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JPRS L/8601

2 August 1979

West Europe Report

(FOUO 44/79)



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WEST EUROPE REPORT

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EUROPEAN PARLIAMENT ELECTIONS

FRANCE

CHANGES IN AIR TRAFFIC MANAGEMENT POSSIBLE

Paris AIR & COSMOS in French 19 May 79 p 39

[Excerpts from resolution under consideration by European Parliament]

[Unsigned article: "The European Parliament and Air Traffic Management"]

[Text] During 2 days in Paris--19 and 20 March of this year--those members of the European Parliament who serve on the Committee on Regional Policy, Territorial Facilities and Transportation of the European Parliament had the opportunity to hear the specialized representatives of major European aeronautical jurisdictions presenting their views concerning "the development of effective management and control of air traffic"--the topic of the public hearing held by the Parliament. In commenting on these 2 days of discussions (see AIR & COSMOS, No 758) we stated that a report would shortly be submitted to the Committee on Transportation and subsequently discussed at a plenary session of the Parliament.

That session took place in Luxembourg from 7 to 11 May. We are reproducing herewith several excerpts from the draft resolution which the committee adopted and subsequently submitted to the European Parliament for its vote.

"The European Parliament is convinced that it is essential--for considerations of safety and a more efficient utilization of the available airspace--to establish close cooperation between the civilian control units and military control units with a view to their possible integration. It emphasizes that in order to avoid any potentially fatal ambiguity in the transmission of instructions and information among pilots and controllers, only English should be used.

Disquieting Tensions

"The Parliament proclaims its concern with respect to the danger, and the delays, resulting from the lack of compatibility between the air traffic control equipment and the installations used in the individual European countries. It declares that it is equally concerned over the tensions and disruptions in the airspace of Western Europe that result from the discontent

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among the air traffic controllers with respect to their working conditions. The Parliament deems it advisable that air traffic controllers not be considered national civil servants, and that they be consulted as to the choice of equipment they are obliged to use. It believes that the management of air traffic should, over the long term, make it possible to adapt capacities to the demands of air traffic rather than vice versa, as is unfortunately the case today.

"Given the lack of integration in the field of air traffic management in Western Europe, the European Parliament advocates the creation of a single agency for management of this traffic, said agency to be endowed with executive powers; and it states its conviction that such an agency--one comparable to the American Federal Aviation Agency (FAA)--would make it possible to establish stricter safety standards but would at the same time reduce the operating expense of air traffic control and of aerial navigation in general.

Lack of Political Volition

"The European Parliament regrets that the lack of political volition has prevented Eurocontrol from fulfilling the role it should play in a major part of the airspace of Western Europe, and it invites the signatories to the Eurocontrol convention to assume the responsibilities of a 'European Agency for Air Traffic.' In the event (also because of the lack of political volition) the present signatories of the Eurocontrol Convention do not succeed in achieving this objective, the Committee--and the member states of the Community--should take the initiative of creating such an agency, which would integrate the existing personnel, jurisdictions and installations of Eurocontrol."

After citing some of the obstacles to a Community approach to the problem--the legal and technical constraints that very seriously limit the activities of the Committee, the fact that this problem is not among the priority actions adopted by the Council in connection with the aeronautics program, as well as the non-Community character of the Eurocontrol convention--Committee member Burke stated in conclusion that the Committee would without fail study the exceptionally well researched documentation that the European Parliament has assembled on the subject.

The following three significant passages from the explanatory statement accompanying the draft resolution are also worthy of note:

"The Committee has been greatly encouraged by the reception that all parties have accorded this initiative of the European Parliament. It believes that hearings of this type, when held at the desired location, are one of the most useful instruments at the Parliament's disposal for performing its investigatory functions, not only when it studies the specific proposals of the Committee but also--as in the case of the present hearing--when it itself proposes the areas of activity in which future action by the

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Community could possibly be undertaken. This is particularly true when the committees of the European Parliament are dealing with matters that have a direct impact on the lives and well-being of the peoples of the Community.

"An effective system of air traffic control must be organized on a supra-national basis, and...intensive cooperation in Europe responds to a major imperative that derives from Europe's particular geographic configuration. Air traffic control is only one of the aspects--an essential aspect, to be sure--of air traffic management, and it should be remembered that at the time of the failure to establish a centralized air traffic control system it was not anticipated that Eurocontrol would limit its activities to the airspace of the seven member countries of the Community of that day. Eurocontrol is, moreover, not a Community organization, although some of its member states belong to the Community. Even in a 12-member Community, however, the very nature of air traffic management makes it difficult to conceive of an exclusively Community entity that would be capable of assuming complete responsibility for all aspects of the management of air traffic in its airspace. This does not mean, on the other hand, that coordination and cooperation should not exist to the highest possible degree in the countries of the Community, always on condition that they be accompanied by the appropriate contacts not only among the member states themselves but also between these states on the one hand and the other European countries. Cooperation within Europe exists naturally by virtue of the membership of the European states in international organizations such as the OACI [International Civil Aviation Organization], but this cooperation should be expanded and intensified.

A Pan-European Authority

"The Committee approves without reservation the statement made by Mr Hammarkjold, general manager of the IATA [International Air Transport Association], who during the public hearing cited 'the necessity for a Pan-European authority endowed with executive powers to formulate long- and medium-term programs, including implementation programs, in order to have available all those means that will be required for putting in place an efficient, integrated and comprehensive air traffic control system in Europe.'

"It is obvious that such a system will not be created overnight, and that it will take form progressively. In common with all the participants, the Committee believes that the European Parliament has the duty to utilize to the maximum the surveys and the hearings--such as the present ones--which have resulted in the present report, and to continue to bring pressure to bear on the Council of Ministers, the Committee and the governments of the member states in order to ensure that the Community will play a positive role in putting this system in place. The appropriate committees of the Parliament should therefore be invited to follow closely the evolution of all aspects of the management of air traffic control, including technological advances, meteorology and working conditions."

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COUNTRY SECTION

FRANCE

PCF BANKING ON CRISIS, VIOLENCE TO REGAIN VOTER SUPPORT

Paris VALEURS ACTUELLES in French 19 Mar 79 pp 21-22

[Article by Andre Lesueur: "Policy of All-Out Aggravation"]

[Text] The French Communist Party is banking on the crisis to halt the erosion of its voter support, counter the building of Europe, and reduce dissension within the party.

The crisis, indeed even violence, are now part of the communist logic. On Tuesday the 13th, some 300 communist demonstrators from the department of Val-de-Marne, Georges Marchais' department, led by their elected officials, occupied the offices of DATAR (Delegation for Territorial Development and Regional Action). A week earlier, when rioting set Denain aflame, L'HUMANITE expressed little alarm at the mounting violence. In the field, both in the North as well as in Lorraine, elected communist officials were doing their utmost to assume leadership of the various demonstrations.

The PCF has chosen to aggravate the current tension. At a meeting of communist journalists on Friday 9 March, Roland Leroy, editor of L'HUMANITE, explained from what viewpoint the party press must henceforth depict all demonstrations, violent or not. In essence, he told them all demonstrations had to be encouraged, even occupations of company offices, and even those demonstrations which may be akin to sabotage, such as the damaging, the previous week of pipelines designed to carry Dutch natural gas to the Usinor plant in Longwy. The only restriction: communists may not endorse the use of firearms.

This policy of all-out aggravation must be viewed in the light of three coming events: the cantonal elections, the direct election of the European Assembly in June, and the 23d PCF Congress in early May.

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Cantonal Elections

This Sunday night, Georges Marchais is expected to await the first-round election returns with some trepidation. His fear is that they may show further erosion of communist voter support, thereby possibly confirming the historical character of the PCF's electoral decline.

It is to avert this particular danger that communists have everywhere been making more extravagant promises on social welfare issues in order to gain votes: in the East, where the latest legislative elections revealed a sharp shift of the working class vote in favor of the Socialist Party; in the North too, where communists are afraid of the increasing popularity of Pierre Mauroy, the socialist member of parliament from Lille, mayor of that city, and chairman of the regional council.

By banking on aggravated tension, the PCF could hope for recurrence of that phenomenon which invariably occurs among voters in times of crisis: desperate persons go to extremes and those who are afraid rally round the incumbent office holders.

European Elections

For the past 6 months, communists have been striving at every turn to establish a connection between France's current social crisis and the construction of Europe. The bankrupt situation of the steel industry? It is due to the "German konzern" [trusts]. The slump in the livestock industry? It is the result of the application of compensatory duties. Viticulture's difficulties in the Southwest? These would be aggravated by the entry of Spain and Portugal into the Common Market. Argumentation couched in language which Edmond Maire could label as sheer "xenophobia," directed particularly against the Federal Republic of Germany.

"If defending France, the steel industry and our plants, the jobs of our workers, if fighting to preserve France's independence, if all this is nationalism, then I am a nationalist," Georges Marchais unhesitatingly declared in a statement televised on 13 March.

The mounting tension in France can but add fuel to this campaign to discredit Europe. As a matter of fact, the crisis prompts public opinion to fall back on the more sharply defined positions.

On the issue of Europe, however, these positions or views converge: Michel Debre is not less nationalistic than Georges Marchais. Consequently Chirac's movement may, paradoxically enough, benefit from the PCF strategy. Yet this possibility does not seem to disturb the communist leadership. In all of his public statements, Marchais avoids making any attacks on the RPR [Rally for the Republic]. Last week, after the rioting in Denain, Radio Moscow expressed satisfaction at the firm and reasonable attitude taken by the RPR in France's

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social crisis: Radio Moscow's comments are undoubtedly not unconnected with what is being said inside the PCF. Indeed, some communists are beginning to rebel against this "convergence" between their party and Chirac's party. One such group is the "Struggles and Debates" movement made up of members opposing the PCF's present leadership.

The 23d PCF Congress

In view of the open outbursts of dissent following the legislative elections, this congress was promising to be a stormy one. In this connection, however, the social crisis and the European debate have been a godsend for the PCF leadership. They have enabled the latter to put a damper on demands put forth by dissenters relative to internal party democracy and the party's evaluation of socialist countries. As a result, such dissenters now have no choice but to remain silent or appear to be undermining their party's war effort.

In thus reviving its former party line, the PCF is making a stiff wager on its ability to reverse a 10-year old downward trend. The first test of this ability occurs with the cantonal elections on Sunday.

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COUNTRY SECTION

FRANCE

MILITARY'S PERSONNEL STRENGTH OUTLINED

Paris AIR & COSMOS in French 2 Jun 79 p 36

[Text] The JO [Official Bulletin] for 23 May 1979 has published the text of a decree pertaining to the distribution of the authorized military personnel strength of the Armed Forces for 1979. For all branches and services, it amounts to 575,562, broken down as follows: 319,745 for the Army, 100,810 for the Air Force, 68,246 for the Navy, 77,306 for the Gendarmerie, 190 for Military Justice, 6,866 for the Armed Forces Medical Services, 2,192 for the General Delegation for Armament, 63 for Central Administration and 144 for the Inspectorate General of the Armed Forces.

The following are included in this overall personnel strength of 575,562: 17,844 for the Strategic Nuclear Forces, 7,190 for the Tactical Nuclear Armament, 385,353 for the conventional forces and 17,343 for the overseas forces.

By systems, the following is the distribution according to each of the Armed Forces:

	Army ¹	Air Force ¹	Navy ¹	Gendarmerie ¹
FNS ²	2,538 (168 + 753)	10,355 (767 + 5,184)	4,228 (299 + 2,508)	723 (27 + 696)
ANT ³	6,075 (315 + 960)	1,040 (127 + 772)	--	75 75 noncommis- sioned officers
Conven- tional forces	231,446 (10,216 + 37,789)	52,204 (3,374 + 24,076)	34,644 (2,057 + 14,094)	66,988 (1,686 + 62,350)
Overseas forces	10,738 (519 + 2,132)	1,700 (120 + 883)	1,931 (122 + 679)	2,969 (80 + 2,889)

[Footnotes on next page]

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¹ In parentheses, the number of active-duty officers and noncommissioned officers.

² Strategic Nuclear Forces.

³ Tactical Nuclear Armament.

The DGA [General Delegation for Armament] has 71 officers in the conventional forces and 5 officers in the overseas forces.

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COUNTRY SECTION

FRANCE

CORSICAN REBELLION SEEN HEATING UP RAPIDLY

Paris PARIS MATCH in French 6 Jul 79 pp 48-49

Article by Pierre Pasquini as reported by Yves de Saint-Agnes : "Corsica: A New Algeria?"

Text "I'm frightened! Corsica is becoming another Algeria. It is impossible not to be struck by the similarity between the progressive deterioration of the situation in Algeria after 1954, and the escalating separatism Corsica has experienced since 1971."

Pierre Pasquini, 58-year old attorney, mayor of Ile Rousse, RPR Rally for the Republic/ deputy from Corte Calvi and vice president of the National Assembly knows what he is talking about. Not so long ago part of the diaspora sprinkled throughout France's overseas territories, and now residing in France, Pasquini has reluctantly played the role of Cassandra since 1971. A former officer of Free France, Pasquini followed the painful stages of the Algerian drama from 1954 to 1962. And for the past several years, the crescendoing violence in Corsica has brought him to sound the warning signal again and again. Because it is starting all over, worse than ever. And 1979 risks seeing French unity torn apart by faction once again. The French people are at a loss for what to do, and Napoleon must be turning in his grave.

Forty-two Acts of Violence in 1973, 480 in 1978

"It's later than we think," said Pasquini, "and it has to be said. In Corsica, just like in Algeria, the State has had its head in the sand, and so has the majority of the people. In November 1954, when the Algerian situation exploded with the murder of a couple of teachers back in the Aures, hardly a murmur was heard in Algiers. 'That could never happen here,' said the augurs of the Rue Michelet bistros.' Later, during the battle of Algiers, scepticism found refuge in Oran. 'Those people in Algiers don't have any guts,' scoffed the inhabitants of Oran. 'Let the terrorists come here and they'll find out a thing or two!'"

Pasquini's chiseled, classic features have nothing of the fanatic in them. And if his deep, ringing voice sometimes shakes with anger, it is free of

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any trace of overexcitement or frenzy. What does that tell us? It tells us that, after looking at the figures, we are forced to admit that his anxieties are in no way exaggerated. Between 1954 and 1971, there was a total of 109 acts of violence in Corsica committed by groups demanding autonomy. At that time, Pasquini tried to bring the gathering storm to the attention of the Ministry of the Interior and the large daily papers. "It's all rubbish," replied the head of the de Frey ministerial staff, Pierre Somveille (today prefect of police). Then, in 1972 alone, there were 12 acts of violence counted, and after that the increase became almost exponential: 42 in 1973, 111 in 1974, 226 in 1975, 298 in 1976 and 480 in 1978. And that is not all! The increase was not only quantitative, but "qualitative" as well. Gone are the ineffectual "bang bangs" of the early years.

Corsica Enters the Phase of Fear

The more recent acts of violence have been large-scale: as early as 22 March 1974, an Air Inter Caravelle jet at the Bastia airport was bombed; on 22 March 1975, it was the turn of a Boeing 707 in Ajaccio. Another giant step was taken on 22 August 1975, when a man was killed. The separatists killed two gendarmes during an attack on the police. And on Bastia's walls, along with scribbled signs reading "I Francesi fora" (out with the French), flourished the ignoble graffiti which read "Corsica 2, France 0." That was only a temporary score, because shortly afterwards a member of the CRS Republican Security Companies was killed during a siege of the new prefecture. Out with the French? The separatists must have rubbed their hands in glee, as here were already three Frenchmen leaving the island--in coffins. One cannot help but be reminded of the famous "suitcase or coffin" slogan used by the FLN in Algeria.

"These two movements present strikingly similar profiles," says Pasquini. "In Algeria it was the FLN and in Corsica it is the FLNC Corsican National Liberation Front. In both cases, the early acts of violence were committed against property, and those acts were difficult to distinguish from ordinary misdemeanors. During the second stage, responsibility for violent actions of this sort was claimed by groups aspiring to internal autonomy. The next stage saw a further hardening of attitude, and the demands changed from autonomy to independence. From then on, attacks were directed at public buildings and people. The reactions of the Algerian and Corsican people were also quite similar. At the beginning, the insurrection fomented by a violent minority went practically unnoticed by the majority of the population. Think back to 13 May 1958, when Pieds-Noirs and Moslems gathered together on the Forum in Algiers to cheer the name of France. That was 4 years after the beginnings of the revolution, but also 4 years before French withdrawal. Once the panic implanted itself in Algeria--when civil servants no longer dared go into the douars villages consisting of tents or huts encircling an open space and avoided visiting the gourbis semi-permanent huts--withdrawal became inevitable. Well, Corsica is entering exactly the same phase--the phase of fear--right now. From Cape Corsica to Bonifacio, from Aleria to Cargese, the Corsican National Liberation Front

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(FLNC) "does what it likes, strikes where it likes and when it likes." Under these conditions, it is not surprising that there is not a public building (including the gendarmeries) or even a street sign which has managed to escape revolutionary graffiti. Even more disturbing is the fact that 95 percent of the vacation homes on Cape Corsica have been bombed. Rather innocuous for Corsican tourism.

Streets Not Safe

"All this happened just when winter tourism was starting to pick up," commented the Ile Rousse mayor. "Corsican officials had just obtained, through an historic decision, year-round air and steamship service. A better future was in the offing. But the reality is much harsher. After nightfall, the scant forces of the gendarmerie barricade themselves. From then on, the streets are no longer safe. The fear is even felt on the continent. Otherwise, how can you explain that the Corsican editions of NICE MATIN and the PROVENCAL publish FLNC communiques without changing them one iota. In these two widely-circulating French newspapers, I have read veritable calls to revolution and formal condemnations of 'French colonialism.' The editors of the newspapers in question, already guilty of encouraging attacks on national safety, do not dare attach any sort of corrective commentary to these manifestos."

Patriotism of the Over-40 Generation

Reading these astonishing communiques, one wonders if Pierre Pasquini's Algerian-Corsican comparison did not stop somewhere short of the truth. The Algerian FLN had to distribute its underground paper EL MOUDJAHID at its own risk, if it wanted to get its word out. By publishing its communiques in the French newspapers, the FLNC is smashing all records set by its Algerian predecessor. What kind of impact are the separatists having on public opinion? In September 1975, a SOFRES [French Opinion Polling Company] survey gave the following results: 55 percent of Corsicans were satisfied with the present status; 38 percent supported autonomy within the framework of the French Republic; and 3 percent wanted independence. What does Pasquini think of these figures?

"This kind of thing always has to be taken with a grain of salt. It is not always easy to make a distinction between a sincere autonomist and a disguised separatist. Look at Dr. Simeoni. He claims, now, to be fighting a nonviolent battle simply for internal autonomy, and nothing more. This is a new position for him to take. What he did in Aleria hardly resembles nonviolence. Maybe he has simply been overridden by the more violent wing of his movement. In my opinion, Corsicans of the over-40 generation still show a strong French patriotism, not unmixd with a marked particularism. They are permeated with French culture, served in the war and took part in the French colonial adventure."

Among the younger generation (from 15 to 30), the emotional ties with France are more easily broken, and the younger generation represents

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two-thirds of the island population. France, now reduced to its national boundaries, can no longer offer the expansion and adventure it once could. From the village chief in Equatorial Africa to the petty officer stationed at Tonkin to the customs officer at some distant border, Corsicans in droves used to fill public offices which the loss of French territories has eliminated.

"You know," continued Pasquini, "during the period of France's 'greatness' neither Corsicans nor Frenchmen worried too much about improving the island's social or economic structures. Lord knows there were enough Corsican ministers and elected officials under the Third and Fourth Republics! But they were satisfied with getting a job here, a cigar store there, or an increased pension. Corsicans asked no more than that at the time, and had no desire to see the old country transformed into an industrial or tourist complex."

2.5 Billion in State Funds

Today, the winds of time have once and for all toppled this patriarchal organization. But is Corsica really any worse for it? Not according to the figures: 420 million francs were allocated to public services in 1976, against 220 million in 1973. State subsidies for public utilities went from 110 million francs in 1973 to 375 million in 1978. The total amount assigned to social welfare services was 115 million in 1973, and 218 million in 1976. To sum up, State funds allocated to Corsica amount to 2.5 billion francs, while taxes paid by Corsicans only amount to 700 million. Simply, that means that each time France collects 70 centimes in Corsica, it returns 2.5 francs. Then what is there to complain so loudly about in Corsica?

