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# West Europe Report

(FOUO 34/81)



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CONTENTS

THEATER FORCES

FRANCE

Nuclear Artillery's Responsibilities Examined  
(Philippe d'Anselme; ARMEES D'AUJOURD'HUI, Jun 81) ..... 1

ECONOMIC

FRANCE

Importance of Arms Exports Emphasized, Justified  
(Francis d'Orival; VALEURS ACTUELLES, 19 Jun 81)..... 4

ITALY

CIPI Plans for Auto, Air Industries  
(IL SOLE-24 ORE, 23 May 81) ..... 8

Funds for Industry, by Massimo Gaggi  
Tougher World Market Competition  
Longer Terms With Easier Credit  
Auto Plans  
Plan for Aerospace Industry Unveiled  
Qualitative Leap in State Intervention, by  
Vittorio Barattieri

Unfavorable Reaction to 30 Percent Import Deposit Measure  
(IL CORRIERE DELLA SERA, 29 May 81) ..... 21

Recession Feared, by Alberto Capisani  
New Measures Discussed, by Paolo Glisenti

- a -

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POLITICAL

FRANCE

Second Round Abstentions Affect Legislative Elections  
(VALEURES ACTUELLES, 27 Jun 81) ..... 26

GENERAL

FRANCE

New SDECE Director Pierre Marion's Past Outlined  
(Jacques Renard; L'EXPRESS, 26 Jun 81) ..... 34

Arianespace Seeks 30 Percent of World Satellite Launch Market  
(Pierre Langereux; AIR & COSMOS, 13 Jun 81) ..... 36

SNPE Building Dimethylhydrazine Plant at Toulouse  
(Pierre Langereux; AIR & COSMOS, 13 Jun 81) ..... 42

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THEATER FORCES

FRANCE

NUCLEAR ARTILLERY'S RESPONSIBILITIES EXAMINED

Paris ARMEES D'AUJOURD'HUI in French Jun 81 pp 31-32

[Article by Col Philippe d'Anselme\*]

[Text] The nuclear artillery, the use of which is subject to decision by the president of the Republic, is prepared at all times to perform its mission, thanks to its specialized training, which is carried on at an intensive pace and under the most realistic conditions commensurate with strict observance of peacetime safety requirements.

Under its deterrent policy, France decided, around 1965, to equip itself with the ANT [Tactical Nuclear Weapon]. The ground-ground weapons system was placed under the Ground Forces and entrusted to the artillery.

The first Pluton regiment came into being in 1973, and with it the nuclear artillery--the fourth subdivision of that arm after the ground-ground artillery, the ground-air artillery and the acquisition artillery.

This new component occupies a privileged place among the different ones of the Ground Forces. By its presence alone, it brings a permanent threat to bear upon all potential enemies which is not measurable in terms of conventional forces and which compels them to bear constantly in mind the risk they would incur. Its use, subject as it is to the decision of the president of the Republic, has an essentially political significance.

For all that, however, the nuclear artillery does not operate independently of the conventional forces. In fact, a strike having been decided, it must be carried out with maximum military effectiveness and must destroy a significant

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\* A graduate of Saint-Cyr (class of Extreme-Orient) and holder of a nuclear technical certificate from the National War College, Col Philippe Anselme, after serving in the antiaircraft artillery and in ALAT [Ground Forces Tactical Air Support], occupied successively positions in the Atomic Section of the DMA [Ministerial Directorate for Armaments], the 3rd Division Artillery Headquarters and the Research Department of EMAT [Ground Forces General Staff]. Presently, he is nuclear deputy and artillery chief of staff of the 3rd AC [Army Corps].

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part of the forces opposing us. Thus, the nuclear artillery, while subject to orders issued directly by the president of the Republic for its commitment to action, is an integral part of the line organization, of which it is a major but not a distinct component.

Fully integrated into the conventional forces, to which it adds considerable fighting capability, it takes part in maneuvers on the same basis as the other formations. Subject to the same threats and the same hazards of combat, it has the characteristics of flexibility and mobility needed to adapt constantly to fluctuations in the battle.

Ensuring Interventional Capability at All Times

The nuclear artillery consists of five RAN's [nuclear artillery regiments] equipped with Plutons, each consisting of three artillery batteries equipped with two AMX 30-type launchers per battery, plus one BRG [general reserve battery]. The launchers are capable of delivering warheads at a distance of 120 kilometers with an explosive power equal to one or three times that of the Hiroshima bomb.

The RAN, with an authorized strength of around 1,000 men, three-quarters of whom are draftees, is basically charged with activating the warheads and launchers involved in carrying out the orders received from the higher echelon, to which it assigns ECL's [headquarters and liaison teams] on detached service. To fulfill its mission, it has available many high-performance facilities, particularly in the field of communications.

Artillerymen also man the two intermediate upper echelons in the ANT activation chain, linking the national high command with the launchers: The artillery sections of army and army corps. Assigned to the operations centers of these two major headquarters and working in close liaison with the other sections, they are basically responsible for the preparation and execution of the strike within the space-time framework ordered by the head of state. The army artillery section is specifically charged with defining the nuclear artillery missions and coordinating ground-ground and ground-air nuclear operations in its zone of interest; the army corps sections are charged with responsibility for ordering the RAN's into action and defining the targets to be hit by each. To carry out their mission, these sections are also equipped with their own specific major means of communications designed to guarantee reliable links among them and with the national high command.

Highly developed qualities of readiness and know-how are required on the part of the nuclear artillerymen to ensure that the ground-ground tactical nuclear component will at all times be in a position to respond to the orders of the president of the Republic with maximum speed, security and effectiveness. Their actions must be characterized by inherent dynamism, strict compliance, expertise and precision.

They are therefore subjected, in time of peace, to an intensive curriculum of instruction and training. Specific exercises conducted at the national or regimental levels test the effectiveness of the specific procedures for committing and

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using the ANT. Tactical exercises, within the framework of the maneuvers of large line units, accustom each of the teams to living in the operational environment and pace the forces might be called upon to endure.

From the safety standpoint, it is important to note that, inherently, nuclear weapons present no particular dangers, because they consist of three distinct elements that are not brought together until the moment of firing and that, separately, are, as a result of their very design, not dangerous. Moreover, so as to avoid all possibilities of accident in time of peace--negligible though the probabilities are--inert components having all the characteristics of the real weapon enable training to be carried out under conditions that are in all respects identical to those prevailing in time of crisis or war.

In addition to their instruction and training activities in time of peace, the RAN's also implement the security of the depots in which the active elements of the weapons are kept. To this effect, the RAN's are equipped with substantial facilities for keeping them constantly informed of everything that takes place at these sites, and enabling them to shut off access and react instantly to any occurrence.

On the other hand, the RAN's are exempt from any territorial obligations, which permits them to devote all their time to operational training, on a wide-open basis, and to the security of their installations.

As a key ground forces component and an important deterrent element, the nuclear artillery occupies a place of first order of importance in the 1st Army. Through its total integration into the forces, it participates in all the possible forms of modern combat.

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3  
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ECONOMIC

FRANCE

IMPORTANCE OF ARMS EXPORTS EMPHASIZED, JUSTIFIED

Paris VALEURS ACTUELLES in French 19 Jun 81 pp 23-25

[Article by Francois d'Orival: "Arms for Export"]

[Text] France is condemned to exporting arms--to pay for its oil, but also to assure its security. The king of Arabia's visit to Paris was not unrelated to this.

"Must all great politics necessarily be moneyless, frank and providers of charity?" While lunching at the Elysee on 13 June, the minister of foreign trade must have had in mind this line from his latest monthly report (June, 1981). The president of the republic had placed him to the right of King Khalid. The minister had been nicknamed Jobert of Arabia when, 7 years ago, Georges Pompidou appointed him minister of foreign affairs and he negotiated in the Middle East some of the first long-term oil contracts, namely with Arabia, more precisely the Emirates and Iraq.

Last Saturday the king of Arabia and the French chief of state said good-bye, satisfied and reassured by one another of agreement on essential points, such as condemnation of the Israeli raid on Iraq and the right of existence of the Palestinians. But these were not the most essential points for either leader.

"Large scale mechanics, nuclear energy and arms deserve a better judgment than that provided by emotions," Mr. Jobert also wrote in his latest report. "We are too vulnerable to sudden policy changes to take chances without risking serious disappointments." His report was entitled: "Foreign trade, the imperatives." In sum, King Khalid said, "We will continue to rely on France and to buy from her."

In Middle Eastern strategy King Khalid is a "fuse" for the free world. He is its principal supplier of energy. Without him, the French, Italian and Japanese economies (to mention only the most dependent) would cease to function. France bought 39 million tons of crude from him last year, half of the oil we receive from the Persian Gulf, at a price of 37 billion francs.

But the king has also signed building and public works contracts worth 6 billion francs with Bouygues and Dumez. More important, 8 months ago he ordered 16 billion francs worth of naval arms, helicopters and electronic equipment. Two weeks ago he awarded a Franco-American consortium (Aerospatiale-Ford Aerospace) a contract to supply Arabsat satellites (one billion francs).

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Before initiating negotiations for the enormous arms deal concluded last October, the Arabian court awaited the majority's victory in the March 1978 elections. What was it going to do after Mitterrand's 10 May victory? Mitterrand got a head start: he immediately sent his brother, General Mitterrand, president of Aerospatiale, to Riyadh with a letter of invitation to Paris. And Aerospatiale was the firm that got the satellite contract.

While King Khalid was lunching at the Elysee with the president, Jobert, Cheysson and Hernu, General Mitterrand was at the Le Bourget Exhibition listening to a speech by the prime minister, Pierre Mauroy, who was himself in the process of reassuring 4,000 industrialists and engineers in the fields of arms and aeronautics.

"I would like to emphasize," he told them, "that our international commitments in the arms field, as well as in non-military areas, will be honored. French industrialists are and always will be steady and reliable partners."

French industrialists breathed easier. Mauroy hadn't even mentioned nationalization, and had affirmed, "It will be necessary, within the framework of the commitments made by the president, to maintain the place which French aeronautical industry has reached on the world market."

The question was, then, what are these commitments of the president? Symbolically, his attitude one week earlier had caused apprehension.

The chief of state was supposed to open Le Bourget Exhibition on 5 June. On the second, Mitterrand's spokesman, Michel Vauzelle, went to Le Bourget to prepare for the opening. Did the exhibits of armaments, missiles and arms systems frighten him? On the fourth, the Elysee sent a message to the general management of the Exhibition: please display the French planes without arms during the visit of the chief of state. The rockets and missiles disappeared. (Their major private producer, Mr. Lagardere, president of Matra, thought it would be better if he, too, were not present during the president's visit.) Emotion. What significance should be attached to the president's gesture?

On the eight at the Press Club, Mauroy confirmed that this symbolic decision had been made by the president of the Republic himself. Mr. Joxe, minister of industry, explained that the nationalization of private arms producers is a "moral necessity." Hernu, minister of defense, spoke of "long-term changes of direction" and "moralization" of arms sales and added that selection criteria of clients will be considered, with "racists and fascists" being eliminated.

"Well, should we disarm?" asked Jacques Chirac during the election campaign. His friends spread what an American industrialist had said to his French colleagues. "Well now you have your own Carter!"

While awaiting new instructions, the management of international affairs to the General Arms Delegation (the direct overseer of the French arms industry) has suspended orders for over 2 months. Foreign delegations began cancelling their appointments with SNECMA (National Company for the Study and Construction of Airplane Engines), the national builder of airplane engines, the day after Mitterrand's election. At the Le Bourget Exhibition only two foreign clients of France, Egypt and Jordan, came with a high level representative (chief of staff or minister); Indonesia came with a somewhat lesser level representative. The biggest clients were less well represented than usual.

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The armament industries group (aeronautical, electronic, space, weapons) employs 280,000 people and grosses 60 billion francs, of which 30 billion come from exports. This is 5 percent of our total foreign sales, or one quarter of our oil bill and half of our trade deficit. On the world market the French are in third place (12 percent), far behind the Soviets and Americans (75 percent between them). But it is a contested third place.

