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West Europe Report

(FOUO 33/82)



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WEST EUROPE REPORT

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ECONOMIC

FRANCE

NATIONALIZED GROUPS HEAD LIST OF MOST PROFITABLE COMPANIES

Paris VALEURS ACTUELLES in French 8 Mar 82 pp 65-74

[Article by Philippe Durupt: "The 150 Largest Taxpayers"]

[Text] For the last 18 months French business has been involved in a new crisis. Our classification measures how they overcame the previous one. It gives a good idea of their ability to adapt.

This third honor roll of the 150 largest taxpayers in industry and trade is a good vintage. On the whole, the taxes paid are up considerably.

The reason is that the 3-year average which is used to calculate the results no longer includes 1977, which was a wretched year. (The amount of tax firms paid increased only 6.5 percent, less than the inflation rate.)

This average does include, however, the figures from 1980, which were excellent when judged by the increase of taxes on profits (plus 24 percent).

It was, therefore, a year of recovery, but not for all companies and not to the same degree. The classification is still changing.

This surprises no one for the automobile firms because their activity is highly cyclical. More unexpected among the leaders is IMB-France's gain of one place with a worse performance than the year before. Air Liquide has stayed in 4th place, and the CGE [French General Electric Company] has only advanced one, despite a large increase (more than 30 percent) in their taxes.

The variations are decreasing: competition for the first places is fiercer than ever.

Bongrain went from 83rd to 47th place because of a well supervised internal development. Creusot-Loire moved up 35 places--the beginning of a recovery which within a few years should result in a place which is more in line with the size of its turnover.

The most favorable changes seen last year are continuing--unrestrictedly in the food industry, but with more subtlety in electronics. Construction and public works are more complex.

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Exclusively French businesses have advanced in the classification, a temporary phenomenon which was interrupted in 1981 with the real estate crisis.

The large public works firms, who left to conquer foreign markets, have slid. But here is a case (the only one of this size) where the tax criterion is misleading. The major public works firms are making large profits on their foreign projects in countries where they are not heavily taxed. Their total net profits are thus quite higher than their taxes, almost 3 times as much in the case of Bouygues. The years 1978 and 1980 are a transition period, since the consequences of the second oil shock had not begun to be felt until the second quarter of 1980. This is also due to the European Monetary System, which was implemented in April 1979; its effects are still developing.

This produced a scissors effect for French industrial firms, attacked on their own territory by German competition and hurt badly in exports on European markets.

Two types of firms have escaped from the smothering effect of the European Monetary System: those who export to the dollar zone (public works in the Middle East, arms suppliers, etc.) and the major distribution firms.

The instability of the situation has only increased since the change of government and politics in France, the effects of the second oil shock followed by the slump in prices on world markets, and the prolonged worldwide recession. The guarantee of past profits has never been so necessary to get through this period.

[Article by Alain Margaron: "The Taxpayers' Honor Roll"]

[Text] An exclusive DAFSA [Financial Documentation and Analysis Company Ltd]--VALEURS ACTUELLES classification: firms' performance measured according to the most precise criterion--taxes paid. At the head of the list are the new nationalized firms. But the champions of social efficiency, under private management, have gained some points.

The two oil companies are still at the top of the list by a large margin. IMB-France is in 3rd place now (it was 4th in 1981), followed by Renault, which doubled its taxes and went from 12th to 4th place. On the other hand, Peugeot, 3d last year, lost 6 places and is now only 9th. Four of the five nationalized industrial firms are in the top ten. A nice private-management inheritance for the directors appointed by the state.

The year 1980 was good for French firms. This third classification of the largest taxpayers in industry and trade, calculated over 3 fiscal years to compensate for abnormal variations, shows a strong increase in the bottom-line figure.

Last year, the firm classified 150th, Vitos (textile, knit goods) payed only 7.76 million francs in taxes. This year, number 150 is Ruche Meridionale, which paid 15.84 million.

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Another example is Majorette, the star of the Lyon stock exchange. Its price has more than doubled in a year and its average tax has increased by 30 percent, reaching 11.80 million francs, but that does not put it any higher than 180th place; it has disappeared from our honor roll. The same is true for a lot of others, notably Skis Rossignol, in the red for 1980 (fiscal year ending 31 March 1981); its average tax is no more than 14.3 million.

The year 1980 was also a year of transition. The effects of the first oil shock had softened; those of the second (a new price increase and the soaring dollar) had not yet been felt.

The results of 1981 will certainly give our next classification a less brilliant shine. But taxes might decrease less than the actual rate of return. A lot of firms have, in fact, interrupted their investment programs. The immediate effect of this interruption is the following: their tax base could be increased because they have eliminated opportunities for accelerated depreciation and tax deductions for investments.

The new nationalized firms are for the most part at the top of our classification.

The exceptions are CII-Honeywell Bull, which is 27th (like last year), and especially the two steel giants, who do not appear at all.

The explanation is very simple: their actual annual average losses since 1975 are close to 2 billion francs for each of them. These losses even reached 3 billion in 1981. Despite all the reorganization measures already taken, there still exist sizable surplus production capacities which will require the new managers to choose between certain installations in the North and in Lorraine.

According to the criterion of turnover, the new nationalized firms would be classified much better than they are here. But their average net margin measured by the relation between the tax on the firms and the turnover (about 2.4 percent) is almost 2 times lower than that of the firms in our classification that have remained private (their net margin exceeds 4 percent). Note especially in the case of IBM-France.

There is one reason for this: the newly nationalized firms are much more involved in heavy industry where fixed expenses are very high. Thus, any reduction in turnover due to particularly stiff competition affects the profit margin.

It will be interesting to notice over the next few years how the differences in the rates of return change--will they tend to increase or to decrease?

The state has taken control of Marcel Dassault Airplanes (17th place, 3.5 percent net margin) and of Matra (23rd place, 5 percent net margin). These two firms work in advanced technology sectors. They have been managed by their president-founders, the second until recently while the first still is.

Two already nationalized firms are part of this classification: Renault in 4th place and SNECMA [National Aircraft Engine Study and Manufacturing Company] in 84th. The talbe comparing the situation of Renault and Peugeot shows that until 1975, state-managed Renault did not pay one franc in taxes.

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A specialist in the production of both military and civilian airplane engines, SNECMA, which has a new president (Rene Ravaud passed his responsibility to Jacques Benichou, until then president of Messier-Hispano), has launched a sizable program of jet engine manufacturing in conjunction with the U.S. General Electric firm. The market for this type of engine is estimated at some 5,000 units.

The National Industrial Aerospace Company (SNIAS) has not yet been classified. It balanced its operating account for the first time in 1979, when it had a profit of 8 million francs. In 1980 its net profit exceeded 120 million. But because of its past losses it is still not paying any taxes. The very distinct turnaround in its management was accomplished under the direction of General Mitterrand, whose mandate was recently extended.

The figures for the other nationalized firms are either too weak or in the red, which is the case of Air France, or are even exempt from tax, like EDF [French Electric Company].

The company Air-Inter, with shares held by Air-France (25 percent), the SNCF [French National Railroad Company] (25 percent) and UTA [Air Transport Union] (15 percent), as well as several institutions, is well placed (43rd). Its entry into the stock market is still being delayed. This airline company, which showed a large profit in 1981, recently announced that its accounts will probably just break even in 1982.

Finally, the state controls the two large French oil firms, CFP [French Petroleum Company] and Elf, as well as the Havas agency (56th) in the communication and advertising sector. Its principal subsidiary, Eurocom, the number one European network of advertising agencies, recently merged with the Goulet company. This has expanded its activities and put it on the stock exchange.

The private sector remains quite vigorous. Among the first 50 companies in this category there are several whose shares are still predominantly family owned. They are, in order: Peugeot, Michelin, L'Oreal, Pernod-Ricard, Casino, Auchan, Bic, General Occidental, Moet-Hennessy and Legrand.

Here in particular are three new names that have come out of anonymity upon their recent entry into the stock market and which appear in this honor roll:

--The General Geophysical Company (39th) has become one of the companies with the highest capitals on the Paris stock exchange. A specialist in seismic underground studies for petroleum research, its stockholders include Elf, the financial section of Paribas, and CFP.

--General Biscuit (79th) which was formed from the merger of several family companies. In third place worldwide in its field, it has undertaken a large scale reorganization and internationalization effort.

--Novotel (124th), which was introduced into the unofficial market in 1981, was able in a few years to increase its hotels by adding the Mercure chain to its own, as well as the Courte-Paille restaurants along highways and the

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luxury Sofitel chain acquired from Jacques Borel International. Novotel is directed by its founders, Paul Dubrule and Gerard Pelisson (who, in addition, was also given the presidency of what remains of Jacques Borel International).

The entry onto the stock market of Cap-Gemini-Sogeti (134th) (a data processing services company) has also been awaited for some time, but this has been put off until later. This was an unexpected result of the tax on wealth.

Its president, Serge Kampf, owner of about 50 percent of the capital, seems to fear an excessive hike on the stock exchange, which would bring the basis for the tax on wealth above the possibilities of deductions for investments. This was a disappointment for the Credit Lyonnais which had taken a 15 percent share in the company while thinking it would go public.

