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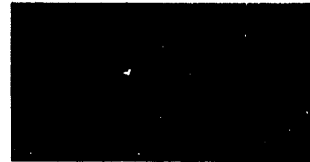
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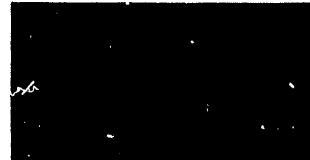
1 February 1979

TRANSLATIONS ON WESTERN EUROPE  
(FOUO 9/79)



WEST

EUROPE



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## TRANSLATIONS ON WESTERN EUROPE

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INTERNATIONAL AFFAIRS

**TINDEMANS ANALYZES INTERNATIONAL CURRENCY PROSPECTS**

Bonn EUROPA ARCHIV in German 10 Dec 78 pp 747-754

[Article by Leo Tindemans, prime minister of Belgium from April 1974 to October 1978, based on a report delivered by the author in September at the Tokyo Institute for Foreign Policy: "International and European Currency Perspectives"]

[Text] In 1973, while holding the office of minister of finance, President Valery Giscard d'Estaing is supposed to have said: "Formerly the currency problem was a concern of the experts; plans were made that represented a curious mixture of sophistication and incomprehensibility. Now it has become a problem for the governments and thus a topic for discussions among the various states."

Never before in the postwar history of monetary policy has this remark been so unquestionably true as now. At the summit conferences of the chiefs of state of the European Community in April 1978 in Copenhagen and at the beginning of July in Bremen, the discussion focused on currency problems. Likewise, at the summit meeting of the Western states in July 1978 in Bonn, currency problems represented the key topic. At the meetings between Prime Minister Takeo Fukuda, President Jimmy Carter and Federal Chancellor Helmut Schmidt, currency problems were always on the agenda.

And this is quite natural, since the monetary situation increasingly affects the international trade, the economic conditions and thus also the welfare of the various nations.

It is from this political viewpoint that one must consider the attempts to stabilize the relationships between the European currencies. We will first place the European endeavors in the larger context of what has to be done on the global level, in order to reestablish a monetary system. Secondly, we will discuss the reasons underlying these attempts, the criticism voiced in some quarters, and the historical background. Finally,

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we will analyze the results of the Bremen summit conference, where significant progress was made in regard to the establishment of a zone of monetary stability in Europe.

**Toward a New International Monetary System**

As regards the present international monetary system, the question arises as to how to overcome the imbalances in payments and correct the surpluses and deficits. The experts call this an adjustment process. In the Organization for Economic Cooperation and Development (OECD), these problems are dealt with by Study Team III which is headed by the Japanese Minister of Finance Matsukuwa. As is well known, in the Bretton Woods System, which for over 25 years rendered good services to the world economy, short-term balance of payments deficits were for the most part corrected through internal measures, i.e. primarily through monetary and fiscal policy. A country showing a deficit used to subject itself to stricter budgetary and monetary discipline. By restricting domestic demand, resources were made available for exports; imports were reduced and thus equilibrium was restored. Only in the event of a particularly serious imbalance in payments was a foreign trade-oriented solution adopted, i.e. a change in the exchange rate.

This system collapsed primarily because the external adjustments were not carried out in a way appropriate. On the one hand, the United States had for too long tolerated a considerable deficit without resorting to depreciation. This was made possible on account of the automatically available financing: The dollar still is reserve currency. On the other hand, some countries that showed a balance of payments surplus refused to revalue their currencies and tried to neutralize the effect of this surplus on monetary policy. Thus the monetary system created by the Bretton Woods Agreement suffered from the fact that at times it was applied too rigidly.

Since 1973, monetary policy has gone to the other extreme: Excessive flexibility and general floating of the most important currencies. Such a solution had long been recommended by the theoreticians. Anglo-Saxon academic circles had always been inclined toward the view that in order to correct payments surpluses and deficits it was sufficient to let the currencies float. They felt that currency revaluation could eliminate the surpluses and that depreciation could quickly reduce the deficits. Thus it would no longer be necessary to influence domestic demand. Monetary and budgetary measures were no longer to be employed for solving balance of payments problems, but only for internal purposes such as economic growth, employment policy and price stability.

Actually, in the last 5 years the payments imbalances of the industrial countries were enormous. Apart from the effects of the oil crisis, the industrial countries' balances of payments are influenced more strongly by the growth of domestic demand than by exchange rate fluctuations. This



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is due to the fact that the exchange rate fluctuations affect imports and exports only gradually, whereas a rise or decline in domestic demand quickly influences goods turnover and services.

The development of the Japanese economy is a good example in this regard. Despite the spectacular revaluation of the yen, Japan continues to accumulate immense payments surpluses. The same goes for Switzerland and--to a lesser degree--for the Federal Republic of Germany. In contrast, the American dollar depreciated greatly, and the United States incurred considerable deficits.

Thus it was an illusion to assume that the payments balance could be restored through the exchange rate approach alone and that currency floating could solve the problems. Exchange rate adjustment can produce the results desired only if internal measures are taken concurrently. In countries showing a chronic deficit and a high rate of inflation, currency devaluation is advisable only if it is accompanied by measures aimed at restricting domestic demand. This is what became apparent in the last few years in Great Britain.

Incidentally, currency revaluation will reduce a balance of payments surplus only if it is accompanied by measures aimed at promoting domestic expansion. In the absence of a concurrent stimulation of domestic demand, a currency revaluation will lead to decreased profits in the export sector and to a slowing of economic activity, and this in its turn will negatively affect imports and further increase the surplus. Consequently, one should welcome the pump-priming measures recently adopted by Japan and the Federal Republic of Germany.

At the same time, however, the countries showing payments deficits must likewise take measures; this goes especially for the United States, which could reduce its deficit through an appropriate energy policy. These steps that should be taken by deficit as well as surplus countries will help reduce the imbalance in payments and bring about greater monetary stability.

These considerations regarding the overly rigid application of the Bretton Woods System and the obvious shortcomings of a monetary system characterized by an excessive influence of exchange rates lead to a third method of improving international currency relations.

This third solution was taken into consideration as early as the end of 1975 in the "Tindemans Report" on the European Union. Fortunately, these considerations have since attracted greater attention. For this reason, we will develop the topic in greater detail. On the one hand, it goes without saying that unusually sharp exchange rate fluctuations will have a disturbing effect on international trade and will introduce a sense of uncertainty into economic activity. It is very difficult for the entrepreneurs to predict in terms of the local currency the price of the

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imported raw materials used for producing their goods or the proceeds of the sale of these products abroad. These extraordinarily wide fluctuations are one of the causes--albeit not the only one--underlying the present economic crisis.

On the other hand, it must be conceded that it would be unrealistic to expect for the near future a return to a global system of fixed parities. The expansion of international capital transactions due to the internationalization of economic life has assumed such dimensions that a return to a global system of fixed parities--such as existed under the Bretton Woods System--is highly unlikely.

So what improvements could conceivably be made? There are two aspects that deserve consideration:

The first aspect of a gradual return to greater international monetary stability is the subdivision of the world into large zones characterized by stable monetary interrelationships; in these zones, the exchange rates would be more stable due to improved coordination of economic policy. There are three principal zones that should be considered: A yen zone, a European zone and a dollar zone. At the European summit meeting in Bremen, the foundations were laid for a European zone of monetary stability.

The second aspect would be the attempt to restrict to a minimum the exchange rate fluctuations between these three zones and at the same time to ensure a high level of economic activity through improved coordination of the economic policies of the three zones, especially in the budgetary and monetary sectors. As is well known, monetary policy directly affects capital transactions, and fiscal policy is of crucial importance in regard to the development of domestic demand.

In the attempts to improve the monetary situation in regard to these two aspects, Japan and Europe in company with the United States can play an important role. The European states must try to stabilize the relationships between their currencies and they should all participate in a program aimed at economic recovery. Japan, too, can make a contribution by stimulating its economy and opening its borders to imports; these measures would reduce its surpluses and keep within limits the fluctuations of the yen in relation to the dollar and the European currencies.

Finally, it goes without saying that the United States, too, could make an important contribution by reducing its balance of payments deficit--primarily by taking energetic measures in the energy sector--, by more emphatically checking inflation and by pursuing a sufficiently strict monetary policy.

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### Monetary Measures in Europe

Having presented this survey of international monetary problems, we will now discuss the special role to be played by Europe in regard to a solution of these problems. First of all, we must examine the rationale underlying the European monetary plans; subsequently, we will discuss certain critical comments that were made in this regard; finally, we will present a summary of the conclusions reached in Bremen by the European Council.

### The Reasons Underlying the Efforts Toward Monetary Stability in Europe

Stable monetary relations are of great importance in bringing about economic recovery and in reducing unemployment--problems that the European countries are very much concerned about.

It is becoming more and more apparent that the monetary instability in Europe has a deflationary effect on the economies. The abnormally sharp appreciation of some currencies has led in Europe to a considerable reduction of profits in the export sector and to an indisputable drop in regard to sales figures. The fact that in 1977 the Federal Republic of Germany was repeatedly forced to adjust downward its growth rate represents unequivocal proof of this thesis.

In those countries, in which the currency was depreciated too severely in relation to the strong currencies, this depreciation has an inhibitory effect on economic recovery. These countries are afraid of stimulating the economy when imports are on the increase. This puts pressure on their balance of payments and eventually leads to further currency devaluation.

Thus, the low growth rate in countries distinguished by a strong currency operates like a straightjacket on the weak-currency countries. Moreover, the uncertainty in the currency sector has by itself an inhibitory effect on investment activity and economic recovery.

Consequently, an increase in monetary stability should have a positive effect in regard to the employment situation and economic recovery. An increase in monetary stability is also an incentive to pursue a more expedient industrial and trade policy than would be practicable within the framework of a mere customs union.

In discussions with business leaders, one again and again hears the complaint that due to the continuing exchange rate risk it was difficult to establish enterprises of European dimensions. It is difficult for the entrepreneurs to calculate in terms of their own currency the right price of imported goods. It is also difficult to estimate in terms of local money the proceeds from export goods, the price of which is calculated in foreign money. Due to this uncertainty, the enterprises do not realize the full potential profit from a market encompassing all of Europe.

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It is safe to say that as far as the negative effects on the development of trade are concerned, the exchange rate fluctuations have taken the place of the former customs frontiers. An increase in monetary stability could greatly promote industrial development and serve to maintain an open trade policy.

Greater monetary stability is also a means of fighting inflation. An excessive currency depreciation immediately results in higher import prices. In countries with index-controlled prices and wages, these import prices quickly affect the general price level. This goes especially for free-market economies, in which foreign trade accounts for a large share.

Furthermore, it is self-evident that any increase in monetary stability in Europe would improve the functioning of the agrarian market which due to the exchange rate fluctuations has been subject to severe disruptions in the last few years. Finally--and this is by no means the least important argument--, progress in regard to the monetary union is bound to speed up the process of the political integration of Europe. As early as 1949, the French economist Jaques Rueff wrote: "Europe will be unified on a monetary basis or not at all." One need not accept this without reservations. But it cannot be denied that progress in the field of monetary policy would be an important step ahead for Europe.

#### The Objections

A large number of objections have been raised against the current efforts in the field of monetary policy:

Frequently, it is pointed out that in view of the extreme divergence between the rates of inflation in the European countries, it would be premature to launch the monetary union. The reply to this argument can be summarized in four points:

Firstly, one must realize that the exchange rate mechanisms can have only a limited effect if they are the only instrument of coordination. As was pointed out above, it is imperative that the introduction of a system of exchange rate stabilization be accompanied by a real coordination of economic policy in other sectors, especially in the field of internal capital formation, but also in the field of budgetary policy.

Secondly, it should be conceded that due to the exchange rate mechanisms an increase in monetary stability can help to promote economic convergence. This was evident already in the European "snake," which comprises the currencies of Germany, Denmark and the Benelux countries and to which the Norwegian krone has been linked up. The snake has definitely brought the various currencies closer together, since affiliation with the snake presupposes in every participant a certain degree of discipline.

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Furthermore, we would like to point out that the recent past has been characterized by a renewed convergence of the economic development of the European states; this is primarily due to decreased imbalances in payments and lessening differences in regard to price hikes. One need only mention here the fundamental improvements in Great Britain and Italy.

Finally, the new exchange rate mechanism notwithstanding, the potentially persistent great differences between the rates of inflation will affect the exchange rates.

According to a second objection, such an arrangement would deprive the various countries of all freedom of action and would represent a loss of sovereignty. In reply to this argument, three points can be made:

The recent events in the currency areas affected by the unstable dollar rate were an indication of the limits restricting the individual nation state. On the other hand, if they establish the European monetary union, the European states would in a body recoup at least part of the lost power.