"We are witnessing a frenetic effort by the British since the election of Margaret Thatcher," said a French exporter. "We have taken markets from them in areas which were traditionally theirs (notably in the Middle East and Asia) and they want to win them back. And we forget about the Japanese, who will soon be going full steam ahead. Just 6 years ago they made practically nothing for their armed forces. Today, they provide a wide assortment. Tomorrow they will be out looking for foreign markets, just like for their other products."

Charles Hernu, who visited the Satory Exhibition on Tuesday (this exhibition was limited to ground weapons), knows this and said so: the quality of our military technology is recognized throughout the world; this quality, like the price of our arms, is due to mass production which allows export sales whose profits support research and investments.

General Mitterrand said the same on 6 June at RTL [Radiotelevision of Luxembourg]. "Our domestic market is very limited and the scope of our industry assumes that we are looking elsewhere. So we are condemned to export."

At Thomson, an employees' group surprised management with the accuracy of its argument. The independent employees' union at an electrical appliances factory noted that the effects of the arms industry contribute "not only to an equilibrium in the trade balance" but also "to a steady level of employment in less profitable branches, such as electrical appliances." (See box.) Matra's exporters reaffirmed this: "Defense for export is a mark of confidence."

The European Airbus program is the biggest success and mainstay of our civil aeronautics industry (469 firm or on-option orders have been received), but can it support itself without the help of Aerospatiale's military exports (13 billion in sales, half foreign, including 70 percent of motors and 80 percent of helicopters)? The interruption of arms sales to Iraq alone (mostly motors and helicopters) could directly cause layoffs at Aerospatiale's Bourges facilities.

General Jacques Mitterrand himself said, "Exports are a decisive trump card for us."

On 6 June at RTL he added, "We must unequivocally maintain our competitiveness on the international level. If we must orient our policies differently because of political choices, I cannot dispute this. But new contracts must be prudently and effectively negotiated."

There have been three indications of this effectiveness and prudence. General Mitterrand went precisely to Arabia to confirm King Khalid's visit to Paris and to announce the president's symbolic visit to Cairo before he goes to Jerusalem. At the same time Mitterrand sent his other brother, Robert, a Polytechnic graduate and industrialist, to Latin America, specifically Rio de Janeiro, to explain to the Brazilians that they shouldn't misinterpret French intentions in Chili or elsewhere.

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Finally, another industrialist, Robert Pontillon, socialist senator and mayor of Suresnes and representative to the Thomson group, heads the interministerial commission responsible for overseeing arms export markets. Pontillon's office is in the Matignon. He was with Mauroy on 12 June at Le Bourget when the latter stated, "I confirm that the development of industrial enterprises and the diffusion of technological progress will be one of the government's highest priorities."

As he said this, the prototype of the Mirage 3000 twin engine zoomed through the sky above the Exhibition, comparing its abilities with those of the American F15 which an Israeli squadron used to protect the raid on Tammouz. Dassault still hopes that Iraq and Saudi Arabia will be the sources for financing this Mirage, since our Air Force has not been able to raise sufficient credit.

## Aeronautics and Armaments

1980	Employees	Gross Receipts (in millions of francs)	Exports (percent of gross receipts)
Aerospatiale	36,800	13,000	48
Dassault	15,500	10,740	70
Snecma	11,400	3,485	39
Thomson	34,000	11,300	44
Matra	34,000	5,600	70

The above figures are for industrial groups and not just the parent company, except for SNECMA, which includes only the main office and not the branches. These data do not differentiate between civilian and military. But they do show, for five of the main companies in this area (both national and private), the number of jobs which depend directly on exports.

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ECONOMIC

ITALY

CIPI PLANS FOR AUTO, AIR INDUSTRIES

Funds for Industry

Milan IL SOLE-24 ORE in Italian 23 May 81 p 18

[Article by Massimo Gaggi]

[Text] In the wake of the launching day before yesterday of the plans for the automobile and aviation sectors, yesterday brought another step forward, albeit merely procedural, toward translating the industrial strategy announced by the government into nuts-and-bolts measures: the Senate has at last received the bill containing measures in support of applied research and technological innovation in the "strategic" sectors of industry. The cabinet had approved the bill last 16 April, but it has been hanging in Limbo for more than 2 months for one reason or another, including ministerial infighting.

As things stand now, the industrial policy picture for the automotive sector could be sketched something like this: for the first time, the government has laid out (for the automotive and other sectors of industry it considers in need of guidance on a "priority" basis) a complete "line" of intervention covering all phases from early design to marketing of the final product. With refinancing from the Italian Credit Institute (IMI) for applied research, industry will get 2,400 billion lire to use in project design and development of individual projects; in the second phase of off-line production the companies will be able to dip into the 1,500 billion lire in the technological innovation fund which will be managed by the Industry Ministry; in the actual mass-production phase they will have access to PL 675 funds for plant redesign. Lastly, for marketing, there will probably be a fund set up for sales promotion of industry products abroad.

The government deserves full marks for putting forth, albeit after some delay, an impressive effort in the selection of clearcut guidelines for industrial policy.

There are, however, still a few snarls to be combed out, as well as a few ambiguous points which might well blunt the effectiveness of the plan and, in one or two cases, might have untoward counterproductive effects. First of all, there is the danger that a sluggish passage of

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the research and innovation bill through Parliament would postpone the practical deployment of the investment support system at a time when loss of competitive positions in Italian industry has already reached very serious levels. Much the same might be said of freeing the unused surplus funds appropriated under PL 657 and of refinancing that measure. In the second place, there is the well-founded fear that the new plans might turn out to be merely a repetition of past experience with bureaucratic delays and red tape that have thus far impeded the workings of PL 675 and even the IMI research fund.

Then there are two concerns in connection with the content of the plan for the automotive industry: the first has to do with the commitment to increase employment in the sector which, given current market conditions, does not look very realistic, to say the least. This is a point on which every effort must be made to avoid the risk of excessively zealous interpretation. The second concern centers on the commitment to integration of component production through formation of industry consortia, and to construction in the South of a new production center destined to serve the automotive industry in that area. The automakers, however, already have their own suppliers operating in the Southland and producing everything they need with the exception of some components which, for reasons of economy of scale, are produced in a single plant in the North. It would be advisable to get more clarity as to the need for keeping the policy of restoring territorial balance, necessary though it may be, consistently compatible with the demands of productivity.

## Tougher World Market Competition

Milan IL SOLE 24-ORE in Italian 23 May 81 p 18

[Text] "We had long taken a very positive attitude toward the plan for the automotive industry, and now our view of CIPI's decision to launch the operational phase of the policy in our sector is equally positive."

Clearly, Ettore Massacesi, president of Alfa Romeo, is convinced that with the other night's decision the government has laid the groundwork for a new start for our automotive industry.

"I am not, however, unaware," Massacesi noted, "that there is still a gap between the availability of the regulatory structure and the actual operational readiness of the financial structures; that gap must be closed by Parliament, with its approval of the enabling legislation for support for applied research and technological innovation, and with new appropriations for implementation of PL 675. And here, given the uncertainty as to the time it will take to get those votes through, there is room for legitimate concern."

[Question] Could a delay in implementation of the plan give rise to massive slippage in your investment plans? And if so, what would the consequences be?

[Answer] The world automobile market is going through a difficult phase right now. The trickiest bit for automakers will probably come around 1983-84, when all of them will be bringing out a lot of new models

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in an attempt to scratch out shares of a market increasingly inadequate to world supply. That means that we have to go into battle at least as well armed as our rivals. We have certainly not been waiting for the sector plan to design our new models, partly because these days the design and development of a totally new automobile takes a minimum of 4 years lead time. If we are to sustain this research and design activity, though, we shall certainly be needing government incentives, some to finance the investments we must make in new assembly lines; and here the schedules are tight, since it takes 12 to 24 months just to cut the dies for bodies."

[Question] Speaking of streamlined machinery: unlike the plan originally proposed by the Cossiga II government, which called for shortcut procedures for appropriations to fuel the sinking fund, the present government's bill talks of placing those funds in interest-bearing accounts and calls for slightly more complicated procedures. What do you think of this?

[Answer] Appropriations for a sinking fund are certainly simpler, even if the procedures are not necessarily any quicker. I have already told you that I consider the rapidity with which the government moves to be very important indeed. I might add that, in the case of the automotive industry, investment programs for the production of a new model, for instance, should not call for overmuch scrutiny since they are, so to speak, an incontrovertible fact. I do believe, though, that whatever formulas are adopted ought to allow for whatever comments might be forthcoming from the EEC.

Then, as for the financing tool of help with interest on loans, I have no particular objections: we are not looking for money as a free gift; all we are asking for is to be able to get the capital we shall have to invest with a modicum of convenience and below prevailing market rates.

[Question] The CIPI decision includes expanded employment as one of the plan's primary objectives. Doesn't this seem to you to be a pretty unrealistic aim, given the state of the market?

[Answer] It is as things stand now. But if there really is a measurable increase in productivity, our heightened penetration abilities will stimulate increased demand and hence more jobs. I should say that we are moving into a two-phase operation: the first phase must usher in an increase in productivity along with some temporary lag on the job front, painful but necessary to get our production rolling. In the second phase we should see an increase in demand greater than the rise in productivity, and that will make room for new jobs.

[Question] What do you think of the plans' commitment to encourage closer integration among component producers and to set up a new integrated parts and component center in the South?

[Answer] There you have a very delicate issue. On the one hand, while reorganization and standardization moves -- patterned after what has

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been done in Japan -- are necessary of course, we cannot overlook the fact that in Italy we have a highly developed components industry. We must somehow reach some framework of agreement and understanding among the component suppliers and among the automakers as well. And as you know, we are looking for partners to work with.

#### Longer Terms With Easier Credit

Milan IL SOLE 24-ORE in Italian 23 May 81 p 18

[Text] Increased competition among automakers internationally for shares of markets; the need for increasingly swift development of product innovation policies to grapple head-on with the energy problem and not to let ourselves be beaten by the competition in the use of new technologies such as electronics; and lastly, the rising cost of research investments have for some time motivated FIAT to concentrate its attention more vigorously than in the past on the research and development sectors.

On research alone FIAT is already spending, at the holding company level, some 400 billion lire per year, almost 250 billion of it earmarked for automotive R and D. This is a staggering commitment, and to strengthen it the Turin corporation has on the one hand reached out for international agreements (like the one with Peugeot-Citroen for production of a new engine), and pushed, on the other, for adoption by the government of a clear-cut plan for industrial policy in support of so vital a sector as the automotive industry.

When the government day before yesterday launched its plan for the automotive sector and with the bill, approved on 16 April by the cabinet, for refinancing the IMI fund for applied research and for establishment of the special revolving fund for technological innovation, the government has responded to the sector's problems.

This "line" of patterns for government intervention (discussed in detail elsewhere on this page) indeed seems to cover all the key sectors of industry. As to the workability of the machinery adopted, however, quite a few people are dubious. And on the sector-wide plan and utilization of PL 675 funds, criticism from industry quarters has more to do with the timing than with the manner of implementation, and the government's proposals in the area of research arouse far greater concern. In connection with the new technological innovation fund, even FIAT expresses the fear that there will be a repetition of sorry past experience with other relief legislation, when the rigidity of the standards, the long drawn-out procedures, and delays in payment of grants wound up practically discrediting the whole scheme.

As for aid to innovation, in particular, there is not much enthusiasm in industry circles for the choice of easy-term loans as the instrument for providing it, particularly when it is compared with the tools embodied in last August's "super-decree," which became moot when the government fell. FIAT's managing director himself, Cesare Romiti, recently

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reminded me that then the same machinery proposed, based on payments into a capital account, met those "criteria of incisiveness, expeditiousness, and clarity which everybody agrees are indispensable, especially in the field of innovation."

Today, though, with many months wasted while the problems grew more acute, we have taken a step backwards by replacing an instrument "as simple and clear as a contribution, with a rattletrap mechanism based on easy-term loans."

#### Auto Plans

Milan IL SOLE 24-ORE in Italian 23 May 81 p 18

[Text] Program Objectives

The Italian automotive industry, after hitting its all-time production record with some 1,800,000 cars in 1973, has been going through a slow process of erosion in its competitive stance. Production has gradually declined to around 1,450,000 in 1980, with a consequent loss of jobs and a lot of red ink in the balance of trade.

