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JPRS L/8442

7 May 1979

TRANSLATIONS ON WESTERN EUROPE  
(FOUO 27/79)



WEST

EUROPE



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## TRANSLATIONS ON WESTERN EUROPE

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THEATER NUCLEAR FORCES

ITALY

BRIEFS

MISSILE PURCHASE DELAYED--The current budget of the Italian ground forces, contrary to what had been planned, will not permit the acquisition of the MEI Sistel surface-to-air missile. [Paris AIR & COSMOS in French 21 Apr 79 p 32]

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COUNTRY SECTION

FRANCE

MASSIVE AIRBUS ORDERS NOTED

Paris AIR & COSMOS in French 7 Apr 79 p 39

[Article: "Massive Airbus Orders"]

[Text] The early part of the week was marked by massive orders for the Airbus A310 wide-body transport. These new orders follow the recent announcement of Swissair's initial firm order and Air France's letter of intent to purchase.

Lufthansa: 25 Firm Orders, 25 Options

Lufthansa German Airlines placed firm orders for 25 Airbus A310's and took options for an additional 25. The firm orders alone represent an investment of DM1.5 billion, or Fr3.45 billion. Deliveries will be from 1983 through 1990.

This huge contract was signed last Monday in Cologne at the German airline's main office by Dr Herbert Culmann, airline chairman, and Reinhardt Abraham, the executive board's member in charge of technical matters. Abraham personally had considerable influence on the design of the Airbus A310 and worked in close coordination with Swissair's president, Armin Baltensweiler on the design. Signing for Airbus Industrie were Bernard Lathiere, the managing director, and Roger Beteille, the general manager. This contract must still be ratified by the airline's supervisory board, but there is no doubt the board will give its approval.

Unlike Swissair that has opted for a Pratt & Whitney engine, Lufthansa chose the General Electric CF6-80 turbofan engine. This engine consumes 8 percent less fuel than the CF6-50 which powers all of the German airline's other high capacity aircraft: Boeing 747, DC-10-30, and Airbus A300. All of Lufthansa's large transports will thus be equipped with CF6 engines, a standardization policy that has obvious advantages from a maintenance standpoint.

Lufthansa's A310 will be configured for 211 passengers, with 18 in first class. The A310's will partly replace the airline's Boeing 727's on routes in Europe and to North Africa and the Middle East.

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Commenting on the choice of the A310 over the Boeing 767, Lufthansa's statement said that although the two aircraft were comparable, the A310 was chosen because of its commonality with the A300B2 and B4, 11 of which the airline will place in service late this year. The German airline's statement also said that due to the A310's large fuselage diameter, it can carry containers and pallets identical to those used in other high capacity aircraft. This capability is an important factor in the aircraft's profitability.

KLM Orders 20 A310's

In Schiphol last Tuesday, KLM Royal Dutch Airlines signed a contract for a firm order of 10 Airbus A310's at a cost of 1 billion guilders. President S. Orlandini and Mr Van Ameijden signed for KLM, Messrs Beteille and Krook for Airbus Industrie. The Dutch airline also took options on 10 additional aircraft. Like Lufthansa's, KLM's A310's will be powered by the General Electric CF6-80A turbofan engine.

Four of the 10 aircraft ordered by KLM will be delivered in 1983 and six in 1984 and 1985. Configured for 210 passengers--8 seats abreast--these aircraft will replace part of KLM's DC-9's and DC-8's on routes in Europe and to North Africa and the Middle East.

KLM called this purchase the largest one-time order in its history.

Commenting on this order, KLM cited, like Lufthansa, the A310's advantageous freight carrying capabilities plus its fuel saving capabilities and the quietness of the new engines.

The A310 purchase will be financed partially from the airline's own reserves and partially with long-term credit obtained in cooperation with Airbus Industrie and General Electric.

Air Afrique Will Also Order Airbus Transports

At a press conference in Abidjan last week, Aoussou Koffi, president of the multinational airline Air Afrique, announced his airline had decided to purchase three Airbus transports: one A300B4 to be delivered in 1981 and two A310's to be delivered later.

