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West Europe Report

(FOUO 38/82)

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WEST EUROPE REPORT

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ECONOMIC

FRANCE

RIISING IMPORTS, COMPETITION, EQUIPMENT CREATE PROBLEMS IN TEXTILE INDUSTRY

Effects of Inflation, Reduced Consumption

Paris L'EXPRESS in French 26 Mar-1 Apr 82 pp 97-100

[Text] Say the word textiles and immediately faces fall. Crisis, layoffs, bankruptcy filings, endemic drop in consumption, products too expensive, loss of foreign markets, runaway imports--this is the litany of complaints. It's no use telling oneself that this sector of the economy represents one out of every 10 jobs in industry, that we invest twice as much money in it as in automobiles, that it is essential and irreplaceable; who still wants to invest in textiles? Bankers are fleeing; the administration is not enthusiastic. They support this industry because it is necessary to do so (550,000 jobs do count), but dream of all that they could do with this money for high technology, the sectors of the future, in a word for important matters. The textile industry is not serious. It is frills, fashion, a plaything for housewives. A woman buying a dress doesn't care if she knows where it was made, she wants to know if it suits her and how much it costs. A man acts the same way about his outfit. A consumer is not investing in textiles: he is buying.

So, is this the end of the French textile industry? Well, no, it is hanging on!

Just yesterday, the French textile industry had the rosy cheeks and bright eyes of good health. No doubt it too has its highs and lows. Who doesn't? Its great experience and its spirit ever sparkling with new ideas enable it to overcome cyclical crises every time. It even finds in them another reason to have confidence in the future: it has been in worse situations.

For, the textile industry is part of history. It is one of the oldest activities in the world. The Jacquard loom presided over the birth of the industrial age which had not yet taken on a direction when the Lyons silk weavers had the opportunity to show the world what the proletariat was made of. The less advanced countries are following the example: almost all of them want to achieve industrial development through the textile industry.

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But, this time the warning seems more pressing. The French are using fewer textile articles, imports are increasing, and exports are decreasing. You don't have to be a genius to estimate the extent of the effects of this triple pronged clamp on the activity, employment, and even the future of the sector.

"Do we want a textile industry in France or not? Let them tell us!" How many times has the trade posed this question in reply to those who, frightened by the announcements of layoffs, bankruptcy filings, company closings, have asked them: "But, why? Why this sudden collapse?" As if the future of the textile industry depended on some external power which, facing the fallen fighter, would have the power to turn his thumbs down or to grant mercy.

The textile industry's future is actually tremendous. Each year the French spend Fr 120 billion on textile articles, two times as much as on cars: it is therefore difficult to consider this a minor activity. Production alone employs half a million people, despite the toll of the past few years. These days, the argument carries weight. Add distribution and the 80,000 sales outlets, and it is not out of line to consider that 3 million French people are directly involved in this activity.

Cut Off One Head...

This would be more than enough to bet on a long life ahead for the textile industry. Besides, there is not just one textile industry, there are textile industries. Cut off one head, and two more will grow in its place. A manufacturer of upholstery fabric, a jeans cutter, and a knit sweater manufacturer have nothing in common. Neither do a women's ready to wear retailer and one who specializes in men's or children's clothing. These are different professions with different production cycles and distribution channels. Their interests and outlooks are different, even opposing. The market sometimes promotes these rivalries: for example, when textiles for the homes are doing well, clothing sales are generally down.

And, first of all, textiles and clothing must be differentiated. One is a supplier to the other, as the steel industry is a supplier to the automobile industry. Consequently, they are unaware of each other, although clothing represents 51 percent of the textile market. Approximately 33 percent of this market is domestic articles. The rest is primarily absorbed by technical and industrial applications.

Past the textile stage, there is a second distinction between personal apparel and housewares. During the good years, in other words from 1965 to 1975 when ready to wear experienced its boom, the expansion of the industry and of clothing distribution occurred in a disorderly fashion. The needs to be filled were great. French society was finally gaining access to the delights of mass marketing. These circumstances always favor both inventive spirit and resourcefulness, and consequently a certain amount of chaos. Mushrooming companies made a fortune in a few seasons. Stores multiplied. A return to order inevitably had to occur.

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This happened when the rate of growth of consumption slowed down. The turningpoint was the year 1973: from approximately 5 percent growth in volume per year since 1960, growth in consumption abruptly fell to zero. Should the first oil crisis be blamed? It was indeed at this time that growth in household purchasing power gave way. Households had to make decisions on their expenditures: clothing was sacrificed first. The holding back on purchases was even more severe since prices had climbed greatly. At the same time, the great postwar population boom came to an end. It didn't take anything else to cause an adjustment of supply in the industry as well as in distribution.

Men's clothing felt it first. A man, less affected by fashion and compelled to make more expensive purchases, reduces his clothing expenditures more quickly than a woman. It was therefore men's ready to wear that consolidated itself first. Large groups were formed: Bidermann, Weil-Besancon, Vestra, are leaders in this sector today. A similar but less extensive movement took shape in the women's ready to wear industry. Many stores closed, but more still opened.