The Italian automotive industry must cope, on the home market as well as on those abroad, with a very tough competitive situation. The major foreign automakers are committed to increasing their competitive margins in the conviction that their growth potential is tied essentially to pruning back the market shares of rivals who cannot keep up with the pace of innovation in the auto-building process and in the product itself.

The basic aim of the program is to upgrade the competitive position of the Italian automotive industry so as to climb back by 1985 to the production levels of the Seventies, and so to make room for increased employment in the sector as well as a sunny little surplus in its balance of trade.

This boost in competitive ratings is to be achieved through the synergistic action of several factors: heightened product innovation, greater plant flexibility, increased productivity, so as to bring Italy up to the EEC level, and bringing "new" Italian production up to the area level of productivity. The competitive upgrading is to be further promoted by improvements in work organization and in better labor relations.

The machinery to bring all this to pass will be the easy credit terms called for under PL 675/77.

Equally necessary will be the use of the devices called for under the government bill recently approved by the cabinet: economic intervention on behalf of the sectors of the economy officially deemed to be of vital national importance, and expansion of the responsibilities and channels for intervention via the special IMI fund for applied research, establishment of the special revolving fund for technological research, as well as the bill (also recently given cabinet imprimatur) concerning measures in support of marketing abroad.



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The main goal of the plan is still to build up the muscle of this sector of the economy by means of plant design improvements to provide greater flexibility and to sustain the crucial phases of automobile production in Italy by any available means, including encouragement and support for agreements with foreign companies planning to build new plants in Italy -- especially in Southern Italy -- with a high strategic content to Italian industry.

In this sense, most government intervention will be required to turn both to companies that manufacture and assemble the final product and to those that produce components and sub-assemblies. Similarly, government action designed to encourage technological innovation will have to be directed not only toward producers of the finished product, but also to consortia producing spare parts and components.

#### Access Criteria

Restrictions: considering the shape the industry is in, the statutory goals of PL 675/77, and the limited financial resources available to work with, the basic criterion for access to the fund for industrial restructuring and reconversion must be earmarking investments in the production of substantially new models, in the production of new components with high added-value ratings, and in plant improvements.

To qualify for benefits under the law, applicants must submit a clear picture of their corporate situation and their individual long-term plans. Further, they will be required to spell out the details of the features of the models for which they require redesign of their production lines and equipment, along with descriptions of the planned siting for the entire production cycle and of any modular assembly processes they plan to introduce, including guarantees that the models to be produced on the new assembly lines will indeed be substantially new.

In other words, candidates for aid must involve plant improvements and require investments for turning out new models rather than "restyled" models: "facelift" modifications to existing models will get short shrift.

Furthermore, applicant plans must include evidence of fuel economies achieved and of lowered exhaust gas emissions. The goal is a 15-percent reduction in fuel consumption as compared with earlier models similar in cylinder capacity and performance, coupled with gradual compliance with the exhaust gas emission standards embodied in amendment 14 to regulation 15 promulgated by the Economic Committee for Europe (ECE).

Priority: Given the recognized urgency of the program designed to provide new processes and adequate plant facilities to produce new models in the automotive industry, access will be provided, as a general rule, to direct loans as stipulated in article 4, letter a), of PL 675/77.

For purposes of granting the loan with the ceiling of 50 percent of bank financing -- as called for in the Committee decision of March 23, 1980 -- priority will go to plans for redesign of production processes

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for new-model production lines planned to shrink lead times to less than 40-45 months from design completion, and from which full-scale mass production could be expected well before 1985.

Priorities also went to projects which could promise presentation of new-model design concepts within 10 to 14 months of the date of promulgation of the order; within 20 to 26 months is the timeframe for submission of completed design for new plant facilities for production of the new model; 30 to 38 months are allowed for presentation of a prototype of the new model and for design of a small-scale production line. (Additional priorities will be granted to projects displaying particular attention to plant improvements keyed to greater production flexibility and to significant modifications in job organization.

#### Intervention to Upgrade Skills and Product

Production structure and streamlining of the component industry--the present purpose: Here the objective must be to set up final assembly lines for increasingly complex and integrated sub-assemblies built off-line or purchased from component manufacturers. In this context, preference shall be given to technical cooperation arrangements between automaking companies, between component and sub-assembly producers, and between the former and the latter, even those involving foreign concerns. [The same shall apply] equally to agreements calling for close collaboration from initial design to mass production phases for new models, in such a way as to assure availability in the production phase of a broader range of major sub-assemblies and standardized parts.

Establishment of integrated component and subassembly groups calls for close coordination among producers in the field. This coordination must be assured through the creation of consortia whose responsibilities are spelled out in PL 374 of 10 May 1976 and in subsequent amendments now before Parliament.

To this end a committee for the advancement of the component industry will be set up in the Ministry for Industry, Trade, and Crafts, made up of representatives of all government agencies concerned as well as spokesmen for the companies and labor unions involved. This committee shall, within 4 months of its establishment, report to the industry minister on its findings and, on the basis of that information, the minister shall prepare a report, with his practical recommendations, for the CIPI.

The establishment of consortia or explicit agreements on technical collaboration between or among component producers for joint production of major subassemblies in large quantities, as well as of components with a high innovative content, shall constitute a claim for priority in access to the Restructuring and Reconversion Fund.

Restoring Territorial Balance: Given the presence in the South of automobile production plants owned by the two major domestic producers,

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it appears imperative to encourage establishment of a component production center in the South. The site for this component, sub-assembly, and spare parts center, whose primary purpose will be to supply Southern assembly plants, will be chosen very shortly and made available to consortia of manufacturers of components and spare parts, as will access to European Community funds.

In view of the pro-South provisions contained in PL 675/77, priority for access to the industrial restructuring and reconversion fund will go to projects involving continuous measures to restore territorial equilibrium.

#### Upgrading Worker Skills

The jobs commissions for the regions concerned, called for under PL 675/77, will be required to come up with programs for retraining workers in new skills within a very short space of time, as required under article 28 of PL 675/77, using resources available at the national level and utilizing Community sources, particularly those of the European Social Fund, for the purpose.

The Labor Minister shall report to CIPI on the implementation status of these guidelines within 5 months of the date of this ruling.

#### Applied Research

It is clearly essential that the IMI fund be given supplementary appropriations for applied research, as provided in the bill on intervention in nationally critical sectors of the economy now before Parliament.

The program as it stands, laying particular stress on the extremely high costs for building a new model from initial design to the prototype phase, necessitates availability of specific structures for intervention as provided in article 3 of the said bill.

The aim of this bill, among others, is to support corporate programs designed to introduce substantial tested technological improvement in new products or production processes, or to improve existing products and processes.

Intervention in support of technological innovation must be sharply oriented in the direction of component manufacturing and toward the effort to establish an integrated components and spare parts industry in the Mezzogiorno endowed with economically viable structures and market outlets for its products.

#### Foreign Trade

Encouragement to efforts to market Italian products abroad will include incentives through the finalized program's section on "Expansion and upgrading of operational structures for marketing Italian industrial products abroad."

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Meanwhile, activation of a foreign marketing fund, as called for under the bill submitted to Parliament by the foreign trade minister and approved by the Cabinet, is deemed urgently necessary.

Plan for Aerospace Industry Unveiled

Milan IL SOLE 24-ORE in Italian 23 May 81 p 18

[Text] Program Goals

The basic objective of the plan as finalized is to be achieved through balanced development of planning and production capacity, as well as of marketing tools for the Italian aviation industry in all three of its sectors (airframes, engines, equipment). To this end there must be a reduction in technological dependence in certain areas, an increase in the value-added content domestically, improved penetration of foreign markets through sales of systems, sub-assemblies, and allied technical assistance, as well as sales or licensing of know-how and ancillary services.

Every sector of the industry must aim toward products which are compatible with those of the other sectors in order to augment Italian industry's capacity to utilize Italian-made components in Italian-produced systems and sub-systems.

Access Criteria

Constraints -- In view of the state of the sector, the purposes of PL 675/77, and the objective conditions imposed by the paucity of financial resources available, the basic criteria for access to the restructuring fund must be implementation of substantially new programs to be undertaken in Italy -- with priority going to the Mezzogiorno -- or approved participation in collaboration programs. To be eligible for benefits under the law projects must include a statement on corporate status, along with the relevant multi-year programs.

Under consideration in the light of these guidelines are intervention in restructuring development activities, in production startup, and in technical capital investments (including plant) for implementation of a new aeronautical program or for significant and substantial improvement of an existing program, as well as for design changes and modification calling for recertification.

Also eligible for benefits under PL 675/77 is financing for modernization of production plants designed to improve the company's competitive stance and necessitated by the advance of the state of the art internationally.

These benefits will also be applicable to reconversion operations to replace obsolete plants already in existence in the areas specified in article 8 of Dpr [presidential decree] 902 of Sep 11 1976, through building new aircraft plants in the Mezzogiorno.

Priorities -- Without prejudice to the objectives set forth above, Fund intervention, as stipulated in article 3 of PL 675, priority will generally

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be given to undertakings involving forms of cooperation among corporations, particularly European corporations, wherever feasible.

Priority consideration will go to programs calling for steadily increasing utilization of components built by the Italian aircraft industry.

Similar priority consideration will be given to programs for bringing out new aeronautical products utilizing new technologies which will reduce energy consumption and pollution rates, thus enhancing the competitive appeal of such products on the international market.

In view of the peculiar features of the sector with regard to the length of the product cycle which is usually far in excess of 2 years, the constraint cited in article 2, para 5 of Dpr 1258 of 22 December 77, shall not constitute an impediment to eligibility for PL 675 benefits for aircraft programs.

Such programs as may reasonably expect special Defense Ministry funding for restructuring and/or reconversion shall not be eligible for the special assistance provided for in PL 675/77. Furthermore, access to such assistance shall not be provided to programs which are clearly competitive with one another.

#### Applied Research

With a view to achievement of an industry policy goal in the aviation sector, technological and scientific research activity must be expanded in relation to aircraft-related products to be developed and manufactured in Italy.

To this end, additional appropriations for the IMI Fund for applied research will be essential, as provided in the Ddl "on the establishment of the Fund for technological innovation, additional funding for the special Fund for applied research and intervention on behalf of the steel industry," as approved by the Cabinet.

The program as finalized, laying particular stress on the immense cost of design and development of new aircraft products from concept to initial production, requires provision of specific instrumentalities for intervention, such as those listed in article 3 of the said Ddl, with establishment of a revolving fund for technological innovation. One of its purposes is to support corporate programs designed to introduce major tested advances in technology for new products or production processes or improvements to existing products or processes.

There will also be additional appropriations under PL 184/71 for implementation of such intervention.

Research and development projects falling within the requirements of the program as finalized will be assigned priority for purposes of eligibility for the incentives provided in article 10 of PL 675/77 and will be looked upon with particular favor for purposes of granting the maximum allocation provided for under article 10.

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#### New Initiatives for Industry

Advancement of Marketing Abroad -- Encouragement and assistance in marketing Italian aviation products abroad will be provided through suitable measures such as:

- a. bringing existing machinery and standards into line with those already in effect in other countries in the area of credit assistance and insurance coverage for exports;
- b. broader application of exchange-rate guarantees and introduction of guarantees against production cost increases;
- c. expanded opportunities for utilization, through suitable amendments to accounting practices, of Defense structures and personnel in promotional activities and in training and logistic support;
- d. support for training activities connected with sales;
- e. direct intervention to cut the cost of collegial participation in exports, as well as those of concept presentations and flight demonstrations;
- f. encouragement and support for associations among Italian corporations in the form of sales consortia and the like.

International Collaboration -- It is clearly vital to the future of this sector of Italian industry to participate in international collaborative efforts, in part with an eye to greater involvement in production for the civilian market. To achieve this goal, the Minister for Industry will take suitable steps toward the drafting and adoption of regulatory measures, in a form consonant with that in use in other countries.