Some of the newcomers in our classification that should be pointed out are Esso-Chimie (28th), a subsidiary, like its sister firm Esso, of the American firm Exxon; Lesieur (38th), making a spectacular recovery since 1979; Babcock-Fives-Lille (41st), one of the large French companies in heavy equipment and factory installations, which has also improved dramatically; and Prouvost, in textile (120th).

The oil firms are still in the first two places, but for how long? After a new increase in 1980, oil prices are collapsing on world markets. This is good for consumers, but is liable to be costly to the firms. The oil which they must buy because of long-term contracts concluded between states, added to that which they extract themselves, leaves them with enormous surpluses which they are selling at a loss.

The drilling sector, in which Elf is deeply involved, especially in the North Sea, must have high sales prices in order to be profitable. Refining, the major activity of the French Petroleum Company (the French Refining Company, its subsidiary, accounts for half of the French market) is affected by a crisis which is even more severe than that of the iron and steel industry.

The sector's 1981 deficit is estimated at 13 billion francs. The reasons: sizable surplus production capacity, increasing indebtedness for financing their stocks, and a price system which prevents them from passing on increases in crude oil or the dollar. Enormous investments for conversion are needed.

Most refining companies, with the notable exception of Esso (14th place), make too many heavy products such as fuel oil and not enough light ones like gasoline. The state is currently working on a recovery plan.

As in our previous classifications, the first place of CFP can be explained because its accounting methods are different than those of Elf-Aquitaine.

The CFP, in effect, classifies the enormous royalties paid to producer countries as a tax on the companies. It should be noted, however, that CFP's taxes are increasing two times less rapidly than Elf-Aquitaine's when compared to our last classification.

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A remarkable performance was given by Eurafrep, which went from 73rd to 44th place. This oil research and development company has several institutions among its stockholders, notably Lazard and UAP [expansion unknown].

For the first time, the Renault-Peugeot duel is going in Renault's favor. Renault is first in sales volume and surpasses Peugeot in terms of profitability. This is a spectacular reversal--whereas Renault paid practically no taxes from 1970 to 1975 its competitor paid 1.2 billion francs.

The nationalized firm is benefiting from the huge success of the R5. Peugeot's deteriorating results, however, can be explained by a policy of foreign growth which was too rapid these last few years. The absorption of Citroen, which took place before the oil crisis, went rather well. However, that of Talbot-Chrysler is making a big dent in the accounts--the firm is having serious difficulties in Great Britain and Argentina. The deterioration in its consolidated financial statement increased again in 1981.

The automobile crisis has not spared Michelin, which has gone from 8th place in our last honor roll (with a tax of 475 million) to 11th (389 million).

There were two advances in the data processing sector, that of IMB-France, which has already been noted, counteracted by results which are in a 10 percent decline. There was also CII-Honeywell Bull, which, in order to keep its 27th place in the classification, declared 150 million francs in taxes this year vs. 128 million last year. But it was a fragile advance: the company has already announced 430 million francs in losses for fiscal year 1981. IBM, on the other hand, has continued to win market shares.

The major stockholder of CII-HB, the nationalized Saint-Gobain Pont-a-Mousson, should give up on data processing. Will CII-HB become independent again or will it join up with another French company with activities similar to its own? Several discussions are being held at once--with its American stockholder Honeywell, which has decided to cut back its participation in the capital from 47 to 19 percent, and with Thomson which was holding talks with an American mini-computer company. The administration asked it to study the possibility of marketing, and even producing, CII-Honeywell Bull's range of mini-computers (the mini-6's).

Food and distribution companies have all made definite progress. They continued to do well in 1981 and at the beginning of 1982. The present policy of recovery through consumption is helping them. There have been a few regroupings: Docks de France, Ruche Picarde and Cofradet merged in 1980, and the Revillon investment company has recently turned towards distribution by taking over more than 33 percent of Radar.

The food industry, which has been classified as a priority sector, has benefited from financing at guaranteed rates. The firms with large-scale operations in the United States (Moet-Hennessy and Perrier, especially) have taken advantage of the dollars' increase for the last 12 months.

There has again been an improvement in construction and public works. Maison Phenix, Ciments Francais, Screg, Spie-Batignolles, and Porcher (plumbing)

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have improved their financial statements. The first-place firm directly involved in this sector, Lafarge-Coppee, has essentially kept its place (18th instead of 17th) by paying 40 million more in taxes--266 million vs. 226 last year. It should also be noted that Sias was absorbed by Lafarge in 1981.

In 1981 those firms from among these which concentrated their operations on construction in France, primarily Maisons Phenix and the firm Maison Familiale (they are in 34th and 35th place), suffered from the housing slump which is itself linked to the very high cost of credit. In particular, the temporary work company Ecco gave up its diversification in private housing.

The firms Auxiliaire d'Entreprises and Bouygues continue to ring up very large profits for their sites abroad while profiting (especially Bouygues) from the crisis in France to increase their shares of the market.

The success of French firms in public telephony does not show up in our classification. CIT-Alcatel, which has given its German competitor Siemens a lot of trouble by putting heavy stakes on so-called temporal technology before it did, has not been calculated separately because it is over 50 percent a subsidiary of CGE. The company SAT [expansion unknown] of the 3S firm has gone from 66th to 114th place because it is too small and entered the market too late.

A firm which in our last classification was in 95th place, Metallic Constructions of Provence, began proceedings for "temporary suspension of activities" in October 1980. It has since been dismantled, and Chicago Bridge has taken some of its assets and business.

THE NEW NATIONALIZED FIRMS
(average of the fiscal years 1978-1979-1980)

(in millions of francs)

		Tax	Added Value	Sales Volume	Published Profit or Loss	Tax/ Added Value	Tax/ Sales Volume
Péchiney-Ugine-Kuhlmann	(c)	593,5	12 584,3	33 187,2	767,5	4,7	1,8
Saint-Gobain	(c)	574,6	18 163,8	37 739,9	837,8	3,1	1,5
Thomson-Brandt	(c)	544,25	(2)	29 797,6	450,8		1,9
CGE	(c)	445,4	13 284,8	28 788	476,3	3,4	1,5
Rhône-Poulenc	(c)	315,3	12 138	29 812,7	— 344,7	2,6	1
Avions Marcel Dassault (1)	(sm)	276	2 995,9	8 061,5	276,7	9,2	3,5
Matra (1)	(c)	200	(2)	4 111	186,7		5
CH-HB (1)	(c)	150,8	(2)	5 292,8	193,5		3
Sacilor	(c)	12	4 835,6	14 538,4	— 1 560,5	0,25	0,1
Usinor (3)	(c)	26	7 787,9	21 538,6	— 1 254,8	0,33	0,1

c = quoted on stock exchange

sm - parent company

(1) These firms were not nationalized by the law, but the state controls them. Their management remains private. We nevertheless included them with the other firms. (2) Cannot be calculated. (3) Fiscal year 1980 only (because of its merger with Chiers-Chatillon).

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The Criteria

This honor roll has been drawn up as in years past with the assistance of DAFSA on the basis of Selectval's data bank. Its sample includes almost all the firms quoted on the stock market. Most of them now publish rather precise consolidated accounts (statements for the entire firm). For the others we have chosen the accounts of the parent company as long as it has a direct industrial or sales activity. Financial holdings are excluded. Their tax is not significant; most is paid by their subsidiaries.

The 150 Largest Taxpayers in Industry and Trade
Average of fiscal years 1978, 1979, 1980

The first Ten:

(combined data in
millions of francs)

	Tax on Firm	Net Profit	Turn- over	Added Value
1. C. Fse des Pétroles	11 841,95	3 931,64	76 981,01	—
2. Elf Aquitaine	5 270,00	4 566,00	57 914,67	—
3. IBM-France (nc)	663,00	674,96	12 411,76	—
4. Renault (nc)	620,00	517,33	68 289,33	—
5. PUK *	593,50	767,53	33 187,20	12 584,35
6. Saint-Gobain	574,61	837,78	37 739,92	18 163,85
7. Thomson-Brandt	544,25	450,82	29 797,56	—
8. L'Air Liquide	529,79	603,56	9 018,01	3 716,97
9. PSA Peugeot-Citroën-Talbot	478,35	478,35	63 908,76	—
10. CGE	445,40	476,27	28 788,00	13 284,80

The Champions of Social Efficiency (1)
(Tax on profits as a percentage of the added value)

Elf Gabon	51,65
Eurafrep	37,54
Damart	24,30
Pernod-Ricard	16,50
Bongrain	15,23
L'Air Liquide	13,98
Darty	13,92
Carboxyque	13,90
CFAO	13,37
Lesieur	12,68
Facom	12,27
Maisons Phénix	11,74
Veuve Clicquot	11,53
Cedis	11,17
Guyenne de Gascogne	11,13
Application des Gaz	10,45
Fromagerie Bel	10,05

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(1) With the exception of those firms which consolidate their accounts in the English fashion--their added value cannot be calculated. The relation of the tax as a percentage of the added value emphasizes the very high profitability of petroleum, the food industry, and distribution.