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COUNTRY SECTION

FRANCE

AIR FRANCE AFFECTED BY WORLD AIR TRANSPORT CHANGES

Paris AIR & COSMOS in French 7 Apr 79 p 41

[Article: "Air France Copes With Upheavals in World Air Transport"]

[Text] Gilbert Perol, Air France's managing director, was the guest speaker at last week's meeting of the Aeronautics and Space Public Relations Society, a meeting chaired by Etienne Daum. The theme of Perol's remarks was the democratization of air transport.

Political Aspects of Air Transport Democratization.

Perol's speech was given the very same day it was learned the Civil Aeronautics Board had recommended to President Carter that he reject Air France's proposed Vacances [vacations] summer fare. As justification for this rejection, the CAB pointed to the French Government's refusal to authorize the very low fares proposed by Braniff and TWA for various United States-France flights. Perol said he was convinced a compromise would ultimately be reached that would end this stand-off in constructive fashion.\*

Perol discussed another current problem, the one created by fare adjustments made necessary by OPEC's new increase in oil prices. Perol said fare hikes must follow, as rapidly as possible, this increase in one of the principal factors determining air transport operating costs. This problem is expected to be settled at the IATA [International Air Transport Association] conference in Geneva early this week. Perol revealed that Air France's fuel bill this year will reach Fr 1.6 billion.

Perol dwelt at length on the political aspects of the democratization of air transport. He analyzed three major elements of this problem:

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\*This proposal was approved late in the week by President Carter and federal officials.



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- a. The United States' attempt to regain a predominant position in the international air transport market.
- b. The dispute between regular carriers and charter carriers.
- c. Attempts to change marketing systems and practices.

Basic Principles of Air France's Policy

These different elements are creating very strong shock waves. Air France is going to pit itself against them by basing its policy on the following principles outlined by Perol.

- a. Air France wants to move with the times. It will play the game according to the rules of the times, knowing full well what risks the game involves.
- b. Air France takes an experimental and empirical attitude toward upheavals in the market. The market is unquestionably the governing factor. But Air France remains determined to provide a certain quality of service.
- c. Air France has no imperialistic design. It does not want to do everything. Charter carriers have their place, including Air France's subsidiary, ACI [Air Charter International]. So do commuter airlines. But the role of both charters and commuters will change.
- d. The national airline is motivated by a desire to operate profitably. For this reason, it hopes the higher fuel prices will be completely and directly passed on to airline customers. It would not be fair to pass this increase on to the taxpayers. Likewise each passenger must pay a fair price for the service rendered him and must not subsidize his neighbor. Under an honest pricing policy, airlines must not be required to subsidize the hotel industry or organizers of package tours and vacations.
- e. Air France must serve French air transport. Perol showed that during the past 20 years, France is the only country to have maintained its status and position in international air transport. Our commercial aviation accounts for slightly more than 7 percent of all world air transport. U. S. commercial aviation accounts for only twice as much international air transport as we do compared with five times as much 20 years ago. British commercial aviation accounts for only 1.2 times as much as we do compared with twice as much 20 years ago. Air France is determined to act and compete in such a way as to ensure that France maintains this position in international air transport.

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In opening his remarks, Perol estimated that the percentage of the French population currently using air transport must be about 8 percent. He emphasized that while air transport remains the prerogative of privileged users, considerable progress has already been noted in the categories of passengers, such as senior citizens or customers from all areas of France outside of Paris.

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COUNTRY SECTION

FRANCE

AEROSPACE EXPORTS WORTH 17,154,000,000 FRANCS IN 1978

Paris AIR & COSMOS in French 10 Mar 79 p 9

[Unattributed article: "French Aerospace Exports for 1978:  
Fr 17,154 Million"]

[Text] The Pool of French Aeronautical and Aerospace Industries (GIFAS) has recently published detailed information regarding its 1978 exports. The direct orders coming from foreign countries over the course of last year attained a total value of Fr 17,154 million as opposed to Fr 23,830 million in 1977 and 9,710 million in 1976.

Included within this total are only the firm orders exclusive of the options. As for materials produced through international cooperation, only the French portion has been included. The value of this portion represents Fr 8,312 million, or 48.5 percent of the total orders.