Improvements in Government Contracting Practices -- The aviation industry is called upon to design and build products which involve a high technological content and a high degree of sophistication, which entail high financial exposure for companies engaged in it. The current regulations in the area of contracts give rise to problems in terms of additional financial burdens and cumbersome procedures. This poses a requirement for administrative procedures designed to lower the financial risks involved, and with them the costs of production.

Coordination -- The Minister for Industry will move within one month of the date of this plan to set up a committee including representatives of all government agencies concerned, of labor, and of management from both state-participation and privately owned companies.

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Qualitative Leap in State Intervention

Milan IL SOLE 24-ORE in Italian 23 May 81 p 18

[Article by Vittorio Barattieri, chairman of the Aeronautical Planning Committee and managing director for industrial production at the Ministry for Industry]

[Text] The newly finalized program for the aviation industry, which the CIPI approved at its 21 May meeting, embodies governmental intervention as coordinator in an extremely important sector of industry.

The Italian aviation industry, even with a higher growth rate in the airframe and helicopter sectors of recent years, has been steadily expanding its productive capacity. Jobs have increased from 31,500 in 1975 to 10,700 in 1980, and billing has risen from 460 billion lire to 1,500 billion. The industry does not, for the moment at least, appear to be in anything like a crisis position. Notwithstanding all this, however, far-reaching government intervention is clearly essential for a number of reasons.

Companies producing aviation materials are of marked strategic importance in that they operate on the cutting edge of the most advanced technologies. Fallout from research performed in the aviation industry onto the most disparate sectors of industry is a fundamental factor in keeping our country among the top leaders in international technological development.

The high technological content of aviation products -- airframes, engines, and components -- means that their makers must incur heavy costs which can be amortized only when the product actually goes into mass production on a certain scale. Since the domestic market can absorb only a relatively small share of that output, these companies are increasingly setting their sights on outside markets (60 percent of their output was sold abroad in 1980).

Quite naturally, the Defense Ministry has been interested in the sector for years. This could hardly be otherwise in view of the high technological content of aviation products, combined with the prudent concern with preserving a domestic production system as autonomous as possible. However, out of that interest has grown a more general development of production for military use and slower growth for production for civil aviation.

Now, as we move into the eighties, predictable developments in technologies and growing foreign competition on international markets are bringing a great many major elements of uncertainty into the overall picture.

The final program represents a genuine qualitative leap in government intervention, which in the process takes on a global complexion. The government -- as a whole -- recognizes the crucial nature of the sector for purposes of the technological development of all of Italian industry (only electronics -- which is itself the target for governmental support measures -- has a comparable level of technological fallout), and consequently is stepping in to foster harmonious and well-balanced growth for all sectors of Italy's aviation industry.

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The program as approved was drafted by a special commission which included people from the major companies in the sector as well as the labor unions.

The working philosophy recommended by the commission -- which the CIPI adopted in its 21 May decision -- is one of swift intervention in a realistic way at the nerve centers which govern competitive stance, and active presence in markets abroad on the part of our aviation companies.

The primary thrust of government intervention and coordination on behalf of the aircraft industry might be summed up as follows:

-- foster balanced development in the three principal sales areas: (airframes, engines, and equipment) and between the civil and military sectors;

-- encourage greater autonomous growth capacity in our industry by means of adequate industry-wide provisions such as new appropriations for the IMI fund and establishment of a special fund for technological innovation. Removing the barriers to a farflung network abroad dealing with licenses, patents, and components would simultaneously expand Italy's opportunities for qualifying participation in international collaboration programs, preferably in Europe when feasible;

-- devising and pinpointing marketing tools, resorting to specific measures where indicated, so as to guarantee Italian companies a chance to meet foreign competition on an operationally equal footing;

-- move toward an updating and streamlining of government contracting procedures for the sector, so as to restore equity to a situation characterized by heavy additional financial burdens upon companies and aggravatingly cumbersome paperwork for both contracting parties.

The plan as a dynamic tool for orientation and coordination cannot be confined to spelling out its objectives. It therefore provides that -- within the framework of existing regulations -- a special committee be set up as a forum for dialectical confrontation between the interested parties, thus assuring continuous adjustment of the plan to keep step with an ever-changing situation.

The plan, realistically rooted in the quest for the best possible utilization of available legal tools, is designed to achieve practical goals in a timely manner. All this, while from one aspect it may seem modest by comparison with establishing ad hoc agencies (which, by the way, takes a very long time to do), responds to the basic objective: to use our fine-tuning capabilities as our top foreign competitors do, to provide more jobs at home and to improve the industry's balance of trade over the Eighties.

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ECONOMIC

ITALY

UNFAVORABLE REACTION TO 30 PERCENT IMPORT DEPOSIT MEASURE

Recession Feared

Milan IL CORRIERE DELLA SERA in Italian 29 May 81 p 13

[Article by Alberto Capisani]

[Text] As of yesterday, imports are locked into the monetary "cage," but the lira is showing no improvement; there are fears of a recession. Our currency shows only minimal gains against the dollar (1,160) and against other EEC currencies. Prime rate drops in the United States, but rates remain high abroad. Confindustria seeks exemption from deposit payments for raw materials.

The first day after announcement of the new currency measures saw the lira move upward only slightly against the dollar and other currencies, but there is no saying whether that gain was in response to the new restrictions or a reflection of overall trends on the international markets.

The U.S. dollar declined by 3.25 points from the record level (1163.75) hit on Wednesday. However, it seemed to be softening on other markets as well in the wake of lowered rates on the U.S. markets (Chase Manhattan dropped its prime from 20.50 to 20 percent, as did the Manufacturers Bank, carrying with it the rates on Eurodollars).

Does this mean that the flutter of recovery in the lira does not stem from any innate sturdiness, but rather from a momentary weakness in the dollar? For the moment, it is hard to say. First of all, one must bear in mind the fact that in some observers' view yesterday's decline was excessive, and helped along by the fact that the Zurich, Frankfurt, and Paris exchanges were closed for the Ascension Day holiday. Forecasts as to the future behavior of U.S. rates, and hence of the dollar, are contradictory: while Treasury Secretary Regan and Commerce Secretary Baldrige predicted yesterday that they would go down, the chief economist at Solomon Brothers, Mr Kaufman, said that they would start to rise again, albeit by fits and starts.

For the time being, anyway, returns on investments in Eurodollars are still very high (19 3/8 percent on loans up to 6 months). Along with the extremely high

21  
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rates reached on the European market for French francs (25 3/8 percent for a month and 24 percent for 6 months), they constitute one of the major causes for concern among our monetary authorities, in that they might serve to lure capital abroad. Even though the confused international picture yesterday made it impossible to make a full assessment of the effect of the measures taken to stop such a flight, there were, however, a few encouraging signs.

Yesterday, for example, the lira strengthened its position within the EMS, where it still stands second only to the mark in the strong currency standings.

In any event, the next few days will tell us more clearly just where we are heading. One reason is that we shall have to see whether or not there will be any adjustments, such as the exemption Confindustria is seeking. In a telegram to the government and to Ciampi yesterday, Merloni asked for an exemption from the 30 percent advance deposit on imports of industrial raw materials, tools, and goods imported "on a temporary basis," meaning products which are subjected to processing and then re-exported. The president of the industrial community justified his plea for an exemption on the basis of the extremely untoward impact the measure might have on production and hence on employment levels.

Aside from a possible minor adjustment (such as was made in 1976, for that matter), it remains clear that the international money rates (only yesterday the Swiss National Bank announced that it had no intention of applying the brakes to rising domestic interest rates) make it incumbent on Bankitalia to keep a tight rein on the money supply. To this end the central bank has been raising rates on short-term loans over the past few weeks (for example, raising the return on 3-month treasury bills to around 18.75 percent), and has been mopping up liquidity with the various competitive auctions. This radical and systematic action, along with the upcoming deadline for making tax payments, reduced immediately available money supplies in the system to healthy levels (or maybe even a little below them).

It is clear, then, that yesterday's move, by further contracting liquidity, may have some exceedingly untoward consequences. Perhaps, though, the fluidity of the situation did not leave the monetary authorities much room to maneuver. Bankitalia found itself faced, in fact, with a sturdy rise in interest rates abroad, quite sufficient to siphon off the large mass of capital that tends to stay consistently more liquid (medium-term paper no longer tempts anybody); the 3-year issue of negotiable treasury notes--1,500 billion lire worth--was subscribed by only 451 billion yesterday, notwithstanding the fact that the actual yield is 21.5 percent and that the pegged rate will shelter it from future increases.

Who Has Won Exemption

The following items are exempt from payment of the 30-percent non-interest-bearing 3-month deposit on imports: all payments on imports not in excess of 100,000 lire; allocations to persons going abroad within the 5-million ceiling per person in addition to the tourist allowance; payment of pensions, savings, and salaries; transfers of currency for study, medical care, subsistence and business; purchase of artificial kidneys; imports of crude oil and grain; payments for ships stores, supplies, and bunkering; ship rentals for transport of merchandise; transfers via postal money order or international money order within allowed limits; payment on

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principal and interest of loans obtained abroad; compensation and deriving from social security insurance and food subsidies as prescribed by law; payments into special authorized accounts consisting of funds originating abroad for charges allowed by specific authorization; extension, through credit transfers to accounts abroad, of credit on the basis of PL 227 of 24 May 1977; welfare payments to emigrants and ICLE loans; payment for imports of foreign daily newspapers and periodicals; credits to foreign accounts of maritime and air common carriers for proceeds from the sale of passenger tickets; indemnities from insurance companies for civil liabilities incurred by residents toward non-residents; payments of reparations or damages under court rulings; investments of Italian capital abroad when subject to the deposit required under ministerial decree of 8 August 1978 and 12 March 1981; payments made from assets in an "authorized account"; issuance of loans granted by Italian medium-term lending institutions pursuant to implementation of intergovernmental agreements or for financing Italian exports; extension to sources of credit granted by banks acting as agents for foreign counterparts and which are part of the regular activities of said banks in dealing with foreign countries in other currencies and in Italian lire; transfers made through the Italian exchange office; retirement of loans in required currencies in effect as of 27 May 1981, for advance payment on imports.

## New Measures Discussed

Milan CORRIERE DELLA SERA in Italian 29 May 81 p 13

[Article by Paolo Glisenti: "Limping Devaluation Means Nothing But Trouble"]

[Text] It is now 24 hours since the announcement of the measure that restores the advance deposit on imports, and already concern over the strongly recessive and inflationary content of the measure is taking on the sound of a general cry of alarm. At the same time, doubt is growing as to the actual need for moving so drastically down a road which had already proved to be paved with a number of hazards. First of all, there is no evidence whatsoever to show that pressure on the lira had lately reached an abnormal pitch, much less to indicate that corporate accumulation of reserves had gone beyond a natural and healthy tendency. In this sense, apparently, it would appear that the government has moved solely as a precaution. But at what price?

By comparison with the similar measures taken in 1974 and again in 1976, the one that went into effect yesterday is unquestionably more restrictive. On those occasions, not all imports of raw materials were subject to the deposit (this time only grain and crude oil are left off the "blacklist") and in any case they immediately decided--under pressure from the EEC which held the measure inimical to the spirit and the letter of the free trade agreements--to cut from 50 percent to 20 percent the duty on an even more select list of capital and consumer goods. This time, though, the net fell even around vacation spending and spending on sundry other services, and hence around the "invisible" items in the cash portion of the balance of payments.

It becomes clear at this point that the intention was to go far beyond an attempt to "cool down" imports of goods not necessary to the productive system, and that the aim was instead radically to lower the temperature of the national economy as

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a whole, thus accentuating the trend that has been apparent since the first of the year. That is evidenced, for example, by the surprising decision to make 50 percent of the financing which importers will seek to pay the advance deposit subject to the ceiling on bank loans: by our reckoning, this will trigger a strong contraction in the growth of domestic credit, down from the predicted 12 percent or so to around 8 or 9 percent at year's end from last year's level, and will give new impetus to the rise in interest rates, which are even now at prohibitive levels. But if we calculate the shrinkage in credit for the next 4 months alone, we can predict that the margin of expansion will be more than half absorbed by financing to pay the advance deposit.