The Next Forty:

11. Michelin	389,35	529,47	25 785,79	—
12. Thomson-CSF	369,39	219,15	16 788,60	—
13. Rhône-Poulenc	315,33	- 344,67	29 812,67	12 136,00
14. Esso	295,10	240,50	28 340,27	—
15. BSN Gervais-Danone	294,24	362,97	16 353,52	6 909,64
16. C* Générale des Eaux	284,00	265,20	8 397,37	4 180,23
17. Avions Breguet-Dassault	275,98	276,69	8 061,47	2 995,95
18. Lafarge-Coppée	266,39	367,75	7 881,57	3 368,06
19. L'Oréal	228,52	310,15	6 896,62	3 076,25
20. Carrefour	226,36	328,69	17 576,24	2 284,20
21. Schneider S.A.	214,70	- 209,03	26 447,37	10 956,43
22. Pernod-Ricard	211,78	229,61	5 271,14	1 281,97
23. Matra	200,01	186,67	4 111,01	—
24. Casino	175,84	105,51	9 437,85	1 806,39
25. CFAO **	169,44	126,18	6 754,62	1 256,52
26. Lyonnaise des Eaux	154,99	159,88	10 084,32	4 104,38
27. Bull (CII-HB)	150,77	193,50	5 292,81	—
28. Esso-Chimie	125,26	128,63	3 178	500,4
29. Imétal	124,83	156,82	8 999,64	—
30. Auchan (sm)	124,10	166,90	8 206,70	—
31. Bic	119,54	154,96	2 607,46	—
32. Radiotechnique	107,76	124,21	3 545,45	1 249,05
33. Générale Occidentale	105,60	178,10	22 213,46	—
34. Maisons Phénix	104,29	119,75	2 453,46	907,77
35. Groupe Maison Familiale	102,66	102,66	2 196,33	—
36. Moët-Hennessy	98,87	101,07	2 384,19	1 071,93
37. Poliet	97,20	119,83	4 407,52	988,13
38. Lesieur	97,03	94,65	3 561,52	768,84
39. C* Générale de Géophysique	95,77	123,87	1 318,70	—
40. 3M France (nc)	92,66	94,33	1 601	—
41. Fives- Lille	91,67	67,12	3 216,44	—
42. Legrand	91,63	107,86	1 605,72	—
43. Air-Inter (nc)	86,66	43,86	2 285,63	—
44. Eurafrep	85,84	46,48	214,40	—
45. Roussel-Uclaf	84,87	114,90	4 348,37	2 097,67
46. Kodak-Pathé (nc).	84,21	93	3 457	—
47. Bongrain	83,59	- 81,70	2 274,39	553,05
48. Elf-Gabon	82,24	29,36	212,19	154,46
49. Hachette	81,33	108,76	6 307,90	1 835,50
50. Revillon	79,01	118,23	1 825,73	—

nc = not quoted on
stock exchange
sm = parent company

* = Pechiney, Ugine,
Kuhlmann

** = West African
French Company

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Automobiles: Peugeot vs. Renault
(in millions of francs)

Tax Paid by
Renault Peugeot and Citroen (1)

1969	18,9	183,3
1970	2,7	183,3
1971	0	185,9
1972	0	316,8
1973	0	270,2
1974	0,1	93
1975	0	166,9
1976	69,1	1 100,5
1977	211	1 091
1978	184	999
1979	559,66	1 044
1980 (2)	826	0

The comparisons above are given as examples. The series are not in fact homogeneous. (1) Peugeot and Citroen had different accounting systems; their taxes have been added. (2) However, the 1980 figures are combined results for both companies.

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ECONOMIC

FRANCE

EFFECTS OF FOREIGN DEFICIT, PRIVATE FIRMS ON LEFT'S POLICIES

Paris L'EXPRESS in French 19-25 Mar 82 pp 75-77

[Article by Jean Gloaguen: "Warning--Slippery"]

[Excerpts] The warning lights are on--the government should soon reconcile the generosity of its ideas with the available means.

The government has changed its tone on economic affairs. This is not the effect of the first round of cantonal elections, but of the first budget discussions. Reassuring statements and speeches about respecting promises have been succeeded by praise of strictness. The management makes a joke of the electoral programs.

Since May 1981 the economic debate has been a sham, used for exclusively political ends by a Left worried about combating the relative skepticism over its management abilities and an opposition which had to use any means at its disposal. In the end, there was a real cacophony: on nationalizations, on the tax on wealth, on social security financing, on energy (nuclear and natural gas) and on agricultural policy, the ministers blithely contradicted each other. In the end they gave the impression that the government had not set a clear economic policy. In addition, the misunderstanding among employers, professionals and farmers--groups which were already hesitant about the "change"--had been aggravated.

The authorities were liable to lose their credibility at this game sooner or later. The economic machine cannot run with just civil servants and arms factories. On Wednesday, 10 March, Francois Mitterrand took advantage of the government's preliminary work on the 1983 budget and of the communique written by Pierre Mauroy to make a call to order. "Old expenditures will be reexamined, even reconsidered, and new expenditures will be chosen very strictly."

Doubtless, purely political considerations were not alien to this warning: the theme of a balanced budget has always pleased in this country and, in any case, there was some urgency. Had it not been said that the deficit in public finances was reaching sizable proportions? Some 200 billion of the requests from all the ministries were taken into account. Besides, it was not a bad idea for the president of the Republic to appear worried about austerity and orthodoxy 3 days before meeting Ronald Reagan.

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No matter--the intervention of Francois Mitterrand is the result of real concern. With its solo recovery, France is haunted by two dangers: a serious decline in foreign exchange and an enormous ballooning of the deficit. Some people are already waving scarecrows, talking of chain reaction devaluations and runaway inflation. A situation which, slowly but surely, will drive the French economy out of the international scene, will lead to protectionism and will cause purchasing power to fall. A gradual decline.

The theme of decline is not new. It was talked about during Valery Giscard d'Estaing's term, and not just by the Left. Beyond considerations on the fate of rural Albania in 1925 or on the return of the candle, beyond sociological and political convictions which find this a fertile theme, the real question is this: Will the French still be willing to give a good pull during the next decade? Can the government make a mixed economy work without a minimum of good will from the private sector? Can it convince those who are backing it that the free lunch has been put off until later because of the crisis? Medium- and long-term economic development depend on the answers to these questions.

In the short term the analysis is simpler. The Left has avoided making any big mistakes in 1981 and, even if clouds gather, there seems to be no indication of anything dramatic happening during the next few months.

Delors' Double or Nothing

The Socialist Party would like an exercise in high jumping: a reduction in unemployment without upsetting the major monetary and foreign balances, and a slowing of the hike in prices with, as a premium, a redistribution of income. During the good days of more than 5 percent growth a year such goals were not compatible. However, since the first oil crisis and the automatization of production tools it is a different story, as shown by the inescapable increase in unemployment in most major Western countries.

These Western countries quite unanimously think that their competitiveness in the eighties lies in a cure to inflation, through severe restriction of the money supply, public expenditures and the foreign debt. These choices are based on the thesis that employment comes only as the result of a "good economy."

Ever since his arrival at the Ministry of Economy and Finance, Jacques Delors has claimed that a decrease in unemployment and the lowering of prices could go hand in hand. He bet the recovery of the French economy on this. During the first stage the pump would be primed by increasing low salaries and family allowances, an increase which is included in the Left's program. Investment and recovery on the foreign market should eventually take over from domestic consumption to keep up the economic rhythm. This working hypothesis has led a number of specialists to fear the worst and to say so.

The figures for 1981 show that those who announced catastrophes were wrong. The results would hardly have been any different if Valery Giscard d'Estaing had been reelected.

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At this point it is hard to see how France can follow its course for long alone. Increasing budgetary expenditures will certainly support consumption. But, to a great extent, this consumption will benefit foreign competitors who will have the advantage of more stable production costs. The example of vehicle registrations in February leaves hardly any illusions--more than 25 percent were foreign automobiles. It is not surprising that unemployment figures continue to climb under these conditions.

It is not surprising either that firms are protesting their increase in costs linked to the reduction in the workweek and that they fear they will again be called upon to contribute in order to balance the budgets of UNEDIC [National Union for Employment in Industry and Commerce] and of Social Security.

And it is not surprising that rumors of a devaluation of the franc have started again. Unless sales increase, the trade deficit cannot help but swell considerably. The figure of a 100-billion-franc deficit has been heard; that would be double last year's.

Of course, the small foreign debt left by Raymond Barre gives his successors the possibility of finding financing on the international market. The advisability of such an approach, however, is highly questionable: it would, most especially, mean mortgaging the future in order to allow the French to consume more. It would also indicate a tendency toward the easy solution which would mean pressure on the franc.

This pressure is all the more dangerous because the money supply is also likely to be called upon to finance the public deficit. In September 1981, Laurent Fabius, minister of the budget, presented a budget with expenditures up 26 percent and a deficit of 94 billion francs for 1982. A few days later, after the devaluation, the deficit dropped to 80 billion. Since then, it has not stopped growing; latest estimates place it between 110 and 120 billion francs. One discovers that hiring civil servants is not paid for just in salaries and additional pencil sharpeners. One discovers that Algerian natural gas, nationalizations and the textile plan are expensive.