Furthermore, some countries that had encountered difficulties had to submit to the peremptory injunctions of the International Monetary Fund. In doing so, did they not give up much more of their sovereign authority? Is it really asking too much to call for a limited transfer of authority to the European level, particularly since such a transfer will be coupled with measures aimed at strengthening European solidarity?

And finally, we would like to repeat that from a technical point of view the planned transfer of authority does not entail excessive injunctions comprising intolerable coercive measures.

Finally, there is the objection that progress in the monetary sector would be possible only on a global level, within the framework of the International Monetary Fund and on condition that an agreement will be reached in regard to the dollar.

In reply to this argument, one must first of all point out that the re-stabilization of the dollar will obviously greatly contribute to monetary stability in Europe and on a global level. It is a fact that the extreme fluctuations of the dollar have exacerbated the tensions between the European currencies. In collaboration with the United States, Europe must continue its efforts and support any move likely to increase the stability of the dollar vis-a-vis the European currencies. But these efforts should be a complement, not an alternative, to the intra-European efforts.

As was pointed out above, an important factor in regard to the return to greater international stability is the establishment of large stability

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zones conducive to stable exchange rates. This can contribute to an improved coordination of the economic and monetary policies in these zones, thus preventing excessive fluctuations between the stronger currencies or groups of currencies.

**The Substance of the Bremen Agreements**

In Bremen, the chiefs of state examined a detailed plan concerning the establishment of a zone of monetary stability in Europe. They were agreed that this plan was to form the basis of a technical study which would be completed by 31 October 1978 and which would contain all the regulations concerning the operation of the system. On the basis of this study, the European Council in Brussels is to adopt by the end of 1978 the appropriate resolutions and arrangements.

**The Bremen plan comprises three parts:**

1. An exchange rate mechanism aimed at stabilizing the relationships between the European currencies. This system should be at least as strict as the "snake." In principle, the interventions will be carried out in the currencies of the participant countries.
2. The introduction of a European currency--the EWE [European Monetary Unit]--, the present European accounting unit which in fact consists of the currencies of the community. This EWE is to be used above all for money transfers among the monetary institutions of the EC states. In other words, the central banks are supposed to be able to make their payments in EWE, whereas up to now the instrument of transfer has almost always been the dollar. These EWE are to be based on funds which are deposited by the central banks and which are partly made up of gold and dollars (e.g. 20 percent of the customary reserve fund of the central banks) and partly of currencies of the member states. In this case, however, the EWE are to be convertible into a national currency only if the recipient country meets the economic conditions attaching thereto. The issuance of EWE in return for gold or dollars will be accompanied by a commensurate reduction of the central bank reserves.
3. The establishment of a European monetary fund which is to develop into a central bank.

**Concluding Remarks**

The instability of the international monetary situation has a harmful effect on the world economy and is one of the causes underlying the present crisis. Moreover, the coincidence of monetary instability and increasing unemployment intensifies in many countries the protectionist tendencies threatening the world economy. Finally, the monetary instability has a negative effect on the legitimate interests of the developing countries.

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In consideration of this danger, the industrialized countries must at any price demonstrate their solidarity and resolve. The European efforts in the monetary sector should be considered the first step in the return to greater international monetary stability. Along with these efforts toward the establishment of a European monetary union, the participants must show greater determination to coordinate the European economies. Their efforts will then be for the general benefit of the world economy.

Aside from this European contribution, an increase in monetary stability on a global scale presupposes greater efforts on the part of the United States in regard to the reduction of its payments deficit and on the part of Japan in regard to the reduction of its large surplus. Consequently, Japan's recent decision to take pump-priming measures is very much appreciated in Europe.

Insofar as each one of the large industrial countries purposefully contributes to monetary stability and to the recovery of the world economy, they will all help to promote the well-being of hundreds of millions of people in both the industrialized and the developing countries.

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FRANCE

RESPONSIBILITIES OF ARMAMENTS DELEGATE OUTLINED

Paris AIR & COSMOS in French 6 Jan 79 p 13

[Text] A decree of 18 December which appeared in the official gazette of 24 December 1978 set the responsibilities of the general armaments delegate.

The general armaments delegate:

Prepares, submits for the approval of the minister for the Armies and causes to be executed the programs of study, research and manufacture of armaments within the framework of the objectives defined by the Defense Minister and the military programming established in terms of the needs expressed by the quartermaster generals. The general delegate takes into account particularly the military specifications defined by the quartermaster generals for new materiel. The general delegate proposes to the minister technical and industrial actions to be taken on the international level;

Causes repairs of an industrial nature to be executed at the request of the quartermaster generals concerned;

Is responsible, by delegation of the Defense Minister, for ensuring the protection granted to the concerned ministers over the organizations subject to control by the state. This control is especially extended to the nationalized aerospace industry. But the general armaments delegate is also responsible for the control of private enterprises working for armaments.

The general delegate for armaments provides, except for special provisions, the vice presidency of committees or councils presided over by the minister having to do with research, studies and programs of armaments. He also provides the chairmanship of restricted proceedings of these same committees or councils.

The general armaments delegate manages and administers the military corps placed under his authority. He exercises vis-a-vis other personnel affected by the general armaments delegation or put at its disposal the responsibilities

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given him by the special texts. He prepares the draft budget for the departments placed under his authority. He participates in the management of the area for which the departments placed under his authority are responsible.

The general armaments delegate is assisted by a deputy and has at his disposal a staff, of military advisers appointed with his agreement by the quartermaster generals, and charges de mission appointed by the minister as proposed by him. He has authority over the inspector of armaments and over the technical inspectors of armaments. He may request the minister to cause to be executed by the army lists investigations that come within the area of his responsibilities.

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FRANCE

SOCIALISTS VIEW COMMUNIST PARTICIPATION IN LEFTIST UNION

Paris LE NOUVEL OBSERVATEUR in French 8 Jan 79 pp 28, 29

[Article by Jean-Pierre Cot, Socialist deputy from Savoie: "We Must Be Aware"]

[Text] Only the truth is revolutionary, especially when it is not easy to speak it. When the Socialist Party questions itself several weeks after the Metz congress, it is necessary to recall that maxim. Unity of the Party will not be achieved in confusion, but in clarity. The difficulties will not be resolved by strokes of procedural cunning, but by posing the problems in depth. In that respect, will we have the courage to take a clear look at reality? Or else, succumbing to the temptation of the new romanticism, will we seek refuge in a discourse that persists in ignoring reality?

No one can any longer be unaware that the "Common Program of the Left" was signed in 1972, whereas the present France is the France of the Barre plan. At the time there were 300,000 unemployed; today there are nearly a million and a half. The growth rate was around 6 percent per year; it has fallen to 3 percent. Inflation, which was about 5 percent, has doubled since then, while the accumulated indebtedness of the Giscard budgets exceeds the former 10,000,000,000 francs.

In this unsettled context, the Communist Party's attempts to get votes in 1977 and 1978 oddly unbalanced the project: transforming into a demanding six-month program what was a program to be applied in five years.

Today we have to pose the problem: do we continue to scrutinize the text that has no great relation to present reality or do we build the program the French are expecting for the 1980's? Let me be thoroughly understood. It is not a question of questioning again the nationalization-planning-self-management triptych, terms of the break with capitalism, but one of defining it in a radically different situation. Strictly, not complacently.

No one can any longer be unaware that the Communist Party broke up the Union of the Left in September 1977. No one has the right to act as if nothing had happened, to repeat "Union! Union!" as if the incantation could replace the reality or resuscitate it by some magic property. It is a question of rebuilding the Union of the Left, patiently and tenaciously. Starting with the basic

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construction that alone bears the workers' hopes and that is for this reason more necessary than ever. But knowing that it is more difficult than ever.

The Communist Party has locked itself into a division logic, from which it cannot be extracted by a simple change in the proportion of electoral strength. It is necessary for all workers to force it to change its position by making its present attitude untenable.

The Communist Party today is the only leftist organization to have a systematically anti-unitary practice, to dispute in action and every day the Union of the Left, even while proclaiming the reverse. It is necessary to take up the conflict on social ground--the tagging along innocently extolled by some would run counter to the sought-after goal--and coalesce the unitary energy, in order to condemn the Communists to union. Concrete proposals toward the Communist Party should follow later.

No one can any longer be unaware of the world crisis, the collapse of the international monetary system, the multiplication by five of the price of oil, the general economic recession with its train of confusion and protectionist attempts, the wave of nationalism and chauvinism. Jacques Chirac and Georges Marchais, bound by a strange alliance, stroke the jingoism sentiments and reawaken the fear of the hereditary enemy by means of the image of a German Europe. We have no right to act as if nothing was happening, to let this discourse develop until it reaches our ranks, even while we protest our good European sentiments.

The German question backs the Socialist Party into a corner. For my part, I consider it too important to be treated parenthetically with considerations of domestic policy or, even worse, of congress strategy. On the whole the nationalist talk works, undermining the bases of a still recent over-the-Rhine democracy, awakens dangerous forces and gives them a credibility they were not hoping for. By undermining European construction, this nationalism is throwing Germany into the arms of the United States, unless it is into the arms of the Soviet Union. Is that what we are looking for? If so, we need to say so clearly.

The same nationalist temptation drives some to refuse Southern Europe, to oppose the expansion of the Common Market. A singular concept of international solidarity--to go back on a commitment clearly subscribed in 1972 within the framework of the "Common Program." Whereas all the forces of the left in Spain are demanding membership for their country in order to consolidate its democratic regime, the French left has no right to say no, except by denying itself.

Finally, international solidarity is put to the test in our relations with the third world. One cannot at the same time demand a new world economic order and reject any change in the international division of labor; demand more justice in international trade and extol an egoistic protectionism in order to solve our difficult internal problems. To give a rather uncomfortable example, we all know that steel is basic in the effort of industrializing the third world countries. Are we accepting this fact, with all the consequences

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it brings with it, or are we seeking to maintain the third world in a pre-industrial condition? Socialist solutions exist: codevelopment agreements, international planning for production, respect for the international organization standards for labor, etc. The dilemma is nonetheless posed. Have we decided to solve it?

No one can any longer be unaware that we lost the elections of last 12 and 19 March. Since then the Socialist Party's leadership has been locked into silence, as if paralyzed. Today the too-long-spurned debate must take place, not to bring judgment on a past, but to prepare for the future. For to repeat is not enough. We are familiar with the danger of a discourse on the left which, for lack of coping with the real would come to cover compromises and, under the pretext of fighting the Giscardian government, would help it.

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BRIEFS

PCF'S 13TH CONGRESS--The 13th congress of the PCF will take place from 10 to 13 May 1979, at the Centre Sportif of Saint-Ouen [northeastern suburb of Paris] where it was held in 1976. [Text] [Paris PARIS MATCH in French 19 Jan 79 p 79]

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ITALY

PRI LA MALFA REPLY TO PCI ON TODAY'S CAPITALISM

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[Interview with Ugo La Malfa by Alberto Ronchey: "What Is Capitalism Today? La Malfa Answers Berlinguer and Amendola"; date and place not given]

[Text] Does a capitalist crisis exist? What is capitalism today? How can we interpret the shock suffered by western industrial economies following the international monetary system and petroleum crises? Why is the instability of the Italian economy more serious than that in other western industrial societies?

These questions are the subject of a tenacious discussion promoted by the communist left. The discussion is parallel to the confrontation between Italian political forces on the emergency government and on future prospects. They are not merely theoretical questions, or of no interest to practical men, whether these be line engineers or bankers, trade unionists or businessmen.

According to Ugo La Malfa's analysis reported here by CORRIERE DELLA SERA, the discussion on what is called capitalism is today clouded in Italy by conceptual backwardness and verbal misunderstandings. Rather he presents an explanation of capitalism as a simple "instrument" that can be directed by different impulses or conditioning so long as they do not contradict each other.

The thoughts and practical observations by La Malfa, interlocutor and also contradictor of the left, are based on his numerous experiences: From research work in the research office of Raffaele Mattioli's Banca Commerciale [Commercial Bank] in the years of the great crisis to the first report drafted for the De Gasperi government on the system of state participation, from trade liberalization decided upon in 1951 as foreign trade minister, to the "Note" of 1962 as budget minister on distortions in Italian development, from

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antiinflationary measures as treasury minister to the recent battle for admission of Italy into the EMS [European Monetary System].

Alberto Ronchey questions him and comments on his answers. He has already dealt with the controversial subject of "capitalist crisis" in CORRIERE DELLA SERA and in a television debate with Giorgio Amendola.