The distribution by activity groups is as follows:

Fr 9,892 million (of which 4,614 million represent the result of cooperative efforts) for airframes and completed aircraft;

Fr 1,446 million (of which 906 million represent the result of cooperative efforts) for helicopters;

Fr 1,964 million (of which 935 million represent the result of cooperative efforts) for motors;

Fr 2,161 million (of which 1,502 million represent the result of cooperative efforts) for aircraft and clearance.

Fr 1,690 million (of which 356 million represent the result of cooperative efforts) for equipment and electronic systems.

The orders are distributed geographically as follows:

EEC countries: Fr 4,814 million (28.07 percent);

Countries of the free zone: 417 million (1.85 percent);

United States: 2,200 million (12.82 percent);

The Remainder of the world: 9,823 million (57.26 percent)

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GIFAS has drawn up a chart showing the proportion of exports within the total business figure corresponding to the chief programs:

AIRBUS INDUSTRIES: A.300: 86.3 percent;

AEROSPATIALE: Alouette III: 82 percent; Lama: 91 percent; Gazelle: 75 percent; Super Frelon: 72 percent; Puma: 70 percent; Dauphin: 86 percent; Ecureuil/A-Star: 97 percent; 16 types of missile: 50.7 percent.

DASSAULT-BREGUET: Mirage III and 5: 64.5 percent; Mirage F-1: 58 percent; Alpha Jet: 59 percent; Mystere Falcon-20: 92 percent; Mystere Falcon-10: 93 percent; Mystere Falcon-50: 99 percent.

SIPECAT: Jaguar: 57 percent.

MATRA: 530: 45 percent; 550 Magic: 60 percent; Crotale: 20 percent; Otomat: 100 percent; Durandal: 100 percent.

SNECMA: Atar 9-C: 70 percent; Atar 9-K-50: 65 percent.

SNECMA/TURBOMECA: Larzac-04: 21 percent.

TURBOMECA: Taking its total production into account: 66 percent.

LIGHT AIRCRAFT: Mudry: 30 percent; Robin: 47 percent; Reims-Aviation: 82 percent; Socata: 44 percent

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COUNTRY SECTION

FRANCE

BRIEFS

SDECE DEPUTY DIRECTOR--Michel Bouleau, who served in Africa prior to becoming an administrative subprefect, has just been appointed deputy director of administration and finance of the French intelligence service [i.e., the SDECE]. Acting as deputy to Jean Bontoux, appointed last year, Bouleau will be in charge of a 478-million-franc budget. [Text] [Paris VALEURS ACTUELLES in French 23 Apr 79 p 21]

NAVAL BASE CHANGES--The navy is cutting back on its overseas bases. Of the five overseas bases available to the [ship?] Royale (Papeete, Dakar, Fort-de-France, Reunion and Djibouti), only Papeete will continue to operate its ship repair facility, needed because of the nuclear tests program's requirements. The navy [now] prefers to provide its combat fleet with logistical support based on the new fuel supply ships, repair ships and support vessels, all considered less vulnerable than bases on shore. [Text] [Paris VALEURS ACTUELLES in French 23 Apr 79 p 21]

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COUNTRY SECTION

ITALY

SOVIET DILEMMA OVER PRC EMERGENCE IN WORLD AREA ANALYZED

Turin LA STAMPA in Italian 19 Apr 79 pp 1, 2 LD

[Article by Frane Barbieri: "Moscow Attempts Dialog with Beijing to Contain Western Thrust"]

[Text] In a surprise diplomatic note Gromyko has suggested to Beijing the signing of a document laying down the principles of relations between the two huge countries engaged in latent conflict. The document appears to be chiefly an act of recognition by Moscow of China as a third world power. We are a long way from the possibility of Moscow turning the tables and using the "Chinese card" against the United States. It is simply a move--skillful, at any rate, and how effective, we shall see--to prevent Washington from being able to use the same card against Moscow.