Public Safety has Priority

"For a short time now, the government has been going full steam ahead with economic development," Pasquini said. "And that brings me back to my Algerian comparison. What good did it do to pour billions of francs into the Constantine plan and the Bone iron and steel plant in a political situation which France no longer controlled? What resident of Algiers was going to jump for joy about the construction of a bridge, when a fellagha was threatening his safety and his belongings in case of "collaboration"? With the situation as it is now in Corsica, priority should be given to the reestablishment of public safety. The Roman adage 'Spare the rod and spoil the child' came from a time when Rome was a mighty power. But the clemency of Augustus came from the same period. And then, there is imagination: for 10 years, we were told that it was going to take power. We must set aside grand cultural and political plans, and not lock ourselves into great principles. Alsace-Lorraine has a special statute covering religion and the law. Somewhere between overconciliation and excessive severity, there is a middle path."

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Is it too late to improve, reform and prevent a serious misunderstanding from becoming a catastrophe? Or will we go ahead and sell off Corsica, Brittany, the Languedoc, the Basque country, Alsace and on and on, only to find ourselves between "authentic" Frenchmen squeezed into the territory of what was once the Seine-et-Oise, with the island of Mayotte for our vacations, since it had to practically go to battle to remain French?

Pasquini is neither pessimistic nor optimistic, but tries to look clearly at the situation:

"Things can still be saved. But we have to act quickly, take initiatives, tighten a screw here and loosen one there. One word says it all: govern. Let us not hesitate to do it now, because tomorrow will be too late.

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COUNTRY SECTION

FRANCE

CHANGES IN ARMORED DIVISION MAKEUP, MISSION OUTLINED

Paris ARMEES D'AUJOURD'HUI in French Jun 79 pp 61-62

[Article by Army Corps Gen Bertrand de Montaudouin:* "Armored Division 77--
The 'Smallest Big Unit'"]

[Text] A major interservice unit, the armored division is now the smallest formation of forces combining a commitment of attack and support weapons to execute operations decided by the army corps.

In the earlier setup this responsibility fell to brigades while the division then had the task of coordinating the operations of several brigades and of their environment. Why was this change made?

The mechanized brigade of type 67 lacked armor: Its approximately 100 tanks of which 50 were scattered among mechanized regiments no longer enabled it, in the European theater, to face large modern armored and mechanized units. In addition, its means of army engineering and logistical support did not endow the mechanized brigade with sufficient autonomy.

Furthermore, the existence of two levels of command--the division and the brigade--among the regiments charged with the execution of operations and the army corps responsible for over-all strategy and notably coordination between nuclear and conventional weapons precluded satisfactory response time. It was thus necessary to ease the chain of command for operational reasons and this coincided with the need for saving on personnel without reducing the number of front-line troops.

*Army Corps Gen Bertrand de Montaudouin is a graduate of the Saint Cyr military academy, class of 1943. He took part in the French, Indochinese, and Algerian campaigns. After commanding the 6th Armored Regiment, General Montaudouin became head of the group of Coetquidan schools, joined the personal general staff of the French president, commanded the 7th Mechanized Brigade, and was director of advanced military, scientific, and technical instruction. He is now inspector of the armored cavalry branch and member of the Higher Army Council.

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The elimination of one level of command thus became necessary, but subject to an improvement in the means of communications. Surveys and experiments indicated that the new equipment made this possible, something which truly large-scale maneuvers have confirmed.

In its existing state the armored division is thus the best compromise between the required power and the imperative of direct command: It is the "smallest big unit."

Under the Sign of Daring

Armored Division 77 comprises seven regiments as follows:

1. Two tank regiments with four tank squadrons and one mobile squadron.
2. Two mechanized regiments with two mechanized companies and two tank companies.
3. One artillery regiment with four batteries of six guns of 155 mm.
4. One army engineering regiment with equipment to cross waterways and obstacles.
5. One command and support regiment including means of communications, circulation, transportation, material support, and medical facilities.

Additionally, the division has a reconnaissance squadron available to acquire information and protect its personnel as well as a company of VAB/HOT [Armored Attack Vehicles/expansion unknown] improving its long-range antitank capability.

In all, Armored Division 77 has one chief in command of 7,000 men serving 500 armored units including 150 battle tanks to fulfill the combat missions entrusted to it directly by the army corps.

Firepower, mobility, and flexibility are the principal characteristics of the armored division. The firepower is provided by the 150 tanks and their support units, mobility is assured by the mechanization of its combat capabilities and its logistical autonomy, and flexibility is made possible by its four-level structures.

In the face of an adversary threatening to be superior in over-all number, this armored division has to operate so as to be locally and temporarily in a position of strength to throw the adversary off balance, to disorganize him and to destroy him. Like a "high sea squadron," the armored division must be capable of "diverting" its thrust of operations in very short order. Avoiding frontal attacks, it will contrariwise strive to find a weakness in the enemy's setup, creating it if necessary in order to infiltrate it and to hit the sensitive and vulnerable zone of the enemy where his command posts, support units, and supplies are located. Any raid, even on a small scale, in the rear of the enemy on contact jeopardizes his operational capability and makes him vulnerable. The adversary's destruction is then possible.

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Thus, what is involved are systematically excluding slow developments and rigid maneuvers. It is under the sign of daring and initiative that the combat of the armored division will take place: The instruction and training of the units are oriented along these lines.

This style of action is not new, incidentally. It is that of the operations of the 1st Armored Division in Provence and in the Rhone River valley or that of the 2d Armored Division in its operations in the Strasbourg region. More recently, during the Yom Kippur war, it was the tactic of the armored group of [Israeli] General Sharon surrounding the Egyptian Third Army and transforming to its benefit an initially dangerous situation.

Team Work

In order to wage its mobile combat, the armored division needs help.

It first has to be protected against the adversary in the air. While, during an engagement, advance elements in contact are hard to identify by aircraft flying at very high speed, the armored division with its 1,800 vehicles is very vulnerable to air attacks, especially during its movements along roads. To protect it against such a threat, the army corps has Hawk and Roland missiles which complement the general protection assured by the air force, the division having numerous self-defense weapons available at its level.

During its operations the armored division must be supported by effective artillery. The means of its own artillery regiment will not always be sufficient. The division will then be reinforced by the artillery of the army corps.

Mobility can be checked by natural or artificial obstacles. Undoubtedly, the caterpillar tracks of tanks and accompanying equipment, the "submersible" capacity of the AMX 30 tanks, the amphibious characteristics of the AMX 10 tanks, and the army engineering capabilities of the armored division endow it with a certain degree of autonomy, but it will often be necessary to reinforce these means.

Mobile operations need to rely on large thoroughfares, whether what are involved are major communications centers, generally in urban areas, or areas difficult to cross. Infantry divisions will provide armored divisions with the necessary assistance in this field.

Tanks and helicopters are complementary in modern combat. To be sure, it is not a matter of superimposing equipment having very different potentials, for this would be to limit both, but rather of coordinating their efforts. Thus, operating according to their own procedures but in close linkage with ground troops, helicopters extend the operations of the armored units by doing reconnaissance work and by providing cover and expanding their operations.

For reasons of organization and in order to use to best advantage the possibilities offered by their great mobility, helicopters have been consolidated

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at the level of the army corps but most often they will operate to assist the armored divisions.

Finally, there is the assistance of the logistical brigade which makes it possible for the divisions to continue operations, the latter having the capability of 3-day autonomy but needing support in the threefold area of supplies, medical facilities, and maintenance.

To Prepare Tactical Nuclear Firepower and Its Exploitation

The army corps is that level at which tactical nuclear weapons are used, the armored division helping in the preparation of the strikes and insuring their exploitation. However, the decision to use these weapons which lies exclusively with the political authority can be deferred. At any moment the armored division must thus be ready to change its thrust. Whereas its action was oriented to the preparation of a strike, the order can be to pursue conventional combat for a certain period. Contrariwise, the decision to use tactical nuclear weapons can be made at a time when one of the divisions is engaged in action involving a clash with adversary forces. Leaders at all levels must then be ready on a permanent basis to face unforeseen situations and must train for them in peacetime.

Through its firepower, mobility, and flexibility, the armored division is thus a well-adapted instrument to meet the demands of modern warfare. Initiative, daring, capability to rapidly change its thrust and be ahead of events are the principal qualities which cadres must possess to wage a mobile, changing, and constantly dynamic combat.

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COUNTRY SECTION

FRANCE

ORGANIZATION, DUTIES OF ARMORED RECON COMPANY NOTED

Paris ARMEES D'AUJOURD'HUI in French Jun 79 pp 65, 73

[Article by Capt Yves Kermorvant:* "To Do Reconnaissance for the Division's Movement"]

[Text] "The basis of any military operation is, first, a knowledge of the terrain under its twofold defensive and offensive aspects, then that of the position, power, and if possible plans of the enemy" (General de Brack).

Established in 1977 at the time of the army's reorganization, the reconnaissance squadrons of the armored division are the heirs of the brigade reconnaissance companies.

But they are significantly different from these and for three reasons at that:

1. The attachment of these squadrons to the armored cavalry unit.
2. The creation of armored divisions.
3. The advent of new means of communications, reconnaissance, and antitank combat.

While they have only slight influence on general organization, these changes have been felt in a more notable way in the parameters of the operational zones and principles of use.

But before everything, why an EED [Divisional Reconnaissance Squadron]?

*A graduate of the Saint Cyr military academy of the General Gilles class (1969-71), Capt Yves Kermorvant was squadron chief with an AMX 13 tank unit and then with an AMX 30 tank unit in the 2nd Light Infantry Regiment. After assuming the command of the training squadron in the 5th Dragoons Regiment, he has been commanding the reconnaissance squadron of the 3rd Armored Division since its creation on 1 September 1978.

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To Guarantee the Aggregate Safety of the Division

The armored division is the major base unit: It cannot be committed effectively against an enemy that is probably more numerous unless the division is informed.

This is done by the higher echelons. However, such information provided by the air force, radar stations, and listening posts must be made fine-tuned and confirmed in the field constantly.

The captain in command of a reconnaissance squadron has the following available for his "information gathering" activity:

1. Means of surveillance: These consist of the two groups of squadron radar stations. Each of these groups has two "Rasura" units which make possible surveillance of the battlefield day or night and in all weather.
2. Means of reconnaissance: These consist of nine patrols divided into three platoons. They are characterized by mobility and secrecy.
3. Finally, the EED has the following means to insure its firepower: Three two-piece Milan missile launchers. Each of them belongs to a platoon to which they provide an extension of antitank defense but can be consolidated into an antitank platoon then having six units.

In all the EED has the following:

52 vehicles including 40 Jeeps.

Eight radar stations (Five "Rasura" units and three "Olifant" units).

Six Milan missile-launchers.

Nine 89-millimeter antitank rocket-launchers.

Nine 7.62-millimeter machine guns served by six officers, 27 noncommissioned officers, and 129 men of the rank and file.

The basic vehicle is the Jeep. The latter is obviously not a new piece of equipment. But it provides the squadron with extreme mobility owing to its great autonomy (range of 500 km), its small bulk, its speed along roads and trails, and its relative capability for crossing obstacles.

Its shortcomings are essentially its vulnerability to both conventional and nuclear fire and its lack of amphibious capability.

The operational range of the reconnaissance squadron is that of the armored division.

Its resources enable it to operate on a front from 20 to 25 km wide at a distance of from 80 to 100 km of the divisional command post.

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In most cases the captain must commit his three reconnaissance squadrons at a single level, which averages a zone of from 5 to 8 km of frontline for each platoon.

In a European theater of operations the patrols must most often operate in isolation over an itinerary, the Milan missile groups being at the second level of their platoons.

Widely Stretched Setup

"How does the light cavalry manage to do reconnaissance for the army?"

"By going ahead of our columns, doing reconnaissance on their flanks, surrounding them, providing cover with a vigilant and courageous curtain, shadowing the enemy step by step, harassing him, worrying him, aborting his plans. . . ." (General de Brack).

The EED's task is to secure and transmit information.

What is involved most often is to define the enemy's parameters and to continue contact up to the time of the engagement of the first level of the division.

The seeking of information calls for a widely stretched setup which makes it possible to observe over the entire width of the zone by taking advantage of all possibilities of discreet surveillance and infiltration in the enemy setup.

At any rate, the information acquired must be transmitted rapidly, which implies not only good use of the means of communication but also that each one, at the lowest levels, should strive toward that goal.

It is necessary to avoid allowing oneself to be located and therefore to engage in combat only under very favorable circumstances or when a mission mandates it.

The articulation of the platoons is generally unchanged. However, in order to launch a significant antitank attack the Milan missile groups can be re-grouped.

The EED must be ready to subsist in the enemy's rear after leapfrogging or penetrating deeply to continue to provide information.

Finally, initiative is indispensable at all levels to seize every occasion to locate the enemy, to find weak spots in his setup, or to inflict losses on him.

The study of the operational zone of a squadron shows that the base unit cannot be the platoon but rather the patrol. Now, what is a patrol? It consists of one young noncommissioned officer, a corporal, and four men.

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As far as equipment goes, it has two Jeeps, one 89-mm rocket-launcher, and one machine gun.

A small chief, limited means, but a "major mission!" For in part the division's operations depend on them: On their information, their agility, their skill, their shrewdness, and their daring.

This is what typifies a reconnaissance squadron.

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COUNTRY SECTION

FRANCE

INDUSTRY MINISTER DEFINES SPACE POLICY

Paris AIR & COSMOS in French 16 Jun 79 p 59

[Article by Pierre Langereux]

[Text] "The space venture is too vast for France to be able to go it alone; France has therefore chosen an international policy which observes both our concern for independence and our concern for cooperation," stated French Minister of Industry Andre Giraud on 11 June while visiting the CNES [National Center for Space Studies] display at the Le Bourget Salon.

"The primary objective of our space policy is to situate the French industry in fields where, today, promising markets are appearing and where it has a good chance of being competitive: telecommunications, direct television broadcasting, earth observation, and associated equipment.

"It is obvious there can be no industrial mastery possible nor any real independence in the space domain without free availability of launchers enabling satellites to be placed into orbit," the Minister of Industry reminded, thus confirming the continuity of the French policy in that regard.

Manufacturers' Charter

This presupposes "a strong and competitive industry" capable of facing the international competition. "The French industrial potential of today inspires confidence," considers Andre Giraud, but for that feeling to be reinforced "it is important that a number of actions be undertaken.

"Manufacturers must strengthen the rigor of their management. They should, in particular, achieve substantial gains in productivity, energetically reduce their costs, tighten control over foreseeable delays, and improve the service life and reliability of their equipment.

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"Manufacturers must also more clearly assert their desire, and ability to export. Their presence upon international markets must be further increased. It is appropriate that they take over from administrations having jurisdiction, within which they will always find energetic support," the minister stated, recalling the recent establishment of the Satel-Conseil GIE [economic interest group] and the Directorate of International Business within the CNES.

"Last, manufacturers must continue, and intensify, their research and development efforts," particularly in the areas of power transmitters for direct television satellites, on-board recorders for observations satellites, and above all, high-powered cryogenic motors for the Ariane rocket.

New Missions of the CNES

In order to support this manufacturing effort the Minister of Industry has modified the structure of the CNES which is henceforth responsible for "stimulating the space industry, increasing dialogue with users of space, promoting our export capabilities, and evaluating the long term stakes. In addition the CNES must, for the sake of efficiency and competitiveness, provide particularly rigorous program management," the minister declared, in thus defining the new missions of the CNES.

It is for that reason that the Space Application Council has been abolished and the role of the new administrative council of the CNES enlarged. Beyond management of the CNES, it is henceforth responsible for studying, for the account of the government, the directions of the French space policy... with dynamism but also with moderation, the minister stated.

"Supplier to customer type relations will henceforth be the rule between the CNES and users," Andre Giraud stated. "These rules are being established by formal agreements, by institution of program committees, and in some cases by constitution of special structures." Thus, for example, Giraud announced that construction of the TELECOM 1, the French telecommunications satellite, will be by an economic interest grouping of the CNES and General Telecommunications Directorate (DGT).

Ambitious Programs

"The government is counting on realization of defined, ambitious programs," the Minister of Industry declared. Besides the programs to which France is committed within the scope of the European Space Agency (ESA)--of which it is financing the greatest part (36 percent of funds)--French space facilities today are engaged in four major directions: telecommunications, direct television, earth observation, and launch facilities.

The SPOT French observation satellite program has been confirmed by the government. It will have to meet the requirements of all its potential

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customers. The present development phase should be completed in May 1980, permitting a first launch in the beginning of 1984 (in March), the Minister of Industry announced. Various problems related to the nature of its mission are now in the course of being studied: their early resolution make possible better coordination of users as well as simple and effective contact with the CNES. The data broadcasting policy has been clarified.

The government has given the CNES a mandate to negotiate the establishment of a company--TRANSPACE--to be responsible for production and commercial exploitation of the European launcher, Ariane. First results of such negotiations are positive, Giraud stated. As we had announced (see AIR & COSMOS No. 769), moreover, European manufacturers have signed a formal agreement concerning their participation in TRANSPACE during the Le Bourget Salon (see following article).

But, "in order that the Ariane rocket have a sufficiently long career, improvements must also be made," declared Giraud. Such will be effected so that, at the end of 1982, there will be available a capacity adapted to the heavy payloads of direct television or double launching of telecommunications satellites (see AIR & COSMOS, No 769).

"Over the longer term the evolution of the launcher will be the subject of a decision by the government before the end of the year," the Minister of Industry announced, particularly as far as "development of high-power cryogenic motors" is concerned. Thus Giraud was referring to the new cryogenic motor, with 60 to 80 tons thrust, which is to be developed by the SEP [European Propulsion Company] for the second stage of the Ariane 5 rocket (see AIR & COSMOS, No 769).

A Frenchman in Space in 1981!

"The government's concern is to assure France's independence in the space domain and in that way most effectively to Europe's independence," the Minister of Industry declared. For this reason "the French space effort must be entered within a wide international cooperation."

In this connection the Minister of Industry confirmed that the first French astronaut will be sent into space on the occasion of a forthcoming Soviet space flight; he even wished it might be a matter of a "French woman!" France has in fact selected five astronaut candidates for the first Spacelab flights, including one woman, Annie-Chantal Levasseur-Regourd.

The first flight of the French astronaut--man or woman--is supposedly planned very soon, in 1981!

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COUNTRY SECTION

FRANCE

SCIENTIFIC SATELLITE PROJECTS OF ESA DISCUSSED

Paris AIR & COSMOS in French 16 Jun 79 p 67

[Article by Pierre Langereux]

[Text] Funds for the scientific satellites program of the European Space Agency (ESA) will be increased during the next 2 years in conformance with the recommendations contained in the recent report of the Agency's Scientific Advisory Committee (SAC), ESA director general Ray Gibson stated to the press on 8 June. The scientific programs budget of the ESA, now about 90 million dollars, which is (in 1979) 13.7 percent of the Agency's total budget, will be gradually increased by about 10 percent annually, the ESA director general promised. This decision should satisfy both France and Germany, principal participants in the ESA, whose representatives had only recently deplored the inadequacy of the budget for the European scientific programs, which would not permit undertaking operations of broad scope.

In 10 years, from 1968 to 1978, the European space organizations responsible for satellites, that is, the ESRO [European Space Research Organization] and then the ESA, had successfully launched 12 scientific satellites for study of cosmic rays and solar X-rays (ESRO 2-IRIS), of the polar ionosphere and phenomena of the aurora (ESRO 1A-AURORAE and ESRO 1 B-BOREAS), of the solar wind and particles (HEOS-1), of the conosphere and solar particles (ESRO-4), of the polar magnetosphere and interplanetary medium (HEOS-2), for astronomy in the ultraviolet (TD-1A and IUE), gamma astronomy (COS-B), and study of the earth-sun relationships (GEOS-1, GEOS-2, and ISEE-2).

The next European scientific satellite, the EXOSAT, will be launched in November 1981 by one of the first production modern Ariane rockets from Kourou in French Guiana. This satellite will be placed into a highly elliptical orbit, with perigee of 300 kilometers and apogee of 200,000 kilometers, inclined from 65 to 80 degrees, for a mission of at least 2 years duration, consisting of locating precisely, and studying the structure, spectral composition, and variations with time of celestial sources of X-rays, which are emitted within an energy range between 0.1 KeV [kilo-electron volt] and more than 50 KeV. The original feature of the EXOSAT satellite will be use of a method of occultations with the earth or the

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moon as a screen for analysis of the physical characteristics of the sources and their location within 1 second of arc.

At about the same time, toward the end of 1981, the ESA will participate, with the American NASA [National Aeronautics and Space Administration], in the first Spacelab mission, which will include a total of 76 scientific and technological experiments, 60 of them European, 15 American, and 1 Japanese. The scientific disciplines concerned, during the course of the first mission, will be astronomy, atmospheric physics, solar physics, plasma physics, earth observation, life sciences, and preparation of materials under conditions of micro-gravity. A European astronaut--the first--will participate in this mission. Other European missions in the Spacelab later on are being planned.