1 -- Ronchey--In his speech at Genoa, Enrico Berlinguer spoke of "obsolescence" of capitalism. Franco Rodano prefers the new word "fuoriuscita" [flight]. In L'UNITA, Giorgio Amendola maintained that a "general crisis of capitalism exists." Claudio Napoleoni wrote that we are in "no man's land" in Italy today. It is no longer capitalism but still not socialism. Pietro Ingrao, in his latest book "Crisis and the Third Road" speaks of a crisis of the social model, of state economy which has prevailed in the west, only of troubles and difficulties in the nations of the east. In a recent discussion, you said instead, that the capitalist system is merely the industrial system and that you believe this is neutral per se. What did you mean by this?

La Malfa--It is necessary to add to the episodes you recall, the case of socialists such as Lombardi. They too speak of the crisis of capitalism. I have given much thought in recent years to terminology referring, on one hand, to countries with "real socialism" and on the other "the capitalist system." Accepting such definitions, even the non-Leninist left forgets that a classification of this kind can only be made if we return to the very old concept that holds that capitalism exists where there is private ownership of the means of production and socialism where there is no private ownership. But if this is accepted, what progress have we made? Really, are the capitalist and socialist systems distinguished on the basis of private or public ownership of the means of production? Yet the left in general, even those so-called ideologically up-to-date critics, consider those nations capitalist in which privately owned means of production move the mechanism.

Why, then, do I consider the mechanism neutral? Because one system as well as another is affected by the forces of the political structure and social struggle. Now the theory that considers political forces, and even trade union forces, as superstructure, while the basic structure is capitalist, seems to me entirely without foundation.

Political and social forces provide the stimulus. Naturally the stimulus depends on the character of the individual forces. Now, this capitalist system has been capable of receiving stimuli. That is, when we speak of what the social democracies have done we say that they have corrected capitalism. More precisely, what sort of stimulus has it provided? Since they did not claim that the distinction between private and public ownership was fundamental, and therefore could choose whether or not to establish national ownership, these socio-political forces have brought about a redistribution of income.

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Now it is said that there is a capitalist crisis following the increase in oil prices. But that is not a capitalist crisis. When the system suffers an outside impact on raw materials, it is not the system that is placed in crisis, but distribution of income which the political-social forces have employed in order to absorb the blow.

Ronchey--Nevertheless, it can be recalled that the price increase for raw materials, like the four-fold increase of oil prices, is not a cause but an effect of the phenomenon which American sociologist Daniel Bell, called the "revolution of rising expectations." This phenomenon, which is widespread in the more productive economies, was largely bait for those inflationary tensions that are the consequence of competition for distribution of income in western societies. After many years--about 20 years--of such tensions, when because of inflation the Third World could no longer accept the terms of trade between the west which was an exporter of industrial products and the nations that exported raw materials, on a propitious occasion such as the Yom Kippur war, there was not only an external disturbance of western mechanisms, but this was provoked by the way the western mechanisms functioned.

La Malfa--You talk of rising expectations. It is clear that production was strongly stimulated to encourage distribution on the domestic market. Then the expectations concerning the domestic market were added to the expectations of the Third World. It is clear that in the Third World comparison with the standard of living of the western masses has aroused these expectations, in fact, I must say that even socialist nations such as China today think of everything but keeping their societies in a primitive state and therefore they compete to achieve an advanced degree of industrialization. But it must be established precisely what the Third World expectations put into a state of crisis. The problem of oil is that the western system is deprived of the use of cheap raw materials. The Arab nations have obtained a redistribution of income because they have had a monopoly position and they have imposed it. Do we want to support other areas of the Third World? Very well, we need do nothing but restrict the consumption potential within the system. Therefore, to speak of a crisis of capitalism when it is a crisis that affects the social mass of the western world is a conceptual error that leads to distortions. The oil prices indicate that the system is receiving external stimuli, but it is not capitalism that must be aware of this, it is the logic of political and trade union control of the system that must be aware of it. And how is it possible to support the other pre-industrial nations? An absurd situation is reached when capitalism goes to build a plant in the Third World, where there is labor, and this is called exploitation. Instead, capitalism through these transfers, pushes the Third World forward, exercising leverage on the low cost of labor.

Ronchey--Concerning use of raw materials, on the other hand, it can also be recalled that, for example, petroleum is good so long as a market capable of absorbing it exists in the industrial world, and it is produced because there exists a technology that emerged from the industrial world that can produce it. Therefore, the price of oil, revalued again in recent weeks, is what Marx defined specifically as income from monopoly or position.



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La Malfa--I want to emphasize the concept that when the price of raw materials from the underdeveloped world increases, the power of consumption of industrial societies is limited but the system is not affected. Now, to what do we refuse to adapt? At this point we find a straw man, known as capitalism, upon whom to unload all responsibility. The crisis of the aid philosophy of capitalist nations is now being discussed. But that crisis refers to how the social democracies have posed the problem. What have the social democracies done? They have provoked stimulus of the system presupposing, for example, the relatively low price of raw materials and letting capitalism implement a distribution on the basis of growing consumption on a vertical order. Naturally, if outside influence is exercised, this distribution can enter a critical phase. But it is not a crisis of capitalism, it is a crisis of how the leftist forces have seen the terms of the problem. Now suppose that I want to aid the Third World and make interest-free loans assuming the financial burden for it. If I grant Egypt an interest-free loan, as a consequence I reduce consumption by the population of my country. Then capitalism, the productive system, receives its stimulus from the Third World market instead of from the domestic market.

In Russia Productivity Is Very Low Because Incentives Have Never Existed

2 -- Ronchey--Then what is called capitalism is merely the industrial system, that is, an instrument. But the instrument in itself does not err. It can be used wrongly in the same way that it is not the computer that errs, but the programmer. The machine can be used in various ways. Its ownership can be private, mixed or state, as happens in eastern Europe. It is a matter of seeing how and through what ownership system it functions best and produces more, but to assign blame to a machine is animism within the framework of a theological concept of economy. Is this what you mean?

La Malfa--Exactly.

Ronchey--Giorgio Amendola speaks as though the instrument had a soul. In fact, he went so far as to assess it in L'UNITA with this phrase: "The survival of capitalism infects the whole world." Amendola considers capitalism even responsible for world underproduction in terms of the 7 billion people at the end of the century, as if the problem of dealing with population growth is the responsibility of only one part of the world and not also of the USSR, China, Cuba.

La Malfa--Even here I think things are said that are not true. Let us suppose a confrontation between the USSR and India. What distinguishes the two nations from the point of view of world problems? The USSR has infinite resources, even though they have been used badly or not used at all during the Czarist period while today they are exploited through a system whose production is low because of bureaucracy and lack of incentives. Nevertheless, the Soviet Union's power resides in the relationship between population and resources. In fact, the relationship between population and resources in India is frightening. This is a natural condition that can be corrected, but in order to correct this it is not true that the capitalist system must be abolished.

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The system can be stimulated so deeply as to create a crisis in nations used to a high standard of living in order to achieve improvement where the standard of living was lower. There is a refusal to recognize that this is the problem.

Certainly in India's case the problem may depend, as in the case of Czarist Russia, on the inability or failure of an entrepreneurial class, that is, on the lack of personnel capable of developing a capitalist-style productive system, and therefore it is due to backwardness. Perhaps. Nevertheless, a revolution can be undertaken and aims proposed that are more modern than Czarism, but not more modern than the exploitation of resources. In short, the difference in natural conditions does not depend on capitalist expectation. There will be margins of exploitation that can be corrected. Certainly, for example, the exploitation of rubber in the colonies was useful to Holland, but Holland did not perish because it no longer exploits rubber. It found the solution to the problem precisely in the entrepreneurial spirit inherent to the productive system.

What must be clear in western societies is that the system can be affected by different stimuli, so long as they are not contradictory stimuli. Stimuli may increase private consumption: By continually increasing salaries, private consumption is stimulated. And this is naturally absorbed into the system. Or, by limiting private purchasing power through an incomes policy, an accumulation of public resources can be achieved: Then a different direction is imposed on the system. What cannot be done, is to inject incompatible logics into the system. This is pure nonsense.

Ronchey--Many reply that they would accept an incomes policy, but this is impossible in view of the "rising expectations" of the working class in the capitalist system, or more precisely, in the industrial system. Also because effective instruments to moderate consumption of other classes do not exist.

La Malfa--If the policy is, as I believe, not a superstructure but a fundamental structure, when action by the government and trade unions is designed to achieve certain objectives, it does achieve them. If I want Fiat to become oriented towards certain types of consumption, I must tell them first and I must not create a kind of competitive consumption. It is an orientational maneuver that must be mastered.

Ronchey--Sylos Labini, in his "Essay on Social Classes" observes that today the wages and profit precisely defined in Italy total less than 50 percent of the national income. More than conventional conflict between salaries and profits, there is today a conflict between salaries and the incomes of intermediate classes who are not directly productive and often parasitical.

La Malfa--I was the first in Italy to say that the workers were sacrificed for this kind of policy. But the spread of parasitical classes is a purely political creation and I must say that it responds to a backward mentality. In fact, parasitism is more frequent in underdeveloped societies than in developed societies. Then why complain about capitalism? The trade union, when it was advancing demands within the productive system, found resistance because

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naturally whoever is responsible for making the system function has limits; instead it broke through into public institutions where almost no one keeps track of things and where everything is much easier. Therefore, what are they talking about?

Ronchey--Under the same roof with the confederations there exists the worker's salary as well as many trade-unionized parasitical incomes in the government and semi-government sector which are a burden upon industrial wages. This is a contradiction, which the confederations themselves should deal with.

La Malfa--At first in Italy there was an increase of the so-called privileged parasitical remuneration with a very high cost that fell upon the shoulders of the working class because the businessman, burdened by high taxes to maintain unproductive public apparatuses, tried to unload them. Then the workers began their action and this system, which is neutral, suffered stimuli which were incompatible. I recall that years ago I engaged in polemics with Moravia, who had written in one of his articles that ours is a Bourbon state because Fiat wants nothing but a Bourbon state. I asked why must Fiat want a Bourbon state, from which it would gain nothing but higher costs. If anything, the political forces desire a Bourbon state. My opinion is that when a political class does not understand these things everything is ruined: First the administrative apparatus and then the productive system.

Ronchey--You may have observed that now even the language of Chinese leaders seems more realistic and pragmatic than that which still prevails among those who speak of a "general crisis of capitalism." Deng Hiaoping, on watching the Island of Singapore transformed by 2 million Chinese emigrants into a little Asiatic Switzerland commented: "We will not have your standard of living even by the year 2000." In Tokyo, where he went to sign the Sino-Japanese treaty, he recognized the impossibility of denying Chinese economic backwardness and said: "It is useless for an ugly woman to pretend she is beautiful." There have been "tazebao" [wall newspapers] containing questions like: "Why is our economy not on the level of that of Taiwan run by the Chiang Kai-shek clique?"

La Malfa--More than pragmatism, it is the understanding of how a productive system functions.

Ronchey--Lucio Colletti defines the thesis of a general crisis of capitalism as "an ideological illusion," which to a great extent derives from Leninism. In a debate published very recently by Laterza, entitled "Socialism Divided," Colletti says: "I believe that the view of this crisis now depends upon assuming Lenin's analysis of imperialism as valid. Here, decisive weight is attributed to the thesis of 'the last stage' of capitalism, the talk about 'putrescence' and 'parasitism'."

But Lenin has only translated this ideological vision onto the terrain of so-called imperialism. I believe the origin of misunderstandings about how the capitalist system works is to be found in Marx.

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Ronchey--But Marx warned that capitalism cannot exist without continually revolutionizing the means of production, therefore relations of production, therefore the totality of social relations. In fact, he started with the statement that it had generated "productive forces whose number and importance exceeded what could have been done by all past generations."

La Malfa--But Marx's analysis did not perceive the real dynamics of the system, nor did it see its terminal development as the point of the catastrophe.

Ronchey--Schumpeter also foresaw a catastrophe, although of a different type, when he wrote that capitalism produces a social atmosphere hostile to itself, which in turn produces policies that do not permit it to function.

La Malfa--Certainly, by establishing a hierarchical relationship within the business system, capitalism also produces these attitudes. But it produces them with the decisive concurrence of ideological prejudices. I would like to know why Japan did not experience this feeling of intolerance to the system to the same extent as other nations. I believe there was a different ideological influence. And the Americans? They do not have the feeling of dependence, of subservience in revolt. Instead they have a sense of the different function exercised in the productive system, therefore there is no rebellion against the entrepreneur, everyone does his share, and they ensure for themselves a standard of living they consider satisfactory.