China's emergence on the world scene, accomplished by Hua and Deng in rather a peremptory manner, has now become an irreversible fact. Although the Kremlin's hopes of being able to manipulate Chinese policy from its position as sole center of a monolithic communist world evaporated long ago, Moscow believed that it could at least keep China out of the main world disputes by relying largely on Mao's self-isolation tendencies. When this objective vanished too, the Soviet Government recently found itself confronted with difficult option: To negotiate with Beijing through Washington, thus giving the Americans the power to determine the levels of tension and detente along the Siberian borders. The recent arguments in the U.S. State Department over the need to mediate between the two communist powers must have seemed to Moscow paradoxical, to say the least. In all probability this is how they appeared to Beijing as well.

Gromyko's move would seem a logical reaction to this situation. The Kremlin is attempting a sharing game with Beijing, trying to prevent the weight of the Asian subpower from falling entirely on the American side in the bipolar relationship between the two superpowers. The Moscow document constitutes the diplomatic response to the increasingly complex Chinese question." A response which must not be confused with the positions assumed by Moscow on the same theme within the intercommunist context.

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On the diplomatic front, in other words, it expresses its amenability to negotiations and peaceful coexistence, along the lines of the principles applied to relations with all countries. On the ideological, inter-communist front, coexistence is inconceivable for the Soviets under any circumstances.

One of the top Eurocommunist personalities spoke to me some time ago about the pressures exerted by Moscow to align the European parties more closely with Soviet positions. A CPSU representative who came to visit him told him: "You mistakenly believe that even in the face of the most diverse challenges and provocations on your part the reaction will always be rational and moderate. Be careful because even we can lose our patience and take hasty steps for which we will all pay the price later. In short, the balance of power and our Politburo's attitude can also change for the worse." The Soviet was referring to Carter's challenge, to the attempt to encircle the USSR, above all to the Eurocommunists' critical reservations about the Kremlin's policy. He was applying strong pressure to foil any Eurocommunist attempt to assume an intermediate position in the conflict with China. Less persistent attempts have been made to unify the positions of the allied governments.

It is known for certain that the Kremlin did not expect China to react with a military intervention to the provocation carried out against it in Cambodia. Faced unexpectedly with the Chinese attack, the Soviet leaders immediately dismissed the idea of direct reprisals along the Siberian borders: It would have been the start of a war with no foreseeable end. They opted however for a commitment by all the countries in the Soviet camp on the Vietnamese front. It turns out in fact that bodies of volunteers to be sent to Indochina were being organized and trained in all the Warsaw Pact armies apart from Romania. The Chinese withdrawal, announced from the outset but implemented hurriedly perhaps, partly to avoid this highly dangerous trap devised by the Russians, meant that the "volunteer operation" was curtailed. But the "China question" did not disappear with it.

We have information about the difficulties encountered by the officers given the task of training the expeditionary corps for Indochina in explaining to the young soldiers in political and ideological terms the reasons for the conflict with the most populous socialist country. A simple theory had been devised whereby the grass roots of Chinese society had remained socialist but the leaders had deviated from the proper revolutionary path. The theory immediately proved inadequate inasmuch as the volunteers were destined to fire in Vietnam against the "grass roots," in other words, ordinary Chinese soldiers, and not against the leaders. A piece of nonsense, typical of all wars, which acquires a special and almost transcendental value in a society obsessed by ideology. In fact there was an immediate outburst of ideological discussion on what Marxist label should be attributed to Chinese society and the Chinese state. This was necessary to explain the reasons and motives for an armed conflict.

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The interpretations made by the different parties were not intended to destroy the unity and create a flaw in relations between the socialist parties and countries and the Soviet Union. The conclusion was that the resolute and uncompromising struggle against Beijing's theory and praxis are an inseparable part of the fight against imperialism and capitalism.

China, and not just its leaders, thus becomes a capitalist country. Ponomarev's elaborate formulations will serve as a background for further "monolithization" of the eastern bloc, at least to forestall any possible temptation to make overtures toward China. China is becoming a factor, if not of polarization at any rate of diversification, in the communist world. Moscow cannot accept it as a variant or alternative form of socialism without losing its own hegemonic or perhaps charismatic position. Hence it was necessary to place China in Marxist terms on the other side of the barrier, among the "class enemies."