In addition, the ESA has concluded cooperation agreements with NASA for participation in two important scientific projects which are to begin in 1983: the large orbiting Space Telescope, and the two extra ecliptic probes of the International Solar Polar Mission (ISPM).

The ISPM is the first mission of exploration of the third dimension of the solar system by means of two automated probes which at first will fly over Jupiter in order to take advantage of the "gravitational trampoline" effect of the gigantic planet in order to exit the plane of the ecliptic and thus go on to fly over the north and south poles of the sun, regions still unexplored to this day. The two probes--one furnished by the ESA and the other by NASA--are to be launched on 3 February 1983 by the Space Shuttle; on 25 May 1984, after 460 days in flight, they will fly over Jupiter, which will deviate their trajectories in order for them to go toward the sun, one passing over the north pole and the other over the south pole. The mission of the ISPM probes will conclude on 30 September 1987.

The ESA will participate in the construction (to the extent of 15 percent of development costs) and exploitation of the Space Telescope, the future large American satellite which will be placed into a terrestrial orbit of about 500-600 kilometers altitude by the Space Shuttle toward the end of 1983. This 2.4-meter diameter telescope will make it possible to explore the cosmos up to 15 billion light-years, or to the ends of the universe. The instrument will be so powerful that the hand of the Creator can be seen, NASA explains, almost seriously. This telescope will be exploited for at least 15 years, with periodic visits by astronauts for repair and maintenance. The European contribution has to do with furnishing of the solar grating of the photographic chamber for objects of low luminosity (magnitude less than 29) and a portion of the support at the Space Telescope Scientific Institute. In exchange, 15 percent of the observation time will be at Europe's disposal.

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COUNTRY SECTION

FRANCE

REASONS FOR NAVAL AIR ARM'S CHOICE OF AIRCRAFT DISCLOSED

Paris AIR & COSMOS in French 16 Jun 79 pp 77-78

[Rear Admiral Fatou interviewed by Jean de Galard--date and place not given]

[Text] We have already published the decisions of the minister of defense relative to replacement of overseas maritime surveillance aircraft and instruction airplanes for flying personnel of the Naval Air Arm. Let us recall the three-fold choice made:

Five Falcon 20H (otherwise known as Mystere 20H) airplanes for overseas maritime surveillance missions;

Nord 262 airplanes (from among those assigned to the Navy) converted to instruction airplanes for training flying personnel other than pilots; and

Foreign twin turbo-prop airplanes of 5-ton class for retraining pilots intended for support squadrons and fleets of Breguet 1050 Atlantic airplanes.

Expected for several months, these decisions were surprising to the extent that other and very different options had been contemplated not so long ago. We therefore asked Rear Admiral Fatou, chief of the aeronautics division of the Navy general staff and of the central branch of the Naval Air Arm, to tell us the reasons which led the Navy to propose to the defense minister those choices which were finally adopted. We thank him warmly, here, for the interview he was kind enough to grant us.

[Question] Last week the Minister of Defense made known his decisions relative to replacement of the fleet of instruction airplanes and naval air arm airplanes stationed overseas. Can you tell us the reasons which led to the announced three-fold choice?

[Answer] Each of these three choices was determined by reasons of different kinds. However, one reason influenced all three: the desire to limit the effects of the petroleum crisis by choosing types of aircraft which enable missions to be accomplished with minimum fuel consumption. This obviously led to adoption of airplanes lighter than those in service at present and

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therefore, a fortiori, to reject the idea at one time contemplated, of acquiring foreign multi-turboprop airplanes of 20 tons as instructional aircraft and for stationing overseas. The solution finally adopted will result--with respect to that which had been contemplated--in reduction in operating costs estimated at 30 million francs annually, based upon present oil prices. In addition, it will enable acquisition costs to be reduced by about 30 percent.

[Question] At the financial level the solutions adopted in fact appear attractive. Are the choices which have been made also satisfactory on the operational level?

[Answer] My answer is a categorical yes.

The first mission: retraining pilots of the support squadrons and its Atlantic fleets.

Up to 1970 such retraining was accomplished with 7-ton twin engine airplanes of American origin. The N262, although considered too heavy, was adopted at that time because it was the only twin turbofan-jet mass produced in France.

The adoption of a 5-ton twin turboprop airplane is therefore no more than a return to a more normal situation. This is the solution adopted by the Air Force and which has never been abandoned by the U.S. Navy.

The second mission: instruction of flying personnel other than pilots. Adoption of the N262 for this mission is the solution the Navy has been recommending since 1976. But recovery of airplanes from the pilot training school was not then contemplated, since that solution involved again starting up the production line. That not being adopted, the Navy was forced to seek another solution upon the international market. Thus it became interested in twin and four turboprop aircraft of 20 tons, even though considered too heavy for the school's requirements.

[Question] And the overseas maritime surveillance mission?

[Answer] That is the third mission; it is at present accomplished by Neptune P2H aircraft based at Papeete and Noumea. These were former maritime patrol (PATMAR) airplanes with large range of action. If it were desired to replace them with airplanes having the same capabilities, recourse must be had to the Atlantic. On the other hand, if a reduction in some of the capabilities accepted, a solution can be sought among the numerous airplanes offered on the international market to provide maritime surveillance (SURMAR) of zones of 200 nautical miles.

Some of these aircraft, ranging in size from 5 to 30 tons are equipped with propeller motors (turboprops in general), others with turbofan engines. The former, derived from commercial transport aircraft or business aircraft, correspond with an old and conventional concept of maritime patrol: to be

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present over the zone for maximum time, the airplane flying at low altitude and low speed. In other words, the "terrain" is occupied.

The turbofan aircraft, derived from aircraft designed for fast connections and because of that capable of high speed and rapid altitude changes correspond to a new and original concept: on the one hand, to be suited for intervention at a given point with small delay, and on the other hand, provide coverage of a zone as large as possible in minimum time, the aircraft flying at high altitude and not descending to low levels except to "investigate" contacts. In picturesque terms, it is practicing the operation of "a blow of the fist."

As a matter of fact the conditions under which maritime surveillance missions are executed being highly variable, depending upon the theater and the circumstances, the propeller and turbofan aircraft are resources more complementary than competitive.

In the particular case of the Pacific, the maritime zones under surveillance from Papeete and Noumea are characterized by their extent and the low density of ships navigating within them.

Such conditions are the most favorable for use of turbofan aircraft. Among the latter the Falcon 20, of 14.5 tons, is the best compromise between aircraft of 30 tons and those of 10 tons or less.

That is why the chief of the Navy general staff, after a thorough examination of the capabilities of that airplane, proposed its acquisition to the Ministry of Defense.

[Question] Can you give numerical data on the difference in operating costs between the Falcon 20 solution and the "multi-turboprop" aircraft of 20 tons" in the particular case of maritime surveillance in the Pacific?

[Answer] Assuming that the aircraft have the same capabilities for detection, sweeping the entire economic zone of Polynesia requires, with a Falcon 20, nine missions of 5 hours, 30 minutes, or 50 hours of flight and 46 cubic meters of fuel; with a multi-turboprop airplane of 20 tons, eight missions of 10 hours or 80 hours of flight and 62 cubic meters of fuel.

Using the Falcon 20 therefore results in a 36-percent saving in fuel volume and 40-percent saving in operating costs since at present fuel prices the unit per-hour costs of flying the two types of aircraft are nearly the same.

The advantage of the Falcon 20, already great, were become greater at the price of petroleum increases.

But savings are expected in other areas. For example, the missions executed by the Falcon 20 in general will be of shorter duration and hence less fatiguing for the crews. The latter's number will therefore probably be reduced.

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Likewise, the great speed of the Falcon 20 makes zone surveys less burdensome and thus enables them to be continuously provided with crews more frequently and, because of this, more alert and more effective.

[Question] Will this order for Falcon 20 aircraft for overseas be followed by another order for aircraft of the same type for missions of maritime surveillance of Metropolitan France?

[Answer] Nothing has been decided in that regard at present.

However, I shall take advantage of your question to state a point which I consider essential; maritime surveillance aircraft are not maritime patrol aircraft and cannot be substituted for them.

In particular, the acquisition of SURMAR aircraft for Metropolitan France would not reduce the fleet of PATMAR aircraft, since the latter has been mathematically established on the basis of the number of continuous patrols it is desired to provide in the Atlantic and Mediterranean in times of crisis.

On the other hand, acquisition of such aircraft would permit avoidance of sometimes using Atlantic aircraft, for lack of other resources, for tasks requiring neither the autonomy nor equipment of those aircraft.

Thus a potential saving in PATMAR, and as a consequence, the operating service life of these aircraft would be increased, which is important, considering the high acquisition cost of these aircraft.

It is in this spirit that, one day, the merits of acquiring a few Falcon 20 aircraft for Metropolitan France may be examined.

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COUNTRY SECTION

FRANCE

KOUROU LAUNCH BASE CHECKED OUT FOR ARIANE

Paris AIR & COSMOS in French 16 Jun 79 p 83

[Text] The series of tests with the "fuel mock-up" of the Ariane [Ariadne] rocket has first ended at Kourou in French Guiana. It had three principal purposes: to verify general conditions of assembling the launcher and its compatibility with the ground installations (platform, tower, and so forth); to verify technical operation of the facilities and systems for supplying and draining fuel, on the ground as well as on the launcher, and also the evolution of the corresponding procedures; and to evaluate the technical behavior of the launcher under the ambient climatic conditions.

After erection of the test model of the launcher on 5 February 1979 the computer controlled automatic fueling operations on the three stages were successfully accomplished. Four fuelings of the third stage with liquid hydrogen and liquid oxygen and a single fueling of the first and second stages with storable fuels preceded a general rehearsal of the launching chronology (on 16 and 17 May 1979) conforming to that of the actual launchings. This chronology ended with an automatic sequence stopping first before ignition of the H-65 motors. Dropping of the various electrical, pneumatic, and fuel supply connections was also accomplished. These operations demonstrated the capability of the working teams as well as the suitability of the launch pad for launching the Ariane.

The launch series will begin in the middle of September; the launcher will have been shipped to Kourou in the beginning of that month.

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COUNTRY SECTION

ITALY

ANNUAL REPORT OF THE BANK OF ITALY: 1979

Milan IL MONDO in Italian 15 Jun 79 Insert pp I-XVI

[Excerpts] Exchange and Inflation

Italy's entry into the EMS came at a favorable moment from the foreign exchange aspect above all due to the overall advance in the balance of payments which in 1978 amounted to 7 trillion lire, of which 5.4 trillion are in the current portion, and it continued during the first few months of this year.

At the end of last April, government reserves amounted to 27.4 trillion and were made up to the extent of almost one half by gold at balance-sheet value and for the rest above all by coin and convertible foreign currency. The reserve volume exceeded by about 14 trillion the sum of government foreign liabilities, of those of the banking system and those pertaining to compensatory loans, while at the end of 1977 these two aggregate amounts were equal.

This money volume appeared adequate in taking care of a flow of imports which, for commodities alone, now comes to 55 trillion. Along with the function of financing any possible deficit in the current portion, this--like the loans that are involved in the EMS--involves the function of deterring speculation which is preferably aimed at the foreign currencies of countries that have few reserves, as happened to the lira early in 1976.

The possibility of constituting reserves through an influx of medium-term loans was also restored; during the last 2-year period, with the emergence of surpluses in the current-portion balance sheet, the international money market applied conditions to the Italian borrowers which gradually moved closer to those offered to customers of first-ranking importance.

The strengthening of the foreign-exchange position was paralleled by stability in the lira exchange rate during the first three quarters of 1978, deriving from a 5 percent improvement over the dollar and a 3 percent decline with respect the currencies of the EEC countries. During the last part of the year, while dollar quotations, in spite of broad variations,

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remained roughly equal to those of the preceding quarter, the lira was allowed to drop 4 percent as compared to the Community currencies in lieu of the entry into force of the EMS and the subsequent reduction in the exchange operating margin.

The precautionary nature of this dip was confirmed by developments during the current year. The lira, which had remained substantially steady until the EMS was launched, afterward revealed an average appreciation which yesterday was a little bit less than 2 percent as compared to the currencies of the EEC and the ECU.

In 1978, these modifications in the effective exchange permitted a slight improvement in the competitive position; compared to 1977, it was 2-3 percent if we relate it to export prices and about 1 percentage point if we look at the per-unit labor cost. Considering the margin of uncertainty implied in these calculations it does not seem wrong to say that the depreciation of the lira substantially was in keeping with the differentiated development of costs and prices.

While domestic inflation and the rise in labor costs in the private sector are still continuing at rates very much higher than the European average rates, the favorable development of trade with foreign countries thus broadened the leeway within which one could seek a satisfactory reconciliation between stability and growth. On several occasions we asked ourselves the question--also advanced by outstanding scholars--whether, in 1978, it might not have been advisable to use that leeway to allow a minor dip in the exchange rate of the lira or also an appreciation of the lira.

The frame of reference for foreign exchange management was characterized by the formation, throughout the year, of a current surplus with dimensions greater than anticipated, especially as regards the quantitative development of exports, which turned out to be twice the 5.5 percent indicated in September in the forecast and program report, by the continued existence of small foci of inflation operating in the production sector of the economy and in the public sector, and finally, the uncertain and slow rhythm with which the recovery of domestic demand manifested itself.

Fully aware of the role which it plays in shaping up the price development profile, the determination of the lira's foreign value was so oriented as to permit a development of exports which would create the premises for a resumption of accumulation and for an absorption of unemployment that would be less influenced by foreign conditions. On the other hand, the quieting effect of the cost of supply shipments from abroad, in terms of lira, was sought through the gradual appreciation of Italy's currency with respect to the dollar, a foreign currency in which there is billed a conspicuous amount of Italy's imports, while accepting depreciation with respect to some other currencies, particularly the mark and yen whose exchange rates were influenced by the international process of diversification of government reserves.

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We ourselves asserted several times that an appropriate way to handle the exchange rate is a necessary factor in a policy aimed at controlling inflation. But it is also true that this is not a sufficient condition and that its effects are limited when the objective of recovering a more satisfactory profit level--as generally happens at the end of a recession--is assigned high priority in the decisions made by the enterprises or when the lack of perfection on the market, which characterizes some of the imported goods, is such as to hinder the spread of cost benefits which the upward evaluation of exchange would allow.

In more long-range terms, the presence of an inflationist potential implicit in the growth of the public deficit in relation to the gross output strengthened the conviction that the final outcome of an appreciation of the lire would derive not so much from a slow-down in inflation as from the negative effect on the total demand and on the way the balance of payment turns out. In that way we would have slowed down the recovery of production and at the same time we would have weakened the requirements for its regular continuation.

Inflation during this decade was influenced by a combination of factors coming from abroad, the most important among which was represented by the producers of energy sources, and from at home, among which those tied to the development of per-unit labor cost and the inefficient allocation of funds, implied in the public sector's deficit, were subjected to a more thorough analysis.

Because of the high level of salary indexing, the excess of purchasing power, which shaped up at some moment in the system following higher contract wages, a shortage in the supply, or other factors, was first absorbed between two successive spurts on the sliding scale by the price rise, hence, without any reconstituted base. Real wages thus became more rigid also with respect to the inflationary impetus coming from abroad in a manner which no permanent wage negotiation procedure could have brought about.

The potential instability, which derived from that, cannot in any case be underestimated, if we admit that the main disturbances in the system do not come from currency management. As a matter of fact an almost complete indexing of wages attenuates the fluctuations in income and prices caused by variations in the quantity of funds made available to the economy but also amplifies the inflationary and output-reducing effects inherent in any enterprise operating cost rise. Autonomous increases in the standard wage greater than increases in productivity are expressed in increases in real wages but reduce the ability of the enterprise to expand the production base and to increase employment, thus creating the premises for further inflationary spurts. In this process, the advantages obtained in short-range terms by individuals and groups turn out to be harmful through the effects reflecting upon the condition of the working class as a whole and on that of the younger generations.

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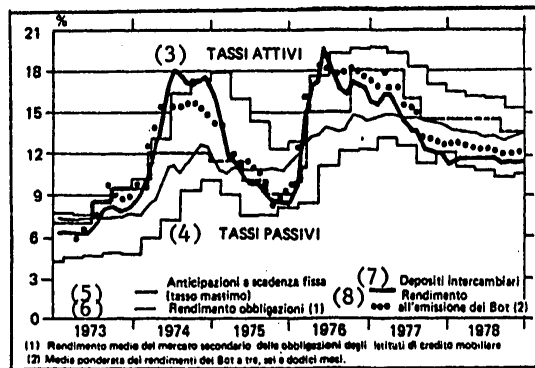
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Similar results derive from the deterioration in the terms of trade; if the reduction in the available income, which this causes, is concentrated on the enterprises, then the ultimate effect is brought to bear on the variables that are influenced by the level of in-house financing. Downturns in economic activity, with real wages remaining constant, can be avoided if the enterprises accept a reduction in the profit margin; this is a process whose limit is reached all the more quickly, the greater the intensity of the factors in the deterioration of profitability happens to be.

The failure of monetary measure stability, on which certainty in the wage contracts in general should be based, alters the economic relationships and, in view of the diversity of strength relationships among the workers, it modifies relative prices in a manner that cannot be predicted. This increases uncertainty, it reduces the time frame for the entrepreneurs and slows down the process of capital accumulation on which depend not only the increase in productivity but also the creation of jobs.

Last year, the stabilization effort benefitted from relative tranquillity of international prices for primary resources. Measured by consumer prices, the rate of inflation dropped 5 points as compared to the preceding year's average but, during the year, it did not drop significantly and its value remained still rather considerably above the two figures given here.

There are dark shadows hovering over the future. Oil price increases, already decided upon or threatened and certainly greater than 20 percent for the year's average, as well as the tension that prevails on other markets outline an international situation in which inflationary spurts will again prevail over the intention of real growth and employment development.



Six years of interest rates. Key: 1--average yield on secondary market of obligations of real estate loan institutions; 2--weighted mean of yields of

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3, 6, and 12-month BOT [Treasury notes?]; 3--asset rates; 4--liability rates; 5--fixed-term advances (maximum rate); 6--yield from obligations (1); 7--interchange deposits; 8--yield upon issue of BOT (2).

In a situation characterized by significant foreign inflationary impetus--although a broad current surplus may continue to be paralleled by a satisfactory evolution in the total demand and its makeup--the past reconstitution of reserves would make it possible to reconsider the system of objectives by assigning more room to the use of exchange for the purpose of holding imported inflation down.

But it would be illusory to think that one could attain the priority objective of stopping inflation through the instrument of exchange alone. The latter would inevitably tend to become drawn out in terms of time if all of the causes of price rises, from the increase in the cost of labor to production inefficiency, to the growth of competition, and the deficit in the public sector were not fought at the same time.

Accumulation and Foreign Trade

The increase in the gross domestic output in real terms came to 2.6 percent in 1978; a positive beginning during that year was followed by two uncertain middle quarters and recovery during the last few months. The impetus for production came from consumption and above all from exports while the endogenous accumulation mechanism got going only during the year's final phase.

Although greater than in 1977, the 2.9 percent increase in private consumption was made to feel the effects of the gap with which private consumption finally followed the rise in incomes so that autumn recovery was not enough to make up for the shrinkage during the first quarter, following the fiscal drain that took place at the end of 1977.

Instead, overall capital investment continued to decline. The 3.8 percent drop was mainly due to the reduced formation of inventories but investments in machinery and transportation equipment also dropped 1.9 percent; the increase in the construction volume was rather slim.

The quota of funds which the Italian economy devoted to accumulation thus further declined to 16.6 percent of the domestic output, continuing the 1974 trend when it was 20 percent.

The recent development of the Italian production machinery seems to have been sustained by the light consumer goods industry which was supported by the foreign demand. The fabric of medium and small enterprises which operates in this sector, released entrepreneurial energies which provided impetus for the increase in exports and which strengthened Italy's foreign exchange situation. To hold on to the positions gained on the international markets, it is necessary for the system of industrial relations not to compromise the capital return. But, above all it is

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necessary to make sure that the growth of the light industry will be sustained by an applied research effort in the field of semi-finished goods where new technologies will be included in the products and where investment implies proportionately greater risks and costs.

The sectors that produce semi-finished goods on the other hand are in the midst of a profound crises. Influenced by aggressive international competition and heavy financial burdens, they suffer due to the modest growth of the final demand which keeps their utilized capacity at low levels. Under these conditions, industries with the highest level of capital-intensity are unable to generate in-house funds that would be sufficient to sustain the accumulation process and this limits the investment activities connected with the replacement of obsolete machinery.