The change in prices will depend on foreign and domestic imbalances. Delors' procedure for freezing salaries, based on the expectation that prices will go down, assumes, by definition, that prices will not climb upward. One understands the tenacity of the minister of economy and finance in preaching austerity.

An economy's orientation is a function of its environment. In the euphoria of victory the Socialists thought they had a large margin for maneuvering. After testing the facts they have learned that France cannot play alone against everybody else forever.

Their economic specialists are now thoroughly convinced. The question, however, is whether or not these specialists have succeeded in persuading the Elysee that there are no miracles.

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ECONOMIC

ITALY

INDUSTRY MINISTER GIVES GLOOMY VIEW OF ECONOMY

Milan CORRIERE DELLA SERA in Italian 13 Apr 82 p 13

[Interview with Minister of Industry Giovanni Marcora by Ferruccio de Bortoli; date and place not given: "Marcora: 'Unjustified Optimism; the Italian Malady Is Still Serious'"]

[Text] There is a recurrence of the economic emergency, with liabilities of almost 3 billion in February's balance of trade.

According to the minister of industry, the "hole" is the result of the payment of overdue bills and the replacement of supplies.

"Beware of the resumption of inflation in September."

The crux of the energy problem: "An agreement with Algiers is necessary; but who will assume the increased burden must be made clear."

Russian gas pipeline polemics with Longo.

A bad surprise, from the celebration of one Eastern to another. February's balance of trade showed the negative increase of 2,931 billion, of 65, over the monthly level of last May. Imports amounted to 10,516 billion (+41 percent compared with February 1981); exports amounted to 7,585 billion (+28.1 percent).

Striking figures, taken from Spadolini's television message which advised one not "to let one's guard down" during the economic emergency. The weakness of the lira (Friday the dollar equalled 1,329.75) seems confirmed by an increase in expectations of a devaluation. And yet there is a ray of optimism. The ISCO [Institute for the Study of Economic Trends] - Economic World leans slightly toward revival. But how does one find one's bearings amid apparently contradictory indications? This is what Ministry of Industry Giovanni Marcora thinks.

[Question] "How is one to interpret this macroscopic "hole" in the balance of trade?"

[Answer] "The situation has always been dramatic. Ever since I became minister I have continued to say the same things. But every once in a while some

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important person says: 'Everything is fine; the fight against inflation has been won.' But no. In February overdue bills had to be paid. The prior deposit (abolished on 8 February: editor's note) had been removed and it was to be expected..."

[Question] "But this, too, is not a positive symptom. More purchases of raw materials; more faith in the resumption of productivity?"

[Answer] "Let us look at the variation in supplies. In 1980 compared with 1979, their value increased 16,459 billion. In 1981, compared with the preceding year, it decreased 3,700 billion. Because of loan difficulties, and a certain stability in the price of raw materials, firms cut down on supplies. And it was clear that, upon resumption of their replacement, there would be a negative impact on the balance of trade. And then there are other factors: the expectation of an international recovery causes one to think that there might be a rise in the cost of raw materials. If, then, there are problems of devaluation--we hope that there will not be any--there will be a greater tendency to make purchases sooner."

[Question] "Is re-introduction of the prior deposit possible?"

[Answer] "I do not think so. Also because the EEC [European Economic Community] probably would not accept this."

[Question] "Well, then?"

[Answer] "We have to reduce the treasury withdrawal on the financial market. They say 50,000 billion. I don't think so. There are more. And the receipts are less than estimated. With readjustments in the financial law, then, new burdens have emerged. And who is to cover them? The chief aim is that of avoiding a considerable resumption of inflation in the fall."

[Question] "But there has been some success, even if there is still a structural inflation."

[Answer] Yes. We have reduced it; but less than the Federal Republic of Germany. The differential is what counts. Saturday night the president of the council dramatized the situation for the thousandth time. But why did he say that there had been some success with respect to inflation? It is not true. There is no change in the formula: taxes, more work, sacrifices. There is nothing to be done."

[Question] "So, circumstances have not changed. Has there been no progress, even from the attempts at containment of the cost of labor?"

[Answer] "The only result of this long, enervating negotiation with the labor unions was the postponement of the negotiations on contracts. Which now are exploding. And then there is the big sword of Damocles regarding liquidations. No one knows how that will turn out."

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[Question] The question of energy, augmented by the revaluation of the dollar, has been a determinant factor in the deficit of the balance of trade, which in the first 2 months was 4,547 billion (3,025 in the corresponding 2 months of 1981). The matter of making purchases at better prices is being proposed again. Is there a near-at-hand agreement with Algeria for gas?"

[Answer] "If we were to purchase natural gas from the Algerians at the present price, the added burden would be 600-800 billion. It is clear that sooner or later there will have to be an agreement. But if we have to pay more than the market price to Algeria because of a broader agreement regarding cooperation, it will be necessary to establish who will pay the 300-400 billion difference, or whatever it will be. There are two possibilities. Either the treasury will pay the sum to ENI [National Hydrocarbons Agency], in order to balance the accounts again; or the rates will increase. But it will not be like when a person who does not have shoes goes to the shoemaker and says to him: I need some shoes and I can buy them only from you. If there had not been that national bla bla, the agreement would already have been reached. I am ready for a political agreement with Algeria, but I must be told who will pay the difference between the market price and what Algiers wants. Because then, as chairman of the CIP [Interministerial Price Committee], I will be the one who will have to increase the rates."

[Question] "And what about the Russian gas pipeline?"

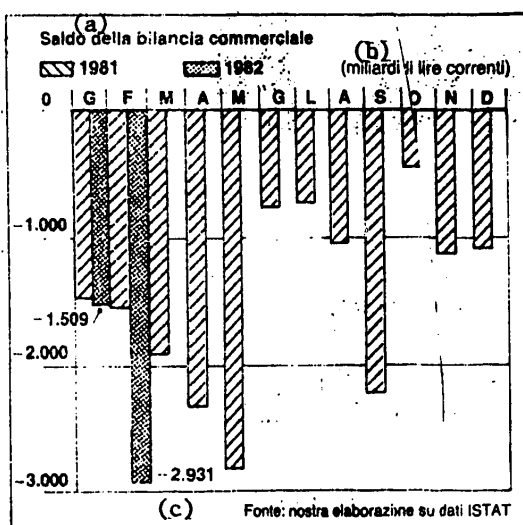
[Answer] "This is our situation. It seems that Socialdemocratic Secretary Longo says that we cannot finance Soviet armament. But this past 18 November the minister of foreign trade already signed an authorization for a 2,000 billion loan to the Nuovo Pignone Company and to other Italian companies interested in the construction of the gas pipeline. Longo should not turn to me, but should ask the minister of foreign trade to revoke the funds. If we do not purchase Soviet gas, we will cut ourselves off, to the complete advantage of Germany and France. Because the gas pipeline will be constructed. Certainly Longo will not be able to stop it. We are already consuming 7 billion cubic meters a year of Russian natural gas; we will use 14. And we would depend on Moscow for only 3 percent of our energy needs. But that's not the question: it is the diversification of supplies that will assure us that we will not be subject to possible closings of this or that gas tap. And this is stated in the National Energy Plan, passed by both the socialists and the socialdemocrats."

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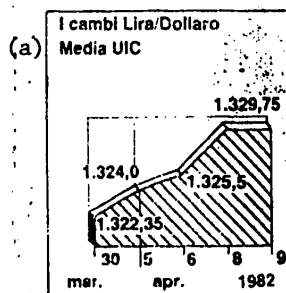
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[Translator's note: Following is a copy of statistics as they appear in the original Italian charts. The English equivalent requires replacing the Italian commas with periods and periods with commas. Example: Italian = 1.000
English = 1,000]

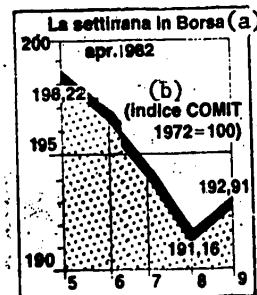
- I. (a) Balance of Trade Balances
(b) Billions of Current Liras
(c) Source: Our elaboration of ISTAT [General Statistics Institute] data.



- II. (a) Lira/Dollar Exchanges
UIC [expansion unknown]
Average



- III. (a) Stock Exchange Week
(b) COMIT [expansion unknown] Index



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POLITICAL

NETHERLANDS

VAN THIJN ON LABOR PARTY, GOVERNMENT DIFFICULTIES

Amsterdam VRIJ NEDERLAND in Dutch 3 Apr 82 pp 3, 4

[Report of an interview of Eduard Van Thijn, minister of internal affairs, by J. Van Tijn and Max Van Weezel: "Ed Van Thijn: 'I Fear That the Party's Tendency To Take Heads Will Not Be Suppressed Everywhere Effectively'"]

[Excerpts] Why did he, as an opponent of Van Agt, bring this cabinet about? Why did he consider that Joop Den Uyl must also become minister of employment? Why was the struggle for the chairmanship so disastrous? Why did the prime minister leave his cabinet in the lurch, and how did that feel? And what must the party do with the people who want to take up the arguments of the opponents, the New Realists? Is the PvdA program after "Weerwerk" [Back to Work] to be "Wegwerp" [Throwaway]? While the calls to arms are being sounded in the streets of Amsterdam and Hilversum: the opinion of an insider.