Let's see what that will do. The squeeze over the next 4 months will affect a flow of imports worth some \$18 to \$20 million and hence will freeze something like 6,000 billion lire in the Bank of Italy; with those 3,000 billion piling up beneath the bank credit ceiling, financing for industry and business will be wiped out at a single stroke. There will be still another pernicious effect of this siphoning off of liquidity, though: since a lot of people will try to get around the obstacle and since the supply of credit will shrink in the face of growing demand, it is a foregone conclusion that people will start dipping into savings, thus heightening the already alarming downward trend in deposits that many savings banks are already experiencing.

The inflationary risk promises to be no less serious. Yesterday's action may be viewed at first blush as a "limping devaluation," since it puts a brake on imports without helping exports. We believe we can say, however, that it will not produce even this halfway objective. Experience clearly shows, in fact, that, in terms of volume, exports will be affected only minimally, particularly when they are backed by a solid "backlog" of private consumer demand, by monetary measures. Therefore, while there are few advantages to be expected on the balance of payments front, the drag effect on retail prices may well turn out to be considerable. Before this produces a further shift away from imported products to Italian ones a lot of time will pass, and in the meantime the damage already done will be permanent.

Here again, let's stop and do a little figuring. The additional costs placed on imports is supposed to be 2 percent. In practice, for every dollar paid to a foreign supplier we shall have to shell out 21.60 lire more, and there is no doubt that the increase in the cost of doing business will wind up tacked onto retail prices, even though to a lesser degree thanks to competition which is now quite lively, given the general softening of prices in many sectors. The net effect will be that things are going to get worse instead of better.

We need only think back to what happened in 1976 to get a good idea of the outlook ahead. That time the restrictions imposed on imports by the advance deposit requirement did cool the climate for a couple of months in those pessimistic days on the exchange market and thus strengthen the position of the lira. But almost immediately the first inklings of trouble began to surface. Remember what Paolo Baffi said in his "closing remarks" to the Bank of Italy assembly several months later: "The absence of coordinated recovery measures triggered a new crisis which necessitated currency and monetary restrictions far more severe simply to protect the lira" (for one thing, the interest rate shot up 3 points).

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It is worth bearing in mind that this time the deposit is only 30 percent (as against 50 percent in 1976) since, as we have said, the context in which we are operating is far more one of recession and inflation. Politically, then, it would seem that we have sinned by a lack of opportunism: the government crisis is not, at least for the time being, perceived as cause for serious alarm even in Italy--much less abroad; the laborious negotiations over "cooling down" the indexing machinery certainly had no call to go through still another severe test of the real intention to aim at getting production costs and inflation down on the part of whoever is pushing the buttons in the economic planning room.

Among the many objectives they want to pursue more or less openly with this measure probably the least noble of all is the one they will achieve: that of raising the umpteenth protectionist barrier to protect a lot of companies in trouble. If the EEC does not call us back into line this time, it will mean that the rest of Europe, like us, has lost all sense of duty toward what is left of free trade.

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POLITICAL

FRANCE

SECOND ROUND ABSTENTIONS AFFECT LEGISLATIVE ELECTIONS

Paris VALEURS ACTUELLES in French 27 Jun 81 pp 17-19

[Article: "Logical Analysis of a Chamber That Cannot Be Found"]

[Text] The voters did not switch sides. They simply withdrew-- giving Mr Francois Mitterrand the undiscoverable Chamber which he had not expected to get.

"This is not a tidal wave; the sea has simply withdrawn." This observation by Mr. Pierre Charpy, in "La Lettre de la Nation," is quite correct. Just look at the charts. The left did not gain a single vote between last May and June. On the contrary, it lost, quite a lot, almost 1.7 million votes between 10 May and 14 June. The picture is even more astonishing if you look at the figure of 14,222,000 on 19 March 1978; it lost something like 200,000 votes, dropping down to 14,015,000 on 14 June 1981.

And the right, so to speak, has dried up.

You were able to read that already in our last issue. Instead of the 14,650,000 voters who cast their ballots for Giscard on 10 May, there were no more than 10,850,000 voters who cast the same votes on 14 June. They did not turn to the left. No!. They did not vote at all.

All observers, both on the right and on the left, and even at the very summit of the government, are equally stunned by this behavior.

One might ask oneself whether this did not involve a myriad of individual switches by voters who, furious over the failure of their candidate on 10 May, decided to stay home on 14 June, without ever imagining that 3.8 million other citizens would do the same thing at the same time. If that had been the case, they would have come out on 21 June. But they did not.

On the following pages you will see the results of the second rounds of the voting both in absolute figures and in percentages of registered voters.

VALEURS ACTUELLES had entitled its 6 June issue, under the portrait of Mr. Pierre Mauroy, "There Will Be No Majority." We could not have been more completely refuted by the facts than we were.

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And still! Still, we do not regret this for the simple reason that the inexplicable is unpredictable.

Look at the first round on 12 March 1978 (legislative elections): the total number of votes on the left was 14,222,000, in other words, 4.5 percent of the registered voters.

On the other side, the total votes for the right came to 13,725,000 or 38.8 percent of the registered voters.

Looking at these initial figures, one might have thought that the right was going to lose the election. Nothing of the sort happened, as you know. During the second round (and you might look at the table for the second round of elections), right-wing voters as a matter of fact dropped their abstention. On 19 March 1978, they numbered 500,000 more than the voters on the left. In percentages of registered voters, the right climbed up to 41.7 percent, winning almost 3 points (2.9 percent) over the 38.8 percent of the preceding round, whereas the left dropped down to 40.5.

With the help of this drop, the Assembly which has just gone out of business thus had a majority of 287 deputies (RPR [Rally for the Republic], UDF [French Democratic Union], CNI, and miscellaneous) as against the 204 left-wing deputies.

We experienced the amplifying effect of our way of voting, with a single slate on each side for both rounds. This is the desired effect since the basic principle of the Fifth Republic was to enable the president to have a solid majority in the Assembly.

If by chance we had adopted proportional representation, this effect would no longer materialize. The power of dissolution, with which the president of the Republic is armed, would no longer have any intimidating effect. An Assembly elected by proportional representation would constantly be reelected almost in the same proportions and would thus have no reason to fear the presidential threat. The amplifying effect of the margins would no longer materialize.

During the first round of elections in 1978, with 38.8 percent of the registered voters, the right was 1.7 points behind the left which had 40.5 percent.

During the second round, thanks to the abstentionists who emerged from their status of abstention, it went up to 41.7 percent while the left remained stationary.

Last May, during the first round of the presidential elections, the right, with 39.2, was definitely ahead of the left with 37.4. Just look at the tables for the first rounds.

But the ecologists had 3.1 percent and we know that they were distributed roughly to the extent two-thirds on the left and one-third on the right.

This is why the election of Mr Mitterrand during the second round was entirely probable.

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To tell the truth, the presidential election did involve a personal factor. General De Gaulle had said: "Giscard's problem is the people." Miss Antoine Pinay recently told "QUOTIDIEN DE PARIS" (20-21 June): "Giscard is not as close to the people as Chirac."

But the Giscard factor no longer meant anything in the legislative elections. The voters knew or should have known that the Assembly has the last word, not only with respect to the Senate but even with respect to the president of the Republic.

That is the phenomenon that becomes inexplicable.

Let us go back to the table for the first round. Here we find that the right, which had 39.2 percent of the votes on 26 April, only had 29.9 percent on 14 June; so it is indeed true, as Pierre Charpy said, that "the sea has withdrawn." During the second round, its percentage of registered voters went up but only very little from 29.9 to 31.3 only.

Between 26 April and 14 June, the total number of left-wing votes only gained 1.2 point, going up from 37.4 to 38.6. To be sure, that was due to the raid on the ecologists (the 3.1 percent showing up in the column for 26 April).

During the second round of legislative elections, on 21 June, the percentage of the left rose to 41.2 percent. In other words, 2.6 points more than during the first round.

Here is what that means: the stay-at-homes decided to come out again between 14 and 21 June and gave the right 1.3 point and the left 2.6 points.

Those who did not vote on 21 June knew what they were doing. They had voted for the right in May; a month later they agreed to give Mr. Francois Mitterrand full power for the 5-year term of the legislature.

This is explained by what is called "the presidential effect." In other words, the French have so successfully adopted the Constitution that they are determined in all cases to give the president the majority of his choice.

The Fifth Republic would thus become a real elective monarchy. Deep down in its psychology, the French people apparently remained royalists: the president must be invested with uncontested power.

In the history of political science, this is the first time that a phenomenon of this nature and this amplitude has materialized: the voters did not switch sides; no, they simply withdrew.

Let us get back to the tables for the second round. On 19 March 1978, the left had 40.5 percent of the registered voters. This time, on 21 June, it had 41.2 percent. It only had 0.7 percent more. This is quite in keeping with the precedents: these tiny shifts are the kind which political life has accustomed us to in the past.

The stupefaction is on the right: 41.7 percent on 19 March 1978, 40.2 percent still on 10 May, but this time only 31.3 percent.



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What precisely did those 9 or 10 percent of the voters try to say after they had been mobilized in May but demobilized in June.

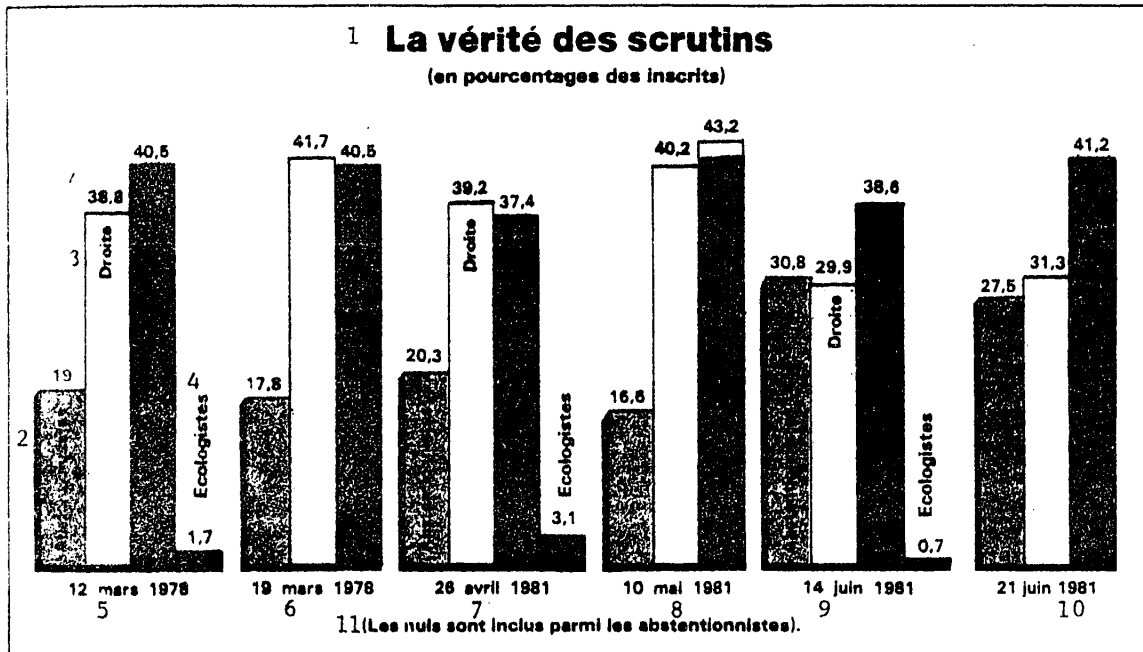
To probe their minds and hearts, we need a technique that does not exist since opinion surveys mean something only in conjunction with basic questions: will you vote for X or for Y? That is simple and clear and calls for an unequivocal response. But a complex response to a question such as "why did you do this or that?" cannot be coded on a computer.

It is true then that the spirit of geometry must yield to the spirit of finesse.

But the spirit of finesse is incapable of rigorous demonstrations. It says: "I sense this." The result alone can make the division between correct intuitions and wild flights of imagination. A prediction based on the spirit of finesse thus is not good for anything.