Ronchey--In Italian common language there prevails what Max Weber already defined as "the ingenuous definition of the concept of capitalism." According to Weber, the thirst for profit, the aspiration to earn as much money as possible, in itself has nothing in common with capitalism: "This aspiration is found among waiters, doctors, coachmen, artists, ladies of easy virtue, corruptible employees, soldiers, bandits, crusaders, gamblers, beggars, we may say all sorts and conditions of men, in all times in all the nations of the earth." What distinguishes capitalism instead is the profitable organization of labor. Nevertheless, the "ingenuous conception" still prevails in Italy and in South America and is widespread in France itself, and in general in the Catholic countries. Instead it does not prevail in nations more influenced by Protestants even if the question of whether Weber's explanations are really persuasive is controversial. But that notion of capitalism contributes to provoking rebellion and the conditions that prevent capitalism from functioning. To the point that, between maximalization of losses and the totality of social conflict, we have the worst of what is called socialism and of what is called capitalism.

La Malfa--I will tell you something else regarding Max Weber's concepts. What is typical in the capitalist productive system is the desire to reinvest. I, for example, see businessmen who could live a life of ease and luxury but who rise at 6 am, go to the plant, study, run to the markets. Yet often there is a feeling that even there there is a creative passion, as in the politician or the artist.

The Leaders Are in a State of Crisis

3 -- Ronchey--During his lifetime, Keynes said that if the temptation to run a risk did not exist--the satisfaction of building a plant, a railroad, a

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farm--there would not be many investments as the pure result of cold calculation. However, look at what Claudio Napoleoni says: that in Italy today we are in a "no-man's land," and that is true to some extent. The fundamental law of capitalism was summed up by Weber in a famous example: "For six pounds sterling per year you can have the use of 100 pounds, provided you are a man who is known for his foresight and honesty." Now, instead, in Italy credit is granted because a public or semi-public enterprise in financial difficulty cannot be threatened by bankruptcy, thus multiplying the destruction of resources which could be used for the general good.

La Malfa--Let us set aside public enterprises, and let us take the system of private ownership. There is the accumulation, reinvestment, broadening of the market. But there is also a better standard of living. If I consider the complex of incomes and then consider how Agnelli lives, what do I care about this?

Ronchey--The argument carries with it two questions. First: If for example in 1945 Fiat had been nationalized or handed over to Finmeccanica, what would it be today? Second: Some high individual incomes can pose ethical-social or psychological problems, but how much do they weigh on the economy's quantitative scale?

La Malfa--When you go to the Soviet Union and hear that the bureaucratic organization wastes an infinite amount of resources and energy, you learn that certain individual incomes cost a lot less than the non-income of the bureaucratic system. Now, let us speak of the public sector in Italy. One of the things I have noted in Italy is that IRI [Industrial Reconstruction Institute] functioned so long as it was modelled on the organization of the so-called capitalist productive system. When did IRI stop functioning? When degenerative elements, introduced precisely by the political forces and trade unions, shifted the model of public enterprise away from a position of competition in relation to the private system. That is, at a certain point we had a system of public companies, which is similar to the Soviet system, which produced very little. Add to this that when the entire system is state controlled, as happens in Russia, at least production is low for everyone. But in our country two systems coexist which are in flagrant conflict.

Ronchey--If we consider factors in Italy that made the capitalist industrial instrument largely unusable, I should also like to recall some notes by Guido Carli in the "Interview on Capitalism" with Eugenio Scalfari, in which he observes that Italian society oscillates between backwardness and advancement. The primary backwardness is in the administrative apparatus, public and social services, in areas of inefficiency and parasitism that impose suffocating burdens on industry: "However, on the level of values, ideologies, needs, we are very advanced. We have the most advanced feminist movement in Europe, the strongest European communist party, the most combative trade union in Europe, the most revolutionary student movement in Europe, the highest number of college graduates in Europe." Carli said, "This is a situation that I define as schizophrenic." But these same factors, assessed in this way by Carli, instead induce Pietro Ingrao to ask himself in the essay "The Masses and Power" whether the Italian case is not one of backwardness or exaggerated

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advancement concerning problems that are maturing in other nations as well. It is understood that for Ingrao, Italy is perhaps in the vanguard of an historical process tending to change western societies. The same concept is repeated and developed by Ingrao in "Crisis and the Third Road," where he discusses the crisis of the social model, of economy, of governments prevalent in the western world.

La Malfa--It is useless, it seems to me, to attempt theoretical flights. There is nothing in what happened in Italy that could indicate a vanguard movement. Of what? A political class must consider--and in this I consider myself more Marxist than many--how the productive system works. Marx's method involves analysis first of all. If ideas about how the system functions are not clear, it is useless to say that you are in the vanguard. Certainly it can also be said that wages are an independent variable, but this leads only to the conclusion that we don't know how to ensure the future for youth, don't know how to increase investment because we did not know how to measure the capacity of the system in respect of the stimuli we produced. The crisis is precisely here. There is talk about a mass educational system and a mass society. But what is this society really? In Italy we have a society which is a formless mass. Not a mass society, but its caricature. While the productive system was being weakened, access to higher education was being liberalized. This was a contradiction in terms. Then they say that the crisis involves capitalism. But it is the leadership class who do things that do not make sense.

It Is Not the System That Cannot Solve Problems: It Is the Governments That Do Not Govern

4 -- Ronchey--I don't know which theoretical school can be followed by those who consider certain objective conditions, largely quantitative, as banal data. In any case, Ingrao maintains that Italy is a "laboratory" in search of a "third road," an expression which in addition to everything else is poorly chosen because the Czechs were the first communists to use it. But Norberto Bobbio has already observed how difficult it is to pretend to be those who found laboratory solutions for the future, in respect to the more advanced nations, in a backward nation not only in economic institutions but homeland of the Mafia, of patronage, the most atrocious terrorism. In L'UNITA, Biagio de Giovanni has insinuated that those who use the concept of backwardness are conservatives, often interested in confusing conflict with backwardness. Yet when there is a situation of conflict that does not make means commensurate to ends, it leads precisely to backwardness.

La Malfa--Possessing an instrument that could have been used for certain ends, we disorganized it by overloading it with impossible burdens and creating expectations in a vacuum. The result of this is that the social crisis increasingly turns upon itself. As a result, at a certain point, even the PCI can no longer bear the crisis. As soon as it enters the system it is charged with betrayal. This is the result of not having given enough thought to things. Capitalism has demonstrated that it can and has supported the increase of raw materials because it acts. I think the true problem of these industrial societies is that the rising expectations cannot continue. Those expectations must be halted in order to insert new generations into the

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economic process. If not, it is not the capitalist system that does not succeed in solving its problems, it is the governments that no longer succeed in governing. And I should like to propose another example of these difficulties. At a certain point, even technological progress is pushed by wage pressures. But we must be careful that this process does not accelerate technological processes beyond the potential of a society. Employment, which at one time was only our problem, is in fact becoming a more widespread problem.

Ronchey--Is this the danger of a technology that is pushed toward an excessive capital intensity and to an absorption of labor that is too low?

La Malfa--Yes, and so long as the need for employment is absorbed by so-called tertiary services, the crisis is not always visible. But we must be wary of technological acceleration in a country that has extensive unemployment or black [unreported] labor. This black labor, or what is called the submerged Italy, is still a resource for which even the communists can take pleasure in the credit balance of payments. But for all of that it is a submerged Italy.

Ronchey--It is always repeated that the situation of conflict is a phenomenon of all industrial societies. But there is often the risk of confusing physiological conflict in other countries with our own which is pathological. In Italy the crucial question has for some time been the pretension of anticipating innovations to solutions regarding nations that have far more advanced institutions. It is sufficient to recall that table by Giorgio Fua in "Employment and Productive Capacity: The Italian Reality," the net stock, the fixed capital of enterprises per capita in various countries, is compared. In 1960 Italy's index was 100, France 162, Germany 177, the United Kingdom 149, the United States 267. Yet beginning in the 1960's there already were demands for the "European Salary" neglecting the entire logic by which wages are correlated with productivity, which in turn is correlated with the use of fixed capital.

La Malfa--In fact my criticism of those demands is that the points of arrival and the points of departure cannot be confused.

Ronchey--Reading Ingrao's essay, the first objection comes precisely from Marxist theses which hold that the most developed industrial nation does nothing but demonstrate to the less developed nation the image of its future. It will not always be this way, but how can the reverse happen? The known response to such objections in general is that one must be aware of "vulgar Marxism" or theoretical economics since the development of productive forces is not the only problem. It certainly will not be the only problem. Would it not perhaps be a sufficient but not necessary condition?

La Malfa--At a certain point we become more Marxist than the Marxists in examining reality.

Ronchey--But they, who so speak are often literary or emotional Marxists, have a mental reservation, a profound prejudice. What they really think, and at times do not say openly merely out of politeness, is that history in any case

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is on their side. And you are the enemy of the people, you oppose the desires of the people. Altogether then you are confronted with this, only this. Some time ago, following a discussion with Amendola on these subjects, the film director Elio Petri telephoned me and said: "Listen, what do you plan to do with the poor after all?" I replied that the poor have increased in recent years, therefore I am concerned precisely about the poor. An intellectual of the left has written that by reasoning on the basis of data, no consideration is given to the fact that the world also has feelings, irrational impulses. If it had been up to us, Anna Karenina would not have thrown herself under the train, she would have boarded the train. I replied that perhaps in a short time the train will no longer pass through here.

La Malfa--We made the dynamics of the productive system the center of our analysis. If they depart from this analysis, they move their forces in a vacuum and recommend ideals that have no possibility of success. But their's is not a feeling, it is a pure ideological error which leads society to disintegration. This was a nation of high industrial development, in the sixth or seventh place. Now, while we are losing that place, we are planning on proposing to the Europeans a reduction in working hours.

Ronchey--A kind of double standard is developing. For example, Eugenio Scalfari wrote a book, "The Ruling Race," illustrating the failure of Italian aid policies. But then he protests with indignation, in a discussion on EMS, because Giscard d'Estaing and Helmut Schmidt conceded nothing out of Italian aid policies to the European process. Is this not a contradiction?

La Malfa--Not only is there contradiction, but at times I have the impression that we are speaking about our problems as if the others did not know where they come from. We claim to objectivize our difficulties, while the others know very well that there are not only objective difficulties, but also those that depend on our subjective behavior.

5 -- Ronchey--The other European governments often have seen themselves as the "rich man's club," which is wrong by definition. Isn't this also an expression of homage to the Leninist conditioned reflexes?

La Malfa--That could be said if we think back to the ideologies superficially inherited from the past. The Leninist ideology could serve a country that had enormous resources, a large number of farmers, a backward leadership class. This experience has no value for us. Even admitting that we must study what happened in other times and places, we must above all examine the kind of society in which we function, what are its constituent elements and what are the mechanisms to interpret and perhaps correct them. But we cannot escape elsewhere, in the world of Leninist conditioned reflexes, or in legends of self-administration, as the socialists claim. But does it seem to you that I could substitute this mechanism with self-administration? If it were up to me I would give them the self-administration of the railroads.

Ronchey--Then, modern technology is far more complex than the railroads. In order to understand how much an experiment in industrial self-administration costs, today it is sufficient to take a trip to Yugoslavia.



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La Malfa--Look at the self-administration of newspapers, it does not seem to me that small amounts are sufficient to finance them. And, in demanding self-administration, what does this doctrine of permanent conflict mean? In order to have a dialectic between forces, the objective must be clear.

Ronchey--It seems to me there are two different wave lengths. You analyze things on a rational level. But here myths and symbols enter into play. And we cannot see a pragmatic turning point. In past years in China, Deng Hiaoping was removed from office because he had said: "It makes no difference whether the cat is black or white; it is important that he know how to catch mice." Today Deng prevails in China but in Italy we continue to discuss whether the cat is black or white, that is, we discuss ideological symbols. And here I owe you an objection. You have always said that it was not important at all to ask the communists to renounce Leninism. They can keep their Leninism so long as they stage one less strike. And instead, if they keep Leninism, it is more likely that there will be one more strike.

La Malfa--I said that recalling that the Catholic Church, even in renewing itself had to maintain sanctuaries and tabernacles. It has demonstrated this to us over thousands of years. It must be understood that a party, even when it renews itself, cannot obliterate a picture.