[Van Thijn] "You will just have to begin by writing that I make such a belligerent impression. When I read the interviews, I can see that seems to be mandatory. In reality, I am thoroughly sick of it."

The minister is dressed in brown: brown trousers, brown shoes, brown jersey. He pours coffee into Ajax cups--"That will get your spirits up, but I had all I wanted while you were standing around downstairs." On a side table there are framed clippings from the last cabinet formation, in which the current minister of internal affairs piloted his party into the government. The clippings are bound in a yellow copper frame with the inscription: "Hope may ebb, Courage Never," a thought that seems to be very much in style a few days after the provincial elections. The originator of the present was Milou Van Dam, the wife of the minister of housing, who found it in the dark street of Jan Nagels Haagse Bluf the evening before this interview took place. "I was very pleased to get it," says Ed Van Thijn, "but perhaps now they will want it back." He takes a cigar from a gigantic box of Balmoral. Next to the box, there is a vase with white roses and snowdrops, and a yellow tin box of chocolate covered candies.

[Question] What did Ed Van Thijn really think about the study in Haagse Bluf that showed that Andre Van Der Louw, close friend of the final editor and Marcel Van Dam, was appraised higher by those who did not vote from the PvdA than Joop Den Uyl, no friend of the final editor?

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Van Thijn, still rambling: "Oh, as a piece of journalism it was good, but it seemed to me to be more of a thing for TROS [Television Radio Broadcasting Foundation], AVRO [General Broadcasting Association], VERONICA, or what not. I find the whole discussion rather objectionable at this time."

[Question] But the discussion is not unexpected, is it?

Van Thijn answers: "Oh, its simmering some, smoldering like a fire in a peat bog. But that is not how you do those things, not at all. The last thing the Labor Party can use right now is a discussion of the succession. Den Uyl is still the spearhead, and if this question ever comes up on the agenda, that cannot be as the result of a kind of popularity poll. There will have to be a considered decision, in which more factors will have to be involved than Maurice De Hond's botanical sample box. Let us learn a lesson from the chairmanship battle between Max Van Den Berg and Wim Meijer. That caused tremendous damage to the Labor Party. If you follow the electoral developments, that battle for the chairmanship was the beginning of the decline. No matter who wins, after an internal competition of 3 months, someone has become unsuitable to act as a binding figure, by definition. We are not an American party with primaries. Cutthroat competition does not fit into the party culture of the Labor Party."

[Question] What requirements will a new standard bearer have to meet?

[Answer] "In the first place, he must have charisma. By that I do not mean someone without warts, but someone who radiates warmth, who can inspire people and who is up to the deadly rays of television spotlights. Further, he must be someone who has vision, someone who is the same all the time. Not someone who turns the page over in a book and says: 'I have a vision.' Not someone who says: 'According to the public opinion figures, chapter three will not do any more, now it is time for chapter four.' And it must be someone who is unifying, someone who does not belong to one wing of the party, someone who stands in the heart of the party and someone who has the courage to give leadership." Laughs. "That last, in particular, is obviously a new demand since the provincial elections."

[Question] In an interview with Puchinger (CHRISTEN DEMOCRATISCHE VERKENNINGEN, October 1981), you expressed yourself as being satisfied as the former coalition negotiator with the seats the Labor Party had pulled in. Now, 6 months later, Den Uyl is being attacked from all sides as the minister of social affairs and employment: from the labor movement because of the Health Insurance Act, and by others because his employment program would not produce any employment. We have the impression--and we had it at the time--that the CDA [Christian Democratic Appeal] had just distributed the departments the way, in fact, that they saddled the VVD with the rotten departments during the first Van Agt cabinet. Has the PvdA [Labor Party] been painted into a corner by the CDA?

[Answer] "No, not at all. We were not painted into a corner. Really, we fought it very hard. The only variant that might have been worked out--I saw it as worse, there were others who thought it would have been better--would have been to have Den Uyl in finances. But just imagine how it would have

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looked if a CDA minister of social affairs had carried out the Health Insurance Act operation at the urging of the socialist Minister of Finances Joop Den Uyl, would Den Uyl's political prospects have been any better? I know Den Uyl as a dedicated technician, who would have been a right-thinking finance minister. But I remembered the Vondeling story all too well. I was not too opposed to Den Uyl as finance minister. Den Uyl himself had his own ideas about that. I saw much more in Den Uyl as the minister of social affairs and employment, particularly in employment, in that connection. I was counting a little bit on Den Uyl enjoying the benefit of the doubt from the labor movement, but I was wrong there. Well, it did not turn out that way. To get back to your question, if you look at the functioning of this cabinet, you cannot accuse our people of any lack of quality. We have the best people, sorry that I have to say it, in the areas best suited to them. The whole story of, 'you were roped into it,' I can assure you, and I carried out the negotiations: in private there was a war of attrition."

Bazooka

[Question] And 6 months after that war of attrition, then, the PvdA suffers a big defeat and the polarization with the labor movement is almost complete.

Van Thijn, now suppressing anger: "The labor movement carries a heavy responsibility for the creation of this cabinet. Groenevelt was the first one who pled for the formation of this cabinet, who did not want a leftist majority cabinet. The labor movement felt that it must not fall out over personalities. By that they meant the person of Van Agt. This cabinet must come to be, otherwise the labor movement would flounder. In part because of that pressure, we joined in the government. It is really crazy, then, that after the first and best measure that we have undertaken, they have unlimbered their biggest gun. I could have understood it if they had started out with foils, but they grabbed for the bazooka right away. The tragedy of the situation was the Labor Party's tragedy. Why had Den Uyl been so popular? Because he was the personification of the PvdA which stood up for the little man. And now suddenly they saw the reverse. That was a shock, a cultural shock. The image was called up that now he wanted to attack the little man. And that is not true, that is not true. I find it shameful of people who bear responsibility on the left, even from the leaders of trade unions. The cries of 'the minister of a-social affairs' and 'hang Joop from the highest tree': such demagoguery must not be tolerated."

[Question] The PvdA did not gauge the labor movement's reactions right.

[Answer] It is all because the Labor Party has not had the space as yet to pursue a policy which is recognizable to the labor movement, and to carry out the cure of the welfare state in harmony with the labor movement. The image of Kok against Den Uyl is even less credible than that of Den Uyl next to Van Agt."

[Question] But the problem is that there has not even been the start of a comprehensive policy. Shell and the medical specialists may do as they please, but the vulnerable are attacked, by a cabinet including the Labor Party.

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[Answer] "We are still faced with the inheritance from the first Van Agt cabinet. That cabinet's mistake was that each time, it picked out one group. If you ask Netherlanders whether they want alterations to be made, in the abstract they all say yes--and they all vote for the ones that call for that the loudest--but it stops when you start with them. The most miserable thing that I have ever seen was that column of 10,000 motorcyclists. I did not even know that we had done anything to them. We had barely put a finger on their valvestems before they rode to the Hague in a really unimaginable column. That is what you get if you start to say: 'We will pick on this group Monday and that group Tuesday....'"

[Question] And on Sunday on Shell.

[Answer] "Gentlemen do not work on Sunday."

[Question] Why should the CDA really still need the PvdA, after Wednesday's [provincial government elections] results? Now they have their potential alternative again, after all. And you people only want to cut back with all kinds of conditions.

Van Thijn, emotionally: "They cannot get away with that. It is a three-party cabinet. Surely, assuming that a rightist majority tries to have things its own way, that can only be temporary. It is a question of the quality of the form of government. There has not been an economic crisis that did not see parliamentary democracies fall. That is the lesson of the 1930's. The point is not merely to solve the economic crisis; the point is to solve the crisis and after that to be able to keep the constitution intact. All of those people who took the day off Wednesday [did not vote] form a disturbing signal."

[Question] It was primarily PvdA voters who stayed away.

[Answer] "We made two mistakes. In 1981, we were hit hard because we had sat in the corner the years before, and last week we were hit hard because we were not recognizable. I think that is not fair. We have only been in for a few months. But it was a signal that the PvdA can only continue to bear some of the responsibility if we are allowed to remain recognizable to the people whom we represent. As long as it is just a question of power politics, we had better get out."

[Question] But it is precisely a question of power politics. The CDA submitted to a government with the PvdA because the socialists were supposed to be able to keep the labor movement under control. Now, that does not seem to have been entirely successful. So what do they need with you any more?

[Answer] "If that is what they thought, then they were completely wrong, and I could have told them that in advance. And in a certain sense, it is really a very good thing that they made that mistake, for we are not here to keep the labor movement under control. But if they were thinking in terms like that, and if they are just talking about the budget deficit, now they can just push us out. We will not allow our principles to be thrown on the trash-heap."

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Intermediary

[Question] For an awful lot of people, the question now is just what the principles of the PvdA are now. Can you imagine that?

[Answer] "The PvdA is in a credibility crisis. First you had 1977: not governing. That was a blow to our voters. On top of that came the chairmanship crisis. Then a kind of coalition cabinet within the PvdA came into being. Every position the PvdA published was the result of negotiations between Den Uyl and Van Den Berg, even the election program, for example, while we often knew perfectly well that no one believed in it."