The failure to make funds available for industrial conversion and reorganization and the long-drawn-out effort to come up with standards for the financial recovery of the enterprises constituted a further obstacle to the process of restoring the Italian economy's balance.

During a year in which there was no shortage of financial resources, private enterprises promoted the rearrangement of their balance-sheet liabilities, holding down the recourse to indebtedness within limits necessary to complete investments in the process of execution; their initiative is due to the resumption of accumulation by the end of the year.

Once again, the delay with which this recovery manifested itself was not compensated by a flow of autonomous investments, aimed particularly at meeting the profound infrastructure shortcomings which still characterize Italy. In the public utility sector, the latest slight decline shows the continued existence of difficulties when it comes to handling those investments during a business downturn. The electric power sector--which still reveals long-term inadequacies with regard to supply--was likewise unable to speed up its investment plans. In state participation enterprises finally the surplus capacity crisis and the related losses in the basic industry prevented the sector from being able to play a role in support of the capital goods producing industry.

The exceptional export increase--10.8 percent in terms of quantity--that is to say, twice the rate of world trade, permitted a further expansion in the Italian output rate on the international market and decisively contributed to the formation of the current surplus. But it would be dangerous to rest on the laurels represented by the positive result which reflects the action of contingent factors, rather than structural changes in Italian relations with the outside world.

In 1978, as a matter of fact, exports were favored by the recovery of economies which are the major customers for Italian products; the domestic demand growth rate in Italy was only 1.7 percent as against 4.3 percent in the other six

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principal industrial countries of the OECD. The terms of trade were modified in Italy's favor and the country's competitive capability was improved thanks to the diversified exchange policy; international prices on manufactured goods, expressed in dollars, revealed an increase of 14 percent against 11 percent in Italy. The rise in the market rate thus aided the financial support effort--which was accentuated in recent years--deriving from the exports of instruments. Finally, the low domestic demand profile continued, for a good part of the year, to have the effect of a brief period during which imports were held down and that was the basis for the foreign balance restoring policy initiated at the end of 1976.

During this year, the favorable development of some variables might be reversed; this has already happening in the case of international quotations on raw materials. The ratio between imports and the national income on the other hand does not point to any decline in the propensity toward importing. For the 1978 average, commodity imports revealed an income spread of 2.9, which was higher than the long-term figure. It is true that the rise in the ratio of taxable imports was helped along by the exceptional development in the flow of exports which revealed a high content of imported materials although a similar effect might have derived from the hoped-for relative growth of investments in the uses of the income as such.

In the makeup of Italian trade in manufactured items, we observe a continuing trend, which was in effect in 1973-1974 toward an increase in specialization in traditional products with a relatively low technological content while the chemical industry deficit revealed a figure of 1.2 trillion. It follows from this that Italian trade is even more sensitive to the relative development of domestic prices and of international prices on manufactured goods and is still subjected to competition from the emerging countries.

There is therefore no lack of contrasting elements in the picture we have outlined here. While the results achieved over the past two years on world markets turned out better than expected, this is due not only to a combination of favorable circumstances; this is also due to the fact that the Italian economy expressed a basic vitality without which any development will be impossible also in the future. From the resources that were constituted we must however derive impetus toward a more stable and balanced setup--not the illusion that the foreign constraint has already been shaken off and that the goals of an industrial civil society will henceforth be easier to attain. Phenomena of grey-market or black-markets jobs--which explain the by no means negligible part of the savings achieved by Italian industry in recent years--cannot constitute the foundation for a permanent strengthening of the production structure and represent a remedy that is not only socially undesirable but that is also economically disallowed. The backwardness of the South, the poverty of the infrastructure facilities, the decline of the natural environment, the imbalance between sectors--these are problems which the spurt of economic vitality and individual motivation will not resolve by itself in the future, as it did not in the past either. Instead, it must be aimed also toward collective goods and it must be added on top of social cohesion

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without however being wasted in an entirely too rigid context of industrial relations not suited for keeping up with the profound changes : necessary so that the Italian economic system may be moved toward a development road characterized by the full employment of the factors involved and coherent with the foreign constraints.

The outline of the policy aimed at actively promoting the necessary structural adjustments was spelled out in an organic manner in the Three-Year Program submitted by the administration last January. Along with control over the demand, it proposes to carry out a major effort in terms of resources redistribution which would eliminate waste and which would promote production investments and civilian and social infrastructure facilities. To attain these objectives, it is not enough to make the necessary funds available for investments by holding the public deficit down and by keeping the cost of labor per unit produced down; one must also be concerned with the efficient utilization of human resources represented by the heritage of technological and organizational knowhow which we have in Italy.

Monetary Developments and Public Debt

Turning from real aspects to monetary aspects, we note that the framework, within which the transactions of the Central Bank on domestic markets took place, was characterized by the intensity of expansive impulses deriving from the budget policy and, to a lesser degree, from exchange management.

The 34 trillion in treasury requirements and the 7 trillion in the balance of payments surplus, which, when added up, give us a measure of the monetary growth potential, in 1978 accounted for 19 percent of the gross domestic output. After the 1963 crisis, the same ratio averaged 7 percent and during no year did it reach the 1978 level, since the preceding maximum, recorded in 1977, was 13 percent.

Treasury spending, even more so than foreign trade, transmits discontinuous impulses to the creation of money; their diffusion within the economic system is slow; before it can take place, the Central Bank must sometimes at least in part satisfy the demand of the operators. For example, the ample expenditures made by the treasury during the last days of 1978 helped inflate the statistical results also because the economy in the meantime was supplied, through other channels, with funds which had not yet been returned to the bank of issue by the end of the year.

In view of these conditioning factors, the monetary authority proposed not only to contain the creation of liquidity but also to stimulate the holders of public debt certificates toward longer-term holdings; these are two objectives which are not always easy to reconcile because, while the offer of adequate yields on regular treasury bonds represent the immediate instrument for absorbing liquidity and hence for attaining the first purpose, the pursuit of the second one requires that long-term certificates present a good yield advantage as compared to the more short-term certificates.

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Achieving this margin through an increase in rates on the former would have made the collection of the special credit institutes and the financing of investments too troublesome. Attaining it through a heavy drop in the yields of ordinary treasury bonds would have reduced the incentive for savers when it came to asking for financial instruments different from deposit and this would have rapidly wiped out the advantage as compared to the yields from dollar transactions. The BOT rate found itself in the midst of partly conflicting requirements among which it seemed advisable not rigidly to favor one over the other.

This group of considerations--which, throughout 1978, was subjected to a constructive dialog with the treasury--facilitated a slight drop in the rates on more short-term bonds and it also helped orient the makeup of public certificates offered toward longer-range terms. The increase in the monetary base, which appeared very conspicuous when viewed in the light of year-end data, accounted for only a little more than one-third of the above-mentioned potential; there is no example of so high an absorption rate in recent historical experience.

While the sterilization of the monetary base did assume noteworthy relevance, it however did not manage to prevent the economy from being supplied with abundant liquidity also due to the gradual nature with which the added currency was transformed into other financial transactions; the quantity of money increase 23 percent throughout the year and its ratio to the gross domestic output went up further. In the beginning of 1971 monetary growth declined; the increase in bank deposits over the 12 months ending last March dropped to 20 percent.

The most heavily contained influx of the funds, caused by the ceiling on short-term bank commitments, was only in part felt by the enterprises because other factors working towards an increase in available money were also at work, including the highest transfer from the treasury and greater in-house financing.

Monetary transactions explain effects upon the economy not only with regard to the objectives pursued but also with respect to the instruments employed; the choice of the type of intervention has an effect on the macroeconomic variables on prices, money, and income--effects which are not always immediately noticeable but which are lasting and deep. Convinced of that, we tried in recent years to make sure that the design of a system of instruments, in which the operational freedom of the markets and the efficiency of interventions would be achieved in the best possible fashion, would be pursued, also through the various ups and downs of the situation.

On the finance market, an important step in that direction was taken last June when the amount of the portfolio restriction was reduced from 30 percent to 6.5 percent of the deposit increase. The current rate of obligatory investments in securities with respect to the flow of deposits is the lowest since 1973. However, the fixed-income securities market is far from free.

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The credit institutions remain influenced by the obligation to recover securities that have expired or that have been sold and they are also further influenced by the reduced share of the ceiling; in 1978, the reconstitution of securities that expired came to a total of about 3.5 trillion. During the last 2 months, the new norms directed purchases for the restoration of the portfolio toward issues that did not get the benefit of the continued ceiling. For the immediate future, it is to be hoped that the increase in pressure on prices will not force us to double back on the road we traveled last year.

On the money market, treasury action on the primary [market] and the action of the bank of issue on the secondary [market] were coordinated in terms of guiding investors toward less short-term securities. The monthly supply of 3-month BOT gradually declined from 1 trillion in January 1978 until it stopped entirely last February. During a year, in which treasury requirements came to 34 trillion, the overall volume of bonds went up only 5.7 trillion. Our bond portfolio, which at the beginning of 1978 came to 7.59 trillion, yesterday amounted to 694 billion. As for the part that belongs to us, we tried to achieve these results by refining the techniques of market intervention, encouraging the market to express its own evaluations, spreading sales over a broader range of securities, turning up not only as buyers but also as sellers, establishing a terminal processing link with the principal operators; it is our intention this year to put together a first system of bond transfer through commercial books and forms of buying which would also enable the nonbanking operators to have an item made up of BOT, running the risk of loss but reducing the risk of insolvency.

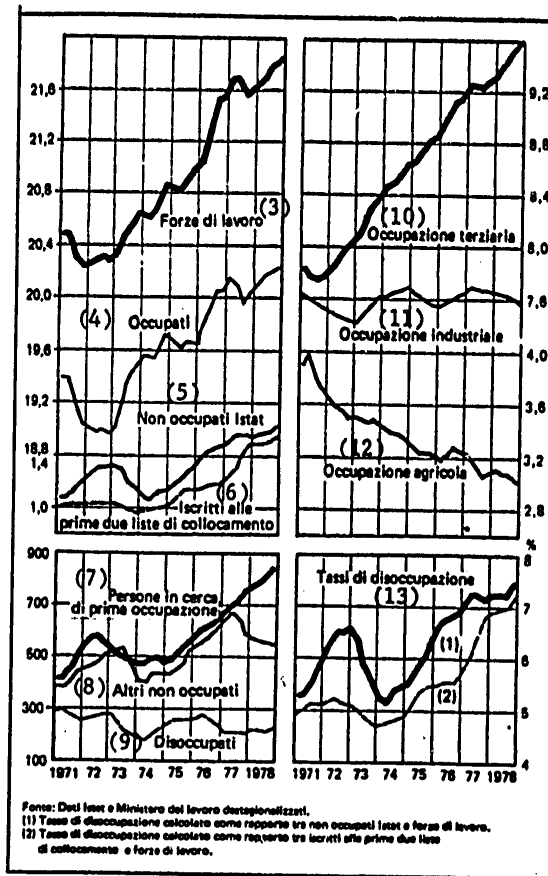
Still looking at the money market, the reduction in the stamp tax on bank acceptances and new surveillance provisions to a great extent corrected a disparity in terms of access between the treasury and the other issuing institutions. This kind of organization of professional capacity and resources on a market cannot be achieved overnight. Bank acceptances, sold in amounts of several hundreds of billions, have been taking hold in a promising fashion also because they introduce an element of flexibility into a setup which is still rendered rather rigid by the ceiling on bank commitments.

On the foreign exchange markets, the obligation to finance export loans in foreign exchange was eliminated and the ceiling on terms operations against lire was raised; the terms of advance payment of imports were doubled; the time limit on foreign exchange accounts and pending accounts was extended. Thus, some of the facilities, normally enjoyed by the operators of other countries, were restored to the Italian operators; these are facilities which the Italian operators enjoyed in the past when the foreign exchange situation looked good. Under current conditions, many restrictions could be lifted, in particular those regarding deadlines for the payment of imports and exports, on the duration of foreign exchange accounts, on the allocation of foreign exchange for tourist travel, on commercial transactions carried out without foreign exchange formalities. We submitted these proposals to

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the competent authorities recently and these ideas are in line with the timeliness of using the instruments of foreign payment discipline in an ever more coherent and more accentuated sense in keeping with the structural and situational condition of the balance of payments.

As compared to other nations, Italy, in exercising its economic freedom, suffers from the double limitation of having to invest its own savings within its own borders and in a currency subjected to heavy inflationary erosion; broadening the freedom of current transactions and their settlement, to the fullest extent allowed by the foreign situation, would also be one way of reducing the area in which the law is less felt because it does not correspond to the real need of society.



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Labor force and employment. Key: 1--unemployment rate calculated as ratio between unemployed according to the Central Statistics Institute and Labor Force; 2--unemployment rate calculated as ratio between persons registered on the first two job placement lists and labor force; 3--labor force; 4--employed persons; 5--unemployed according to Central Statistics Institute; 6--persons registered in first two job placement lists; 7--persons looking for first job; 8--other unemployed; 9--unemployed; 10--tertiary employment; 11--industrial employment; 12--agricultural employment; 13--unemployment rates. Source: Data from ISTAT [Central Statistics Institute] and Ministry of Labor, corrected for seasonal variations.

The growing need for efficient markets is also in keeping with an evolution which is now in progress in Italy and which can also be observed in other economies--the evolution from a finance system oriented toward institutions to a finance system oriented toward the markets. As far as monetary policy is concerned, this evolution is manifested in the switch from an effort accomplished through the refinancing of the banks to an effort accomplished above all through the purchase and sale of public securities.

The increase in the needs of the public sector was accompanied, down through the years, by the increase the debt. The two phenomena did not proceed in an exactly parallel fashion because inflation causes the former to increase more than the latter; as the nominal interest rates become adjusted to higher inflation and as the old securities expire, spending and the current deficit increase by a component which, from the economic viewpoint, represents a mere renewal of the real value of the previously existing debt. The public sector's recourse to private savings has gone up drastically; the ratio between the makeup of the public debt and the gross domestic output at the end of 1978 came to 70 percent whereas it was 45 percent approximately during the three-year period of 1968-1970.

When inflation was at its worst, the treasury covered its needs exclusively from very short-term securities; then it went back to offering longer-term securities, up to 12 months in November 1976, 2-year securities in June 1967 and 5-year securities in October 1978.

The steps taken during the past three-year period were able only to slow down the further reduction in the average residual lifetime of public debt securities; for the portion held by the market it was, at the end of 1978, 3 years and 5 months, in other words, less than half of what it was ten years earlier.

It is true that, while yields are adequate, savers are not persuaded to increase their spending merely by virtue of the fact that they invest their own financial wealth in short-term securities. And it is also true that recourse to these securities makes it possible to adapt the nominal yields to the variations--within both signs [up and down]--of the rate of inflation, without any need for introducing forms of indexing. But in spite of these considerations, the gradual return to a public debt makeup organized also

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in long-range terms and, more generally, the definition of a public debt policy, arise among the most serious problems concerning financial developments over the next several years. Their correct solution requires the public operator to refine and develop his market knowledge and practices in terms of methods and techniques while he must also grow in terms of dimensions; it will perhaps also be necessary to review the institutional mechanisms which enable the treasury, on the one hand, to use the Central Bank as a kind of diaphragm in dealing with savers when it comes to the sale of issues and, on the other hand, to resort to loans from the bank at a rate which has no relationship whatsoever to the rate prevailing on the money markets.

However, the high rate of public debt expansion will be capable of being brought under control again not through new management techniques which may be required or which may even be justified in the light of Community coordination. This will be possible only if we get rid of some of the indexed spending mechanisms; it will be possible by reorganizing our spending so as to contribute to national accumulation; by developing a public tariff and price policy which, taking into account the rate of inflation, will not lead to a below-cost goods and services supply or a supply which will not be in harmony with the objectives of reducing some forms of consumption; and by handling taxes in a manner more designed to broaden the taxation base rather than further to compress the tax-paying capacity of those who are already heavily taxed by the treasury and by inflation.

In recent years, a design of the modernization of fiscal policy instruments has been taking shape, ranging from tax reform to the reform of budget formation procedures. In this way indispensable cognitive, and normative premises have been spelled out not only for the restoration of public finance but, along with this, also for a return to a less tormented monetary policy.

Bank Middleman Transactions and Monetary Objectives

The way to prevent discontinuity in practical and conceptual statements does not reduce but rather emphasizes the need for analyzing and reviewing the ways in which monetary policy is put together, from the most technical phases involved in the choice of instruments to the phase of spelling out the medium-range and final objectives.

Thus, a monetary situation in which credit control was less imperative and where the need for reducing the monetary component of overall financial transactions was strongest, again raised the problem of whether to index some instruments in order to reduce bank middleman transactions. We carefully considered the experience of the United Kingdom, where a progressive reserve coefficient on deposits forced bank collections within growth rates indicated by the Central Bank.

It is true that the switch from a ceiling on commitments to stricter control on deposits, through their progressive penalization, would return freedom and responsibility to the bankers and at the same time this would reduce the

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room available for deposits in all of the financial transactions taken together, with an effectiveness that is sometimes lacking in the classical requirement for proportional reserves. In the United Kingdom, on the other hand, this obligation is almost inoperative because it can be met also with treasury bonds and between-bank deposits, both of which are available abundantly at market rates. In Italy, similarly, a progressive burden, which would select obligations as a reserve instrument, would have limited effectiveness, would be tailored only for very high marginal increments and for securities issued at rates clearly out of the market.

More generally speaking, in evaluating the innovations which are possible in this matter, we cannot overlook the causes that govern the demand for money on the part of the operators. The dynamics of deposits, in the various economic environments in which a country is organized, reflect territorial deformities, especially in terms of income growth and in terms of finance market imperfection. Where, as in France or in the United Kingdom, the banking system is made up of very few and very big outfits operating on a national scale and numerous other operators active essentially in the capital, these deformities can be hidden to a certain extent. But where, as in Italy and in West Germany, the phenomenon of regional banks is widespread, the danger of hitting real spontaneous phenomena--together with censurable practices of deposit hoarding--is great.

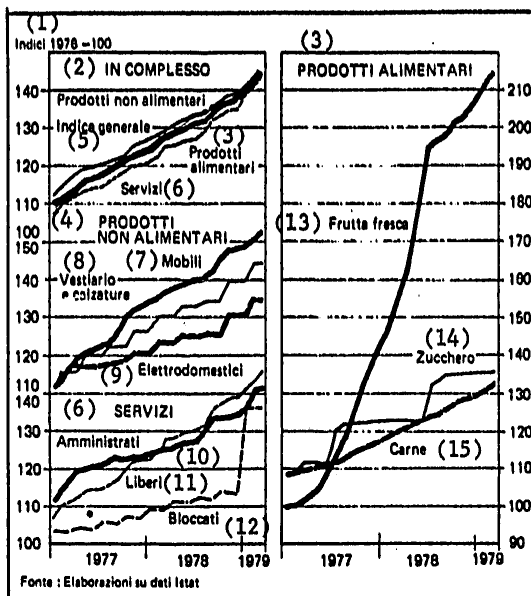
In Italy, the growth of the individual banking institutions reflects the growth of the areas in which they operate mostly, rather than the management or rate policies. The most dynamic credit institutions not necessarily are those that offer relatively high yields to their own depositors.

These considerations are designed to illustrate the difficulties which we can see in an application of the British experience to Italy but they are not intended to deny the importance of orienting the public toward non-monetary investments by also asking the banks for a stronger commitment in that sense. As for the rest, both the public debt policy pursued by the treasury during the year ending today, and the courageous direction adopted by some banking institutions, as well as, finally, our action the secondary market and in reducing some ceilings, already made it possible, without any sudden changes in existing setups, to take some steps in the desired direction. Others could be favored by new provisions.

It has been proposed, for example, to tie the action already undertaken over these past several years toward strengthening the resources of the credit institutions in with the effort aimed at discouraging increases in collection that are not in proportion to the profitable employment capacities. The maintenance of minimum ratios between assets and deposits would be in line with an effort--on the part of the managers of the credit institutions--to keep the budget balanced and to take care of the profitability of the enterprises; an example of this could be found in the lessons learned in other countries, such as West Germany and Switzerland. The application to Italy, of this kind of discipline could come after we have reviewed the procedures

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for increasing the assets of the banking institutions which are involved in the public property sphere, such as the recent French experience teaches us in this regard.



Consumer prices. Key: 1--indexes; 2--overall; 3--food products; 4--non-food products; 5--general index; 6--services; 7--furniture; 8--clothing and shoes; 9--electrical household appliances; 10--government-managed; 11--free-enterprise; 12--blocked; 13--fresh fruit; 14--sugar; 15--meat. Source: Based on ISTAT data.