Mr. Francois Mitterrand certainly has displayed an exceptional ability in terms of electoral intuition. In 1980, the opinion surveys had him beaten by 60 against 40. They placed Rocard far ahead of him. He remains imperturbable. But can even he say that he expected to win the massive parliamentary majority he got?

The people presented him with the same surprise as they did Louis XVIII by giving him a "undiscoverable Chamber." Indeed they did.



Key: 1--The truth of the voting (in percentages of registered voters); 2--Abstentionists; 3--right; 4--ecologists; 5--12 March 1978; 6--19 March 1978; 7--26 April 1981; 8--10 May 1981; 9--14 June 1981; 10--21 June 1981; 11--The blanks are included among the abstentionists.

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3 Premier tour			
En voix 4	12 mars 14 1978	26 avril 15 1981	14 juin 16 1981
divers gauche (1) 5	1 297 251	989 410	517 684
PC (Marchais)	5 870 402	4 456 922	4 065 540
PS-MRG (Mitterrand-Crépeau)	7 055 083	8 148 807	9 432 362
total gauche 6	14 222 736	13 595 139	14 015 586
UDF (Giscard)	6 128 849	8 222 432	4 827 437
RPR (Chirac)	6 462 462	5 225 848	5 231 269
divers droite (2) 7	1 134 096	868 444	795 210
total droite 8	13 725 407	14 316 724	10 853 916
écologistes 9	621 100	1 126 254	271 688
inscrits 10	35 204 152	36 398 859	36 257 433
abstentions	6 062 173	6 882 777	10 748 633
nuls 11	581 736	477 965	367 610
<b>En % des inscrits 12</b>	<b>12 mars 1978</b>	<b>26 avril 1981</b>	<b>14 juin 1981</b>
divers gauche (1)	3,6	2,9	1,4
PC	16,8	12,2	11,2
PS-MRG (Mitterrand-Crépeau)	20,1	22,3	26
total gauche	40,5	37,4	38,6
UDF	17,4	22,5	13,3
RPR (Chirac)	18,3	14,3	14,4
divers droite (2)	3,1	2,4	2,2
total droite	38,8	39,2	29,9
écologistes	1,7	3,1	0,7
abstentions et nuls 13	19	20,3	30,8
(1) le 26 avril : Laguiller et Bouchardeau (2) le 26 avril : Debré et Garaud			

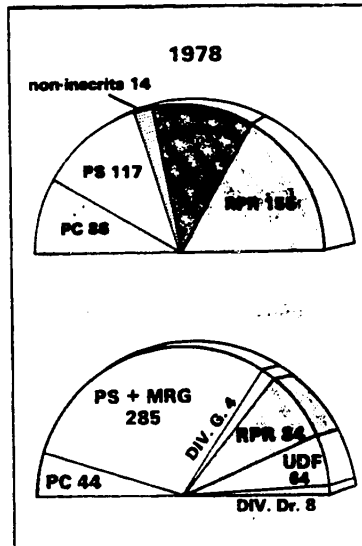
Key: (1) On 26 April, Laguiller and Bouchardeau; (2) On 26 April, Debre and Garaud; 3--First round; 4--Votes; 5--Miscellaneous left; 6--Total left; 7--Miscellaneous right; 8--Total right; 9--Ecologists; 10--Registered voters; 11--Blank; 12--In percentages of registered voters; 13--Abstentions and blank ballots; 14--12 March 1978; 15--26 April 1981; 16--14 June 1981; PC--Communist Party; PS--Socialist Party; MRG--Revolutionary Left Wing Movement.

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Second tour <sup>1</sup>				En % des inscrits <sup>10</sup>		
En voix <sup>2</sup>	19 mars 1978 <sup>7</sup>	10 mai 1981 <sup>8</sup>	21 juin 1981* <sup>9</sup>	19 mars 1978	10 mai 1981	21 juin 1981
gauche <sup>3</sup>	12553262	15714598	10602502	40,5	43,2	41,2
droite <sup>4</sup>	12922540	14647787	8057526	41,7	40,2	31,3
inscrits <sup>5</sup>	30956076	36392678	25757374			
abstentions	4749366	5142925	6579668			
nuls <sup>6</sup>	730908	887368	512678			

\* compte non tenu des 84590 électeurs de Polynésie et de Wallis et Futuna.

Key: 1--Second round; 2--Votes; 3--Left; 4--Right; 5--Registered voters; 6--Blank; 7--19 March 1978; 8--10 May 1981; 9--21 June 1981\*; 10--In percentages of registered voters; 11--Abstentions and blank ballots; \*--Not counting the 84,590 voters in Polynesia and Wallis and Futuna.



Non-inscrits--nonregistered; La nouvelle Assemblée--the new Assembly; Div.G.--Miscellaneous left; Div. Dr. Miscellaneous right.

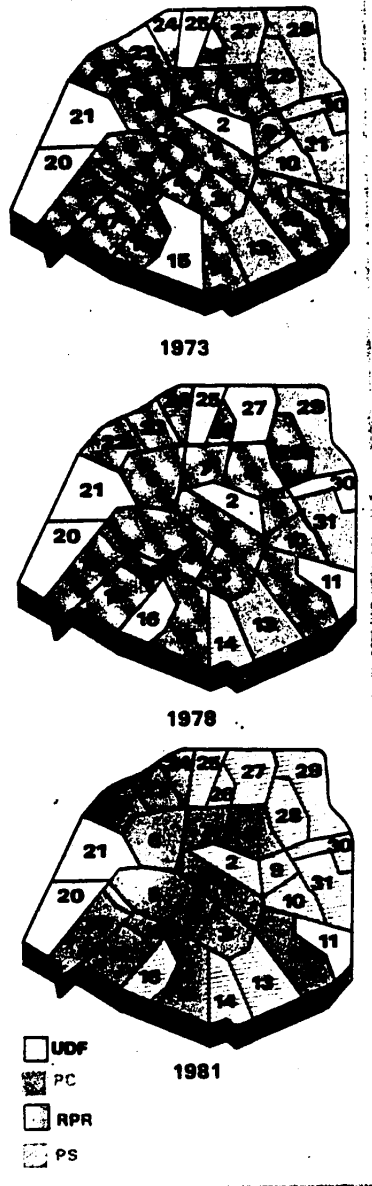
With its radical allies on the left, the PS tops the absolute majority by 39 seats; by itself alone it has 270 elected representatives. Among the latter, there are 132 teachers, almost half of the number of deputies, and only two workers. It is short two seats in this table for the New Assembly, the seats for Western Polynesia, where the second round will be held on 5 July and those of Wallis and Futuna on 28 June. According to the results of the first round, both of these should go to the right.

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### Seats in the Capital

Here we have 15 deputies for RPR and three for the UDF as against 13 for the PS; in spite of a loss of eight seats, the right has retained a majority in Paris.

The socialists, who had no seats in 1973 and who had been able to win two seats in 1978, were able to win 11 seats and 12 points in 3 years with 30.6 percent of the votes. Among the newly elected deputies we have the first secretary of the PS, Mr. Lionel Jospin; two leaders of CERES [Center for Socialist Studies, Research, and Education], Messrs Georges Sarre and Michel Charzat, and a left-wing Gaullist, Mr Pierre Dabezies.



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The Communists had been dominating the Parisian left since the Liberation; they dropped from 17.8 percent in 1973 to 15.6 percent in 1978 and 9.3 percent on 14 June. Declining from seven seats in 1973 to three seats three years ago, they disappeared from the capital starting with the first round of elections; in the 31 districts, PC candidates were everywhere defeated by PS candidates. Among the defeated ones, they are two members of the Political Bureau, Mr Paul Laurent and Mrs Gisele Moreau, and both of them are outgoing deputies.

Prior to 1978, the Giscardians had two RI (Independent Republicans) deputies and three centrists. Shifts within the majority and gains in the eastern part of Paris had enabled them to win two seats three years ago in favor of the radicals. Only the three centrists were able to withstand the Socialist wave; they are Rober Chinaud and Jacques Dominati (PR [Republican Party]) who were eliminated just like Mr Didier Bariani, chairman of the Radical Party, and Mr Jean-Pierre Pierre-Bloch, a member of that party.

The RPR (which had two members closely connected with CNIP [National Center of Independents and Peasants]) remained the biggest block in the capital with almost half of the deputies in spite of the loss of four seats. That included of Mr Jacques Feron, CNIP, Mr Joel Le Tac, who had been called upon to vote for Mr Mitterrand on 10 May, and Mr Alain Devaquet, the former secretary-general of the RPR movement.

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GENERAL

FRANCE

NEW SDECE DIRECTOR PIERRE MARION'S PAST OUTLINED

Paris L'EXPRESS in French 26 Jun 81 p 74

[Article by Jacques Renard: "The Man Who Played Comedy"]

[Text] Pierre Marion, the new boss of the SDECE [Foreign Intelligence and Counterintelligence Service], loves amateur theater. And, undoubtedly, for a long time, the intelligence services.

He has at least two contradictory passions: those connected with secrecy and those connected with the amateur stage. Just a few weeks before being appointed, on 17 June, to the position of director-general of the SDECE, Pierre Marion was Mr Rafle, the usurer in the play "Turcaret or the Financier," a comedy by Lesage.

Certainly a discreet role, in the fifth act, playing before a public which, to be truthful, is rather confidential, that is, members of the French colony in Washington, in a lecture hall at the World Bank, attending the annual show of the French Theater Club. Audiences were able to see him in the spring of 1976--a year and a half after his arrival in the United States, this time in the real-life role of delegate-general for the Americas of SNIAS [National Industry Aerospace Company]--in the last act of "Tartufe" as a bit player: "We live under an enemy prince(of fraud)."

The speech undoubtedly had some gaps in it, in contrast to the new and flamboyant uniform, created by the adoring eyes and hands of his wife, Dominique Marion, the troupe's wardrobe lady. But with his somewhat brutal air of authority, his noble bearing, his fine appearance, sometimes reminiscent of Jack Palance--these earned him an honorable exit.

Next year, in "Le Dindon," the delicate interpretation of Narcissus, that Englishman whom Feydeau had born in Marseille--like Pierre Marion himself, 60 years ago--offered him only a choice between declaiming like Raimu with the accent of Laurence Olivier or the other way around.

We quickly skip over "Les Femmes savantes" and move on to the real big coup which left the friends of Pierre Marion breathless. "Do you really believe that he has been a member of the French Intelligence Service for a long time?" some of them asked. "I do not believe he is a socialist," said others with the same degree of astonishment. He has a long record. An engineer, a graduate of the Ecole polytechnique, Pierre Marion joined Air France in 1942 where he began a slow climb which

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he reports with equal patience in "Who's Who" (1981-1982 edition). He suddenly left Orly in 1963 to take over for a period of 5 years as general representative of the company in East Asia and the Pacific. The initiated hinted that "his address in Tokyo was very honorable in terms of correspondence."

He came back as deputy general manager in charge of business, the next to the last step in a career whose ultimate destination could only be the position of general manager. And then came one of those unexpected developments. It was in the summer of 1970. Jean-Jacques Servan-Schreiber, a brand-new deputy from Lorraine, went to Aquitaine where Premier Jacques Chaban-Delmas was a candidate for the seat left vacant by the death of his UDR [Union of Democrats for the Republic], Jacques Chabrat. Jean-Jacques Servan-Schreiber flung at the head of government the challenge of a single opposition candidate--from the convention delegates to the democrats--in other words, another highly revealing story. The operation failed and the Radical Party's secretary-general himself tried in vain to become a candidate; but before he failed, he released the names of seven "high-grade" men one of whom was to be his champion against Chaban. Pierre Marion was among them.

The deputy general manager of Air France had to defend himself, in talking to his president and general manager, Georges Galichon, and transportation minister Raymond Mondon, against charges of having made some promises which caused considerable trouble. This was followed by a period of decline which the future boss of the French spies did not pull out of until he left Air France through a safety exit. In 1972, he joined SNIAS and took up his post in Washington 2 years later, with the secret consolation of having some powerful friends, especially Gaston Defferre, among the socialists--which was not true of his own boss, Gen Jacques Mitterrand.