[Question] Still, you can scarcely object to that: you were usually the negotiator yourself. Or to put it better, the intermediary.

Van Thijn, a bit abashed: "That is just my way. I never believe in just one truth."

[Question] As delegation chairman did you not have a whole year of the truth at the time? With the VAD [Excess Profits Sharing Bill] and the WIR [Law on Investment Computation] and the Law on Industrial Councils, and the land policy and all of those glorious episodes of the recent socialist history?

Van Thijn is silent for a while, mumbles, "Mmmmm," and says pensively: "You will have a feather in your cap if you can report that now we are going to do everything differently."

[Question] You must be talking now about that new realism of a number of your prominent party members.

[Answer] "I find that an unfortunate term. It carries something of the sense of: 'We were wrong all along and now suddenly we are going to be realistic.' And some people got the idea: 'Until the provincial government elections.' If you start adjusting your opinion to the public opinion figures, that is not credible, but if you try to say, 'Our policy is good, but just misunderstood,' then that too is not credible. You have to learn from setbacks, you have to adjust. But not with a throw-away attitude."

[Question] So now you already have the title of the next election program. Do you think these things up all the time?

Van Thijn, laughing slowly and a bit red: "Yes, Throw Away '85."

Mighty Irritation

[Question] Back to the New Realism.

[Answer] What irritates me no end, is that you have one group in the party who say that everything must stay the way it is, and you have another group who say that we have been wrong about everything all along, let us just coopt

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our opponents' arguments. There is so much talk, I do not want to take part in it. I do not want to just coopt my opponent's arguments for want of anything better to do. It really got me upset when I heard it said in my group, 'the most important thing is to cover the budget deficit.'"

[Question] Van Der Louw? Van Dam?

[Answer] "I am not talking about people. But how does the party react to an election defeat like that? I can tell you that precisely, for I have been there many times. You will have people who explain it out of the fact that we have become unrecognizable. Thus, they say: 'We have to sing a tone higher; we must become more socialist, more radical.' And you will have people who feel that we were already too radical. They point out that the PvdA must not alienate itself from reality: the moderate groups, the entrepreneurs and whatever else counts as reality. I am already sick, weak and miserable in advance about this repetitive break between the two-party cultures. As a party, we have a grizzly's image. There are movements, but certainly there have always been movements that want to get their own way to the extreme. But you cannot make an alterantive out of an anthill. We underestimated the seriousness of the economic situation, that is true. We can now see that seriousness before our eyes. But that cannot mean that we come to see alterations as a goal in themselves, as some in our group have done. I am certainly someone who goes a long way to reach a compromise. I also believe in the necessity of remaining seated in the cabinet. But you must not go so far that you really believe in your opponent's policies.

There is another danger: That comes about if you try to analyze why the PvdA lost in the old sections of the big cities, last year to D'66 [Democrats of 1966], this year to the VVD and in the 1960's to the Farmers' Party. How can that be? So we say that our people are running to follow Wiegel. And then you come to the area of the taboos: the misuse of the social security abuses, the foreigners. Then I say, 'We are not just opinion followers, we are also opinionated. So we will just become a smaller party. Sorry. We must not fall into cliches and then say: 'we were not realistic enough, so we will adopt our opponents' cliches.' For years we were criticized by economists who said: 'The party does not choose. You cannot maintain Jan Modaal's [the average man's] buying power.' So we chose. But not even a year later, 6 months later we were sitting around discussing whether the zero line could be maintained for the people with a minimum income or a minimum wage. Then I too said, 'We have to hold on somewhere.' Whom are we representing now as a socialist party?

"What have you done to your identity if you cannot even guarantee the buying power of the people on the bottom? I myself am mightily irritated by this surrender by the party. I am a person who came up through the party, who even put his stamp on it, and that is true of many others who are now suddenly calling that the party must do this, or that the party cadre must do that. There is a certain tradition in our movement to believe that as soon as you are called to a higher position, you know better than the party. I do not accept that. I have trouble with speaking critically to the party. I feel that it may very well happen that a principle that you used to defend can no

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longer be maintained. That can occur. But then you have to consider your own position. Then credibility may demand that you let someone else seek other solutions. The ease with which the same people take up different positions at a given moment naturally does the credibility of the PvdA no good."

[Question] Now you are talking about your party chairman, your delegation chairman and a number of ministers.

[Answer] "Yes, that really is a problem."

[Question] That seems to be the understatement of the century.

[Answer] "I find it to be a problem."

[Question] There is an image of the top of the PvdA as not being cohesive. Those are the hard facts.

[Answer] "I think that in the beginning of this cabinet, that played a role, but that was because we were all new at being ministers. At first, everyone was frightfully obsessed with his own angle, that was true from the beginning, and also because the first thing that we had to do was to make up the new budget. Almost of itself, that is a cutthroat battle. Then a climate was really created of everyone having to justify himself. Therefore, not only Den Uyl, but everyone came to be a little bit isolated. In that period, every PvdA minister felt lonely. That was true for the new ministers, too. We did not see soon enough that Den Uyl, hum, was facing a much more difficult task than everyone else."

Credibility

[Question] Have you ever gotten together to decide at what point the PvdA can no longer continue to participate in the cabinet?

[Answer] "Without having talked it out, we all know precisely where the line is. The line is the uncoupling of the minimum social security benefits from the minimum wage. And for me personally, there is also the breakdown of the system of equal treatment for employees in private industry and in the government. For the party, then, uncoupling is the breaking point, but for me there is also the breakdown of the trend policy [CCLA]. If the PvdA should develop a different policy on that at any time, I could no longer defend it with any credibility."

[Question] So you are still thinking of stepping down in that case?

[Answer] "A different man would have to do that."

[Question] In the past months, the PvdA ministers have continually been confronted with ultimata from the prime minister. Furthermore, Minister Van Der Stee of finances was continually feeding new, or so-called new, information to the cabinet.

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[Answer] Those are precisely the two things that have made me feel uncomfortable as a member of this cabinet. Or to put it better: there are three. In the first place, there cannot be good management if every day you get a fresh blow delivered to your office from your colleague in finance. The manner in which financial decisionmaking takes place in a cabinet like that will always be chaotic. Anyone who constantly wants to stack alteration on alteration, at the tempo of a repeating rifle, is calling for ad hoc decisions and quasi cutbacks. I know very well that our colleagues from the CDA do not trust us as far as cutbacks are concerned. We are paying our tuition to the VVD. The ministers in the last cabinet did not cut back. Thus, according to the CDA, we have to pay for the bad policy of our liberal predecessors. I do not find that to be reasonable. If we commit ourselves to certain cutbacks, then perhaps it will take awhile, but it will happen."

[Question] You spoke of the tempo of a repeating rifle, with which the so-called new setbacks whirl in. Did that not primarily also have the function of a repeating rifle, that is: to shoot you down?

[Answer] "I cannot rule that out. And as far as the presentation of policy by the prime minister is concerned: the manner in which the cabinet policy is made public will have to be improved, for it can certainly not go on as it is. It is completely essential for the existence of this cabinet that the coalition partners are given the latitude to carry out their own policy. Finally, the question: has the prime minister bagatellized and ridiculed this cabinet and thereby the PvdA contingent in it? I must admit that this has been the case. The image which the prime minister presented to the public did not always correspond to the actual course of events. I have often felt in the past months that I have not been defended by my prime minister. I refuse to accept that I am a member of a bad cabinet. There is enough talent available to do something. It is up to the prime minister to weld that talent together and to stand up for the cabinet as a whole. What he said 2 days after the provincial elections, that he would no longer act as a party man, but as the prime minister of a coalition cabinet, that ought to have happened much earlier, long before the provincial elections. This cabinet can only survive and function if the first salesman of its policy carries out that function. I do hope that will be the case now that the provincial government elections are over, but during the past months it has certainly been colorful sometimes."

Rolling Heads

[Question] Why did you put up with all of that public sneering? Many of your voters must not have like that.

[Answer] "I certainly was on the point from time to time of putting in a call to Thailand." (Embarrassed laugh.) "But seriously, we did refuse to see a lot. Too much."

[Question] But why did you do that?

[Answer] "Because of the famous personal relationships in the cabinet, I fear."

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[Question] And they need only be cultivated in the cabinet council on Friday. After that, Van Agt could go his own way, beginning with the press conference after the council of ministers meeting where you had once again cultivated those personal relationships.

[Answer] "Oh, usually you did not see Van Agt for another week, at the next council of ministers. You must understand: this cabinet began under very trying circumstances, under the curse of the infamous personal relationships, between Dries [Van Agt] and Joop [Den Uyl], for instance. But there are limits, and they will have to be drawn now."

[Question] But that will have to be made clear to Van Agt very quickly.

[Answer] "Who says that that has not already happened."

[Question] You have talked with him?

[Answer] "Hahaha! I am not going to say anything about that."

[Question] Finally, then, to the situation within the party: Den Uyl's head is now only being demanded by the NRC [NIEUWE ROTTERDAMSE COURANT (HANDELSBLAD)] and the HAAGSE BLUF. But it does not seem that a long political leash has been allotted to Chairman Van Den Berg.