We also considered the possibility of graduating the yield from the obligatory reserve on the basis of the yield from collections. For example, one could render fruitless the portion of the reserve made up against the deposits which--are explicit declaration of the credit institution--would be remunerated beyond a certain rate. Like the British scheme, this scheme would fall within the category of incentives rather than prohibitions; in contrast to the British system, it would not discourage the growth of dimensions as such but only the dimensions obtained by offering conditions for collection designed to make profitable use more difficult; besides, it would not create any problems of definition and offer of the reserve instrument. At the end of 1978, the monetary and loan volumes for the first time since 1974 ceased to be the subject of foreign obligations, commitments and liability. But new commitments, of a different nature and origin, began to enter the picture during the first quarter of 1979; here we have the aspect of exchange, instituted along with the EMS and the announcement, to parliament, of a complete framework for preventive evaluations of the flow of money and total domestic credit, following the general government accounting reform law.

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The fact that Italy joined the EMS means the commitment of, within a short time, attaining a degree of monetary stability corresponding to the average of the Community of which we are a part. Beyond the variable expressed by exchange, this also involved public finance, productivity, wages, and prices.

Following the submission of the three-year program, which charted a road for return to the European Community, the threat of a resumption of inflation--mostly of foreign origin, became worse. The monetary authorities considered it advisable not correspondingly to correct the anticipated money growth but to keep it along the course already announced.

The monetary policies of the Seventies seemed to be characterized not only by an increased awareness of the limits of monetary action within a short period of time but also by the practice of announcing annual targets. These are two interconnected phenomena because a listing of targets has meaning only when one is sure that one will not have to make sudden course corrections at every turn and both are inspired by a concept according to which the total monetary volume should be regulated only so as to offer the operators a stable frame of reference in their quantitative terms which do not change as the economic situation changes. In this concept it is perhaps already possible to distinguish the aspects that most probably will last from those that look as if they are going to fall by the wayside.

In a society where institutional and public-opinion control over the executive has become tighter and has been enhanced with growing information, the element of transparency, inherent in the announcement of monetary targets, will remain an established fact. In the macroeconomic field, the actions of the Central Bank have emerged from their silence, perhaps never to return there; while this silence in the past was perceived as a guarantee of independence, today we find that this independence is materialized by rendering an explicit accounting of one's own action in terms of methods and time frames which would not interfere with efficiency.

On the other hand, we have acknowledged, as a simple truth, the fact that economic actions and reactions developed in terms of time, that an economic policy is efficient if it does not introduce an excessively broad and long-lasting gap between the behavior imposed upon the operators and the behavior imposed upon those who are pushed along by the entire price situation, by the inclinations and the conveniences at work in society. The illusion of the shortcut of government controls has to a great extent vanished. The delays with which we can explain the effects of economic policy have been recognized as a sound, not pathological manifestation of a setup which assigns a role to the market, although that is not an exclusive role. These convictions also can be considered an accomplished fact.

Less strong and firm seems to us to be another element which has been present in the announcement of monetary targets--the element of rigidity. The events of 1978 persuaded Switzerland to drop the monetary target and to draft a target in terms of exchange rates; West Germany accepted a

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monetary growth of 11.5 percent after having announced a growth of 8 percent and, for 1979, it defined, as its target, a growth interval within which the upper extreme is equal to 1.5 times the lower one. Whichever way you measure it, the drift from objectives observed for Italy in 1978 in this context looks like one of the best-contained.

Monetary values have been shaping up in a gradually more flexible manner, with an indication of margins of tolerance rather than precise values, or with periodic revisions of annual targets. The new rules established by the IMF, on the terms for loans to be extended to various countries, move along those lines.

The orientation toward greater flexibility brings us to the last problem of a central bank--the problem of monetary management and inflation. We can detect today that--because of its high level, because of its persistence, because of its worldwide spread, and because of the fact that it is rooted in expectations--inflation in recent years has turned out to be a phenomenon different from the major explosions or the slow changes in prices we had in the past; we can detect that this is not adequately explained in terms of an unexpected, widespread, persistent weariness on the part of the Central Banks or in terms of government waste; we can see that it is perhaps not entirely strange to find here a more profound evolution of social relationships also, through which the mechanisms of price determinations themselves have been transformed, in other words, including the universal price which is represented by the value of money.

The production of money and, hence, the fixing of its price, are taking place within a monopoly system--all at once. But prices on other goods, such as labor, raw materials, and industry products are being fixed in several phases under conditions very closely resembling a monopoly, by forces organized for the defense of sector interests; and the variations of those prices, which in the final analysis make up the price of money, are often rigidly interconnected.

Managing money for the exclusive purpose of stabilizing its value once upon a time involved a process of adjustment that could be defined in terms of time and that was capillarially diffused in a multitude of individual adaptations, a process in which the temporary costs of stabilization were economically, socially, and politically tolerable since they were distributed among many subjects. Today these costs seem to be concentrated in blocks of the economy whose resistance has finally and perhaps forever been overcome; this is where the unemployment in vast regions and among vast social strata would be determined and this is where the crisis of the entire industry, not excluding the banking industry, would also be determined; the economic disparities would then become intolerable. Juxtaposing the most concentrated and rigid processes of price formation with a harsh exercise of the monetary monopoly, independent of the support and the conviction of those who work in the economy, would mean--as it did in some countries, pursuing monetary stability through imposition, through

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a method which would involve waste and distortions of resources not dissimilar from those accompanying a price freeze.

The various experiences agree in suggesting that each of the modern economies is, at once, too much dependent on foreign countries and too exposed to domestic impulses which are autonomous although they are interdependent because the Central Bank can stabilize the currency at all costs, without winning the difficult battle of persuasion also on distant fronts. Under the conditions of our time, a monetary rule cannot be a substitute for or an instrument of discipline in decision-making and in the behavior of all society; whenever it was successful, it was guided and geared toward decisions that matured through reason and experience.

Within these narrow confines, an appropriate link between the reasons behind the operational nature of markets and those of intervention on markets is bound to continue to be sought through the exercise of discretionality whose continued proper use must be guaranteed by the competence, the prestige, and the independence of the institution that exercises it. This function, which modern systems place within the sphere of executive power, cannot be rigidified into bureaucratic rules or legislative standards. Both of these must be understood as the factors that stabilize and preserve the room within which the discretionary choices move not as those that suppress it.

Loans and Their Reflections on the Loan System

The difficulties encountered by a portion of the loan system are a mirror image of the crisis encountered in large production sectors, caused by foreign and domestic factors, the last of which is certainly not just the mechanism of financial credit aimed at the country's growth and territorial equilibrium.

The orientation effort has been accentuated during the Sixties under the impetus of the negative effects which the unequal pace of economic growth produced with regards to employment, especially in areas with heavier industrial concentrations and later growth through natural population movements.

During those years, planning efforts were explicitly aimed at industrialization and at the definition of new organs and procedures: From consultation between the public administration and the enterprises, the so-called "planned contract negotiations," all the way to the obligation of advanced communication of all investment decisions of any relevance whatsoever, and on to the institution of conformity opinions.

The suitable mechanism for launching a process of self-expansion in the South emerged through the creation of big complexes which required small-sized production units.

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The widening gap developed between the growing assumption of risks in loan middleman transactions, gradually, as investment activities were pushed and were concentrated in areas with less industry, and the declining decision-making autonomy, as the area of initiatives, considered to be in keeping with the country's growth objectives, grew larger. In quite a few cases, the decision-making bodies of the financing agencies--given the particular juridical nature of the matter--turned out to be the direct or indirect extension of the administrations themselves which were supposed to be in charge of granting loans.

At this point we must not fail to mention the pitfalls and dangers to the institutions which derive from the gradual and growing strength of heavy emphasis on social-political considerations in the evaluation and placement of investments. It would take too much time to report here all of the parts of the reports that went into the positions assumed by the institution.

A system based on proper distribution of responsibilities requires financial institutions--which assume the commitment of remuneration and reimbursement of funds accepted from savers--to have the authority carefully to examine the projects submitted for their examination and therefore to estimate the risk which they assume, before there is any statement as to the loan itself from the government agencies.

In the case where authorization from the surveillance organ is necessary, such authorization always comes after the loan institution's decision to provide financing and, in any case, this does not imply any judgment as to the merit of the initiative. The standards established that, for industrial loan institutions, the action of the surveillance authority be confined to the most recently instituted steps involving only financing transactions concerning guarantees with high statements as compared to the guarantor's assets. Regarding the three southern medium-term loan institutions, this authority was exercised by delegation of the interministerial committee for credit and savings, hence, with criteria aimed at stimulating and supporting industrialization in the South, which the law had assigned to the committee itself by giving it this authority. This persuaded the Bank--with the constant approval of this delegating body--to authorize all requests from these entities to exceed the guarantee limit.

The economic evaluation of the initiatives is based on long-term estimates and therefore "even when it is made with the utmost clarity, it cannot and must not be assumed to be infallible" (report for 1966). Nor is it thinkable, for investments of the dimensions required to implement a strategy of industrial development in depressed areas, to be able to ask the entrepreneur to provide guarantees which, from an economic viewpoint, can commit the loan institution to a greater extent than would be guaranteed by the mortgage on the plant and equipment.

The action described above and the strategic function assigned to the steel industry and the chemical industry were confirmed in the analysis of the

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conformity opinion pertaining to the South. During the four-year period 1967-1970, they amounted to 3,376 [billion] for a fixed investment volume equal to 4,900 billion at prices that had not been raised; of the latter amount, 2,800 billion involved investments in the divisions of the chemical industry and metallurgy. In 1971, another 890 were released for a value of 3.48 trillion, about four-fifths of which involved investments in the area and sectors mentioned.

The heavy concentration of investment decisions in industry branches which are characterized by the large dimension of plant and equipment and by the presence of small economic groupings was in line with the objectives of attaining--through economies of scale and integrated production processes--the thresholds of economical operation during the fiscal year, as well as to bring the Italian production capacity up to the level attained by the leading industrial countries. More specifically as regards the chemical industry, this direction was also determined by the deterioration in the balance of trade with foreign countries which, instead of showing one of the most consistent asset items, as it does in other industrialized economies, became a growing liability item starting in 1967. The CIPE [Interministerial Committee for Economic Planning] in 1971 thus approved the specific sector development plan; technical groups and pertinent committees checked out the programs of the operators by placing them within the framework of estimates drafted at that time.

After 1973, the well-known inflationary developments, which were of international and domestic origin, made the implementation of the programs that had been launched even more expensive. Along with a further deterioration in the foreign trade balance, also due to a drop in the supply, we thus faced the drastic alternative between stopping the initiatives, with a loss of jobs and money already invested, and the implementation of the plans already approved, along with a tremendous increase in loan requirements and with an expansion in the relative financial burden particularly due to the rise in the cost of prefinancing.

In 1974, the CIPE after specific deliberation issued directives to adjust the conformity opinions already granted to the changed monetary standards and to the new technological requirements; for chemical industry investments alone in the South during the two-year period of 1974-1975, opinions for about 2 trillion were reevaluated and new surveys were ordered for another 3 trillion. This decision was influenced by the widespread conviction both in Italy and abroad that the crisis should not have lasted so long and assumed such dimensions as to justify substantial modifications in the investment programs in sectors where these programs should cover a much broader time frame.

The successful development of prices and incomes in the Italian economy and the world economy turned out to differ from the estimates drawn up also internationally. The heavy increase in the cost of the production factors, especially of raw materials used by the chemical industry, could be shifted

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only in part to product prices. Between 1972 and 1978, the wholesale price index on chemical products went up 1.5 times, as against almost a 200 percent increase the cost of putting up the plants and equipment and an approximately six-fold rise in oil prices. Moreover, the rise in chemical product prices, although insufficient when it came to safeguarding the balance of economic accounts, was such as to produce a consumption drop and a heavy shift towards the use of alternate products. The chemical industry was left with a shrinking share of the market whose overall dimensions grew more slowly than expected in the light of the drop of the economic growth rate. The two parameters, on whose basis the expansion plans were drawn up, that is, income growth and the high cash elasticity of chemical products consumption, skyrocketed together.

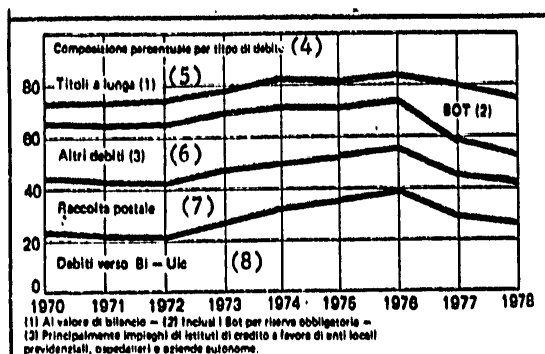
For the OECD countries, the average chemical output increase rate during the period of 1974-1977 dropped to 2.6 percent as compared to 9.2 percent in 1969-1973 and as compared to the estimates prepared by international agencies which, although with some slowdown as compared to the preceding decade, indicated a still sustained advancement for the entire span of the Seventies. For Italy, the 1971 chemical plan for this period of time called for an annual average growth rate of 10-11 percent; this growth rate was still greater than 8 percent for primary production during the three-year period of 1970-1973; during the period of 1974-1978 it dropped to less than one percent.

The world crisis in the steel and chemical sectors assumes more preoccupying aspects for the latter in particular in Italy because of the country's lesser degree of specialization in some of the more highly developed production lines, the large percentage of plants that have not yet become operational, as well as the absence of any community action in response to phenomena of increased competition within. Since the plants now being finished are located entirely in the depressed areas, the crisis of basic industry and especially in the chemical industry constitutes a serious problem for the development of the South.

A process of industrial and financial reorganization for these and other sectors which are in trouble has now become absolutely urgent also to prevent the crisis from involving the loan middlemen.

The unpaid bills and overdue installments of the special loan institutions increased from 650 billion at the end of 1974 to 2.5 trillion at the end of 1978 and 2.1 percent to 4.6 percent of the overall domestic commitments; related to assets, they rose from 30 percent to 58 percent. The condition of some of the industrial credit institutions is particularly worrisome because unpaid bills and installments are concentrated in a limited number of industrial enterprises, some of which have investment projects that are now being put up.

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Public sector debt. Key: 1--at balance sheet value; 2--including BOT for obligatory reserve; 3--primarily commitments of loan institutions in favor of local welfare and hospital agencies and autonomous establishments; 4--percentage makeup per debt type; 5--long-term securities (1); 6--other debts (3); 7--postal collections; 8--debts owed BI [Bank of Italy] and UIC [Italian Credit Union ?].

The effort aimed at restoring the orderly and economical development of production activities involves three areas: The area of enterprises, the area of loan middlemen, and the more strictly normative area. The results will be influenced by the coherence and timeliness with which the actions will be combined along the broad outlines indicated.

Moving toward the solution of the real problems of the enterprises constitutes the basic requirement for concrete support by the loan institutions which the financial reorganization law has brought under control. We affirm the principle to the effect that the contribution of risk capital, by the credit system, confined to in-house, uncommitted funds, must be limited to those enterprises which reveal a well-justified probability of return to economic and financial balance, just as we believe that it is indispensable to keep the financing function separated--through the creation of consortial companies--from the function of managing the industrial enterprises as such.

Particularly serious enterprise situations with social repercussions have led to a search for new alternate methods, other than the bankruptcy procedure. If in these cases, in which the estimate of the industrial risk is most difficult, the loan institutions were to review the possibility of applying the consortial mechanism with prospects of success, the recognition of the general interest in saving jobs and keeping production activities going would be manifested then in authorization for the establishment of the consortial company by the Interministerial Committee for Credit and Savings to which a recent government directive, to be converted into a

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law, assigned the pertinent authority just at the right time. But where the consortial mechanism is considered unsuitable or proved to be impracticable, the past introduction, into our system, of the procedure of extraordinary administration offers an instrument which, within the limits of what is possible, would avoid the effect of breaking up the production organization.

Even when the restoration effort involves immediate financial contribution, the rebalancing of costs and returns of the production unit can be achieved only with a span time that is certainly not short and during which the special loan institution might encounter liquidity problems; as for enterprises that are unable to pay back what they borrowed regularly, they must in any case satisfy the bearers of the notes and the obligations that are due.

The recapitalization, which was undertaken by some institutions and which was supported by public contributions that had just been decided upon, cannot be enough when the amount of unpaid installments and the amount to be "restructured" is large. And since the renegotiation of loans, in addition to the deadline, involves the rate, the discovery of funds on the capital market may turn out to be impossible. The government loans provided for in the enterprise financial recovery law, to take effect only to the extent that there are sound balance sheets available, can on the other hand reduce but not eliminate the impact of a liquidity crisis upon the stability of the institution.

The government guarantee, recently provided for a specific series of obligations issued within limits determined by industrial credit institutions, facilitates the sale of securities among the public and, if necessary, allows their purchase by the bank of issue; in any case, it must be noted that the strength of loan institutions can be preserved, provided the burdens of credit reorganization in dealing with the enterprises that are in trouble will not harm their economic equilibrium and, in general, provided that the production units themselves can be helped to recover. If this is not so, then it may be necessary for the institutions to prepare easier credit mechanisms.

The problems springing from the allocation function and the risks which it involves explain the difficulties encountered particularly by the middlemen whom the limited area of authority did not allow to achieve a sector-by-sector diversification of commitments. The switch, after the war, from a substantially monopolist industrial credit system to a system based on a rather broad network of institutions is really behind this problem. Groupings of institutions with a restricted operational base may be a good idea to solve that problem; the needs of the enterprises, no matter where they are located, could be satisfied not so much by an increase in the number of middlemen but much more so by their vaster territorial organization.

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In any case, efficient resources allocation is based on the separation of responsibilities. To achieve this, we must restore substantial decision-making autonomy for institutions responsible for selecting the initiatives; in this connection we must consider the provision on the priority to be given to technical-financial studies, with respect to the conformity opinion introduced by way of implementation of law 183 of 1976. As we said in the 1971 report, "the system will be workable if it turns out possible to prevent its decline into a situation where responsibilities are dissolved and where we seek to restore it through administrative and judicial controls."

Surveillance Function and Its Protection

The most decisive direction imparted to surveillance activities in Italy and abroad has its common origin in the difficulties encountered by the industrialized economies in recent years. The development of inflation, the discontinuous production situation, the drop in the growth rate, the variability of relative prices, the foreign exchange fluctuations--all of these are factors which have exposed credit systems to risks of insolvency; it was not only the high volume of indebtedness and the reduced cash flow of the enterprises that exerted the kind of pressure that would threaten the asset balance of the middlemen; the latter has also been under attack in specific cases by speculative behavior, primarily on the exchange market.

The most acute phase of this instability came in 1974-1975 and it manifested itself not only in Italy but also in the United Kingdom through the crisis of the secondary banks, in West Germany through the Herstatt case and in the United States with the increase in bank failures; after that, even neighboring Switzerland was caught up in events which involved a big credit institution.