Ronchey--Now let us state an hypothesis: That many communist leaders know these things very well, even better than we do. After all, the capitalism that functions as you say could also be what some among them describe as socialism. And after all, if at the origin of capitalism there is the capacity to exercise leverage on what Adam Smith described as self-interest in the service of the general interest, already in Smith's bible on capitalism it was explained that self-interest had to be properly understood: And today the self-interest that is well understood, durable, certainly is not that consumerism which you call "vertical development of individual consumption." Let us suppose that the problem of the communists is something else. They are between the opposition and the government. For the time being, they cannot take over government, and they cannot return to the opposition. They know that they are wearing down and in this phase of discouragement in their militant base, equipped with certain conditioned traditional reflexes, they have to say that indeed they are in trouble but their perennial enemy, capitalism, is dying. They have to say this. Therefore, the offensive on the subject of "general crisis of capitalism" is a work of ideological comfort and the most difficult test the PCI has faced in 30 years.

La Malfa--It would be less dangerous to say that Marx is right and his thinking is always valid. To say that capitalism is in a state of crisis and we will replace it generates an expectation. If I told the worker that capitalism is in a state of crisis, he interprets this as he must interpret it, that is, that that organization of production must be eliminated. Now, if I give the impression of not being able to eliminate this, it is useless and dangerous to create this attitude.

Ronchey--Also because no one ever told us how to eliminate it. Rather, already in the 1960's Luigi Longo had said that communists in Italy were not seeking

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new areas of state control. In recent years Giorgio Amendola and the GESPE [Center for Studies in Economic Policy (PCI)] have confirmed that the problem was not at all more state control. Then Berlinguer proclaimed that capitalism had to come to an end. Amendola announced the general crisis of capitalism, and what did the people understand? That a mixed economy must be defeated.

La Malfa--This generates forms of hatred, unleashes conflict, and their own policy becomes difficult. That is, a picture, a tabernacle can be retained; I repeat that the Church maintained all, but care must be exercised in determining what prevents the precise evaluation of contemporary problems.

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PSUC DIVIDED INTO PRO, ANTI-'LENINIST' FACTIONS

Madrid CAMBIO 16 in Spanish 24 Dec 78 p 34

[Text] Officially, there are no factions in the PSUC [Unified Socialist Party of Catalonia], the party of Catalan Communists. Nevertheless, the Leninists were victorious at the last party conference.

Gregorio Lopez Raimundo, the president of the PSUC, and Antoni Gutierrez, the secretary general, are constantly saying that "there is no factional war" in the party; however, the stand supported by the Leninist sectors won out in the latest conference of the party of Catalan Communists.

The proposal involved exclusive membership in the Workers Commissions (COOO) and at the same time an end to support for the unified teachers' and public administration workers' unions (USTEC and STAC). The debate was lengthy and profound. The ultimate vote was: 104 in favor of the proposal, 71 against and 11 abstentions.

From Lavapies to the PSUC

One of those who voted against was future PSUC deputy Miguel Nunez, who will replace resigning Antoni Gutierrez, who prefers to devote himself to Catalan politics. Nunez commented to this magazine that "all opinions are valid in the PSUC, and after they are debated and voted on, the one that gets majority backing will be heeded by the rest of the party. We want to have an open debate on everything, but it has to bring us together; otherwise, the party might eventually break up."

Even though he was born in the Madrid district of Lavapies, Nunez considers himself 100 percent Catalan. The son of a leftist administrative employee, he began reading Victor Hugo and Anatole France as a small child. After studying at the Piarist school La Corrala, he entered industrial school and earned the degree of expert accountant. Parallel to his studies, he also began his political career, which landed him in jail and in exile. In 1956 he was placed on the Administrative Committee of the PSUC. He did not get an identification card until the year that Franco died. He was granted a passport in 1976.

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A fellow prison inmate of Miguel Hernandez and a close friend of Lopez Raimundo, Nunez feels that the Catalan Communist Party is at present in the midst of a transformation: "We are putting aside the longstanding sectarian errors that we inherited from our time in the underground. There are a great many differing ideas in the party now, but there are no factions; it's out of the question."

In the view of the future deputy, who will not be able to take his seat in Parliament until the end of the month because of bureaucratic problems, people began talking about Leninist and social democratic factions "as soon as we started debating Point 15 in the Communist Party bylaws, which dealt with abandoning the term Leninism. This issue has been simplified a great deal and, furthermore, it, well, it, well, it doesn't exist," he stammered laughing.

Dressed in a dark-brown turtleneck sweater and a twill weave woolen jacket, Nunez wanted to make it quite clear that in the PSUC at present "there isn't any sort of monolithic approach; on the contrary, we have an ongoing, open and enriching debate."

#### A Can of Worms

He then announced: "We have now begun the struggle against intransigence. We cannot allow there to be individuals who want to impose their ideas on the majority, which, unfortunately, had been happening in recent times. Intransigence is like terrorism, because it has a spiraling effect, and then no one can stop it. It's a really screwed up thing, and it winds up being a real mess, with irrational things going on, and then political problems are overshadowed."

Miguel Nunez, who has also worked in the Communist Party in Andalucia and the Basque Country, considers himself a Eurocommunist from head to toe, although more than once "I have been described as the head of the Leninists." Despite everything, however, he thinks that Eurocommunism still has many things to resolve: "The truth is that many things that used to be inviolable have been questioned, and therefore we have theoretical gaps to bridge."

He is especially interested in the congress that the Italian Communist Party is going to hold early next year and feels that in political matters the Italians are very astute: "At the next congress they are going to take the term Marxism-Leninism out of the bylaws, but there will be a clause that will continue to support it 'as a matter of conscience.' In other words, they're taking it out in order to carry forward their policy, but they aren't going to have the confrontations that we had here, because they'll continue backing it, albeit symbolically... What happened to us is that we pushed it through by force, and we had our problems because of it."

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Nunez feels that a free flow of information is essential in a party: "This way, there is no reason for speculation." Thus, during the PSUC's second conference in the middle of this month all of the meetings were open-door. "So what? The world didn't come to an end, hardly, and newsmen were able to find out about absolutely everything," he proclaimed.

## Falling Marks for the UCD [Democratic Center Union]

The conference's political resolution, which was passed with 223 votes for and 18 abstentions, expresses great concern "over the uncertainty and indecision that are conditioning the immediate political future" and accuses the UCD of having not yet drawn up an electoral calendar, of not complying with the Moncloa Pacts, of refusing to negotiate the new economic pacts and of denying authority to pre-autonomy entities, especially the Basque Country.

After condemning terrorism and attempts at an insurrection, the Catalan Communists said that they would support a UCD-PSOE [Spanish Socialist Workers Party] government that promised to implement a program worked out by all the parliamentary groups.

The attention of Catalan Communists, however, is focused on the municipal elections, in which they would like to run together with the Socialists and Democratic Convergence, Pujol's party. Although a united front could come about in small towns especially, because in many cases a single party is unable to form a team due to a lack of people and resources, unity is almost impossible in larger towns. It was Nunez's opinion that among them, the Socialists and Pujol's nationalists, they could garner 70 percent of the votes, but the Socialists are still hesitant about such an option. Nunez commented that they still do not have a candidate for Barcelona, although there had been talk of Jordi Sole Tura.

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SPAIN

ETA AFFILIATED BASQUE LEADER INTERVIEWED BY ITALIAN MAGAZINE

Rome PANORAMA in Italian 14 Nov 78 pp 229, 231, 233, 235, 237, 241

[Interview with Federico Krutwig Sagredo by Gian Piero Dell'Acqua in Val d'Aosta, Italy; date not given: "Always and Only Basque"]

[Text] How is Basque terrorism different from other European terrorisms? How have relations between the Basques and the Spanish changed since the death of Franco? How can the Basque issue be resolved? One of the historic leaders of the ETA [Basque Fatherland and Liberty Group] answers these questions.

Last July there was talk of outright civil war: a war between the Basque people and the authority of Madrid, which represents that "Spanishness" that the Basques reject, calling for regional autonomy as their minimum objective and for national sovereignty as their maximum objective. What touched it off was a police charge upon a group of young Basque nationalists at the bullring in Pamplona, Navarra, where they were attending the second bullfight of the fiesta of San Firmino. From the arena, where the crowd was at first divided over the youths' demonstration but quickly united against the police, the battle spread into the streets. From Pamplona it spread to the other Basque cities and to all Spain. There were 2 killed and 200 wounded, a bloodbath followed by a spiral of attacks and repression that continues up to the present.

At the center of the conflict between the Basque country and Spain is an independent, clandestine organization formed during the Franco years that has turned the heritage of Basque nationalism into an armed struggle. What are the roots of this armed nationalism? How is Basque terrorism different from other European terrorisms? How have the relations between the Basques and the Spanish changed since the death of Franco? What are the prospects for solving the Basque question?

PANORAMA asked these questions of the most prestigious leader of Basque nationalism, Federico Krutwig Sagredo. He was born on a farm in the Bilbao province in 1922, is considered one of the historic leaders of the ETA, studied linguistics and is former secretary of the Academy of the Basque Language; in the 1950's Krutwig was forced to leave Spain, where he was accused of insulting the government and inciting subversion. He went into

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exile in France and Belgium, where he now resides. Krutwig profoundly influenced the development of Basque nationalism with his writings: "Bascony, a Dialectic Study of a Nationality" (Buenos Aires, 1962), "Bascony and the New Europe" (Bayonne, 1974); for some time he has been working on a political fantasy novel, which is "rather long, much more than 'War and Peace'; it tells what future European society will be like." It will be published in 2 languages, Basque and Spanish.

Krutwig Sagredo answered PANORAMA's questions during a vacation spent in Val d'Aosta before returning to his homeland with the passport he had finally obtained from the new Spanish government after a quarter century of exile. Here are his answers.

[Question] Mr Krutwig, what do the Basques want? What is the substance of the Basque problem today?

[Answer] The same as always. Up to 1860 the Basque country had its own laws, which were different from those of the rest of Spain. We want them back. It has had experience with the Castilian administration and has found its own is much better. It has had experience with the Spanish police and considers it neither more nor less than an occupation force. It has seen the French Basque country almost depopulated, there is less work there, and has been able to do nothing; it has even had to accept the immigration of a half million Spaniards, which is a huge percentage out of 3 million Basques, beyond all reasonable limits with the danger of fomenting a racist backlash.

Why not create a balance between the 2 Basque regions on either side of the Pyrenees? Because there is a border down the middle. Isn't that crazy? Even the EEC is considering the problem of economic complementarity between bordering regions in different countries.

[Question] How do the Basques differ from other European ethnic minorities?

[Answer] The Basques represent not only an ethnic unit but also a language, culture, traditions and a historical unit because of its common law created by the "fueros" and "conciertos," i.e. by autonomous administration. Above all, unlike almost all or all other minorities, it also represents an economic unit. This is the central point. Occitans and Bretons are minorities, but they belong to France. The Flemish are 2/3 of the population of Belgium, but the other 1/3 rules them because in Belgium the apex of the social pyramid is French-speaking. Peoples are considered what their rulers are, and also in Val d'Aosta the head of the people has been Italianized.

[Question] And in the Basque country is it the opposite?

[Answer] We Basques have our heads on straight. The Basque middle class, not all but most, have not gone along with the Spanish government and have remained Basque. This means that Basque society has been able to produce its own, riper fruit and is capable of governing itself. But Spain does not

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want to understand that. Although it is known that 3 or 4 languages are spoken on the Iberian peninsula, only one is recognized. Basque is no longer forbidden at school as it was under Franco, but it is still considered a foreign language as far as the press is concerned. Publishing in Basque costs 40 percent more than in Spanish.

"Madrid Doesn't Understand"

[Question] How aware is the Basque population of this diversity, i.e. of its own identity?

[Answer] In Europe today the cultural issue emerges at the level of the masses. In Africa the main problem is still getting enough to eat, but not in Europe. That is why the peoples' thoughts turn to culture: we Basques have every right to develop our language and culture, which are peaceful matters. It is a problem of democracy: if we have, and we do, the right to make our contribution to the development of the country we live in, we must be able to speak our own language. It is not a matter of a difference in pronunciation. It is a matter of different constructions and syntax. In the Basque country today only 35 percent of the people speak Basque and only 20 percent read and write Basque because Franco crippled the teaching of Basque, and the church agreed with him at the time. But all this is coming back to haunt them. The most determined separatists are precisely those who do not speak Basque because they have been deprived. They feel themselves linguistically defrauded. You realize how much your health is worth when you lose it.

[Question] The center of Basque nationalism used to be considered to be the Euskadi, which includes the 2 regions of Guipuzcoa, with San Sebastian as its capital, and Viscaya, with Bilbao as its capital, but the big mass demonstrations of last July started in Pamplona during the fiesta of San Firmino. Pamplona is in Navarra. How come this involvement with Navarra?