When it comes to explaining the reasons why intercommunist wars erupt the Kremlin theoretician's theses have nothing very new to say: They adhere to the religious formula that wars are always triggered off by capitalism (the reason why, in Ponomarev's syllogism, China could not fail to become capitalist). The extent to which such a formula is defensible was seen on the guest of honor platform at the recent PCI Congress, where the Soviet Pelshe was obliged to sit beside the Chinese ambassador, who had certainly not been placed there in tribute to his country's conversion to capitalism.

With reference to ideology, the Kremlin has tried to make the conflict with Beijing coincide with the communist movement's struggle against Washington. But the approach has proved rather unworkable. The "diversified" parties, one of the main ones being the PCI, are already seeking their "silk route" which will lead them to Beijing. Behind the dogmatic plans outlined by Ponomarev, it turns out that even in Moscow, among Brezhnev's actual advisers (Aleksandrov), a pragmatic problem is being posed: Even though it is "capitalist" China does exist, and sooner or later it will be necessary to negotiate with a country as decisive for the world's future, if for no other reason than to avoid any breakdown in coexistence. But when and how to negotiate? By waiting for and encouraging the fall of the present leadership or by using Washington as an intermediary? Hence we arrive at Gromyko's note, in contrast to Ponomarev's attitude: Diplomatic pragmatism and ideological rigor form a duality inherent in the whole of Soviet policy and are often contradictory only in appearance.

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COUNTRY SECTION

ITALY

REPORT ON PUBLIC FINANCE ESTIMATES FOR 1979

Milan IL SOLE-24 ORE in Italian 23 Mar 79 p 3

[Article by Mario Baldassarri]

[Text] After the report on 1979 requirements for the State and public corporations, at last they are giving us the figures, even for public finance.

From time to time we learn of events which, when we read of them, seem to be anything but sensational; as time goes by, however, it turns out that they may well make a resounding impact on a nation's political and civic habits. The recent "Report on Estimated Requirements of the Expanded Public Sector for 1979," submitted by the Treasury Minister on 5 March, is certainly one such event.

It marks a turning point of major significance in that heralded process of greater clarity and comprehensiveness in public accounting started under the Stamatii administration and carried now by the Pandolfi administration to a level which only a short while ago would have seemed sheerest fantasy.

Preparation of an annual operating budget, a 3-year budget, and a full accounting every 3 years on Treasury operations are in fact tangible evidence of a "figures-and-data culture" which ought to replace ballpark approach of ideological rhetoric and prejudice which frequently dominate debate over our country's economic policy.

The scale and the analytical thoroughness of the accounting rendered in the recent report (not only were the overall books of the State covered, but so, for the first time, were the books of every corporation and agency in the public sector) unquestionably imply fairly long lead-times for the mental effort involved in gathering and digesting all the data contained in the document.

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3 Keys to Valuation

Beyond these boundaries, it does seem possible, however, even on a first reading, to single out three different keys to valuation:

- a. the consistency among the forecasts which were gradually formulated over the course of 1978 and their comparison with the performance record and the final balance for that year;
- b. the scale and structure which the books of the state-owned sector have taken in the four trimesters of 1978;
- c. the forecasts for 1979 and the economic policy maneuvers now suggested as a means to achieve control over the growth in enlarged public sector requirements.

Table I shows the forecasts, in terms of annual cash flow, as contained in the several quarterly reports from the Treasury and the performance records actually chalked up in 1978. In connection with these data, three considerations emerge as most significant.

We can see, in the first place, that the pattern of revenues and expenditures was steadier than had been predicted in several cases.

In the second place, most of the growth in expenditures seems to be increasingly stronger than the increase in actual revenues. In this sense, therefore, the State budget begins to look a good deal like a puppy chasing its tail. Although revenues were higher than anticipated, they failed to keep pace with the upward spiral in actual expenditures. As a consequence, the requirements of the State-owned sector swelled from the 27,000 billion predicted in the March 1978 report to 28,760 billion in the final accounting.

And in the third and last place, the internal structure of revenues and expenditures seems to have taken on a different shape from what was expected. In the revenue column, for one thing, direct taxes accounted for more than did indirect taxes. In the area of expenditures, prediction shortfalls were almost invariably imputable to higher operating costs.