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(4) Paesi	(5) Anni	(3) (variazioni percentuali)										(21) Disoccu- pazione in % forze di lavoro
		(6) Domanda (I)				(7) Offerta (I)		(8) Industria manifatturiera				
		(9) Interna		(10) Estera		(15) Importi di merci e servizi	(16) Prodotto nazionale lordo	(17) Deflatore implicito del PNL	(18) Produ- zione	(19) Salari di fatto per unità di pro- dotto (2)	(20) Prezzi ingrosso	
(11) consumi privati	(12) consumi pubblici	(13) inv. f. f.	(14) esport. di merci e servizi									
(22) Germania Federale	1977	3,1	1,0	4,1	3,9	4,3	2,6	3,6	3,3	2,6	4,0	
	1978	3,8	3,1	6,2	5,0	7,0	3,4	3,9	1,3	3,1	3,9	
(23) Francia	1977	2,4	3,8	-0,6	7,9	1,0	3,2	8,7	0,9	9,7	4,9	
	1978	4,0	3,7	0,7	7,1	5,5	3,3	9,9	0,9	7,1	5,3	
(24) Regno Unito	1977	-0,9	-0,4	-3,8	7,2	0,3	1,2	13,2	1,4	10,2	5,7	
	1978	5,3	1,5	3,1	2,1	6,3	3,4	9,8	0,8	12,8	5,7	
(25) Italia	1977	2,3	2,2	..	6,7	-0,2	2,0	18,9	1,1	17,5	6,4	
	1978	2,9	3,5	-0,4	10,8	8,1	2,6	13,3	1,6	10,6	7,0	
(26) Paesi Bassi	1977	3,9	3,6	11,1	-2,2	3,6	2,2	7,4	0,9	6,3	4,2	
	1978	3,5	2,3	3,3	2,3	5,4	2,4	5,6	1,6	5,5	4,2	
(27) Belgio	1977	2,1	3,4	-0,9	-3,4	4,3	1,2	6,9	0,0	6,2	7,8	
	1978	2,0	3,9	1,5	2,1	3,0	1,8	4,1	2,5	6,5	8,3	
(28) Danimarca	1977	0,8	2,8	-1,8	3,4	-1,6	1,9	8,9	0,8	8,0	5,8	
	1978	-0,5	3,5	0,6	3,2	1,2	1,0	10,4	2,1	6,3	6,5	
(29) Irlanda	1977	3,9	1,7	7,6	12,4	13,3	5,5	13,5	7,9	11,5	9,4	
	1978	7,9	3,0	10,5	12,6	14,6	6,0	10,2	9,0	8,5	9,0	
(30) Lussemburgo	1977	1,5	2,1	-2,6	1,1	2,6	1,4	6,1	1,0	7,5	0,5	
	1978	1,8	2,1	2,5	5,4	4,5	3,2	5,2	4,6	5,3	0,8	
(31) TOTALE CEE	1977	2,1	1,9	1,3	4,4	2,0	2,3	10,0	1,7	8,8	5,3	
	1978	3,4	2,9	2,6	4,2	5,6	2,9	8,9	1,7	6,8	5,5	
(32) Stati Uniti	1977	4,7	2,4	12,4	2,4	10,2	4,9	5,9	5,9	6,7	7,0	
	1978	4,0	2,2	6,7	9,0	11,2	4,0	7,4	6,1	8,7	6,0	
(33) Giappone	1977	4,2	4,0	1,1	11,4	3,4	5,4	5,5	4,1	4,0	2,0	
	1978	4,9	3,9	7,0	0,8	8,3	5,6	4,0	6,1	-1,0	2,2	
(34) Canada	1977	2,8	2,0	0,3	7,5	2,5	2,7	6,9	3,8	5,5	8,1	
	1978	3,1	1,5	-0,2	8,5	4,1	3,4	6,7	7,1	2,9	8,4	
(35) Svizzera	1977	2,8	-0,1	1,2	9,6	9,3	2,7	0,4	4,3	-2,7	0,2	
	1978	1,8	2,2	5,9	4,7	9,6	1,2	2,6	0,3	3,0	0,5	

Fonte: Bollettini nazionali e Commissione CEE. Per il 1978 dati provvisori e in parte stimati.
 (1) Le variazioni sono calcolate sui valori a prezzi costanti. - (2) Per l'Italia costi del lavoro per unità di prodotto.

Economic indicators in EEC and other industrial countries. Key: 1--variations calculated on the basis of values at constant prices; 2--for Italy, the cost of labor is given per unit of product; 3--percentage variations; 4--countries; 5--years; 6--demand (1); 7--supply (1); 8--manufacturing industry; 9--domestic; 10--foreign; 11--private consumption; 12--public consumption; 13--fixed capital investments; 14--export of goods and services; 15--import of goods and services; 16--GNP; 17--specific GNP deflation factor; 18--output; 19--actual wages per output unit (2); 20--wholesale prices; 21--unemployment in percent of labor force; 22--West Germany; 23--France; 24--United Kingdom; 25--Italy; 26--Holland; 27--Belgium; 28--Denmark; 29--Ireland; 30--Luxembourg; 31--EEC total; 32--United States; 33--Japan; 34--Canada; 35--Switzerland. Sources: National bulletins and EEC Commission; for 1978, the data are provisional and partly estimated.

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Growing financial integration, due to the tight network of the foreign branches and affiliations of the principal world banks and the growth of international markets into which foreign currencies flow have made it more probable that the difficulties of one or more middlemen in a certain country might have serious consequences also for foreign banking systems. The action of the surveillance authorities has been developed therefore also on the level of international cooperation; by exchanging information, they try at an early stage to identify potential dangerous situations and to coordinate the surveillance methods and criteria. In several countries, the legislative branches have been concerned with protecting savings by introducing or improving deposit insurance schemes.

In Italy there are specific factors which recently emphasized the surveillance effort; they are to be found in the strong growth of financial middleman transactions, in the attempt to increase their operational and allocation efficiency, in the tighter interdependence between loan establishments and special institutions due also to economic policy factors. The recourse to restrictions on the makeup of bank assets has made it necessary to check on the way in which the loan establishments have been following the law and the extent to which they can handle the cost involved.

The activities carried out here this year are covered at length in a special chapter in this report. In covering the fields and methods in which this activity was carried out, we took care to provide documentation designed to prove that our inspection effort in recent years has been substantially distributed in an equal manner also from the territorial viewpoint.

In evaluating the actions of the enterprises, we are constantly concerned with identifying the formal rules which sometimes are rather ancient in origin. The interpretation, quite properly based on law and doctrine, which the bank has come up with regarding the provisions in force with respect to the evaluation of the loan issue methods employed by the private and public banks is intended to distinguish those which conflict with the enterprise interests and objectives from those others which differ only formally from bureaucratic practices or regulations put out by the agency; this is in keeping with the principle of equality of discipline application to the managers of loan institutions and establishments, regardless of whether they are public or private.

It would as a matter of fact not be in line with economic logic to derive different consequences from identical company procedures, according to the legal nature of the institutions involved. That would place the public institutions in a position of disadvantage, that is, institutions which are most committed to the effort to support the development of the less well-off areas; it would make their managers reluctant to assume responsibilities for management decisions; it would accentuate the bureaucratic distortion of loan management. To counteract these tendencies, the Bank of Italy wants to make sure that the successive judgment on the technical results deriving from the credit risk will not be reflected upon the result having to do with the level of responsibility that can be carried out by the loan-approving agency.

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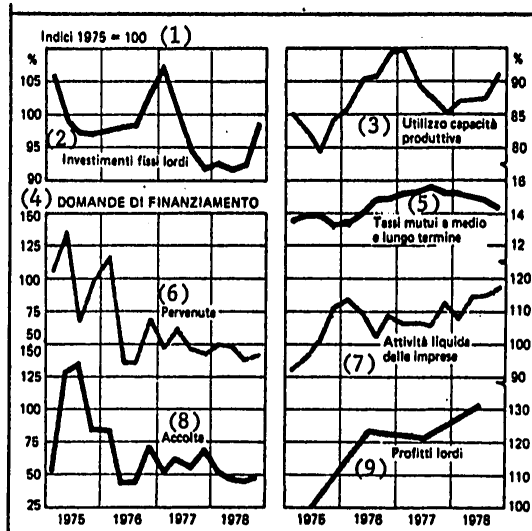
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Regarding an investigation of a special loan institution, the governor of the Bank of Italy was accused of not having been objective in the decision not to forward, on his own initiative to the judicial authority, the information, data, and news contained in the inspection report.

The trial which followed triggered a debate on the powers of the surveillance agency in its relations with the judicial authority which makes it possible to clarify the orientation of the Bank of Italy. The courts have made and can make a significant contribution to this debate, as well as to doctrine.

There is a standard on this matter, specifically Article 10 of the banking law, which directly involves relations between loan authorities and jurisdictional authorities. In interpreting it and applying it the surveillance agency always tried at the same time to guarantee continuity of its own actions and of the actions of the subjects operating in the loan sector; it also wants to make sure that these company actions will be in keeping with the mutual requirements of the economic and social system, not only the domestic one but also the international one. This is a tradition which each governor hands over to his successor for the purpose of maintaining the cohesion, credibility, and capacity of the credit system when it comes to coping the commitments assumed toward the collectivity.

Article 10 of the banking law is important not only because of its best-known passage which requires surveillance officials to report, exclusively to the governor the facts and irregularities discovered, even when they are in the criminal area, but also the portion in which the reports and data concerning credit institutions are protected by official secrecy.



[Key on following page]

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Capital investments in industry, Key: 1--indexes; 2--fixed capital investments; 3--production capacity utilization; 4--financing requests; 5--medium-term and long-term borrowing rate; 6--received; 7--liquid assets of enterprises; 8--approved; 9--gross profits. Note: The fixed and capital investments, the received and approved financing applications, the gross profits, and the liquid assets of the enterprises are expressed in 1970 prices on the basis of the industrial investment deflation factor. The received and approved financing applications involve requests for funds from the special real estate loan institutions submitted by the industrial sector, with the exception of those pertaining to export loans.

This standard represented the recognition of the banking system as a complex of enterprises subjected to control, designed to evaluate their solvency and liquidity and by looking into the regularity of management procedures. This control is among the basic requirements for the confidence which the depositors as a whole can have in the protection of the security of loan institution transactions in their relations with clients, assured, by the banks, through banking secrecy and, by the surveillance agency, through official secrecy and the obligation to report only to the governor.

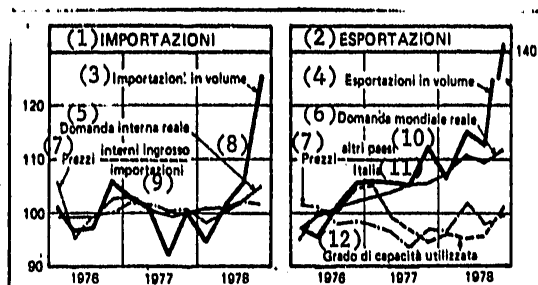
Following the criminal code itself, banking legislation assigned to a high-level office in the credit system, the function of and responsibilities for modifying the requirement for secrecy in banking transactions and the protection of the trust of savers with the requirement for maintaining the efficiency of the general setup by punishing the criminal.

Article 10 of the banking law was intended to authorize the governor to subordinate the submission of a report to the judicial authority to an evaluation of timeliness as to the harmful effects which the untimely opening of criminal proceedings could have upon loan institutions and the actions which the governor himself can take in order to guarantee security and in any case to safeguard the depositors.

The law was intended to enable the governor to evaluate the facts determined through surveillance and to proceed to a comparative consideration of the requirements which emerge in the individual specific cases, for the purpose of determining the most suitable action to be taken toward loan institutions; nor is the choice confined to special management and forced liquidation.

This scheme guarantees the internal coherence of forms of behavior in the discharge of the control function; this has always been done by the governors of the Bank of Italy also in dealing with the judicial authorities.

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Foreign trade. Key: 1--imports; 2--exports; 3--imports, volume; 4--exports, volume; 5--real domestic demand; 6--real worldwide demand; 7--prices; 8--domestic wholesale; 9--imports; 10--other countries; 11--Italy; 12--degree of capacity utilized. Base indexes as of 1976 = 100; data corrected for seasonal fluctuations.

It was possible for a long time to think that there was an appreciable significance, in banking and legal terms, in avoiding the "noise" which supposedly derived from the idea of subjecting irregularities that might turn into crimes to examination by the judicial authority. The subsequent change in enterprise situations and in the context within which they existed, persuaded the Bank of Italy, from 1970 onward, to institute a procedure--of which the judicial authority was fully informed--for evaluating information collected in the course of surveillance activities. The procedure provides that--where it is considered necessary to determine whether conditions call for overriding the secrecy requirement in dealing with criminal justice authorities--the information collected be submitted for examination by a consultative commission made up of the chiefs of the services and the central director of surveillance who would be the chairman, assisted by a legal officer from the bank.

The commission arrives at its judgment also on the basis of observations made by the loan institutions as to what had been ascertained earlier. The reports examined, the conclusions arrived at, and the motivations behind them, are formally expressed in the commission's minutes and are then submitted to the chief prosecutor for legal review to be explained in an opinion. The minutes containing the commission's proposals, coordinated with the legal opinion, are passed on to the governor for decision.

This procedure makes it possible to meet the requirement for equal treatment through the submission of all circumstances to a single procedure in which the bodies responsible for evaluation are not changed. The results spring from the constitution of many technical competences and professional experiences of the managers whom their daily work on surveillance assignments makes sensitive to the problems of efficient and orderly credit operations.

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The governor gets the strength and stimulus for his action by virtue of the fact that he is isolated when it comes to making the decisions and has no immunity in dealing with any other government agency, other than the immunity that would derive from the respect which the institute he heads and the entire banking system are capable of winning and maintaining. The governor's institutional connections to other political and jurisdictional organs, which can be involved as necessary, were approved by the legislative branch in order to strengthen his position.

In particular, as regards the reports of the bank in its capacity as surveillance organ, together with the judicial authority, we trust that the governor will be strengthened in his conviction that the powers of bank supervisor are assigned not to carry out investigations aimed at detecting criminal action or starting repression but at obtaining elements useful in achieving the public objectives of the issuing institution itself, through constant coordination with government authorities; that the juridical setup did not provide and cannot provide that the bank surveillance organ come to constitute a special police force, endowed with a power of self-determination in the investigations to be carried out; that the banks must not be subjected to discriminatory treatment as compared to other enterprises which must not be handled through an investigative power that is not headed by the criminal judge; that it is up to the governor to determine whether it is necessary to involve the judicial authority within the limits of compatibility with the essential requirements of credit protection; that the requirement of secrecy regarding banking transactions will be complied with by all government agencies without exception and by way of implementation of the principles covered by constitutional guarantees.

We may be asked whether--without taking anything away from the tasks and responsibilities of the governor--this office might be allowed to operate without any paralyzing uncertainty, affecting the range of powers assigned to it, being added to the necessary decision-making doubt.

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COUNTRY SECTION

ITALY

PROSPECTS FOR FOSSIL COAL DEPOSITS IN SARDINIA

Reserves 132-145 Million Tons

Rome ENERGIA E MATERIE PRIME in Italian Sep-Oct 78 pp 9-12

[Text] Fossil coal in Sardinia as part of the Italian energy picture. The promise of the Sardinian fields at Sulcis is so great, from many points of view and as part of the imperative search for additional energy sources, as to make its reopening an immediate priority.

The impact of the oil crisis is steadily growing throughout the world, particularly in the highly industrialized areas, and thus making it a matter of urgent necessity to find alternative or at least supplementary sources of energy. With this end in view, the United States, Germany, and France have already revived -- or are planning to revive -- "coal plans," which call for reopening long-abandoned mines, looking for new deposits and new fields, and conducting surveys designed to lead to fuller and better planned exploitation of such resources. Once drafted and approved, these plans have swiftly gone into effect, with widespread recognition of their importance and urgency; financing for them has invariably been ample, and sometimes gigantic.

What has Italy done in this field? Has it considered the matter at all? Perhaps it has, but not with the pressing urgency which, in our view, would be requisite. For example, the biggest coal deposit in Italy, the one in southeastern Sardinia in the region known as Sulcis, has long been idle and is still awaiting what we feel, for the aforesaid reasons, is an imperative reactivation.

A number of years ago an interministerial technical commission was appointed to study the matter: its conclusions were that the mines could be reopened and that it would be profitable to do so. The economic feasibility, the necessity, and the urgency

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of the undertaking received renewed emphasis at the 3rd national mining conference, held in Cagliari in 1973. Despite all this, there was further delay in moving into the operational phase, at least in terms of practical work rather than mere talk. Even the Carbosulcis company, established specifically to reopen and manage the mines, is finding it difficult to move into real production.

Given all the misleading propaganda encountered in much of public opinion on the issue, and the occasionally incorrect estimates being spread about, we believe that the situation as well as the time is ripe to spread the actual state of affairs out on the table and to analyze, on the basis of the data generated by the interministerial commission and by the findings of the mining conference already mentioned (and particularly in light of the report Prof Paolo Piga delivered at that meeting), the real potential of the Sulcis coal field insofar as concerns the reserves, the type of material there, and the potential for its utilization for purposes of generating energy.

The Field

What we have here is a tertiary sedimentary basin whose western boundary lies along the coast and whose eastern edge abuts on older (paleozoic) geological formations which built up the bottom and the prehistoric boundaries of the basin. Its westernmost portion lies beneath lava flows attributed to the upper oligocene/lower miocene eras. The productive series, as it is called, lies between the underlying paleozoic rock and the sterile overlayment, which in turn consists of marly and sandy limestones (upper eocene), clays (miocene), and lavas (in ascending order). The coal-bearing stratum consists of seams of coal clustered together in bundles of as many as eight seams, not all of which are present and workable in all cases, interlarded with marles, marly and sandy limestones, whose overall thickness is somewhere in the neighborhood of 100 meters. The miliolite (lower eocene) chalk formation closes the lower portion of the basin resting, at least in some places, directly upon the paleozoic strata.

The entire basin is part of a system of major faults running from northwest to southeast, which cause the basin to slant down from east to west. The peripheral areas of the basin, particularly those toward the east, are also involved in a secondary tectonic system consisting of fault networks and faults paralleling the principal upheavals, whereas such conditions are not encountered, as a rule, in the central portion of the basin.

In the Seruci field, aside from the occasional minor local disturbance, there is a degree of evenness in the deposit with a sub-horizontal slant and a maximum slope of 5-7 degrees in a

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southerly direction. Very much the same situation has been revealed through bores in the Nuraxi Figus field.

The mean thickness of each of the seams and workable banks ranges from 1.80 to 1.90 meters. The total extent of the basin is greater than 200 square kilometers.

Reserves

At present the two zones in which the most reliable estimates of reserves can be made, on the basis of a good 36 kilometers of mine galleries in Seruci and of numerous bores made in the related zones, are those of Seruci and Nuraxi Figus.

The first datum we got in making our estimates of the reserves was the record of ENEL's operations in the Seruci mine, which may quite properly be considered representative of the entire basin. No set of sample bores, no matter how well plotted, can be so representative as the figures based on the actual yield of a mine operated for years (1964-1972), which thus is based on a high-percentage sampling referring to the total population in statistical terms.

ENEL's figures show a yield of 3.3 tons per square meter of operations.

As for the cubic meter figures, for the Seruci and Nuraxi Figus fields alone, the following areas may be singled out:

- a. an area entirely bounded by galleries and hence available to visual examination, in which there are still available for mining in the primary vein a total of some 2 million cubic meters, and in the secondary vein a total of 4 million m³.
- b. an area mapped partially with working galleries and partly with closely spaced bores, again to be examined visually, for a total of some 8 million m³ in the primary vein and another 8 million m³ in the secondary.
- c. an area mapped by means of somewhat more widely spaced bores which, again, may be visually inspected since the bed is fairly level, with a total of 11 million m³ in both the primary and secondary veins.

Even so, should one aim for a very prudent estimate, one might, for the aforementioned zone c, take a hedging figure of 0.80; in this case you would get (taking 80 percent off the 11 million m³ for the two veins in area c) something like 9 million m³ for each of the two veins. In the latter case, this would come to a total of some 40 or even 44 million square meters.

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If we now multiply these figures by the aforementioned yield of 3.3 tons per square meter, we arrive at the following reserves, expressed in tons: without the prudence factor, 145 million tons; with the prudence factor, 132 million tons.

Once again, we repeat that the currently calculated reserves concern only the first and second veins. To these must be added the reserves in the remainder of the basin, which can be estimated only by means of geological and sedimentary criteria, plus those of the area just discussed, but covering other veins, which can be estimated only on the basis of core samplings, inasmuch as they have not yet been involved in extraction.

As for the strata underlying the first two in the Seruci and Nuraxi Figus areas, even if we introduce fairly conservative correction factors (0.60), since this is a sedimentary basin whose continuity of deposit and negligible variation in thickness is generally recognized, we arrive at an estimate for a third vein involving an area of 27 million square meters, which works out to 89 million tons; similar estimates can be made with reference to a fourth vein.

It should be understood that these last data are to be taken as rough estimates and that they will therefore have to be subjected to detailed geostatistical investigation.

In any case, for the Seruci and Nuraxi Figus zones, we come up with a total of more than 300 million tons of accessible coal.

For the rest of the basin, bearing in mind the fact that the area as yet unconsidered represents around 75 percent of the total, we can assume -- albeit only within the broadest margins of error -- that there is 800 million to a billion tons of coal down there.

Quality

Among the charges levelled in the past and right now against Sulcis coal, the one citing its inferior quality is the most persistent and urgent. We shall say at once that of course this coal cannot be numbered among the world's finest, but it is not true, as some have charged, that it is unburnable.

The three parameters governing coal quality, as we all know, are its lowest calorific power (LCP), its percentage of ash content, and its percentage of sulphur content.

With regard to the first parameter, we can confidently assume, on the basis of summary reports from the Seruci mine as well as on that of analyses ordered by the Interministerial Commission,

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that the LCP ranges from 4,000 to 4,500 kilocalories per kilogram (kcal/kg).

ENEL reported, in the latest period, a calorific power of only around 3,400 calories. In all probability, this was an instance of pollution with sterile tailings; we shall return to this point later on.