[Answer] Historically, Navarra is the original region of the Basque country. It used to be called Basconia, and Pamplona was named Iruna, which means capital, and so it is indicated on the ETA map. Thus, Pamplona is the historical capital of the Basque country, not Bilbao or San Sebastian. However, Bilbao is where industrialization began, while the rural ideology prevailed in Navarra even under the First Republic. Hence a feudal spirit still manifests itself occasionally in Navarra, and progressivism and conservatism coexist somewhat as in some parts of Japan. Still, the events of July in Pamplona show that Pamplona is sensitive to the same problems as all the rest of the Basque country.

[Question] Doesn't it seem to you that the police intervention at the "plaza de toros" in Pamplona, which was the spark that set off days of demonstrations in the whole Basque country last July, was a provocative act?

[Answer] Not only provocative but stupid. How stupid Madrid's policy is in its confrontations with the Basque country! In Navarra there is a center-right government, but that of Euzkadi is center-left. Madrid should have every interest in dividing the two regions and opposing Navarra's administrative and political demands. Instead, the opposite is happening. What was the



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result in Pamplona? First, the people talked, then the police intervened and then everybody united against the police. Even a baby would understand that a policy of repression is stupid.

But they don't understand that in Madrid. They hate the Basques. When hate takes the lead, they don't act intelligently but mess things up instead. That is why I say the Spanish government is being made a joke of by the ETA these days.

[Question] In what way? Does this mean that since the death of Franco nothing has changed in the relations between Madrid and the Basque country?

[Answer] The ETA was very popular in the Basque country during the last 15 years of the Franco dictatorship because from the beginning it held high the banner of revolt, protest and anti-fascist rebellion against the repression of any human rights or autonomy. The death of Franco in 1975 began a period of uncertainty. From the ETA's point of view, this period might have been dangerous. If Madrid had understood the Basque problem politically, the ETA might still have continued to exist as a clandestine organization, but it would have lost much or all of its popularity. The ETA understood this and was prudent. They ceased guerrilla action for several months, but the central government was not able to take advantage of this opportunity, and guerrilla operations were resumed. Suarez's Spain has inherited from Francoism, besides being Franco's offspring, an intolerance and incomprehension of everything Basque that does not bring in money to the government.

[Question] Can you give some examples?

[Answer] That of not naming a Basque to the presidency of the local government of Navarra, and they had available a bourgeois registered with a bourgeois Catholic party, a law and order man of the kind they like; the Madrid politicians found it more convenient for the Democratic Center Union (the party of the head of government, Adolfo Suarez--editor's note), which is purely a party of the center-right, to vote for a Spanish socialist.

[Question] What do you think is the solution to these problems?

[Answer] The separation of the Basque regions from Spain and France and the unity of the Basque country. There is no doubt about that, but it is not something that can happen today, nor should it. Tomorrow, yes, in the context of a really united and federated Europe. I do not believe in an abstract separatism; it would be meaningless. Europe must come sooner or later to a division of sovereignty within every state and to a federal union of all the states thus formed.

The federal government will concern itself with military problems, foreign affairs and general economic laws, but the individual states will have to think about the other things. Moreover, this trend towards restoring autonomy to internal states ("devolution," as the English say) is already widespread in Europe, e.g. in Germany and Italy. The Italian regions are a bit

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too numerous and too small, but the principle has been accepted. I have done studies on the best and most governable basic national units, and the optimum dimensions are those of states with 3-5 million inhabitants with capitals that have 300,000 to half a million inhabitants.

[Question] Then everything has to start over...

[Answer] It's not as hard as all that. In Italy, for example, it would be sufficient to reduce the number of regions to 5 or 6 and likewise in Spain, giving these states their proper political weight. True, the federative ideal is still far off, and Europe is marking time, but the people are not at fault. Rather, the governments are, France's especially; it is the real enemy of the new Europe. France insists on emphasizing at every turn its own independence and is pursuing an anti-Europe policy. The other countries, not so much. The large states formed in the past century are still less sensible and less capable of facing up to their responsibilities.

[Question] The theme of the future, then, is nationalism?

[Answer] If that means the concept of nation as a people, as a basic community, yes. For the French, however, the nation is the government.

[Question] Doesn't the world situation, which is in the nuclear age, suggest a lot of caution in this direction?

[Answer] Precisely. The states are preatomic entities. The atomic bomb has caused the peoples' national consciousness to mature. True, the world is divided into opposing blocs of states, but what other remedy could there be for this than the fragmentation of fictitious sovereignties? It is no invention of mine that the people existed before the present states. And they still exist, don't they? Even the unity of Italy is a relatively recent phenomenon.

"We Are Not Terrorists"

[Question] Won't the states you mention finally make a union of the rich, leaving the poor to their fate?

[Answer] Has the unification of Italy by any chance solved the problems of the South? It is much better for a people to develop its own resources by itself than to expect outside aid that may not come. It has not come to the South of Italy as it has not come to the South of Spain. They have to do it themselves, for they must do or die. When you wait for something from outside, you end up doing nothing. The first thing that ought to be awakened in a people is the spirit of initiative. I am also opposed to a policy of aid for the Third World. Aid fits a Christian, Catholic conception of charity, but sometimes to be good Christians people do bad things. I have seen it happen. I was in Algiers for a month. The people have to do it themselves or die, and I think the people don't want to die.

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[Question] All right, but no government is ready to do what you want, which is for them to give up a part of their sovereignty.

[Answer] Oh yes, of course; I know that all too well. No country, no politician will wake up unless they are blasted with dynamite. They just want to keep on as though nothing were the matter. In this context, I think the ETA has done and is doing something. If Spain entered the Common Market, I do not know how happy they would be in Brussels to embrace along with it the tense situation that now exists in the Basque country. It is an example that might be contagious. The Irish IRA seemed to be dead a few years ago, but it came back.

[Question] Do you think it is still possible to resolve the Basque issue by democratic means?

[Answer] Not only do I think it is possible but I hope so. Not to hope for a peaceful solution to such an important problem would have to mean a person was intoxicated with violence. Still speaking frankly, though, I must say the solution does not depend on the Basques. I may have every desire to engage in a dialogue, but if you don't agree, we won't talk. The ETA is not a thing in itself: it is only a response to the Spaniards' desire to do harm. When it comes to terrorism, I say the ETA is not terrorist but anti-terrorist. It is merely a protection against the terrorism of the Spanish government.

I know very well the people and militants of the ETA, and there is not a one among them who is a terrorist, who likes violence for itself. Nor do I. In fact, I dislike violence. But if a robber comes into my house and I say, without attacking him, only, "No, you can't do that," there is already a conflict and a confrontation. If the Basques gave in whenever the Spanish wanted them to, they would be finished. Finished in every sense of the word. That is why we have the ETA.

[Question] Do you have first-hand memories of the founding of the organization?

[Answer] No, I had already been abroad for several years. It was, in fact, when my book "Vasconia" appeared in 1962 that I became the soul of the ETA, but it was not through any merit of mine. It was through the merit of Franco's minister of information at the time, Manuel Fraga Iribarne. Nobody, or almost nobody knew that the ETA existed because under Franco everything was hushed up. However, Fraga Iribarne played it up by ordering a newspaper to print some pages on the ETA that said, among other things, that my book had given the ETA an ideological basis. They even printed some quotations from it. Although it was not exactly what Fraga wanted, people read this excellent explanation with great interest, and many young people found the ETA this way.

[Question] Haven't you gone back to Spain since 1952?

[Answer] Officially, no. I returned secretly in various months in 1967 and participated in the second part of the 5th Assembly in Guetaria, a small area near Zarauz (San Sebastian). The Assembly met in an old house, 200 meters from the police station. I coordinated work in the ideological section. This was a period of intense theoretical study on what a clandestine movement

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ought to do or ought not to do, on the kind of structure to be adopted and the weapons to be used. Others then went and bought them. I don't like weapons, but you can't fight a war without them. Then I worked at keeping the ETA in touch with other movements because we must not get more isolated but have contacts with other people.

[Question] With what movements, exactly?

[Answer] For example, with the Algerian Liberation Front and the Irish IRA. In the latter case, it was mainly to acquire or exchange arms, even though the IRA is not for a united Europe and the ETA is.

[Question] Were there sother contacts, e.g. with the German RAF [Red Army Faction (Baader-Meinhof group)]?

[Answer] No, I have to say not. Anyway, the ETA can't be said to enjoy much credibility with these groups and grouplets of the new left, perhaps because the ETA is automatically popular, and this goes against their mind-set, which is more or less wrapped up in Marxism. In general they are people who overestimate themselves and think they have to accomplish some mission. In Germany everybody was against them precisely because of this: you can't carry out a policy if nobody accepts it. I call it negative terrorism.

[Question] Has the ETA had close ties with Algeria for long?

[Answer] No, I don't think so. All the liberation movements represented in Algiers enjoy an almost diplomatic status, but when I was there, at least, besides being invited to dinner I don't think there was anything else. One thing is sure: the ETA has never received a lira from anyone. Even today there are newspapers that write that we take money from the CIA [Central Intelligence Agency] and from here and there. That's silly. The ETA finances itself. It doesn't want anything from anybody because if you give them an inch, they'll take a mile.

[Question] What models did you use in your writings?

[Answer] The Chinese and Vietnamese revolutions. I studied attentively the organizational forms of the Vietnamese liberation movement and took from it some structural ideas that, I must say, have stood up well in the ETA. Secondly, it was necessary for me to eliminate the Communist or Spanish type infiltration that had already been noted. I thought these structures would last a few years at most, but they have lasted longer.

[Question] However, infiltration or at least division and outright schisms have been a part of the whole history of the ETA.

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[Answer] Yes, but this is a logical development. At the time of the 5th Assembly the ETA had already had a schism with a Trotskyite group. I was furious with them because they kept making the same old mistakes. I maintained that as a liberation movement the ETA should have national liberation as its first and fundamental objective with the social struggle as second priority. That group, on the other hand, wanted to liberate Spain first, make it socialist and then reap a bonanza for the Basque countries. I have always opposed this position: the Basque country must pursue a policy of independence with its own liberation as its ultimate goal.

[Question] As a result of this, has the ETA continued to maintain these positions?

[Answer] The strongest group, the military group, yes. They don't do much politically but they can work together with political groups; they are primarily a nationalist group. They are ordinary people, usually workers. That is the real nucleus of the ETA. The others are from more or less detached sections, particularly the "polis-milis" group, which is the politico-military ETA. I have always been against them because they reason according to the logic of the Russian revolution. In Russia it was necessary to use Czarist officials because revolutionary military leaders were lacking; then it was a good thing to have political commissars. But in the Basque country the military leaders are already well oriented politically, and there is no need of political commissars. Politicians sometimes create dangers for the others. Politicians and intellectuals may do great work in their respective sectors, but they get scared when it comes to taking action. Fear is a human thing, so we must not use these people in action. We must especially not give in to their desire to be always informed about everything, to know everything. When they are caught, we know they will talk sooner or later. The best way for them not to talk, therefore, is for them not to know. That is why the ETA military group is always separate from the others--for reasons of security.

[Question] What do you think of the two high army officers killed in Madrid on 21 July in reprisal for the deeds of Pamplona and San Sebastian? Don't you think these attacks might play into the hands of the right?

[Answer] The ETA only wanted to show that the Spanish army is not as strong and invulnerable as it wants people to believe. As for the right, I do not see what advantage they can derive from it. The extreme right group in parliament is a small group and will not become any bigger because of it. Then too, things are much different from what they were when Franco took power in Spain, and they are much different abroad, too. As for public opinion, you have to remember that every ETA action is frowned upon by the Spanish and approved by the Basques, which is natural. The people who care about the fate of the Basques in Spain are not very strong. They are only a few individuals. When it comes to a war between peoples, though, divisions are usually very clear.

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In 1914 even the anarchists took up arms to fight the German enemy, and Jean Jaures was left almost alone to preach against war. Even Marxist parties do not defend Basques' rights in Spain today. The Spanish Communist Party has always proclaimed the Basques' right to self-determination and has even written it into their program, but they haven't said a word about it since the moment they set foot in parliament. That is another good reason for the Basques always to remember that the problem exists.

[Question] Last 28 August, two members of the Guardia Civil and two armed policemen were killed in the Basque country, in Galicia and Catalonia. If the Spanish government decided to withdraw the police gradually and replace it with the army, would this be accepted by the Basques?

[Answer] I think so, provided the present police forces in the field were all withdrawn. The people consider this special corps a real enemy. I don't think they would have so much animosity against the army.