The various adjustments made in the forecasts in August and November of last year, however, were largely traceable to action taken by the government and Parliament. To this extent, therefore, they do not indicate actual errors in forecasting. That sort of genuine error, however, looms larger when you compare the data from the November report with the actual year-end figures as contained in the recent March report.

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FABBISOGNO DI CASSA DEL SETTORE STATALE (1) ANNO 1978					TAB. I
PREVISIONI E CONSUNTIVO					
	1)	Previsioni del:			Consuntivo al 31-12-78
		Maggio '78	Agosto '78	Novem. '78	
A - Bilancio Stato	2)				
I - Entrate totali	3)				
a) Tributarie	4)	50.100	51.600	51.800	52.923
Dirette	5)	41.600	42.800	43.300	44.580
Indirette	6)	18.200	19.650	20.800	21.800
b) Extra tributarie	7)	23.400	23.150	22.500	22.780
		8.500	8.800	8.500	8.343
II - Spese totali	8)	76.230	81.400	82.050	83.358
a) Correnti	9)	61.880	65.100	66.430	68.120
b) Conto capitale	10)	14.350	16.300	15.600	15.328
III - Disavanzo Stato (II-1)	11)	26.130	29.800	30.250	30.435
B - IV - Disavanzo gestione di tesoreria (-avanzo)	12)	900	- 150	- 2.230	- 1.675
V - Fabbis. settore statale	13)	27.030	29.650	28.020	28.760

(1) Le tre previsioni qui presentate sono contenute nelle relazioni trimestrali al 31/3/78, al 30/6/78 ed al 30/9/78; il consuntivo è contenuto nella relazione al 31/12/78 presentata il 14/3/79. Valori in miliardi di lire.

TABLE I: CASH REQUIREMENTS IN THE STATE SECTOR (1), 1978 FORECASTS AND FINAL REPORT

KEY				
1. Forecasts for	MAY 78	August 78	November 78	Final as of 31 Dec 78
2. State Budget		7. Non-tax revenues		
3. Total revenues		8. Total expenditures		
4. From taxes		9. Operating		
5. Direct		10. Capital		
6. Indirect		11. State deficit (II-I)		
	12. Treasury management deficit (less carryover)			
	13. State sector requirements			
14. The three forecasts shown here are contained in the quarterly reports for 31 March, 30 June, and 30 September 1978; the final balance is contained in the 1978 year-end report presented on 5 March 1979. Amounts shown in billions of lire.				

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As you can see, the "surprises" involved by comparison with the estimates made 4 months ago are due to greater tax-derived revenues -- higher by 1,230 billion lire -- but are offset by a greater cash outlay, up by 1,308 billion lire. We also had less carryover on the "Treasury management" books (a shortfall of something like 550 billion lire) than was expected. On the whole, then, the requirements of the State sector were more than 700 billion lire more than the November forecast called for.

From the data in the several quarterly reports released by the Treasury, it is possible to reconstruct the flows that actually took place in each quarter of 1978. These data, shown on Table 2, provide a second profile of valuation, in connection with which two major considerations come to mind.

In the first place, we can see how much time it takes for the "public corporations" to process the funds transferred to them from the State into actual expenditures. What really happens is that when the central government pays out appropriations ahead of time, thus triggering a bigger deficit in the Treasury accounts (as we see happened in the first quarter of 1978), the "Treasury management" books show a fat surplus; on the other hand, when the accumulation of deficits in the State budget slows down, the accounts of the State-owned corporations, on the whole, tend to show a deficit.

Above and beyond these factors, we can see, however, that the requirements of the State sector came close to 6,000 billion lire in the first two quarters of the year, dropped to around 5,000 billion in the third quarter, and only "exploded" in the final quarter to top 11,000 billion lire.

In the second place, then, we find this "anomalous" behavior in the closing 3 months of the year which, all by themselves, made up more than 37 percent of the entire requirement for 1978.

This phenomenon can be partially explained by the elimination of the January supplemental budget, which may have brought on a stepped-up spending pace in the final weeks of the year.