The ash content is in the neighborhood of 25-30 percent, while the sulphur content is around 6 percent upon extraction.

Once again, we repeat that these data describe a fuel that, while not optimum, is certainly usable and not very much different from other coals mined in Europe or on other continents which are used for the same purposes. Furthermore, in other areas of Italy ENEL itself burns coals which are certainly no better. We shall come back to that matter of sulphur content again, too..

Production and Costs

For the following evaluations we have referred to the feasibility study made by the Interministerial Commission, to old production data from ENEL (the last company to manage the mine), and to the already cited report submitted by Prof Paolo Piga, professor of Mining Arts on the faculty of Engineering in Rome, to the 1973 Cagliari conference.

The output of the Seruci and Nuraxi Figus mines, under a plan which calls for utilization of the Nuraxi Figus shaft for extraction and of the Seruci shafts for ventilation, can reach 2,100,000 tons per year, a quantity which, in the current state of affairs, is not far from the optimum for extraction operations. If we assume 230 working days per year, in the course of which every employee, assuming a 25-percent absentee rate, would be on the job for 180 days, we come up with production of 9,000 tons per day.

Coupling that output with a labor force of 783 (with an inside-outside ratio of 75-25 percent), we get a total yield of 11.5 tons per man per day.

By way of comparison, consider that the now suspended Seruci operations produced 12.7 tons per man per shift, and that the modern coalmines at Gardanne in France and at Walsun in Germany produce yields of 11 and 8.4 tons per man per shift, respectively.

On the basis of these yields, and taking 45,000 lire as the cost of one man/day (including fringe benefits and other ancillary expenses) and assuming that the manpower share of the total cost is around 60 percent, we arrive at an extraction cost of 6,500 lire per ton.

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If, further, we should take less favorable conditions than the ones we have just cited -- even though the latter, as we have seen, are quite feasible -- and calculate a total yield of eight or even five tone per worker per day, we should have cost of 9,400 and 15,000 lire per ton, respectively.

Utilization

As to the feasibility of using Sulcis coal, for which we have thus far analyzed not only the geological and sedimentary features and the quality, but the extent of the reserves and the cost prices as well, let us point out at once that there are no problems inherent in using coal with a low calorific power, in that the Sardinian power plants are set to operate at 3100 ± 200 kcal/kg.

In 1975 ENEL had already stated that it was ready to use a million tons of coal per year, paying for it at prices pegged to the calorific content in equivalence, without penalty (so as to allow for the yield ratio between liquid and solid fuels) with fuel oil. At that time, ENEL quoted a value for fuel oil of 51,000 lire per ton, and assigned it a calorific power of 9800 kcal/kg. Accepting the calorific rating as sound, but bearing in mind as well the fact that, on the basis of the latest increases, fuel oil has hit 90,000 lire per ton, we can arrive at the purchase price of 40,000 lire for coal rated at 4,400 kcal/kg and 27,600 lire per ton for coal rated at 3,000 kcal/kg.

A comparison with the cost prices we calculated above shows unmistakably that Sulcis coal is commercially marketable.

In any case, it is possible to prove as of now that ENEL could absorb a good deal more than the million tons it is apparently still prepared to make a commitment for.

ENEL's power plants in Sardinia, and we are referring to Portovesme Nuova (known as the "super-plant"), Portovesme Vecchia, and Santa Gilla, can readily burn the 2 million tons of coal we started out with.

If we decide to consider old Portovesme as already obsolete, we could include in our reckoning the Alsar-Euroallumina plant, which recently was transferred to ENEL management.

If, on the other hand, the 1.1 million tons unused by ENEL were to be sold to other users and penalized by 10 percent, the prices would be remunerative for the mining company, dropping to 36,400/ton for 4,000 kcal/kg coal and to 28.850 lire per ton of 3,000 kcal/kg coal.

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In this connection, it is well to bear in mind the fact that there are seven more thermoelectric power plants in Sardinia now in production, with a combined installed power close to 200 MW, while there was recent discussion and considerable protest over a proposed new ENEL power plant in the northern part of the island; the protest, be it noted, had to do only with siting, since the need for the plant in terms of energy requirements is generally recognized.

The fact is that energy consumption in Sardinia over the past few years has increased very markedly, up from 1.10^9 kwh in 1965 to $2.2 \cdot 10^9$ in 1970, and from $3 \cdot 10^9$ in 1975 to the current level of some $4 \cdot 10^9$; of this, the hydroelectric share, which remained practically constant, accounted for 20 percent in 1970, but now accounts for only 10 percent.

Remarks and Conclusion

To arrive at some conclusions I do not think we can do without a more direct comparison, in terms of suitability, between fuel oil and coal.

To make the comparison more meaningful, let us take the least favorable data for coal, assuming an overall yield of 5 tons per day per worker and hence a price per ton of 15,000 lire and a calorific rating of 3,000 kcal/kg, and let us take the data we have been using all along for fuel oil, which give us a cost of 90,000 lire per ton and a calorific rating greater than 9,800 kcal/kg; we shall make the comparison in terms of therms (th).

The two data we derive, fuel oil at 9.20 lire per therm and coal at 5 lire per therm, are, it seems to me, more than indicative of the wisdom of using coal. Not only that, but the difference between the two costs leaves great leeway both for increases in coal costs (either in terms of labor or in terms of overall expenditures) and for variations in yield and performance. Now, should we choose to use the most favorable hypothetical conditions for coal, taking a cost price of 6,600 lire per ton and a calorie rating of 4,400 kcal/kg, the cost per coal-generated therm would drop to 1.55 lire. Clearly, this argument holds good for a combined management which sees no management profit for its mining division or for utilization at the pit mouth.

Transport costs, in any case, do not substantially affect the terms of the problem inasmuch as, according to Giovanni Maria Piga, of the Cagliari school of engineering, transport from the mine to the Sassari zone, clear across the island (200 km), would cost 2.08 lire per therm by rail and 2 lire per therm by road, whereas for shipments in the neighborhood of 100 kilometers the cost of transport would come to 1.55 by either rail or road.

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Now that the principal terms of the problem have been clearly stated, I should like to make a few remarks, before closing, on the meaning of the resumption of coal operations and its replacement of fuel oil in the Sardinian power plants in terms of the economy as a whole and of the balance of payments, as well as some remarks about the ecological problems involved.

By burning coal instead of oil, we should realize savings of 23 percent, which comes to some 20 billion lire per year, for plants in the southern part of the island, and of 20 percent, or more than 15 billion, for the same number of plants to be built in the Sassari area; at the same time, we should be cutting about 70 billion lire off the balance of payments deficit.

Clearly, such savings do not solve the overall problem of Italy's balance of payments in the energy field, since Sardinia; according to data in our possession, accounts for less than 2 percent of Italy's total electric power generation (1975: $140 \cdot 10^9$ kwh = $54 \cdot 10^6$ equivalent tons of coal at 6,000 kcal/kg).

If, however, along with the purely technical and economic assessment we take the social problem of employment, it is clear that the whole argument takes on a different significance and assumes an even more inviting prospect. In a depressed zone like Sulcis, without engaging in rhetoric or pointless demagoguery, a steady job for say 700 to 1,000 men takes on very considerable economic value, particularly when those jobs are going to be there for a good many years to come.

There are those who see a negative side to the employment question in the alleged difficulty of finding manpower, particularly men with highly specialized mining skills.

In our view, even while we perceive one of ENEL's mistakes in its having allowed -- and encouraged -- the scattering of a very sizable pool of experience and skills, the problem does not in fact exist.

We can use in proof of this two orders of considerations, the first of which stems from the example of the Seruci mine, where advanced mechanization was introduced in 1960. The men on the job quickly got the hang of the system, to the point that Seruci during those years was a "must" for technicians from all over Europe as an example of the finest use of the potential of mechanization. Consider, if you will, the fact that productivity rose by 51 percent, while in other advanced technology countries the gain from automation was 9 percent at most.

The second consideration is that right now there are some 4,000 Italian miners, a good share of them Sardinians, working abroad in France and Belgium alone, and that we could easily draw upon

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that work force to round out the cadres of Sardinian coal miners, the more so in that the foreign nations, who are themselves in a crisis at present, are beginning to dismiss foreign workers.

It is clear in any case that hiring manpower must be the consequence, rather than the cause, of reopening the mines, which would be motivated by economic factors: in no circumstances should we like to see the need for finding work for people determining -- or even justifying -- the opening of a mine.

As for the ecological aspect, unquestionable reopening the Sulcis mines and starting to burn their coal again poses a problem of this kind in connection with the high sulphur content of the coal itself.

Statistical investigations conducted on the site make it possible to state that, given the siting of power plants in relation to prevailing winds and stack heights, the risk of pollution is very slim indeed.

In this connection Prof Paolo Piga writes that: "Solely in consideration of the very low levels of SO₂ concentrations allowable under Italian law (around half that called for by the EEC) could there occur under specific circumstances, even though with a very low probability, a concentration at ground level in excess of that limit."

Furthermore, a number of studies are going on in Italy and abroad on desulphurization of coal and fumes and, according to reports published in the ANNALES DES MINES DE BELGIQUE for 1975, the latter process would seem to be just about ready to go. We might add that PL 615/966 on pollution does not consider Sulcis as a zone to be subjected to atmospheric monitoring.

From everything we have said it seems to us that we may conclude fairly confidently that Sulcis coal can be used in electric power generating plants; not only is it feasible, but its use would constitute budgetary savings and remove some of the burden from the balance of payments.

The final question is still one of the time-frames involved. They could (and we use the conditional here because they will be a matter of political decision, and hence are extraneous to a technical discussion) be fairly short: within the span of a few years we could achieve complete resumption of operations in both the Sulcis mine and at Nuraxi Figus, and the production level of 2 million tons per year that has been planned.

We hope for ourselves, and above all we hope for this country, that those who can do it find the will to get started in the

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shortest possible time on this undertaking, because -- and let us get this clearly understood so as to keep our feet firmly on the ground -- it is of real value as a supplementary source of energy.

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Sardinia Has a Century's Worth of Coal

Milan IL CORRIERE DELLA SERA in Italian 26 May 79 p 9

[Article by Enrico Negretti]

[Text] Extraction could start up again as early as 1981. Energy generated with this fossil fuel would cost half as much as oil-generated power. Latest surveys of the fields, shut down in the early 70s, double earlier estimates of reserves. Sulcis basin to be worked with highly sophisticated new installations.

Carbonia -- Here, beneath the gently rolling hills now green with myrtle and scrubby, low-growing mastic tree, lies Italian coal. The coal of Sulcis, completely overlooked in our "energy plan." It is a coal which is certainly not to be counted among the finest, but which, in an energy crisis like the one we now have, we cannot afford to forget. Coal like this is regularly and profitably mined in France, while East Germany's energy supply is actually based on a lignit coal even poorer than this.

This coal-bearing basin has a life story centuries long. The first to pay attention to Sulcis for the "black" wealth of its underground depths was General Lamarmora, who began to take an interest in Sardinian coal in 1852. In 1854, 175 tons of coal were mined from Sulcis. In 1876 fossil coal from these mines was sent to the navy yard at La Spezia for assay, and the report from the technicians was very significant. It said in part: "For an urgent mission we do not hesitate to say that a ship stoked with fuel from Bacu Abis could call herself lucky." And later on, in a report from the same yards the following year: "Bacu Abis coal is a fuel which may readily be used in stationary machinery as well as in ships engines, because 108 kilograms of this coal is the equivalent of 100 kilograms of Cardiff."

It is thus not, or at least was not in those days, coal to be thrown out as useless. In fact, in times of a "squeeze," the Sulcis fossil coal has come in handy. It did so, and contributed a serendipitous propaganda plus, during the '20s. Then again after the war it looked good for reconstruction, It kept

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on looking good right up until the '60s, and in the early '70s, when the Sardinian mines were finally shut down in the course of a complicated change of management, there they still sat, unused and useless, tucked away in mothballs.

Now people are talking about them again, because the energy crisis has neared its peak. The National Hydrocarbons Agency (ENI) and the Sardinian Mining Agency (ESM) (holding a 60 percent and 40 percent interest respectively) handle the management of the coal basin, which in recent years has been in the hands of ENEL and EGAM.

There is also talk about starting the mines up again, and has been for years. There is talk, but the time-frames are growing steadily longer, because opinions on the issue are widely divergent.

As of now, 180 workers are employed at the Seruci mine (more than a few of them graduates); after having taken a course in the French coal mines, they are now engaged in keeping the machinery in working order. Running the show is engineer Giovanni Congera, who, like them, is just waiting for the Sulcis basin to be active again, to start supplying its coal again.

Where do things stand? We asked Dr Pietro Rambelli, managing director of the Carbosulcis company: "Right now," he said, "we have completed taking core samples in the southwest zone of the basin, in the Nuraxi Figus area, with results which we really must call somewhat surprising: there is a lot more coal there than we thought."

"How much?"

"The deposits revealed by the cores are very large: let's say that if the earlier estimates for the basin were 500 million tons, in the light of these latest findings we can talk about just about double that. Now we have to get in there and take a look at it, and that will take several months, if these veins are at the same level, depthwise; and then we can start mining the big manway, the tunnels, each of them 3.5 kilometers long, that go down to the working face."

The new extraction systems, though, no longer require shafts and lifts, but swift descents, excavator "moles," and conveyor belts to carry the coal directly to the washery and from there to where it is to be burned.

"Dr Rambelli, when will you be able to reopen the mines, seeing that you have already received more than 3,000 job applications, many of them even from emigrants who would like to come home?"

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"We have just now sent out to 20 Italian companies invitations to bid on construction of the manways. I should say that by September we can get started on work. The first coal will come out in 1981, if we don't run into any obstacles. Remember that we are going to have to train the miners, a very important thing, because even though working in the mines is not what it used to be, the accident risk is still very high: you've got coal dust, gas, and water infiltration..."

According to Rambelli, there is enough coal right here under our feet to last a century. And the experts say that the energy generated with this coal would cost -- when all the reckoning is done -- only half, or less, as much as oil-generated power. With 12 million tons every year (although it will take years and enormous investments to get to that point) we could generate as much electricity with Sulcis coal as all of Italy's hydroelectric plants produce today (six percent of national requirements). That is what the most optimistic of the experts say.

"The political will is there," Rambelli says, "but we here at Carbosulcis are not ready just yet."

"We Sardinians," says Sardinian Socialist Party (PSI) leader Hon Giuseppe Tocco, outgoing member of parliament and mayor of Iglesias from 1950 to 1959, "have had it up to here with intravenous injections of hope. Insofar as the political will to move ahead goes, all I can tell you is that the mines must be reopened in the interests of the nation. And I should like to add that I find it grotesque that the ENI people, at the very time when the balance of payments is running increasingly into the red, should be the ones insisting on all this delay, linger, and wait."

"We shall see whether or not the political will is there," says the Italian Communist Party's PCI Senator Daverio Giovannetti, a former labor union member and a man who knows all there is to know about the malaise that is a creeping disease in labor circles in the coal basin, "when they keep their promises and when we see a start on construction of the manways. If this does not happen, there will be a scandal, because all the technical reports agree that the deposit is there, and that it is a big one. Either they are going to start up the mines again, or the time will come when somebody is going to find out just who is responsible. We cannot go on forever with these delays, which, more than anything else, constitute a heavy burden for the society and which, furthermore, are an insult to every Sardinian."

In the view of Senator Goisue Ligios, of Nuoro, Christian Democrat (DC) candidate for the Senate as well as for the European Parliament, and an expert on alternative energy sources, all this talk about Sulcis coal has to be examined in the light of what is happening worldwide in the area of energy supplies.

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"The government," he says, "must carefully examine the technical documentation. If utilization of these Sardinian mines was not economically practical when oil prices were low, things are not the same today and, unfortunately, they will be even worse tomorrow: hence the whole matter needs to be reexamined. Therefore before we start talking about foreign coal, we must take a look around our own house, see whether or not they have got the costs right, and furthermore consider the fact that reactivation of the Sulcis would have anything but a slight effect on the intractable problem of unemployment on the island."

Taking a stand against the charges that Sulcis coal has an excessively high sulphur content is Armando Congiu, professor of letters and chairman of the combined Sulcis-Iglesiente district: "Nowhere in the United States or in Russia, or even in England," he says, "is there any law against burning coal with a sulphur content in excess of 5 percent, so long as any pollution is carried off on the wind. And here on our island there is always the mistral."

And so the issue is still open. Italy's energy plan calls for at least 10 million tons of coal per year. Yet, incredibly, nobody even mentions all that coal in Sulcis. And that is something they don't like out there in Sardinia.

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COUNTRY SECTION

SPAIN

ETA'S ORGANIZATIONAL METHODS DESCRIBED

Madrid CAMBIO 16 in Spanish 17 Jun 79 p 37

/Text/ The ETA /Basque Fatherland and Liberty/ military wing for a year now has maintained in Madrid six or seven "sleeper commando units" composed of four members each, plus another dozen or so people in its information apparatus and corresponding clandestine logistic security structure. In all, there are between 40 and 50 "Etarras" /ETA members/ in Madrid.

One of these squads was responsible for the killing on Friday, 25 May, of three military officers and their civilian chauffeur, a reliable Basque source told CAMBIO 16. The squad in question remained in Madrid after the attack and is still here, according to the same source, who explained to this newspaper the functioning of the terrorist organization.

About a year ago the Madrid press, citing police sources, reported on the presence in the Spanish capital of some outstanding members of the ETA military wing, mentioning among them Apala himself, one of the men most wanted by the national and international police.

What are the "sleeper commando units"?

These are the men who set up the supersecret terrorist structure in the Spanish capital, which carried out its first important mission on 25 May.

The Madrid "sleeper squads" are composed of terrorists who are perfectly adapted to and integrated into Madrid life.

They ordinarily lead normal lives, holding jobs in offices, banks, shops and other establishments, or are registered in some center of learning. There is never any contact among them, and in many cases they probably don't even know each other. They are "hit men," willing to do anything and perfectly trained, whose sole function is to act when they receive the order and until that time to wait, submerged in the grayness of the urban landscape and in the shadows of perfectly normal, everyday lives.

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Meanwhile, the information services prepare the attacks down to the finest detail. Including the action commandos, there are said to be between 40 and 50 "Etarra" in Madrid at this time.

These services study various attacks and draw up a diversity of plans, which they communicate by devious means to the actual ETA military chiefs, whose identity they probably do not know.

On the day the chiefs decide to carry out the attack, they choose a plan, and the order arrives at each of the "sleeper commando units," with precise instructions worked out to the last millimeter.

Then, in the terrorist jargon, the "sleeper commandos" awaken, come out of the shadows, attack and return a few moments later to their normal lives, whether in an office, a shop or classroom.

Without further ado, then, credit is claimed for the attack, always in the same manner, so that there will be no interference. Until he was assassinated, Argala took charge of this from France. It is thought today in certain circles that this was probably his only function in the tightly sealed terrorist organization.

Absolute Secrecy

In this structure the commandos or information services are the most vulnerable. Their members see and know each other and are the most visible part of the Etarra "iceberg."

Their capture, however, does not endanger the essential part of the organization, since these services maintain no contact whatsoever with the "hit men."

The "hit men" are often youths who have had no contact with the police. They have never been arrested and perhaps never will be.

Actually, according to the special source interviewed by CAMBIO 16, after an attack as big as the one on 25 May in Madrid, the ETA military will never again use those terrorists. Perhaps they receive a reward and from their bloody anonymity as executioners return to the anonymity of their daily lives.

Those who are in Madrid will one day, perhaps within a year, quietly offer their resignations on one pretext or another from their places of employment and will return to their families or to their Basque valleys.

The Basque irredentist organization, with its internal excisions and dramas, has been underground for almost 21 years. It has accumulated a huge reserve of experience and in addition has succeeded in creating for itself a not inconsiderable political support, with figures at the polls which did not surprise the experts.

When, how and where will the next "sleeping commandos" strike, when the signal is given?

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COUNTRY SECTION

SPAIN

LABOR, EMPLOYERS NEGOTIATIONS: POSITIONS, DEMANDS GIVEN

Madrid CAMBIO 16 in Spanish 24 Jun 79 pp 66-69, 71, 74

[Text] Carlos Ferrer: "Suarez Is Allergic to Economics"

"The government's economic team is characterized by a pragmatism that shuns programming, a pragmatism at all costs," Carlos Ferrer, the president of the CEOE [Spanish Confederation of Employer Organizations], the major employer group, told CAMBIO 16 after learning that there would not be a program as they had called for on 1 May. "A bad program is better than none at all," Ferrer added. "We cannot think just about 1979; we have to set down economic guidelines for the next 3 or 4 years. But given the government's current mentality, talking about even 6 or 8 months seems a very long time to them."