[Answer] "I fear that the party's tendency to take heads will not be suppressed everywhere effectively. I would think it an extraordinarily bad thing, and rather rank, if discussions were to come about now about the people who should be termed responsible for the setback. Indeed, no one would escape, it is the collective responsibility of very many people."

[Question] Good. Max Van Den Berg can keep his seat, then?

[Answer] "Why should he not?"

[Question] Because there are already people who want to put the blame on him, as you probably do already know too. There are also some old scores to be settled.

[Answer] But he is not the only one. We are not, after all, in a party where one potentate hands out all of the parts, who can therefore be called to account if things go wrong."

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MILITARY

FRANCE

DESPITE SOME LAUNCH PROBLEMS, EXOCET MISSILES TO BE ON 236 SHIPS

Paris AIR ET COSMOS in French 17 Apr 82 p 43

[Article by Pierre Langereux: "236 Ships Equipped with the Exocet Antiship Missiles"]

[Text] The Exocet antiship missiles from Aerospatiale, versions MM-38 and MM-40, are or will be installed on 236 ships of all types belonging to more than 20 countries, including France. The Exocets are or will be installed on 127 ships of more than 1,000 tons, 79 of them with MM-38's and 48 with MM-40's. But more than a hundred (109) ships of less than 1,000 tons will also be armed with Exocet--78 with MM-38's and 31 with MM-40's. To date, 1 year after the first deliveries (March 1981), the MM-40 has been ordered by 6 countries to equip 22 missile-launching patrol boats of less than 300 tons. This demonstrates the interest in the MM-40 as modern antiship armament for light patrol boats, explained Mr Bussieres of Aerospatiale at the Naval Exposition of Maastricht.

Powerful but Very Compact Armament

Patrol boats do indeed need weapons of the same performance characteristics (in terms of range, precision, reliability, effectiveness) as those equipping the biggest units; and this is made possible by the current antiship missiles, which are capable of giving a patrol boat of a few hundred tons' displacement the firepower of a minicruiser. But in particular, the antiship weapons systems have to be sufficiently compact (in view of the limited space on board small vessels), while at the same time giving the patrol boat simplified ease of use, salvo-firing capacity and also a "second strike" capacity.

The MM-40 is an antiship missile with a transhorizon range (70 km) optimized in function of performance characteristics of autonomous flight at high subsonic speeds (Mach 0.9) and with high probability of destruction. The experience of the MM-38 has shown that the missile is 93-percent successful in operational firings, with 94-percent availability after 1 year of storage (without maintenance) on board ships.

The MM-40 weapon system is compact enough to be easily installed on a light patrol boat, in sufficient quantity to offer high firepower. The light firing installation produced for the MM-40 by Aerospatiale comprises a central unit,

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Ships Equipped with Exocet Missiles

	Missile-Launching Ships		Total
	Less than 1,000 t	More than 1,000 t	
MM-38	78	79	157
MM-40	<u>31</u>	<u>48</u>	<u>79</u>
Total	109	127	236

connected to the missiles by a junction unit and to the vessel's operations center by a control console that enables a single operator to operate the complete weapon system, with the aid of a tactical-assistance computer (CATS). The firing installation (ITL) can put eight missiles into action simultaneously, which corresponds to the number of MM-40's that can be installed on a light patrol boat. In effect, the MM-40 is presented in the form of a completely self-contained munition: the missile is installed (with airfoils and control surfaces folded back) in a watertight cylindrical container (diameter 0.65 m) made of a fiberglass-resin composite that is both strong and light. The complete munition (missile in container) weighs 1,250 kg, the missile itself weighing 850 kg. This makes it possible to install four MM-40's in the same space as two MM-38's, thus providing double the instantaneous firepower, which is very important for patrol boats that cannot reload their missile launching ramps at sea. The MM-40 weapon system thus gives patrol boats a second-strike capacity (for protecting themselves, if necessary) and enables them to fire in salvos (to saturate the enemy defenses). In particular, the light firing installation makes it possible to fire a salvo of 4 missiles in 9 seconds (in a calm sea), Aerospatiale states.

Patrol boats may nevertheless have difficulties in taking full advantage of the range performance characteristics of the new first-generation transhorizon antiship missiles such as the MM-40, whose range (70 km) requires the use of a relay for acquisition and target designation for the launching ship. In this regard, patrol boats are indisputably at a disadvantage in comparison with the big units, which often have helicopters available on board, or at least advance support from smaller units.

Aerospatiale considers, though, that this disadvantage can be palliated by the use, as relays, either of maritime-patrol airplanes or of other patrol boats in an advanced position in the attack formation. It is also possible to take advantage--quite often and in many places--of exceptional propagation conditions (reflection off the lower layers of the ionosphere) that in practice extend the range of the radars beyond the horizon.

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COMMAND CHAIN, DEFENSE PRIORITIES OF FINISTERE SEA REGION

Paris ARMEES D'AUJOURD'HUI in French Apr 82 pp 33-35

[Article By Colonel Lilian Cotteaux: "The Defense of the Finistere"]

[Text] Essential to credible deterrence is a solid defense of the sensitive points. This is an important mission which the maritime prefect of the second region is carrying out with the assistance of a general-staff element from the Army.

Because of the facilities that it offers to the Navy of the western ocean and to the service departments that support it, the roadstead of Brest, a calm harbor on the edge of an ocean of legendary dangers, has always experienced intense activity that has given rise to the development of many organisms of a maritime nature.

The extension of the independence of weapons systems to nuclear deterrence, represented materially by the placing in service of the missile-launching nuclear submarines, has entailed the creation of the Ile Longue operational base and a command and support environment along the roadstead but also inland.

The multiplication of major sensitive points in the territory of Finistere led the government to assign to the admiral who is maritime prefect of the second region and commander-in-chief for the Atlantic the responsibilities for maintenance of order, protection of sensitive points and operational defense of the territory throughout the entire department of Finistere (decree of 24 August 1970 creating the command for defense of Finistere: CDF). On this basis, the maritime prefect comes under the general commanding the West defense zone. This is the admiral's third cap.

In order to enable the maritime-prefect admiral to exercise this command, an Army field officer is assigned as an assistant to him and an office for operational defense of the territory is included in his general staff. It is composed of three Army officers and a secretariat. The Army assistant exercises the functions of this command by delegation, but with the exception of maintenance of order.

As DOT [Operational Defense of the Territory] assistant to the maritime prefect, he assists him in all matters relative to land protection and defense in

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the second maritime region and represents him vis-a-vis the prefect of Finistere as adviser for preparation of crisis plans and the general protection plan. He also acts as an interface between the command of the second maritime region, the land territorial commands--third military region, 31st territorial military division and fourth military region--and the second air region.

The Sensitive Points in Finistere

Without wishing to neglect the importance of certain civilian sensitive points (PS's), we shall deal here only with the military sensitive points. This general term covers installations of all kinds and of very different dimensions. The Brest naval yard, Ile Longue and the Brignogan signal station are three sensitive points, of course, but their interest to the command obviously is not identical. These sensitive points are assigned a classification, in function of their purpose and the quality of their equipment, that determines a level of protection to be provided, either permanently or in case of threat.

Finistere has a great many PS's of all categories, coming under the three armed forces and the General Delegation for Armament. Each armed force is responsible for the protection of its own installations, and for this purpose establishes a particular protection plan for each PS.

In the matter of defense, command and coordination of operations comes exclusively under the CDF, which in this case activates the defense plan for Finistere, which is an emanation of the defense plan for the West zone.

The CDF's Resources

These resources, limited in peacetime, expand very rapidly in time of crisis and peak in the first stages of mobilization. The installation of the 41st Infantry Regiment at Ty-Vougeret, near Chateaulin, in 1979 permitted better adaptation, in a normal time, of the means devoted to the protection and defense of the PS's coming under the Strategic Naval Force (FOST).

These means, furnished on a permanent basis by the 9th DIMa (marine division), of which the 41st RI [Infantry Regiment] is an integral part, combine for immediate reinforcement of the PS's of the strategic nuclear force on the decision of the maritime prefect for the first echelon, and the commanding general of the 3rd Military Region for the totality. Their mobility is particularly increased by the helicopter-transport capacities offered by the Naval Air Force, with its Super-Frelons, based at Lanveoc-Poulmic.

From the first stages of mobilization, the Navy activates its reserve units (UR's [Reserve Units] and UMD's [expansion unknown]). The Gendarmerie doubles its strength and sets up several intelligence platoons. The Army calls up two infantry regiments (the 19th and the 118th RI's) and a division type of general staff. Basic coverage of the entire department is thus achieved--that is, the security of the PS's and the significant first-level interventions.

The various interbranch exercises and maneuvers within the framework of the CDF or within that of the West defense zone emphasize the importance and effective-

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ness of the defense instrument which the command can have at its disposal, no matter what the type of threat or the general situation is at the moment.

But security rests in the first place on the effectiveness of the means of research and exploitation of intelligence. The presence of many PS's/FNS [Sensitive Points of the Strategic Nuclear Forces] in North Finistere has led to the creation of a special surveillance area encompassing these PS/FNS and a liaison bureau (BDL) within which the coordination of intelligence is done. All the administrations and the military organisms of the three armed forces and the Gendarmerie that have the mission of participating in the gathering and exploitation of intelligence within the limits of their assignments are represented within this liaison bureau, which has a permanent secretariat.

