when a part-time president must meet with full-time representatives of the labor unions, for example. Obviously no part-timer can deal with all the details quite so thoroughly.

On the other hand I do most emphatically subscribe to the standpoint that it would not behoove the employers at all to have recourse to full-time presidents. Direct responsibility for a firm does provide a man with greater authority and representative capacity.

[Question] What would you do if your firm were to get into trouble--such as was the case with your predecessor?

[Answer] God forbid that such a thing should happen to the Optische Werke G. Rodenstock. But if, in the foreseeable future, conditions were to substantially deteriorate for the firm, I would certainly decide to devote all my strength to saving it.

[Question] That means you also would resign?

[Answer] Yes.

[Question] Mr Rodenstock, how do you see your future work for the federation? Many BDI presidium members come from the large corporations and are salaried managers. You are an independent employer; how will you stand up to the interests of the large corporations?

[Answer] That prospect does not worry me in the least. After all, I was not born yesterday. I have been a member of the BDI presidium for 25 years, most of the time as vice-president. I am also quite familiar with the prevailing mentality here. My experience tells me that I will be equally supported by the confidence of the large corporations and that of the medium and small employers.

In recent years I was chairman of the BDI middle status committee. We realized many proposals there, which were by no means in the interest of the large corporations. And that was done without causing any friction. We are quite unanimous in believing that it is impossible for one section to prosper if the other one is doing badly.

[Question] What is the reason for the reluctance of so many middle status firm to invest?

[Answer] Investment hesitancy is not really due to fatigue or reluctance. Involved here are economic facts, that is marketing conditions, yields and the possibilities for obtaining financing. In this respect medium-sized industry has lately done quite poorly.

On the whole, however, investment has still exceeded write-offs. Moreover, much was done in the way of rationalization. Otherwise far more jobs would have been lost and factories closed.

[Question] The labor unions, though, believe that jobs were destroyed by rationalization. What do you think of the suggestion by DGB chairman Heinz Oskar Vetter so to expand codetermination that the labor unions are earlier informed of planned rationalization measures?

[Answer] Bound to turn out badly is any proposal for using the legally prescribed membership of labor union officials in the supervisory boards of codetermined firms as an entry to a kind of super-corporate codetermination and lever for central labor union intervention. Vetter and the DGB are usually quite adamantly opposed to all restrictions on competition and allegedly suspect monopolistic phenomena. It seems to me that this does not go well with the suggestion of centralized labor union checks, even if clothed in the apparently harmless guise of an "early warning system."

In any case, such a procedure would put paid to the crucially necessary flexibility of industry. More than ever I consider it vital to have the constitutional limits of codetermination clarified by the Federal Constitutional Court.

[Question] Up to now the business revival does not seem to have materialized; this cannot really be ascribed to the lack of government stimuli, because lately the government has done quite a lot.

[Answer] Possibly too much.

[Question] What, then, do you consider the reason for the economy's faltering attitude?

[Answer] Investment was noticeably greater in the second quarter of 1978. Evidently there was a build-up of demand. In addition new investments are called for by the necessity for reequipment with modern machines and production facilities.

Quite simply it is due to the changed world economic situation that we cannot proceed to giant expansive investments. After all, export sales have already come up against clear limits. They certainly do not provide an incentive for large investments. And finally, though this may sound surprising, expansion investments tend to be hampered at least in part by the lack of manpower.

[Question] At an unemployment rate of 4 percent?

[Answer] Speaking for my own industry, I must say that in the Munich-Upper Bavarian region we are unable to expand our operations because we lack the appropriate manpower. At this stage we cannot even get female trainee workers. We cannot even meet our needs by busing workers to our plants.

[Question] What, in your opinion, is the reason for this difficulty?

[Answer] It has been my experience that several factors are involved. For one there is the rather generously interpreted concept of reasonable expectation. This may mean, for example, that the job cannot be too far distant from the worker's place of residence. It may also mean that female job seekers who lately shifted from factory to office work, are rarely willing to return to blue collar status.

Furthermore you must be aware that many of those willing to work are not prepared to take on more than part-time jobs. That also increases the difficulty of recruitment, even if workers are not expected to be highly skilled.

[Question] Let us return to a remark you made earlier: In the matter of business revival, you said, the government had lately tended to do too much. What did you mean by that?

[Answer] I mean that the Federation and the Laender with their various programs necessarily emphasize certain sectors. It is not possible for the state to revive the entire spectrum, including the consumer goods industry. For that reason alone I feel that it would be more sensible to improve the business sales potential. In other words: The moderate development of labor and social costs, so that we may offer our goods for sale at favorable prices...

[Question] ...However, the government is not really able to control labor costs...

[Answer] Of course not. But we must assume that, given the diminution of wages tax (which I consider quite urgent) and the related increase in net earnings, the labor unions would be more accommodating in the next round of wage negotiations. Unfortunately their statements to date are not very promising.

I also believe that quite a lot could still be done for small and medium-sized firms in the field of research and development promotion, possibly by way of tax benefits.

[Question] Is not the government doing quite enough in this field now?