The CEOE's complaints about the government are sharpening once more, after a honeymoon of sorts, because the economic team has not paid attention to a memorandum of requests submitted by the employer organization. "After the arduous birth of a well-thought-out government, we have come up against a series of self-sufficient personalities," says an editorial in the CEOE's information bulletin. "They do not need anyone, they do not consult anyone and they ignore the country's industry, commerce and banking, whose cooperation is necessary for good government. This is bad."

To Carlos Ferrer, "the only thing that has come out of this economic pragmatism has been the struggle against inflation through monetary controls," while a series of problems basic to overcoming the crisis have been overlooked. Beginning with the issue of labor relations, he says that "it has been 3½ years now that Mr Franco is dead, and nothing has changed here in the labor sphere." In this regard, Ferrer feels that it is especially important for the bills relating to the new framework of labor relations to be passed in the Parliament through the emergency procedure. "We cannot keep the country upside-down, as it is now, for much longer."

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But what is more, if we want businessmen to invest and create jobs, "we have to make sure that they have confidence in the future." As far as Carlos Ferrer is concerned, this is a very specific thing, which can be accomplished in several ways. "In the first place, the government, starting with Suarez, has to give the impression that it is giving priority to economic issues. This is what most of the world's presidents do, by constantly making statements on economic issues like energy or the budget, in the style of a Carter, a Giscard or, previously, a Callaghan. But here everything seems to indicate that Suarez is allergic to economic problems."

In this regard the CEOE feels that "an economic program creates confidence." Moreover, they insist on no further delays in taking a series of very specific measures to promote investment: payroll flexibility, better credit and a cutback in public expenditures, mainly. "With regard to the monetary objectives for 1979," Ferrer comments, "the government says that there are going to be fewer pressures and more credit. I would like to see that."

If the unions and leftist parties accuse the government of pursuing a pro-business policy, the CEOE stresses that the government systematically ignores its requests. "I think that this is because its upper reaches are not very sensitive to economic issues," Carlos Ferrer clarified for this magazine. Therefore, the employer organization leader has spent the last few weeks dining with all of the ministers and high-level officials, without forgetting the presidents of the Congress and the Senate, in a sort of "economic apostolate." Naturally, he has not managed to convince Fernando Abril Martorell, the political-economic vice president. "The fact is, Mr Abril has other things to think about in addition to economic issues," he indicates with his Catalan half-smile.

What the CEOE Is Asking For

--A new framework of labor relations (a new labor union contracts law, payroll flexibility, a new hiring and employment arrangement, regulation of strikes, labor union contracts and lockouts, legislation on union rights and representivity)

--Action to moderate business costs (raw materials, energy, wages and financial costs)

--Promotion of private investment (by creating a series of objective conditions: political and economic expectations as to the model of society and economic policy in the intermediate and long term, expectations as to business climate and social peace and expectations as to profitability)

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- Better conditions for business financing (so that businesses have enough credit at a good price and with suitable terms)
- An in-depth reassessment of social security (of its expenditures, in order to avoid waste; of its function, by transferring some of its activities to the private sector; and of its financing, so that the states takes increasing responsibility for it)
- An in-depth reassessment of unemployment insurance
- A loosening of industrial prices
- Fiscal promotion of savings and self-financing
- Suitable export promotion (tax and social security exemptions, credits and insurance, elimination of licenses for some items and particular attention to sectors that are discriminated against internationally)
- The urgent formulation of an energy program

UGT [General Union of Workers]: 1979 Objectives Have to Be Reassessed

"It seems as if the government does not want to present an economic program. If it's just a question of words, it's all the same to us. However, if it means that the objectives for 1979 are the same as the ones that Abril put forth at the end of the year and that it is now merely a question of pursuing them, this is inadmissible, because today no one believes in those objectives anymore," Joaquin Almunia, an economics adviser to the UGT Executive Committee and a deputy of the Spanish Socialist Workers Party (PSOE), told CAMBIO 16.

"Therefore," he adds, "whether it's called a program or not, there has to be a reassessment of the macroeconomic objectives set forth in late 1978 in order to tailor them to current realities." According to Almunia, the impact of the election, energy problems and developments in the economy make far-fetched the objectives that the government set for itself in 1979 in the area of growth, private investment, prices and unemployment.

The socialist union feels that creating a new framework in labor relations ("negotiated, not imposed") and tackling unemployment with an "imaginative and determined" jobs policy are two priority measures in any reasonable economic plan. Moreover, it favors encouraging public investment ("local entities have to be given a greater investment capability") and private investment ("the administration and businessmen should seek the most appropriate incentives"), as long as the minimum wage is boosted to a reasonable level ("no less than 25,000 pesetas a month") and the clauses safeguarding buying power are respected.

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With regard to monetary policy, Almunia feels that credit should be loosened "softly and gradually" so that businesses or entire sectors (such as housing, a rebound in which he considers a top priority, urgent matter) are not overburdened. In connection with sectors in crisis, he criticizes the administration's posture of shunning comprehensive, tripartite and negotiated agreements.

So far the government has not consulted with the unions on the measures that it plans to submit to the Parliament, and the UGT is thinking about "responsible union pressure, along with collective bargaining and parliamentary debate as a means of making itself heard. As long as there is a desire to negotiate and not to impose," Joaquin Almunia points out, "we are willing to negotiate, but we do not see this attitude on the part of the government. If they continue to be unwilling to modify their economic objectives, the consequences are going to be disastrous for the workers."

The Measures That the UGT Proposes

Short-term: a new framework for labor relations (union role in the enterprise, collective bargaining, labor disputes, strikes, workers statute and union representivity)

--Measures against joblessness and to promote jobs (establishment of INEM [expansion unknown] and its tasks, a socialist law against layoffs, measures to directly promote the creation of jobs, struggle against unemployment...)

--Promotion of investment (both public and by local entities, as well as generally agreed upon incentives for private investment)

--Reassessment of views on monetary policy

--Reactivation of the housing sector (mainly by financing)

--Maintenance of purchasing power

--A comprehensive policy for and a negotiated restructuring of sectors in crisis

--An approach to energy prices and developments in them

Medium-term: creation of an economic and social council (an initial version of this constitutionally stipulated tripartite body within 2 years)

--A program to overhaul production structures with an eye towards membership in the EEC (defining a bargaining posture)

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--Social security financing program

--A program to redistribute existing jobs (setting the workday, the period of apprenticeship and retirement)

CCOO [Workers Commissions] in Favor of a Democratic Economy

"We have to distinguish between the government not having a program and the economic team not having an economic strategy," Antonio Gallifa, an economics adviser to the CCOO's Confederated Secretariat, commented to CAMBIO 16. "A strategy exists," he went on to say, "and it aims at constructing an economic model of a market economy with oligarchical characteristics, tied to the multinationals and in which there would be a feeble public sector that finances private activities and seeks to boost the rate of private profits."

Gallifa feels that the government does not want an economic program, "because that would mean coming out in the open with the very debatable strategy that they do have, because that would trigger a parliamentary debate on two models, the oligarchical one that they defend and the democratic one that we advocate."

CCOO maintains that "the consolidation and intensification of democracy objectively require a democratic economy." And this model of a democratic economy, at all times within the framework of a market economy as defined by the constitution, means: control over the most destabilizing activities of the monopolies; an in-depth redistribution of income and greater access to property for the lower classes; a new orientation of investment and consumption; greater solidarity among regions and nationalities; enhanced economic powers for the entities with autonomy; economic sovereignty and technological independence for Spain, as well as a powerful public sector, competitive with the private and the foreign sectors, democratically controlled by society and serving collective needs and objectives.

"A solution to the economic and social crisis that the country is experiencing," Antonio Gallifa points out, "requires democratic planning. The serious problems that we are faced with, inflation, unemployment, integration into Europe, sectors in crisis, etc, can begin to be tackled only under a 4- or 5-year plan." In the opinion of CCOO, the government does not want to talk about an economic program "because it knows that things are no longer as they were in the days of Lopez Rodo, when no one had to be given an explanation; it knows that there are social forces with which it has to talk things over and which hold different views concerning the economic model to be shaped and the measures to be taken."

"Last December we told Abril what CCOO was asking for in terms of a program, and he didn't even want to begin discussing it," Gallifa comments.

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"But it must be made clear that any economic program or plan will either be negotiated with the social forces or will be doomed to failure." The CCOO economist notes that the best proof of this has been what has happened so far in 1979, as the unilateral handling of the economy has not slowed down inflation sufficiently, has wasted credit and has made Spain the European leader in days lost due to conflicts. "The fact is, I emphasize, that any non-negotiated plan, in addition to not working, will be more costly socially in the long run."

The CCOO's Economic Plan

- Plan of struggle against unemployment (creation of new job posts and extension and increase of unemployment insurance benefits)
- Plan of struggle against inflation (calling for a series of anti-inflation measures: oligopoly, commercial chains, raw materials prices, speculation, cost of money, imports policy...)
- Bolstering the public sector (to take on an active role in improving income redistribution, financing collective outfitting and creating jobs)
- Institutional reforms (social security, employment bureaus, public enterprises, etc, with permanent input from the union organizations in supervising them)
- Measures towards labor democracy (recognition of union rights, Workers Statute, Collective Bargaining Act, return of union patrimony)

PSOE: "The Government Has No Program"

"The problem is not for the government to print up for us 300 finely written pages in the basement of Castellana 3; it's a question of having to come up with an agreed upon solution to the crisis, with the cooperation of unions, employer organizations and the administration," said Enrique Baron, a PSOE deputy and the virtual economic spokesman of the Socialist members of Parliament. In his opinion, "if the government does not submit a program to Parliament, it is because it does not have one." Baron thinks that this can be clearly seen in many fields, one of the most recent being the energy price issue, "where Economy and Industry disagree completely."

If a program is not submitted within the time period agreed upon ("because they are unable to," Baron underscores), the Socialists will denounce this breach and protest what they regard as "absolute disdain for Parliament."

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But the Socialists do not have a clear-cut economic program either. The Plenum of the 28th Congress of the PSOE approved the report of its Programming Board, according to which the text that the board drew up would be only the groundwork document on which a definitive Socialist economic program would be formulated within 6 months. "Our not yet having completed a written program is different from a party that has been in power 2 years not having one," Enrique Baron replies. "Moreover, the PSOE does have clear-cut views on economic policy. It is only a question of discussing them in-depth within the party and spelling them out."

Baron referred to a 300-page text that the PSOE's group of economists drew up prior to the 1 March elections in the event that the Socialists had won and had to take charge of the country's economy. Subsequently, the Federal Committee prepared a report on economic policy (147 pages) that was based on it, for the 28th Congress. The political problems that sprang up and the general climate in Congress made the approval of an "official" economic program impossible.

"The text approved as a groundwork document is an outline and, in general, does not get down to specific economic policy measures," Julio Rodriguez, a PSOE economist, explained to CAMBIO 16. According to him, the main point in the document is the formulation of economic measures to defend democracy and the interests of the masses. It stresses the need for the public sector to play a more important role, for the enactment of labor legislation that will democratize the workings of enterprises and for the autonomies and city governments to have the economic wherewithal to exercise true self-government. It points to the need to achieve major growth rates and lists general policies to mitigate the unjust distribution of income.

The pages of the draft program describe the main points of Socialist economic policy: jobs policy, public sector, housing, the development of constitutional economic norms, reform of the financial system, energy, industrial development, collective outfitting and entry into the EEC.

"In comparison to the economic program intuitively ascribed to the UCD [Democratic Center Union], ours," Julio Rodriguez clarifies, "offers a much more dynamic view of the public sector, emphasizes our continuing concern over the problems of jobs and unemployment and calls for progressive labor legislation and an in-depth development of the most advanced elements in the constitution's economic articles: economic planning and the creation of an Economic and Social Council, basically."

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PCE [Spanish Communist Party]: "We Have to Plan"

"The government has to present an economic program, but it looks like it is not going to do so. The fact is, this is a government without programs," Ramon Tamames commented to CAMBIO 16. In the view of the Communist deputy and Madrid deputy mayor, "this government has brought the country unemployment and an intensified economic crisis with a policy with which it is defending the interests of a financial oligarchy, as shown by its close contacts with the CEOE."

If the government does not offer a program, the PCE is prepared to denounce such a move and back up its alternative. "We Communists have already said as clearly as possible what we are asking for: democratic planning and a new development model," Tamames replies brusquely, adding in regard to the type of planning that they back: "We should simply comply with Article 131 of the Constitution, democratic planning with the participation of the social forces and the autonomous communities, while bringing problems to Parliament."

When this magazine pointed out to Tamames that the PCE does not have a clear-cut economic program either, the Communist deputy replied: "We aren't going to be writing up papers every day. Our economic program is the one contained in the PCE's platform for 1 March. Our economic alternative is expressed perfectly well in the platform and in our speeches every day both inside and outside Parliament."

Under this program the PCE proposes "a progressive alternative" based on defining new functions and tasks for the public sector, on its democratic planning, on revamping the economy by channeling it towards activities that generate the most jobs, on the modernization and maximum utilization of agriculture, livestock and fishing, on the creation of non-discriminatory conditions for small and intermediate business, on adapting the economy for a beneficial incorporation into Europe, on reorganizing the functions of credit and its more rational use from a social standpoint, on eliminating boondoggles and corruption, on bolstering collective services and on a jobs and distribution policy that will equitably apportion the costs of the crisis.

This alternative calls for "a new development model" for Spain. Julio Segura, a leading PCE economist, explains and expounds on this concept in a pamphlet entitled "An Explanation of the PCE's Economic Plan." As far as the Communists are concerned, the crucial problem is not putting a halt to the crisis but seeing what alternatives lie open to overcome it. "Over the next few years," Julio Segura points out, "two views of how to cope with the crisis once it has been halted, two political models for society will be competing in Spain and throughout Europe."

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One of them, Segura adds, attempts only to deal with the current capitalist crisis as effectively as possible, while acknowledging as valid an economic and political system that leads to the social waste of having 1 of every 10 workers out of a job. "There is another alternative: the one that considers that the current form of the capitalist system has entered a definitive crisis and that, therefore, a new model of society has to be proposed that will prevent the current injustices, waste and irrationalities."

This "new development model" has three objectives: to improve and extend collective outfitting and public services, to transform the productive structure to absorb the unemployed and to change the current pattern of income distribution.

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COUNTRY SECTION

SPAIN

PRODUCTION OF LIGHT NAVAL CRAFT REPORTED

Madrid DEFENSA in Spanish May 79 pp 8, 9

[Article by M. Ramirez Gabarrus]

[Text] In Spain we are accustomed to going from zero to infinity in many different areas, and we always try to reach that infinity when powerful forces are preventing us from doing so. As usual, we continue to be faithful to our old tried and true desire to improvise; to make things in a hurry and on the run, spurred on by the need of the moment, although up to a certain point that need might have been foreseen. For decades our navy has been suffering from a tremendous scarcity of light patrol units for protection of the fishing fleet coastal control, etc. Drastic measures had to be taken by foreign powers to reduce our fishing catches, including savage attempts against the lives and integrity of our long-suffering fishermen, before someone took note of the situation and tried to provide our naval forces with the adequate light units needed to protect and police our maritime interests.

In any case, as the proverb goes: "Better late than never." Now we are going to try to remedy the situation quickly, after many years of neglect and inattention to our coasts, territorial waters and fleet.

Basically, under the program drawn up and financed by the Undersecretariat of the Merchant Marine (I do not like the agency's real name: Undersecretariat of Fishing and Merchant Marine), four Spanish shipyards are working overtime to give the navy (for it will be the navy that benefits from the equipment, maintenance and operation of the new units) a total of 64 patrol boats and launches of four different types.

Thus, the Rodman shipyards at Vigo are delivering the 30 launches for patrolling inland waterways (LVI) which were ordered in 1977 and will be used to patrol the waters in the vicinity of our national ports.

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The Aresa factory at Arenys de Mar (Barcelona) has already delivered several of the 20 coastal patrol launches (LVC), which were also contracted at the end of 1977. This program will be completed in the autumn of this year.

These 50 light units are the first to be commissioned for service. Ten of the LVC's are destined for the Canary Islands, six for Cantabrico and four for the Straits area (Huelva-Malaga).

For support and cover for the LVC's--as we would say if we were speaking of intermediate combat units--the Bazan factory at El Ferrol will construct not less than four LVE's (exterior patrol launches), and it is possible the number may be increased to eight, since this was the number called for in the 1976 plan. They will be capable of withstanding a certain amount of heavy seas, with 85 tons displacement, and it is predicted that the first 2 will be delivered to the navy in October and December 1980 and the second pair in February and April 1981.

Maritime Patrol Boats

Finally, there is the series of 10 maritime patrol boats (PVM), the first 4 of which will come out of the Bazan factory at San Fernando (Cadiz) in 1980 and the remainder in 1981. In naval jargon they are already known as "los tacanones" /the stingies/. The origin of that nickname is simple. When in the early 1970's the Undersecretariat of the Merchant Marine (read, "Ministry of Commerce) decided to create the FUVIMAR (Maritime Patrol Forces) under the 3d Development Plan, as it was then called, it financed the construction of several patrol boats--both heavy and light--of the German Lurssen type, to be used to police and protect our fishing traffic and industry. The patrol boats in question were as follows: 6 Lazaga type of almost 400 tons, with a speed of 30 knots and powerful and sophisticated armament, and 6 light Barcelo type, 135 tons, with adequate armament and a speed of 36 knots. Well, the fact is that neither one was suitable to the real needs of the maritime patrol, the first because they were too big, had excellent electronic systems and modern artillery and were going to be used for antiship missions, which made them too expensive for the patrol mission. Nor would the light Barcelo boats serve the purpose, since they are too fast at minimum speed and therefore unable to approach and come alongside a fishing boat. And the fact is, both types are essentially warships. For that reason the navy decided to add them to its fleets and, to compensate for the economic loss suffered by the Ministry of Commerce in their construction, to construct another series at this time for that ministry to carry out the missions which in theory should be assigned to the two German-type "P" boats.

In any case, and according to those who should know, the PVM's, 10 of which, we repeat, will be constructed by the navy for incorporation into the FUVIMAR, could have had somewhat more brilliant features if the economic contribution had been more generous. This is the reason, then, for their collective nickname of "tacanones" with which the fine Andalusian sense of humor has branded them.

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Missions

However, all joking aside, we can anticipate that the PVM's will be fully guaranteed to discharge the general missions of maritime patrolling, especially those of patrolling the fishing fleet and saving lives in case of shipwreck and accidents at sea. They will be able to aid fishing boats and small merchant ships, to provide tug service in certain cases and to provide supplies, water, food, etc., as well as to cooperate in putting out fires. They will maintain permanent contact with fishing boats, patrol helicopters, shore stations and other navy ships.

It should be emphasized here that the LVI and LVC launches being produced by the Rodman and Aresa shipyards resemble sports models very closely and are made by fiberglass. They are 8 and 10 meters long, respectively, and have very limited missions. The first is limited to inland waterways and the second to limited short-range coastal patrols up to 40 miles offshore. The plan for the PVM's is for more robust ships, capable of operating in all kinds of weather and of staying at sea for more than 12 days, with a range of over 200 miles offshore; in other words, they are well suited to maritime patrolling in the "Spanish economic zones."

The graph below details the specifications of the four types of craft. We welcome these 64 light units, which are so badly needed by the Spanish Navy and which will be added to the few in existence up until recently, among which we can single out because of their modern design (although they were constructed under special circumstances, outside the FUVIMAR projects), the Aguilucho, the Gavilan I and the Gavilan II, each with 45 tons displacement and 2,750 hp, with a speed of 30 knots, which were launched in Vigo between 1973 and 1976, as well as the V-33 and V-34, constructed in 1977 by the Viudes and Aresa shipyards, respectively. They are very similar, although not exactly alike. Each has 25 tons displacement and a maximum speed of 25 knots and is armed with one machinegun.

TYPES	LVI	LVC	LVE	PVM
Overall length, meters	8.9	15.7	32.1	44.4
Beam, meters	3	4.2	4.8	6.6
Draft, meters	0.7	0.9	1.4	2.1
Displacement, tons	8	20.8	85	280
Max. speed, knots	18	22.5	26	20
Max. power, hp	300	700	2,800	4,800
Range, miles	160	400	1,200	4,000
Crew, no. of men	4	6	12	21
Armament	Portable	1 machinegun 12.7 mm.	2 Bofors- Breda cannon, 40/70 mm.	1 cannon, 76/50 mm, Mk 22; 1 machinegun 20 mm. Mk 10

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