The last act was played on 5 June at the Le Bourget air show which President Mitterrand opened on the way. Charles Hernu, the new defense minister, in looking for somebody to run the "pool," stumbled across his old friend Pierre Marion: "You are the man I need."

Just 2 days prior to the official announcement by the cabinet, General Mitterrand rasped: "They are now going to accuse me of having some influence on this appointment. That is wrong. I was against it."

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GENERAL

FRANCE

ARIANESPACE SEEKS 30 PERCENT OF WORLD SATELLITE LAUNCH MARKET

Paris AIR & COSMOS in French 13 Jun 81 pp 89-91, 93

[Article by Pierre Langereux: "Arianespace Wants to Capture 30 Percent of the World Wide Market for Satellite Launchings"; passages enclosed in slant lines printed in boldface]

[Text] /The ambition of Arianespace, the first commercial space transport company, responsible for the commercial, operational Ariane rocket launchings, is to capture from 20 to 30 percent of the worldwide market for satellite launchings, estimated at about 200 ~~during the next 10 years.~~ / The president and general manager of Arianespace, /Frederic d'Allest,/ stated at the Le Bourget Salon that the company is now planning to launch from /50 to 60 satellites/ with Ariane rockets, starting in 1983.

The present schedule already contemplates launching 30 French, European, and foreign satellites between now and the end of 1985 with Ariane rockets. Half of these launchings, or 15, are already on firm order to the ESA [European Space Agency] or to Arianespace. The launch schedule for 1982 and 1983 is already completely filled, with firm launchings and all the launching slots up to 1985 taken, with a few rare exceptions.

The commercial future of the European launcher indeed appears much more favorable than was the case only a few years ago; certainly on condition that customers' hopes are not disappointed in the launcher's next qualification firing, planned for 19 June at Kourou.

Twenty-four Rockets in Production

Four flight test firings (L01-L04) of the new launcher have been planned; two of them must be successful to qualify the rocket. The first two firings have already been accomplished, the first (L01) successfully on 23 December 1979. But the second (L02) on 23 May 1980 was unsuccessful because of failure of one of the first stage motors, resulting in the loss of the two satellites carried on board (at no charge). The other two flight test firings are planned between now and the end of the year, also with satellites carried at no charge, but at the customers' risk. The next firing, on 19 June (L03) will, for the first time, carry two geostationary satellites.

The last firing (L04), with only a single geostationary satellite, is planned for October 1981.

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A first lot of six standard Ariane launchers, called the "promotional series" (L55-L5 10), was ordered by the ESA for launching four European satellites and three of the international Intelsat organization, launchings obtained in competition with the American "Shuttle." This promotional series will be used in the first operational launchings by the Ariane rocket. /The first operational firing (L5) is planned for February 1982./ The last launching, (L10) in this promotional series, controlled by the ESA, will take place in February 1983 but that firing will indeed be carried by Arianespace on behalf of the ESA.

Beyond this all launchings will be effected by Arianespace, the company which in addition produces and markets Ariane launchers. On 15 May 1981 an agreement was signed by the ESA and Arianespace, giving the French company complete responsibility for operations--with the exception of new developments, which remain the responsibility of the ESA. Arianespace will thus take charge of the Ariane launchers after the initial promotional series, that is, as of the seventh operational launcher (after the four test rockets), which means starting with the 11th launcher (L 11), firing of which is planned in May 1983.

Incidentally, Arianespace has already placed the order with the industry (Aerospatiale [National Aerospace Manufacturing Company], SEP [European Propellant Company], Matra, etc.) for a second lot of four standard launchers (L 11- L 14) to be used in the operational launchings planned in 1983. The company has also started accumulating supplies over the long term for a third standard series of five rockets (L 15-L 19). But the Arianespace president-general manager stated that /next autumn the first 19 launchers will be on firm order and stocking supplies will start for a fourth series of five rockets (L 20-L 24)./ Before the end of the year 1981 there will therefore be 24 Ariane rockets in production.

The first 11 Ariane launchers (L01-L11) will be to the present specifications, that is, of the basic Ariane 1 version. But after that all launchers will be of the improved Ariane 2 or Ariane 3 versions. The second standard lot (L 11-L 14) will therefore include one Ariane 1, one Ariane 2, and two Ariane 3 rockets, while the third lot (L 15-L 19) will consist of three Ariane 2 and two Ariane 3 rockets--on condition that the payloads do not change. /The first firing of an Ariane 3 rocket (L 12) is planned for July 1983./ The Ariane 4 version, still more powerful than the preceding, will be introduced in the fourth production lot (L 20-L 24), presumably for the L 24 firing planned for /September 1985/ as a flight test of the new launcher which will be put into service in the beginning of 1986.

The Ariane rockets are now being produced at the rate of one every 2 and 1/2 months, taking into account the manufacturing cycle of the complete launcher which extends over about 3 years. But, /this autumn the production rate will be increased to one rocket every 2 months,/ or six rockets per year (instead of the two annually as at the beginning), which will easily permit the /operational launching rate now set at five firings per year for the 1982-1983 period/ with the single launching pad now existing.

## Orders Totalling 1.4 Billion Francs

Ariane has already secured firm orders and 14 options for Ariane rocket launchings in the 1983-1985 period. The orders on the books thus amount to 1.4 billion francs.

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The /seven firm orders/ were placed by the ESA for launching the European ECS 2 and Marecs C satellites and the Intelsat 5/F8 satellite, by France for launching the French Telecom 1 B, Spot, and TDF 1, and the Swedish Viking satellites, and by Germany for launching the German TV-SAT satellite.

The /14 options/ have been taken by the ESA (3), Switzerland (1), Colombia (2), Australia (2), the Arab League (2), the Luxembourg company, CLT (1), and the following American firms: RCA (1), Western Union (1), and Satellite TV Corporation, subsidiary of Comsat [Communications Satellite Corporation] (1).

In addition, /Arianespace at present is negotiating with eight other potential customers/ interested in the Ariane launcher. They are: Intelsat for its future Intelsat 5, the Swedish Space Corporation for the TELE-X, Telesat (of Canada) for the Anik, and the American General Telephone and Electronics Corporation, Southern Pacific Company, and Hughes Communications, Inc. for their domestic satellites, as well as NATO and the British Aerospace Dynamics group for launching military telecommunications satellites, because Arianespace can also launch military satellites--within the scope of international agreements and treaties governing the peaceful uses of space, which exclude only "offensive" satellites.

Other launchings are also planned, but the dates for them have not yet been fixed. They involve the Eutelsat ECS 3 and ECS 4 and EAS Hipparcos satellites, as well as the future OPMET geostationary operational meteorological satellites of the future Eumetsat organization.

The new Ariane 2 and Ariane 3 rockets, whose construction has been decided upon and is underway will, in the middle of 1983, make possible considerable increase in geostationary launching capacity (2,065 and 2,470 Kg in transfer orbit) compared with that of the present launcher (1,750Kg).

The New Launchers

But it is the future /Ariane 4 launcher, whose construction should be authorized in the end of 1981 or beginning of 1982,/ that will truly be the Arianespace work-horse with which to face its foreign competitors, the Shuttle in particular. The Ariane 4 rocket in fact will double the capacity for launching into geostationary transfer orbit (3,540 Kg) and increase, by more than 50 percent, the low orbit performance (7,500 Kg) compared with the Ariane 1, while reducing the cost per kilogram transported by about 40 percent. Incidentally, there will be three versions of this new rocket, depending upon requirements: /Ariane 40,/ without additional boosters; /Ariane 42,/ with two boosters' and /Ariane 44,/ with four boosters (each with from 7 to 8.5 tons of solid fuel).

Arianespace has also planned on better adapting the new launchers to the payloads by preparing to fabricate new noses and double launch systems (SYLDA).

The nose, 3.2 meters in diameter and 8.65 meters long, of the Ariane 2 and Ariane 3 will make it possible to launch a large satellite of the PAM-A (Atlas-Centaur) class or two medium satellites of the PAM-D (Delta 3920) class by means of the new SYLDA 4400 double launch system, a lengthened version of the SYLDA 3900 of the Ariane 1 launcher. Arianespace has also planned to improve the occupancy of the launchers with small satellites carried as "secondary passengers" by utilizing the Boeing Aerospace Viking platform.

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For the Ariane 4 no fewer than /five new noses/ will be available. These modular noses of composite material (Kevlar), 4 meters in diameter, will thus enable the payload volume to be increased considerably.

For the launchings Arianespace will offer three noses of different sizes and volumes: 8.6 meters (54 cubic meters), 9.6 meters (65 cubic meters), and 11.8 meters (88 cubic meters). For double launches the first two noses can be used upon the SPELDA carrier system for double launching which will replace the SYLDA. They provide the following combinations: nose of 8.6 meters (50 cubic meters), or nose of 9.6 meters (60 cubic meters) upon a shell of 3.5 meters (26 cubic meters). The panoply of noses will thus make it possible to launch either a large satellite of the Intelsat 6 class (3,540 Kg) or two medium satellites of the Australisat class (1,600 Kg each), or even a large satellite of the Intelsat 5 class and a small telecommunications satellite (3,900 Kg total).

Prices for launchings are difficult to establish because at present no market price exists, d'Allest stated. A firing of the Delta 3920 for the end of 1983 will cost about \$35 million. But the price of the Atlas-Centour has changed greatly and that of the Shuttle is a temporary promotional one (for the 1982-1985 period) which will later be revised upward--by at least 50 to 60 percent.

The Arianespace president-general manager nevertheless says that /the Ariane rocket is competitive with the Delta rocket;/ it costs from \$5 million to \$6 million less than the American launcher. As for the price of an Ariane 2 rocket, it will be about 200 million francs (1980 prices).

But, nevertheless, the competitive position of the European launcher vis-a-vis the Shuttle must be improved by better production organization and creation of more economical versions(Ariane 4). Arianespace is also planning to renegotiate established prices for future launchings, beginning in 1986, with European governments.

#### The ELA 2 Under Construction

A second launching area (ELA 2) is also going to be constructed at Kourou to improve launching capacity up to 10 firings per year.

/Preliminary authorization for the ELA 2 was given last week and work is going to begin next July./ The new launching facility should in fact be /ready in October 1984/ for acceptance and validation operations which will be effected with a "launch-ready fueled mock-up," that is, with an actual rocket which will remain upon the launching pad for the entire duration of the operations. But that rocket will be launched later with a payload on board. /The first firing of an Ariane rocket from the ELA 2 is planned for April 1985./

The cost of constructing the ELA 2 is now estimated at /about 650 million francs/ (109 million accounting units). The construction of this new launching facility is in fact broken down into five principal tasks directly controlled by the CNES [National Space Studies Center].

The infrastructure contract (civil engineering, steelwork, air conditioning, and energy supply), for the sum of about 280 million francs, was awarded last week to the

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consortium headed by Dumez, of France, and including Clemessy, of France, MAN, of Germany, and Brunn-Sorensen, of Denmark.

The contract for equipment (hydraulic, low current, and administrative) is still in competition and will be awarded at the end of June.

The contract for control systems is divided between ETCA, of Belgium, for the electrical and Roving, of Denmark, for the hydraulic.

The call for bids on the release system will be made in July and the general contractor will be named in the autumn.

As for the cryogenic feeder arms, construction has been assigned to SILAT, of France, as was the case for the first launching pad.