[Question] Does the ETA have the sympathy of the people?

[Answer] Certainly. Many citizens have hidden and are hiding ETA guerrillas in their houses. Many spokesmen for the Basque National Party aid members of the ETA. They earn a lot of sympathy especially as a revolt and resistance movement, much less as a political organization of the extreme left. The ETA has blundered repeatedly in politicizing itself too much in this direction, but I think it decided recently to reconsider its political alignment. The strength of all liberation movements is in nationalism, not in making too clear a political choice. It is the same way in the Third World. The ETA has had representatives of all non-church forces, including liberals and leftist Christian democrats, as has happened in the Italian Liberation Committee, for that matter.

[Question] How many ETA militants are there?

[Answer] That is hard to say. There are the leaders, the militants and the sympathizers. Even these categories overlap. The ETA certainly accounts for more than one in a thousand people, i.e. more than 3,000 people.

[Question] Why did you not go back to Spain right after Franco died?

[Answer] I wanted to see which way the wind would blow.

[Question] How is it?

[Answer] A little better than before, but not well. I would be happy if everything could be worked out peacefully.

[Question] Mr Krutwig, are you sure the Basques aren't somehow pursuing a utopia?

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[Answer] If the Basques give up on themselves, they will be assimilated and eliminated by the Spanish. If the Basques succeed in getting their own government, they are ready to get along with everybody else, including the Spanish and their culture.

MAP CAPTION

This is the Basque country that aspires to national independence: 4 provinces in Spanish territory and 3 in French territory divided by the Pyrenees frontier, a unit formed by the inhabitants' common origin and language (Euskara, the origin of which is known only to be non-Indo-European); about 700,000 Basques live in the country itself, and 2-3 million are scattered around the world. It has a solid economy: tourism in the north and south, on the French and Spanish edges of the enclave, industry in the Spanish provinces rich in iron ore, with shipyards and metalworking plants.

INSET

The Two Souls of the ETA

How the Basque independence movement was born and developed. Difficult relations between small bourgeois and workers.

1952: A group of Bilbao students publish a pamphlet entitled EKIN ("Do It"). Among them are Jose Manuel Aguirre, Benito del Valle, Julen Madariaga, Jose Luis Alvarez Emparanza "Txillardegui." The latter gives the organization the name ETA the following year. Ideologically, the group is inspired by classic Basque nationalism, especially that of Sabino Arana Goiri (1865-1903), an integralist and traditionalist Catholic who set the countryside against the capitalist cities and advocated an independent, federated Basque state made up of the 7 provinces (Guipuzcoa, Alava, Viscaya and Navarra on the Spanish peninsula and Laburdi/Labourd, Bernabarra/Lower Navarre and Zuberoa/Soule in France).

1956-57: Awakening of the working class (originally the "comisiones obreras"), politicization and gradual radicalization of the Basque small bourgeoisie whence the leaders and staff of the ETA will come.

1956: At the world Basque congress, held outside of Spain, Federico Krutwig Sagredo, who is already secretary of the Academy of the Basque Language, speaks on the subject of guerrilla war as a possible means of obtaining Basque independence.

1959: The ETA is constituted officially on 31 July ("Euskadi ta Askatasuna," i.e. "a free Basque country made of free men") and publishes a clandestine organ, ZUTIK ("Arise") and defines itself ideologically as an "abertzale" or nationalist group, which is also democratic and non-sectarian. The ETA adopts violence as the only possible response to Francoist violence and as a slap at the pacifism of the Basque Nationalist Party (but the first violent actions occur only in 1961).

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1962: The first assembly of the ETA is held abroad in May (now that Francoism has the ETA in its sights, all its leaders have gone abroad) and is defined as a "revolutionary Basque movement of national liberation" that demands the proclamation of Euskara as the "sole national language," is against any dictatorship, "both fascist and communist" and favors the "federalist integration of Europe based on nationality."

In October, Kederico Krutwig Sagredo's book appears in Buenos Aires: "Vasconia, estudio dialectico de una nacionalidad," signed with the pseudonym Fernando Sarrailh de Ihartaza. It contains 2 theories: that of a new, progressivist nationalism that identifies national oppression with social oppression and the theory of revolutionary struggle conducted after the examples of Algeria and Vietnam.

1963: Second assembly of the ETA, abroad in March. A conflict emerges between a majority party, which is nationalist and third-world oriented, and a minority party, which is socialist-worker oriented. In October, attempts at strikes in Bilbao and the Basque country; Francoist repression and destruction of the internal organization of the ETA.

1964: The ETA booklet, "The Insurrection in Euskadi," is published in Bayonne, in the French Basque country. It supports the war of liberation.

The 3rd assembly of the ETA, in April and May, institutes the position of full-time, paid militant.

1965: The 4th assembly of the ETA, in summer, the first held in Spain. It creates a political office and makes a first, positive report on links between the ETA and the Basque population. At the same time, another work of Krutwig's appears, "The Basque Question," which identifies progress with nationalism.

1966: First part of the 5th ETA assembly. Four spokesmen of the political office are expelled for having supported the Trotskyite faction, called Etaberri, in San Sebastian.

1967: Second part of the 5th assembly. Concerning the thrust of the strikes in the Basque country, the ETA's left wing prevails, identifying Basque nationalism as an aspect of the world socialist revolution.

1968: ETA militants kill Police Commissioner Meliton Manzanos, a notorious torturer, in Irun on 2 August. Madrid unleashes harsh repression in the Basque country.

1969: Repression continues all year long throughout Spain. Arrests, numbering 1,953, involve many ETA militants.

1970: The 6th assembly, disavowing the 5th, declares itself against the "Hispanification" of the Basque struggle. The trial of 13 ETA leaders and 2 priests takes place in Burgos in December. An ETA group (5th assembly) kidnaps the honorary West German consul in San Sebastian (he is liberated in Germany on 24 December to show that the "ETA is not a band of irresponsible fanatics").



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On 28 December sentence is passed in Burgos: 6 are condemned to death. Franco commutes the death sentences on 30 December.

1971-72: These are the years of conflict between the 5th and 6th ETA assemblies, a conflict that is resolved in favor of the 5th assembly. The left prevails. In fact, the left had captured in December 1971 an industrialist who, though he was Basque, behaved like an inflexible boss. "The history of the ETA," says an organization magazine, "has been an uninterrupted, difficult dialogue between small bourgeois nationalists favoring armed struggle and the workers."

1973: Sixth ETA assembly, which cancels the preceding 6th. On 20 December an attack is made against Franco's heir apparent, Admiral Luis Carrero-Blanco, who is blown up in his automobile in Madrid.

The success of the strikes of December 1974 reinforces the politico-military wing of the ETA, which decides to integrate the armed struggle with the mass movement to the detriment of the exclusively military wing, which calls for freedom of action independent of the masses.

1975-77: The post-Franco period gives the ETA 2 problems: the first is whether or not to maintain clandestinity and is resolved by remaining clandestine, especially because the exclusively military wing opts for autonomy; the second (the attitude toward confrontation with the Spanish government) is discussed by Krutwig in the interview. In the matter of relations with the other political forces, the ETA recognizes and is recognized by KAS [expansion unknown], a coordinating group between the Basque forces and the extreme left.

PHOTO CAPTION

The bullring in Pamplona. Here in July 1978, during the fiesta of San Firmino, there occurred the first serious incidents between police and Basques in the post-Franco period.

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SPAIN

MAJOR SHAKEUP IN AMBASSADORIAL POSTS REPORTED

Madrid CAMBIO 16 in Spanish 17 Dec 78 p 41

[Text] Adolfo Suarez and his minister of foreign affairs, Marcelino Oreja, are in favor of undertaking a wideranging reorganization of Spanish embassies overseas.

Suarez, who seems to have discovered the "delights" of foreign policy since his first trip abroad last year (to Mexico and the United States), is entertaining the possibility of a radical change in the orientation of Spanish embassies overseas.

An initial indication of the Spanish "premier's" interest in foreign policy matters was his involvement in the appointment of a number of political ambassadors, who are not career diplomats and who have now taken over major posts in foreign service.

Despite the opposition of career diplomats, in recent months ambassadorial posts have been assumed by politicians tied to the UCD [Democratic Center Union] or by some well-known figures outside the government party but with their own political record and the confidence of higher bodies.

The Diplomacy of "Consensus"

In the first two cases we have Jose Llado, the former commerce minister under Suarez, a brother-in-law of Marcelino Oreja and a member of the UCD, who has taken charge of the Spanish Embassy in Washington, one of the most coveted posts in the service, and Manuel Jimenez de Parga, the former labor minister, for whom the government set up a "sui generis" embassy to deal with the ILO, and inevitably it has collided with the Spanish Embassy headed by Fernando de Benito which handles matters with international organizations.

Raul Morodo and Manuel Prado y Colon de Carvajal, who were named special ambassadors in Africa and Latin America, are separate cases. Morodo, a former member of Enrique Tierno's People's Socialist Party, is a professor of political law and will provide the diplomacy of "consensus" with new viewpoints.

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Manuel Prado y Colon de Carvajal, who is close to King Juan Carlos and has replaced Jose Maria Moro at the Ibero-American Cooperation Center, will bring to diplomacy the technical economic and management know-how that is absolutely necessary for the great Latin American political adventure that the crown wants to undertake.

At the moment, Marcelino Oreja's autonomy in the area of appointments has been significantly affected by Suarez's interest in keeping a close watch on foreign policy, with which, according to a number of his colleagues, he is "fascinated."

The attention that Suarez has for some months been devoting to domestic policy issues (the constitution, the "consensus," the referendum, investiture...) has prevented him from starting up the wideranging reorganization plan that has been talked about at Santa Cruz Palace, the seat of the Spanish Foreign Affairs Ministry; the plan is keeping a good number of career diplomats up in the air inasmuch as they fear the unnecessary proliferation of political ambassadors.

As far as these political ambassadors are concerned, there are indications that our representative in Mexico, Luis Coronel de Palma, Marquis de Tejada, is about to resign. His diplomatic performance has left much to be desired, and in the wake of the king's trip it seems that he personally asked to be relieved. Diplomatic sources say that he will be replaced by Jose Maria Moro, who was suddenly dismissed as the president of the Ibero-American Cooperation Center.

Another political ambassador, Juan Antonio Samaranch, the Spanish representative in Moscow, might also be relieved if he is, in fact, appointed the Foreign Ministry delegate to the 1982 World Cup Committee.

#### Changes in the Americas

As part of a first Suarez-inspired diplomatic maneuver, the Spanish embassies in Mexico, Cuba, Bolivia, Colombia and a Central American country are supposedly going to be overhauled. Such changes are tied in with the new plans for Latin America and would be followed by additional diplomatic changings of the guard in Liberia, Gabon, Angola and Tanzania. The changes will be important in these African countries, given the Foreign Ministry's new plans in connection with the African continent and in light of a possible trip there by the king in 1979.

The appointment of Jose Manuel Ulrich as ambassador to Algiers would leave the Bagdad post vacant, which would supposedly be taken by Samaranch's predecessor in Moscow, Rafael Ferrer.

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BRITISH HISTORIAN ANALYZES CONSTITUTIONAL GUARANTEES, RIGHTS

Milan CORRIERE DELLA SERA 22, 23 Dec 78 p 3

[Article by Hugh Thomas: "Juan Carlos Like Elizabeth II?"]

[22Dec 78 p 3]

[Text] The fundamental state charter approved by the referendum seems to be a revised and corrected version of the unwritten British Constitution. The supreme command of the armed forces granted to the king will not count more than the authority of the queen over the United Kingdom Army.

Hugh Thomas, the great English historian, has written this article (whose second part will be published tomorrow) concerning the new constitution approved in Spain by the recent referendum. Thomas, who begins work as a contributor with CORRIERE, is a name that is linked to Spanish and Latin American affairs. The Einaudi Publishing Company has published his "History of the Spanish Civil War," (1963), and "History of Cuba From 1962 to 1970," (1973).

The first thing to be said about the new Spanish Constitution is that the fact that it was accomplished is amazing. For anyone who has some feeling for or minimum knowledge of history, the leaflets issued by the old Carlist party and the communist party both urging a "yes" vote in the 6 December referendum seemed surprising.