Beyond this purely "bookkeeping" aspect, it will be interesting to find out whether these expenditures, largely to transfers from the State budget account, turn into actual outlays during the first quarter of 1979 particularly, or instead turn up as "re-entries" in the Treasury's management account for the other public corporations. In this case, and to the degree to which it can be demonstrated, we could argue that the overall requirements of the State sector, from the economic point of view, were actually smaller in 1978 than we are led to believe, from a "bookkeeping" point of view, by the accounts embodied in the report.

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FABBISOGNO DI CASSA DEL SETTORE STATALE ANNO 1978 - FORMAZIONE TRIMESTRALE DEL FABBISOGNO					
1)	1° trim.	2° trim.	3° trim.	4° trim.	Totale
A - Bilancio Stato 2)					
I - Entrate totali 3)	10.146	11.807	13.959	17.011	52.923
a) Tributarie 4)	8.230	10.680	12.005	13.645	44.560
Dirette 5)	3.250	5.250	6.078	7.222	21.800
Indirette 6)	5.000	5.430	5.927	6.423	22.780
b) Extra-tributarie 7)	1.896	1.127	1.954	3.366	6.343
II - Spese totali 8)	19.180	15.180	20.539	28.459	83.358
a) Correnti 9)	15.000	12.666	17.743	22.816	68.225
b) Conto capitale 10)	4.085	2.514	2.796	5.643	15.038
III - Disavanzo Stato (II-I) 11)	9.034	3.373	6.580	11.448	30.435
B - IV - Disavanzo gestione di tesoreria (=avanzi) 12)	-2.391	2.691	-1.585	-390	-1.675
V - Fabbis. settore statale 13)	6.643	6.064	4.995	11.058	28.760

TABLE 2: CASH REQUIREMENTS IN THE STATE SECTOR FOR 1978: QUARTERLY FORMATION OF REQUIREMENTS

1.	1st quarter	2nd quarter	3rd quarter	4th quarter	TOTAL
2.	State budget		8.	Total expenditures	
3.	Total revenues		9.	Operating expenditures	
4.	From taxes		10.	Capital expenditures	
5.	Direct taxes		11.	State deficit (II-I)	
6.	Indirect taxes		12.	Treasury management deficit (less carryover)	
7.	Non-tax revenues		13.	State sector requirements	

Some possibility that this phenomenon just may have occurred emerges from the data contained in the supplement to the Bank of Italy BULLETIN, which deals with the formation and utilization of the currency base. In its issue for 20 March 1979, the BULLETIN reports a balance of 676 billion lire in the current expenditures requirement account of the State sector.

If this situation were to persist through February and March, the likelihood of their being an overlapping between the "book-keeping" size of the requirement and its "economically significant" size might be increased to certainty.

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Beyond these "detailed explanations" of the 1978 final report, however, it seems considerably more promising to be given the chance to assess the complex economic policy maneuvers that are to be mounted in the course of 1979.

The Maneuver Factors

As readers will remember, this maneuvering was initially suggested in the "Pandolfi document" last August, and has since been pressed anew and further spelled out in both the 3-Year Plan and in the Report of last 5 March.

TABLE 3: ECONOMIC POLICY MANEUVERS FOR 1979 TO CONTAIN EXPANDED PUBLIC SECTOR REQUIREMENTS

	1) Proposta dell'agosto '78		2) Proposta del marzo 1979	
		%		%
I - Minori spese 3)	3.750	61	1.770	21
di cui:				
a) Pensioni 4)	1.400		670	
b) Spesa sanitaria 5)	1.300		500	
c) Enti locali, transf. 6)	500		300	
d) Minori oneri interessi 7)	350		300	
II - Maggiori entrate 8)	3.000	30	4.930	58
di cui:				
a) Contributi sociali 9)	1.000		1.930	
b) Imposte, manovre, discrezionale 10)	2.000		2.000	
c) Imposte, maggiore flusso "spontaneo" 11)			1.900	
III - Riduz. disavanzo corr. 12)	6.750	111	6.700	79
IV - Maggiori investimenti 13)	2.250	37	1.600	19
V - Rientri in tesoreria per riduzione depositi enti pubblici 14)	1.600	26	3.350	40
VI - Riduzione fabbisogno 15)	6.100	100	8.450	100