Ariane Launching Prospects for 1985-1990

<u>Launcher</u>	<u>1985-1986</u>	<u>1986-1987</u>	<u>1987-1988</u>	<u>1988-1989</u>	<u>1989-1990</u>
Ariane 2 or 3	4	3	3	2	2
Ariane 40	-	1	2	3	2
Ariane 42	(1)	1	1	1	2
Ariane 44	-	2	1	1	1
Spare	1	1	1	1	1
Total	5	8	8	8	8

Performance of Ariane Launchers  
Payload Weights in Kg

<u>Launcher</u>	<u>Orbit</u>	<u>Geostationary transfer</u>	<u>Geostationary</u>		<u>Low</u>	<u>Helio-synchronous</u>
			<u>1 satellite</u>	<u>2 satellites</u>	<u>200 Km</u>	<u>800 Km</u>
Ariane 1		1,750	1,025	915	4,850	2,400
Ariane 2		2,065	1,200	1,100	5,000	3,000
Ariane 3		2,470	1,450	1,365	5,800	3,450
Ariane 4		3,540	2,170	1,930	7,500	--
Ariane 5		5,700	3,440	2,960	10,000	--

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CALENDRIER DES LANCEMENTS « ARIANE » JUSQU'EN 1985

1 ANNEE	2 MOIS	3 TIR	4 CHARGE UTILE	5 ORIGINE	6 MISSION	ORBITE 7
<b>SERIE DE DEVELOPPEMENT (LANCEMENTS - ESSAI)</b>						
1979	Déc.	L01	CAT1	ESA	Capsule Technolog.	Succès
1980	Mai	L02	CAT2 + Firewheel + OSCAR 9	Allemagne Allemagne	Scientifique Radio-amateur	Echec
1981	Juin	L03	CAT3 + METEOSAT 2 + APPLE	ESA Inde	Météorologique 10	GTO
	Octobre	L04	CAT4 + MARECS A	ESA	Télécommunications Télécom. maritimes	GTO 1 GTO
<b>SERIE DE PROMOTION (ESA) 8</b>						
1982	Février	L5	MARECS B + SIRIO 2 (+ SYLDA)	ESA	Télécom. maritimes	GTO
	Avril-mai	L6	INTELSAT V F8 ou ECS 1	ESA Intelsat	Diff. données météo	2 GTO
		L7	EXOSAT	ESA	Télécommunications	GTO
	Juin-juillet	L8	ECS 1	ESA	Astronomie	Elliptique
	Sept.-oct.	L8	ECS 1	ESA	Télécommunications	GTO
Nov.-déc.	L9	ou INTELSAT V F8 INTELSAT V F7	Intelsat Intelsat	Télécommunications	GTO GTO	
<b>SERIE OPERATIONNELLE ARIANESPACE 9</b>						
1983	Février	L10	INTELSAT V F8	Intelsat	Télécommunications	GTO
	Mai	L11	ECS 2 (F)	ESA	Télécommunications	GTO
		L12	TELECOM 1 A (F) * MARECS C (R)	France ESA	Télécommunications Télécom. maritimes	GTO GTO
	Octobre	L13	TELECOM 1 B (F) * + RCA - H (R)	France USA	Télécommunications	GTO
	Décembre	L14	ARABSAT 1 (R) * + WESTAR (R)	ARABSAT USA	Télécommunications	GTO GTO
1984	Février	L15	Libre			
	Avril	L16	SPOT (F) + VIKING (F)	France Suède	Téledétection 13	17 Ellipsyde
		L17	BATCOL 1 (R) * + ARABSAT 2 (R)	Colombie ARABSAT	Télécommunications	GTO
	Août	L18	TV SAT (F)	Allemagne	TV directe	GTO
	Octobre	L19	BATCOL 2 (R) * + TEL-SAT 1 (R)	Colombie Suisse	Télécommunications	GTO GTO
		L20	TOP 1 (F)	France	TV directe	GTO
1985	Février	L12	AUSTRALISAT 1 (R) * + Libre	Australie	Télécommunications	GTO
	Avril	L22	L SAT (R)	ESA	TV directe	GTO
		L23	et LUXSAT (R) * + AUSTRALISAT 2 (R)	CLT (Lux.) Australie	TV directe Télécommunications	GTO GTO
	Juillet	L24	GIOTTO (R) * + STC (R)	ESA USA	R.V. Comète Halley	Interplan. GTO
	Septembre	L25	ARIANES 4	ESA	TV directe	16 -
		L26	Libre	-	-	-
	Décembre	L27	Libre	-	-	-

Schedule of Ariane Launchings Through 1985

- |                                   |   |
|-----------------------------------|---|
| 1. Year                           | 11. Maritime telecommunications         |
| 2. Month                          | 12. Meteorological data broadcasting    |
| 3. Launch No.                     | 13. Remote sensing                      |
| 4. Payload                        | 14. Plasma studies                      |
| 5. Origin                         | 15. Radio observation of Halley's comet |
| 6. Purpose                        | 16. Test flight                         |
| 7. Orbit                          | 17. Heliosynchronous                    |
| 8. Promotional Series             |   |
| 9. Arianespace Promotional Series |   |
| 10. Meteorology                   |   |

\*utilizing SYLDA-Ariane double launch system

- (1) GTO = geostationary transfer orbit
- (F) on firm order
- (R) under option

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GENERAL

FRANCE

SNPE BUILDING DIMETHYLHYDRAZINE PLANT AT TOULOUSE

Paris AIR & COSMOS in French 13 Jun 81 pp 94-95

[Article by Pierre Langereux: "SNPE Constructs First French UDMH Plant at Toulouse"]

[Text] The National Powder and Explosives Company (SNPE) has been chosen by the National Center for Space Studies (CNES) and Arianespace to build the first French plant for production of UDMH (unsymmetrical dimethylhydrazine), a hydrazine derivative used as a fuel in the liquid propellant engines of the first and second stages of the European "Ariane" launch vehicle. This plant, which will be built in the Empalot area of suburban Toulouse, will have a production capacity of 750 tons of UDMH per year and will become operational during the first half of 1983. Thus CNES and Arianespace will no longer be dependent on foreign sources of supply for this storable fuel for the Ariane launch vehicle. Up to now UDMH had to be purchased from the United States or the Soviet Union, the only countries in the world producing (and selling) UDMH.

Of the various liquid propellants for the European launch vehicle, UDMH has the only one dependent on foreign suppliers. The other propellants for the rocket--nitrogen peroxide and liquid hydrogen and oxygen--are already produced in France. Nitrogen peroxide ( $N_2O_4$ ) is produced by the French Nitrogen Company at the Pierrefitte plant (Hautes-Pyrenees), while liquid hydrogen and oxygen are produced by Air Liquide.

The United States was one of the largest producers of UDMH up to the beginning of the 1970's, when the Baltimore plant ceased operations after a study revealed that one of the synthesis intermediates in the manufacturing process, dimethylnitrosamine ( $(CH_3)_2N_2O$ ), was strongly carcinogenic.

Prevented from procuring UDMH from the United States in sufficient quantities at a sufficiently competitive price to fuel the new European launch vehicle, CNES then, in 1974, concluded a contract with the Soviet Union to supply UDMH. This made it possible to acquire the some 100 tons of UDMH necessary to proceed with development of the Ariane rocket.

Recently CNES has also purchased 200 tons of UDMH in the United States, where for a number of years it has been produced by a new, noncarcinogenic process by Olin Mathieson Corporation, primarily to supply the needs of the U.S. Air Force.

These supply agreements will provide sufficient stocks to complete the development of the launch vehicle. However, the solution had to be considered only temporary. It was not reasonable to have to depend exclusively on foreign supplies for the operational flights.

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Therefore, in 1975 CNES asked the physical inorganic chemistry laboratory at the University of Lyon, affiliated with CNRS [National Center for Scientific Research] and directed by Professor Cohen Adad, to work out a new process for producing UDMH. The only process known at that time, the dimethylnitrosamine process which had been perfected at the Sorgues plant in the mid-60's, had to be ruled out by the Solid Fuels Service because of the health risks.

The Lyon team, with advice from SNPE engineers, turned its attention to the Raschig process, which had already proven satisfactory for the manufacture of hydrazine hydrate. A very thorough, extensive, meticulous study was conducted to determine the influence of the various controllable industrial process parameters on the kinetics of the reactions involved, measure all the thermodynamic quantities needed for the engineering calculations, and clarify the nature of the by-products which inevitably arise.

To check the conclusions of that study in tests on a reduced scale, a pilot unit was built under a contract commissioned by CNES and DRME [Research and Test Methods Directorate]. This pilot unit was operated from October 1979 to the beginning of 1980 at the SEP [European Propellant Co.] plant in Vernon, to work out an economically feasible process.

On the basis of the technical data gathered in those trials, CNES began requesting industrial offers for construction of a French UDMH production plant.

SEP took part in the consultations about the proposed plant, in cooperation with the chemistry division of the French Coal Board (CDF Chimie), but it was SNPE which was chosen by CNES and Arianespace at the end of 1980. SNPE added some improvements to the process in order to produce UDMH industrially in accordance with the planned quality and cost objectives.

The plans for the UDMH plant worked out by SNPE-CE, an engineering affiliate of SNPE, are now complete. The construction work will begin at the end of 1981 on a site at the Toulouse Powder Works. The plant, which is to employ only 25 persons, is to become operational during the first half of 1983.

The contract concluded with CNES provides that SNPE will assume the plant construction costs (around Fr 40 million), while CNES agrees to purchase UDMH from SNPE in the amount of 300 to 750 tons/year at a set price (around 50 Fr/kg).

The contract will remain in force for a period of 7 years from start-up of the plant (first half of 1983) and is renewable for at least 3 years beyond that.

The UDMH production capacity planned for the Empalot plant could perhaps permit some of the UDMH to be furnished to other clients, but the plant will not be able to produce much more than 750 tons/year.

This capacity will be sufficient to handle the needs of the present Ariane rocket, which will require about 62 tons of UDMH (50 tons for the first stage and 12 tons for the second stage) or maybe a little more counting filling losses and fuel for bench tests of the engines.

But the Empalot plant will not produce enough to supply the new version of the launch vehicle, which is expected to be ready by the end of 1985, only 3 years after start-up

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of the plant. The Ariane 4 rocket is to be equipped with a new first stage carrying 240 tons of propellant, 84 tons of which will be UDMH; this, added to the second stage (12 tons of UDMH), will mean a consumption of around 96 tons of UDMH per shot.

To satisfy the needs anticipated with the new Ariane 4 rocket on a schedule of 8 to 10 shots per year, as CNES envisions in the second round of shots (ELA 2) now on the drawing board, the plant would have to produce around 1,000 tons/year.

CNES and Arianespace, accordingly, expect to continue procuring UDMH abroad--in the United States, the Soviet Union, and even China!

French Process for Industrial Production of UDMH

The process for production of unsymmetrical dimethylhydrazine (UDMH) worked out by the University of Lyon basically uses the Raschig process but breaks it down into two successive operations to improve production yields. The new French process is therefore carried out in four steps.

First step: Just as in the Raschig process, chloramine ( $\text{NH}_2\text{Cl}$ ) is formed by reacting sodium hypochlorite ( $\text{CaOCl}$ ) with ammonia ( $\text{NH}_3$ ) at low temperature ( $8^\circ\text{C}$ ), in the presence of ammonium chloride ( $\text{NH}_4\text{Cl}$ ) which ensures a weakly basic medium.

Second step: The mixture thus obtained, containing chloramine ( $\text{NH}_2\text{Cl}$ ), is then combined with sodium hydroxide ( $\text{NaOH}$ ), to increase the pH (from 9-10 to 13-14), and with dimethylamine ( $(\text{CH}_3)_2\text{NH}$ ) [sic;  $(\text{CH}_3)_2\text{NH}$  is correct]. The operation is thus conducted in a basic medium in a quasi-adiabatic manner in a pressurized reactor (8 bar) at elevated temperature ( $80^\circ\text{C}$ ), so as to favor the synthesis reaction and minimize the parasitic side reactions. The reaction thus yields a very dilute aqueous "synthesis broth" containing sodium chloride and 3 percent UDMH ( $(\text{CH}_3)_2\text{N-H}$ ) [sic;  $((\text{CH}_3)_2\text{NNH}_2)$  is correct].

Third step: Excess ammonia and dimethylamine remaining after the synthesis are eliminated and collected for eventual recycling.

Fourth step: The synthesis broth is distilled to eliminate the water and obtain UDMH, better than 98 percent pure.

In practice, SNPE has had to overcome two difficulties to be able to perfect the process at the industrial level with a favorable overall yield (around 80 percent). One of these difficulties was occasioned by the high dilution of the synthesis broth, which meant substantial energy consumption in the final distillation operations (steps 3 and 4). The other difficulty was in choosing a synthesis reactor which would best minimize the effects of the parasitic reaction between the already-formed UDMH and the unreacted chloramine.

This process is now completely perfected.

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