The BDL of Finistere permits collaboration and very fruitful regular exchanges among the various parties, thereby giving the lie to a banal and too often evoked stereotype--that of the war of the intelligence services.

The diversity of the objectives that the CDF has been given the mission of protecting and defending, the range of sensitivities that they represent, and the variety of the resources that combine for fulfillment of the missions assigned imply that the authorities permanently responsible at all levels weave a network of solid and unequivocal relations and that they be able to have total confidence in one another in order for the relative fragility of the structure, due to its apparent heterogeneity, to be transformed into a solid block that can endure any trial.

Nuclear deterrence forms a whole. The Finistere defense command participates in this deterrence in a considerable manner by combining in particular for protection of the systems for transmission of orders and data between the chief of state and the missile-launching submarines and by ensuring the security of the installations of the Strategic Naval Force and of the maritime approaches of the roadstead of Brest.

Colonel Lilian Cotteaux, of the Marine Troops, has been Army assistant to the maritime prefect of the second region since 1979. He holds the BEMS [Diploma of Higher Military Studies] and the BT [technical baccalaureate degree] and is an officer of the Legion of Honor, and he has received four citations.

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BRIEFS

SUBSONIC TARGET TESTED--Aerospatiale announces that the 10th flight test of the C-22 target missile was carried out successfully on 25 March at the Landes Testing Center (CEL), the site of the preceding tests of this new autonomous target intended to replace the CT-20 target missile, also produced by Aerospatiale for the French and foreign firing ranges. This 10th test flight was made with C-22 target No 004, which had been recovered by parachute after a preceding test flight and had been subjected only to the routine checks and reconditioning before being reused. In the course of this 10th flight, which lasted 38 minutes, the C-22 target did maneuvers at various altitudes, speeds and load factors. In particular, it did a continuous bank under 4 G and over more than 400° of change of bearing without loss of altitude. The speeds reached during this test varied from Mach 0.4 to Mach 0.9 (maximum speed), which made it possible to explore the entire flying range of the target-missile's engine. The C-22, as we recall, is powered by a TRI 60-2 turbojet from Microturbo. The C-22 is a subsonic target missile with variable speed (Mach 0.4-0.9) and long range (1,300 km), capable of flying at very low altitude and up to 13,000 km. The missile measures 5.1 m long by 2.5 m airfoil span, and it weighs 530 kg. The C-22 development program has now entered the principal phase of flight-testing, which is to proceed with many other flights between now and this summer, particularly with target 004, which will be reconditioned for coming tests. The C-22 is to go into service on the French firing ranges next year. [Text] [Paris AIR ET COSMOS in French 17 Apr 82 p 41] [COPYRIGHT: A. & C. 1982] 11267

SNECMA ORDERS--The total of the orders taken by SNECMA [National Aircraft Engine Design and Manufacturing Co] last year came to Fr 4.55 billion, as against Fr 3.3 billion in 1980. At the end of last year, the total of the orders in the book for military engines was Fr 3.3 billion. During the year, 470 persons were hired over and above those needed to compensate for the departure of 540 personnel from the national company. [Text] [Paris AIR ET COSMOS in French 17 Apr 82 p 48] [COPYRIGHT: A. & C. 1982] 11267

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GENERAL

FRANCE

ARIANE DELAY UPSETS REMAINING LAUNCH SCHEDULE

Paris AIR ET COSMOS in French 20 Mar 82 p 33

[Article by Pierre Langereux: "At Least a 2-Month Delay for the Next Ariane Launch"]

[Text] The first actual launching of the European spaceship "Ariane," which was to take place on 23 April 1982, has been delayed "for at least 2 months" due to the lack of availability of one of the two European satellites constituting the payload. The European Space Agency [ESA] has just officially announced this postponement due to recent operational defects in the "MARECS A" satellite, which is currently in synchronous orbit. This satellite, identical to the "MARECS B" which is to be launched in 1 month, did indeed find that its remote-control, remote-sensing system was affected by electrostatic discharges caused by increased solar activity occurring as of the beginning of February. Changes in operational procedures (manual control of the satellite) were implemented to protect the "MARECS A," which then functioned properly. However, it proved necessary to make modifications to the "MARECS B" before its launching, entailing a delay of undetermined duration. Similarly, the "ECS" satellites, also built under British Aerospace contracts, will have to be modified, as they use the same launching pads as the "MARECS." But this should not affect their launches. On the other hand, considering the length of launch campaigns (generally 3 months), a delay in the next Ariane launch by at least 2 months--in other words, to the end of June 1982 at the earliest--may mean skipping a launch slot at Kourou. For there are no other satellites ready to substitute for the "MARECS B" and the "Sirio 2" in April. So now we can only count on three Ariane launches this year instead of four. This would also affect next year's launch schedule, which is already filled.

This is what will happen unless, despite everything, the CNES [National Space Studies Center] and the ESA can succeed in holding four Ariane launches this year, the "MARECS B" is indeed available in 2 months, and the launch campaign can be reduced to just 2 months--as was planned beginning in 1984. For the moment, however, the April 1982 launch has been canceled and the launch teams have been sent back home, leaving the rocket with its three stages assembled on the launch site.

This incident, which prevented the initial linkup via the "MARECS A" on 23 February, is also going to delay the actual putting into service of the

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"MARECS" and to disrupt the operations program at Inmarsat, the organization which was to use them.

The "MARECS" satellites definitely pose many problems. In fact, the launching of the first one, "MARECS A," had to be delayed for several months, following the belated discovery of a technical failure in the electronic circuits of the satellite's antenna.

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GENERAL

FRANCE

ARIANE PARACHUTE RECOVERY SYSTEM TO BE TESTED IN SEPTEMBER

Paris AIR ET COSMOS in French 17 Apr 82 p 41

[Article by P.L.: "Delivery of the Recovery System for the First Stage of Ariane"]

[Text] Fokker (The Netherlands) will shortly deliver to the CNES [National Center for Space Studies] the parachute recovery system for the first stage of the Ariane launcher, to be flight-tested on the occasion of the seventh firing of the Ariane rocket, planned in principle for October 1982 with the European astronomical satellite Exosat.

Fokker is responsible for the design and construction of this device for recovery by parachute, intended to brake the fall into the sea of this stage which is 18 m long and weighs about 16 t (after combustion), and also to ensure that it floats until the arrival of the recovery ship. The system is composed essentially of four main parachutes made by Irvin (Great Britain) and a number of small extractor parachutes supplied by Autoflug (FRG). The total system weighs 850 kg and is installed in the interstage skirt (between the first and second stages), which is also made by Fokker, as part of its principal participation in the Ariane program.

The recovery system functions in two phases. After extinction of the first stage (liquid fuels), the stage is separated from the rest of the launcher at about 40 km altitude. It free-falls at 160 m/sec to about 6 km altitude, where the extractor parachutes open that stabilize the stage and deploy an intermediate parachute that slows down the fall. Then at about 1,000 m altitude, the four main parachutes (diameter about 20 m each) open simultaneously so as to finally reduce the speed of fall (and impact in the sea) to only 12.5 m/sec.

Recovery of the first stage of the present Ariane launcher should make it possible, if successful, to save about 10 percent of the launcher's cost, by the recovery and reuse of certain elements such as engines and tanks.

Fokker, we note, has proposed to make the nose cones for the liquid-fuel boosters of the future Ariane 4 launcher, which could also be equipped with a parachute recovery device.

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GENERAL

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BRIEFS

VOLVO PARTICIPATING IN ARIANE--Volvo Flygmotor (Sweden) has begun work on the development of the nozzle and turbines for the future 90-100-ton thrust, HM 60 heavy cryogenic engine for the European rocket that is to succeed the Ariane 4. Volvo Flygmotor is one of the three European manufacturers currently involved in developing the new HM 60 cryogenic engine, with SEP [European Propellant Company] (France), in cooperation with MBB [expansion unknown] (Germany), being the major contractor. Volvo already has received a contract from the Swedish Space Corporation for this work. We may recall that Volvo has been participating since 1974 in the building of Viking engines for the first and second stages of the Ariane rocket--likewise as a subcontractor for SEP. [Text] [Paris AIR ET COSMOS in French 20 Mar 82 p 33] 9693

ARIANE BOOSTER FAILS--The first test-bench firing of the new solid-fuel booster intended for the Ariane 3 launcher ended in failure. After normal ignition and initial functioning, two perforations appeared in the rear base of the engine after some 10 seconds of combustion. These leaks of hot gases caused destruction of the rear base and ejection of the propelling nozzle about 20 seconds after firing. The expert investigation has revealed very heavy erosion of the propelling nozzle's internal heat protection, as the result of combustion more turbulent than expected. The rear part of the booster is going to be modified before the second test-bench firing, which will be delayed 1 to 2 months. The Ariane 3 booster has been developed by the Italian company Difesa e Spazio. One booster was recently delivered to Aerospatiale (cf AIR ET COSMOS, No 902). [Text] [Paris AIR ET COSMOS in French 17 Apr 82 p 41] [COPYRIGHT: A. & C. 1982] 11267

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