The second thing to be said concerning this constitution is that now it has been formally approved by the majority of Spaniards. Perhaps the favorable vote was not as broad as the government foresaw and desired; perhaps propaganda by the government on TV in favor of "yes" was too heavy; and probably, the Spaniards were tired of voting (they have already done so three times in three years: The first time in December 1976 for the referendum on constitutional reform in general; the second time, for the general elections of June

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1977; and the third for this latest referendum). Yet, those who voted "no" constitute a small alliance against the people who otherwise would have little in common: Rightist Catholics, Falangists, revolutionary socialists and revolutionary Basques (the official Basque National Party which is incapable of freeing itself from its position of godfather of the revolutionaries has recommended abstention, and 50 percent of the Basque electorate followed this advice, clearly fearful of the physical consequences deriving from being seen voting).

At first sight, this constitution can seem similar to the British Constitution, assuming that any written constitution can be so since now Spain has a constitutional king, a bicameral parliament and a prime minister to be - selected by the king on the basis of the majority vote in the lower house. Since the draft constitution was written originally by ministers favorable to the king, which last year was--according to the words of Cambio 16, the "motor" of democratic change--it is reasonable to suppose that King Juan Carlos was the principal inspirer of this document.

The details on how governments are elected or on how it is decided which provinces must be independent were added by others following compromises and concessions, but the general lines certainly remain those sketched out by Juan Carlos. He, in turn, probably was influenced by his family's attachment to England and his admiration for Queen Elizabeth II.

During the years in which he was patiently behind Franco, tolerating the lies of the world's press and waiting for better times, this intelligent and resolute Prince presumably was working out some of the ideas now contained in the constitution. Certainly, to be able to arrive at a constitutional monarchy, he must have for some time, behaved like no constitutional king, ordinarily, has ever done. The constitution Franco left to Juan Carlos gave him, as head of state, considerable power although these were less absolute than Franco had had before he grew old.

#### Franco's Thinking

I suppose that Franco thought that after his death the succession would have been different: In a much-quoted phrase, he told his aide-de-camp and cousin that everything was tied, and well-tied, together: atado y bien atado (atar is a verb that Iberia airline stewards use to invite passengers to fasten their seatbelts). He meant by this that after his death the elaborate structure of favoritism, censorship, intimidation and control by various police forces would be preserved by his old lieutenant, Admiral Carrero Blanco, and the king would be asked to give them a human face by means of a campaign in popular newspapers like HOLA. What would happen if he refused? Well, Carrero had a certain influence on Juan Carlos, Franco probably thought, and if everything else failed, there were other members of the Bourbon house who could be disposed to accept the chance at a kingdom on Franco's terms.

The decisive role the king played in transformation meant that at least one choice for the future of Spain was excluded. I do not mean so much a republic

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as that the idea of reviving the Second Republic still bothers some socialists and is also the main prejudice of certain fascinating and elderly personages who returned after 1975 following a life in exile with the hope of reviving a republican consciousness (after all what does republicanism mean nowadays?) I mean the possibility of a presidential system such as developed in France by De Gaulle and by Eanes in Portugal or like that which, I suppose, Manuel Fraga, the leader of the Popular Alliance Party, supposedly requested--and which he was supposed to have been in a position to request--if it had not been for the presence of the king. Whether this will really limit the effectiveness of the government remains to be seen. In any case, so long as he lives, the king will represent an institution with great influence and authority thanks to appreciation for the actions he took and the realism he showed beginning in 1975 even though his actual powers are as modest as those of the Queen of England. In truth, it does not seem that the king was left with that stinger that bees use in case of emergency and which is available to the English monarch.

For example, art 62 of the constitution obliges the King to approve laws, to convoke and disband parliament, only in initiative of the government. He must sign legislation within 15 days from approval by the Cortes (art 91). The referendums can be called (only) upon proposal by the prime minister following authorization of the Cortes, even if there seems to be the need to introduce further legislation to explain exactly when the referendum can and must be called (art 92, par 3). By comparison, the right to grant honors and similar acts seem relatively inferior, such as the right "to be informed" of affairs of state, or to chair meetings of the cabinet when the prime minister considers it opportune.

What exactly does supreme command of the armed forces mean? Much, I would say, in the first days of this constitution, but once the Army accepted the constitution for all time, perhaps no more than the Queen's command over the British armed forces. There is room to discuss the powers of the king regarding the naming of the head of government (art 99), since he will take these steps after having talked about it with party leaders, this particular monarch could at times impose his own views.

But his formal powers are modest. Similarly, the government will fall only, it seems, if it loses an election or loses control of the majority of the Cortes (art 161). The king plays no role. Only the prime minister can dissolve the Cortes and call elections.

In general, therefore, the present Spanish constitution gives the prime minister a power whose rights derive from the lower chamber of the Cortes (parliament). This lower house is elected as the presently-existing Cortes was elected last year by direct suffrage of all citizens over 18 years of age. Both houses of the Cortes have a geographical basis in the old provinces of Spain. Congress, or the lower house, is elected by a vote proportional to the size of the population of the provinces and consists of 300 to 400 members. Ceuta and Melilla, last Spanish (and European) possessions in Africa, are fully legal electoral districts (art 68, par 2). The term

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of congress is 4 years even though (as in England) it can be dissolved earlier evidently upon decision of the prime minister.

The upper chamber consists of four senators for each of the 47 continental provinces of Spain with various subsidiary arrangements for the Canary and Balearic Islands and for Ceuta and Melilla. Senators, like deputies, are elected for 4 years and can impose a delaying veto which can be overturned only by the absolute majority of votes in both chambers (art 90). In special circumstances (art 91), it is also possible to resort to a referendum.

All these provisions, carefully developed, make it seem that the new Spanish Constitution is a revised and corrected version of the unwritten English constitution. The official acts performed by the prime minister in the name of the monarch, however, have no place in the choice of the upper chamber. Just as the hereditary aristocracy does not have it. Another restriction is that as a result of the accent placed on the old provinces, the rural electorate will be more generously represented by the urban electorate in both houses.

[23 Dec 78 p 3]

Most of the new constitution approved in the referendum consists of generalizations. The Spaniards have always believed it necessary to include these in documents of this kind in relation to the right to work or to study. Many believe these things more properly belong in economic or social legislation. The long list of rights and fundamental freedoms (arts 15-38), nevertheless, could perhaps be advantageously analyzed by those who believe that a law on civil rights would be useful elsewhere, but the fact that such rights are formally "guaranteed" in other constitutions (for example the Russian) does not always mean, naturally, that they have real value. Among the basic rights there is the right to privacy.

Other friends of freedom will be encouraged by seeing that article 28 not only guarantees the right to Spaniards to establish a trade union, but also guarantees that no one can be forced to join a trade union. We hope that this provision will be maintained in a Europe that is becoming increasingly corporative.

The sections of the constitution that concern regional independence are the paragraphs that have already caused the greatest difficulty and which in the end could lead to the greatest possible disturbances. These paragraphs of the constitution give the impression that they were pieced together after a series of compromises without a profound study of the real problems posed by the coordination of administrative decentralization with a centralized state. The compromises among politicians are important, in their way, but concerning problems of relationships between the Spanish state and its regions, which have already contributed to unleashing three civil wars in the past 150 years, a long-term strategy is essential and no trace of this is seen yet.

The provisions drafted provide that each of the historical regions--that is the old domains legally abolished at the beginning of the 19th Century, but

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which continue to have a significance in Spain--could ask for self-government through a considerably complicated mathematical formula. This would mean, in the first place, an independence in some way similar to a modified version of the old Stormont system in Northern Ireland.

Compromise

The autonomous regions would continue to send deputies to Madrid even though they have their own institutions. The statute on autonomy gives the local governments some delegated powers over a limited number of actions: Variation of municipal boundaries, tourism, and public health.

By a strange and unsatisfactory compromise, the autonomous government could also organize a police force to protect its own buildings and plant, but the coordination between this and other national police forces must be worked out later. The autonomous regions can also draft programs "for their own cultural life" including teaching of their own language. This clause seems to permit the Basques, let us say, to impose obligatory teaching of the Basque language in the schools.

This prospect is not so rosy, particularly for the 50 percent of the Basque provinces inhabited by Castellians who speak Spanish. Yet, these provisions are not sufficient for the Basque Nationalist Party, which wants specific mention of old rights (fueros), as something separate from those of the other regions. Such rights presumably include the old practice, abolished by Franco in 1937, of collecting their own taxes and sending them to the Spanish government.

Naturally, the Basque nationalists also want complete control of the police in their region. At one time the Catalans asked to be allowed to establish a confederation of provinces in which Catalan was spoken (that is Valencia, the Balearics, as well as Catalonia) to revive a greater Catalonia such as existed more or less in the 13th Century--but for the time being they withdrew this request and finally concretely supported the constitution since they are a realistic and obstinate people and they know, as Cambo said in 1916, that an independent Catalonia, in effect, would become a department of France.

After all, the Basque Nationalist Party by now could also have agreed to a compromise if it had not been for the ETA [Basque Fatherland and Liberty Group] revolutionaries who with obvious impunity fire on policemen every day, rob banks and businesses, extort money for "protection" and in general pursue the aim of establishing a revolutionary state through terror and intimidation.

Naturally the legislation regarding autonomy is denounced as insufficient by the ETA, but no degree of autonomy evidently would be sufficient for the members of the ETA, because they are revolutionary separatists and have for so long lived with violence that it is difficult to believe that they can ever do without it. They are the provisionals of the IRA [Irish Republican Army] on the Spanish scene.



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Threats or Shootings

Franco's repression in Basque country after 1937, including persecution for the use of the Basque language, permits the ETA to play deceptively on the emotions of a vast number of persons who, in economic affairs, are very conservative and, in their hearts, are not separatists at all. Against those upon whose emotions they cannot play, they can exercise threats or shoot them. In the meantime, the Madrid government was too involved with the question of the constitution, and perhaps too anxious to avoid accusations of authoritarianism, to dedicate much attention to the Basque problem.

Many members of the government, after all, are reformed Falangists, who are anxious to prove their own democratic credibility. Interior Minister Martin Villa, for example, practically has never had a moment in his life when he did not have an official position (and an official automobile, as some acidly remark), both under Franco and under the king, since 20 years ago he headed the official association of students.

In any case, by far the most important task of the government now must be the Basque question. In the past, Adolfo Suarez resolved his problems by concentrating all his efforts on a single subject, excluding all the others, and in the second place, by manipulating and offering blandishments to his opposition. Even now a concentration would be necessary, but the same could be said of a greater desire to risk a temporary unpopularity and to assume a strong line. Because at the moment, the ETA has the upper hand in at least two Basque provinces, that of Vizcaya and Guipuzcoa. These two beautiful and once prosperous provinces have been reduced to ruins in recent years. Business is in a state of crisis, the price of real estate has crashed at San Sebastiano, Madrid residents no longer spend their summer vacations on the coast at Zarauz, capital is systematically withdrawn, and the police have implicitly admitted that they cannot protect businessmen.

Someone has therefore suggested that the Spanish state abandon the Basque country to its own devices. This would be foolish and a mistake. First of all, because the majority does not want it; secondly because an action of that kind would constitute a retreat in the face of violence, which certainly would not fail to have effects elsewhere; in the third place, because domestic political effects on the Spanish Army and on the right in general would be incalculable; and fourth, because the creation of a Basque mini-state that would be extremist and revolutionary and economically inadequate would produce formidable strategic problems for Spain, for France and all of Western Europe.

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SPAIN

BRIEFS

USO IN DIFFICULTIES--USO [Workers Trade Union] has grave financial problems due to the fact that it only covers 30 percent of its general expenses from its dues. Also in the forthcoming months it will have to repay many of the bank credits that it has received. The confederal secretary for economy of this union has resigned his position. [Text] [Madrid CAMBIO 16 in Spanish 14 Jan 79 p 5]

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SWEDEN

BRIEFS

FIRST SWEDISH SATELLITE--The Swedish Space Corporation is preparing to build the first national satellite, "M-Sat", which is to be launched in 1982-83 by a Soviet rocket. Negotiations are in progress with the Interskosmos Council near the USSR Academy of Sciences concerning the launching of the satellite, which will be manufactured in Sweden. "M-Sat" (Magnetospheric Satellite) will have as its mission the study of the aurora borealis, as well as reactions between hot and cold plasmas of the magnetosphere beyond the two terrestrial rays. We recall that Sweden and the USSR have already been cooperating for several years in the space field. Swedish scientific experiments have been taken aboard Soviet satellites and stratospheric balloons launched from Kiruna (Sweden) have been recovered in the USSR during joint operations. The choice of a Soviet launcher for "M-Sat" thus marks a continuance of that operation. However, it is surprising that Sweden, which has been cooperating longer with other countries in the European Space Agency, did not see fit to use the new European launcher "Ariane", which will be available at that time. [Text] [Paris AIR & COSMOS in French 6 Jan 79 p 35] 8946

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