KEY

- |                              |   |
|------------------------------|---|
| 1. August 1978 proposal      | 9. Soc. Sec. contributions                              |
| 2. March 1979 proposal       | 10. Surtaxes, policies, discretionary                   |
| 3. Spending cuts, including: | 11. Taxes, greater "spontaneous" flow.                  |
| 4. Pensions                  | 12. Lower current deficit                               |
| 5. Health costs              | 13. Greater investments                                 |
| 6. Local agency transfers    | 14. Treasury redeposits to cut down pub. corp. balances |
| 7. Lower interest payments   | 15. Reduced requirements                                |
| 8. More revenues, including: |   |

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Table 3 shows the various maneuvering factors according to the proposals made last August and according to the guidelines set forth in the recent report.

From these guidelines we can see that, while fitting into a fairly compatible "logic," the two proposals contain features which are markedly disparate. The "cutback in current expenditures," which in August was pegged at 3,750 billion lire, seems now to have been itself pared down to 1,770 billion. This translates into a sharply reduced relative impact for this part of the maneuver (from 61 percent in August, these proposals now amount to only 21 percent of the total planned cutback in requirements).

On the other hand, volume of increased revenues now seems to be greater and the impact of higher contributions and withholding taxes is up from 50 percent to 58 percent. It must really be pointed out that, as actually stated on page 87 of the report, "the contribution (to the reduction of the current deficit) is provided by a slightly more favorable pattern of revenues than originally foreseen." As evidence, the reduction in the current deficit in 1979 is now limited to a total of 4,800 billion, in place of the 6,700 billion lire forecast last August. At the outside, thus, we can assume the possibility of achieving a higher "spontaneous" flow of tax revenues than what was then predicted, falling somewhere in the neighborhood of 1,900 billion lire. To this higher sum are then added the "discretionary" policy move, which calls for additional tax revenues of 2,000 billion lire, and social security contributions, accounting for another 1,030 billion lire.

Under this assumption, therefore, the reduction in the current deficit, as compared with the August forecasts, is still somewhere around 6,700 billion lire, but with the difference that this sum will now derive from two sources: 1,900 billion from an adjustment of the "spontaneous" deficit, and 4,800 billion from the discretionary policy maneuvers.

From this reduction in the current deficit must also come the predicted flow into greater investments which, as we see from the table, are now just about halved (down from 37 percent to 19 percent of the total policy maneuver amount); and added to it must be the volume of bank deposits by the public corporations in the State Treasury account, which now seem to have grown spectacularly to some 40 percent.

Upon careful reading, thus, the impact of the adjustments and policy moves as shown in the recent report turns out to be greater by 2,000 billion lire than it was in the August forecasts. Furthermore, the items which, out of the overall commitment, drawn from higher revenues and higher "bookkeeping redeposits" turn

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out to be far greater than the role assigned to cutbacks in current expenditures and to greater flows into investments.

There still remains one more doubt to be voiced. The Report sets 37,300 billion lire as the overall requirement for the expanded public sector in 1979, after taking into account the effects of the maneuvers we have just described. If, however, we allow for the improvement in withholding tax revenues, that sum becomes inconsistent with the "spontaneous" requirement forecast, which in August was set at 43,720 billion lire. If that last figure were still valid today, in fact, we should be able to achieve a lower requirement for the expanded public sector, equivalent to something like 35,000 billion lire. In that event, then, it should be possible to hold the requirement down below the level indicated. If, however, the 37,300-billion-lire level for the requirement should prove correct, it would imply a "spontaneous" requirement of better than 45,000 billion lire, as against the 43,720 billion forecast in August (both gross figures including the 1,900 billion in greater "non-discretionary" revenues).

So we see that this is one aspect that remains unclear in the perusal of the document and which, perhaps, might benefit by a little further thought. These difficulties in pinning a correct figure on the "book balances" demonstrates once again how important it is to be able to analyze manipulations of the public budget in its multifarious components of revenues and expenditures.

We might well say that the "figures-and-data culture" which we are beginning to develop in this country, thanks in part to documents as estimable as the recent Treasury Report, must avoid the peril of making a fetish of book balances, which have a way of remaining strangely steady, while all the others tend to bob and weave around them.

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