[Answer] In the past 5 or 6 years total government expenditure on research and development has at best risen to the same extent as the gross national

product. Not much is left, though, by the time you deduct personnel costs. Looked at from this aspect, the Federal Republic really has not done a lot in this field.

[Question] Do you think that government money has flowed into the right channels?

[Answer] In fact more than 90 percent of project-related subsidies have gone to the large corporations. No more than the very modest remainder went to the medium and small firms which, after all, employ 60 percent of all workers.

[Question] Is that the fault of the program or that of the firms?

[Answer] Both. The firms have to submit very detailed and complicated applications. Smaller firms do not have the staff to do this with the necessary thoroughness and any hope of success.

[Question] And what are your conclusions? Less government encouragement of research?

[Answer] I think that the billions now earmarked for research and development promotion should be allocated in a different manner. Not that I would want to deprive the large corporations of anything. But I feel that a certain shift would do no harm.

[Question] What do you think is the long-term outlook for small and medium firms?

[Answer] They could do very well provided they are not harassed by excessive taxation or red tape. The smaller firms have good prospects in the field of special products or component supply, such as tools or miniaturization. Moreover, medium-sized specialized firms are very well placed with respect to export markets.

[Question] Mr Rodenstock, you spoke of the government's doing too much, and you complain of state bureaucracy. Are you fed up with government?

[Answer] By no means. I neither reject nor distrust the government. In fact it should take a greater part in those fields which are its proper concern, that is the provision of sound conditions for the future. It is only when government attempts to regulate business in detail that we must ask ourselves whether this makes sense, and whether the expense involved has meaningful results.

[Question] Like you, many employers doubt the usefulness of economic actions by the public agencies. On the other hand the government is often quickly invoked, loans running into the millions or government guarantees are called for (for instance in the case of concrete and reinforced concrete construction or the textile industry). Do you consider this contradiction a matter of course?

[Answer] I am not inclined to make a secret of my convictions. I am in fact quite skeptical in this connection and have frequently stated my objections. Though I have a great deal of sympathy for social needs and the retention of jobs, I do not think that government aid to ailing firms should go on and on. It is extremely difficult here to separate the sheep from the goats. Financial aid and government guarantees should be confined to clear emergencies. Independent of its size, the risk must remain with the firm. In my opinion any expansion of salvage operations would represent a danger to our economic system.

[Question] Do you regard the Federal Republic's economic system as already threatened in some way?

[Answer] No, I do not observe a genuine and acute peril to our market economic system.

[Question] Mr Rodenstock, you described the Federal Chancellor and his Minister of Economics as "kings without a country." What do you mean by that term?

[Answer] I wanted to point out the increasing difficulty of getting the government parties to accept concepts which have been acknowledged correct. In fact the Federal Chancellor and the Minister of Economics think along the same lines as the representatives of business: The economy can no longer be improved by government intervention; it must be helped by the improvement of the firms competitive situation.

[Question] You would, though, expect parties other than the social-liberal coalition to be better at carrying out your concepts?

[Answer] As regards the attitudes of other parties, should they hold political power, I am neither a prophet nor a psychologist.

[Question] In that case you had better search your own soul.

[Answer] It is obvious that, as a Bavarian and Bavarian employer, I have a certain affinity to the CSU, the great popular party here in Bavaria. As you well know, the CSU and especially Mr Strauss champion an attitude to business, which opposes undue burdens on the economy and aims at encouraging and safeguarding the capacity of German firms as much as possible.

[Question] In what areas do you think the economy now subject to excessive burdens?

[Answer] Let me cite two examples. The one is the famous investment bottleneck which originated in the delay in the permit procedure for power plants or road construction. The backlog has now achieved dimensions of at least DM40 billion. The second is the tax burden which has risen tremendously in

recent years for employees and even more for employers. The trade tax is surely the most obvious example. I think its yield has more than doubled since 1970.

[Question] Rephrasing the question: What is the catalog of demands, which the new BDI president will present to the economic politicians in Bonn?

[Answer] I do not like the term "catalog of demands." We cannot demand anything. But of course we do know what we would like: The abolition of subsidies, reductions in interventions, the removal of investment obstacles, whether of an administrative or political nature, the provision of facilities in the field of research and development, tax concessions in the matter of the trade tax or the capital yield tax. Also I would like to have tax relief for the modernization of our factories, some of which are quite obsolescent.

[Question] Mr Rodenstock, in the past you were hard at work here, in Bavaria, collecting contributions to the parties, especially the CSU. Will you be able to do so in future?

[Answer] As far as my office as chairman of the Bavarian Civic Federation was concerned, I did not personally collect contributions. Actually I thought that we should somewhat canalize business contributions to the parties so as to protect individuals from being pestered. Whether I will continue to be involved depends on the opinion within the Bavarian Civic Federation. I would not personally have any qualms. I would consider such involvement neither dishonorable nor objectionable.

[Question] Your predecessor in the chair of the BDI president got into trouble with the tax authorities because he channeled money to the parties in a rather wilful manner. If you should have some skeleton in your cupboard ...

[Answer] Where, for heavens sake, do you see any skeletons?

[Question] After all, it is possible that the tax investigators may come to see you a few weeks from now.

[Answer] You need not worry. In this respect also my conscience is clear.

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END