A Little Balm for Wounded Hearts

The true crisis only occurred in 1979 when consumption, no longer content to stagnate, began to drop. A single point of decline in a sector that has a sales volume of around Fr 100 billion, is Fr 1 billion vanishing. As a great number of boutiques have an annual sales volume of less than Fr 1 million, and as it is these small stores which are most immediately affected, here you have the equivalent of the business of more than 1 thousand boutiques wiped out in a single stroke.

In 1980, the awful year, the drop in consumption hit 3 percent overall, and 10 percent in certain sectors such as men's clothing, and even 18 percent in the netting industry. An appreciable recovery was noted last year: 1981 registered a growth of 3 percent, which has already been balm to the trade's wounded hearts, without however enabling them to regain 1978 levels.

Clothing sales will probably never again be what they were. For, during the crisis the consumer picked up new habits. First of all, it has been known for a long time that households in developed countries are allotting a smaller share of income to clothing, because other opportunities to spend have appeared, starting with leisure time activities and transportation. Finally, and this is the new factor, because consumers have changed.

With the stagnation in income, the French have been led to favor separates, skirts, sweaters, blouses, T-shirts, or little inexpensive dresses, at the expense of coats, tailored suits and other large items which until recently constituted the normal foundation of a wardrobe. This trend is particularly true of women, who can easily and inexpensively update or "accessorize" an outfit by means of a few small details. But this is also true of men, who are abandoning their classic outfit when social constraints allow.

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They have replaced it with sportswear which, having conquered city streets, is in the process of making its entry in offices. The cost per item of sports shirts or pants is still rightly less than that of traditional clothing, although there is nothing to indicate that it will always be so.

The established trends in France are found in all the industrialized countries. It is interesting to note the following paradox: the decrease in purchasing power (therefore the search for lower cost articles) as well as the relative increase in income, make it less easy to confirm social standing by means of dress (sociologists say "appearance"). Conformity is overthrown, you put yourself together, add color to the outfit using accessories, and comfort is favored.

In terms of personnel, the decrease in consumption since 1973 has meant a loss of 105,000 jobs in the textile industry where employment has thus been reduced to 300,000 and of 60,000 jobs in the garment industry which now has 250,000 employees.

A Painful Drain

This decrease has always been normal, since it is linked to improvements in technology and productivity. After the war, the two sectors together employed close to 1.2 million persons. The period of reconstruction, then expansion, which followed enabled this change in the industrial apparatus to be absorbed with no major problems. The drop in consumption aggravated the phenomenon considerably due to dead losses in production. At the same time, manufacturers were accelerating their productivity efforts to remain or to become competitive again in the face of increasing imports. During 1980 alone, the clothing industry lost close to 22,000 jobs, and 12,000 more last year, or a 13 percent reduction in staff in 2 years.

Faced with such figures, one may be surprised that such a drain, occurring in regions which often lack other industries, could take place without large scale union reaction. Only local, and generally brief, conflicts marked the often significant mass layoffs and even permanent company closings. It is obvious that these things are not done painlessly. It is also true that the apparatus for unemployment compensation, early retirement, incentives for "voluntary" departure, and reclassification operated to the fullest extent, and that the mass layoffs were always negotiated as closely as possible. The point has been reached where layoffs are discussed like the purchase of a carpet, based on deliberately inflated or reduced figures with each of the parties, including factory inspection, knowing exactly how many jobs will have to end up being eliminated.

The fact remains that this apparent resignation on the part of the unions is probably due to the nature of employment in the two sectors themselves. Fifty-five percent of the labor force in the textile industry is female, and 83 percent in the garment sector, where those who are under 25 comprise close to half of the personnel. In textiles, on the other hand, the average age is much higher and the layoffs then primarily affect the oldest personnel. Early retirements at 55, even at 53, are not uncommon here.

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Finally, the textile industry, and particularly the garment industry, is made up of small, generally family businesses, where tough union action can hardly develop. In fact, one of the characteristics of the garment industry (but this is also true of textiles) is its extremely splintered structure, despite the consolidations brought about over the past few years.

Although reorganization of men's ready to wear--the 3 leaders together do 70 percent of this specialty's business--as well as of very specific branches such as the manufacture of woollens where again 3 large companies (Louis Lepoutre, Andre Roudiere, Paul and Jean Tiberghien) share France's basic output, can be considered complete, the same is not true elsewhere. Overall, there are 3,000 companies in the garment industry and a sales volume of Fr 26.5 billion, and only 60 of the companies employ more than 500 people. The textile industry totals about 2,500 companies, about 100 of which employ more than 500 people, and it does Fr 65.5 billion of business. Knitting is included under textiles, although it produces finished clothing products. It includes 400 companies with a total sales volume of Fr 4 billion.

So, there is no point in saying that we have not heard the end of reorganization in these sectors.

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Distribution, Marketing Affect Competitiveness

Paris L'EXPRESS in French 26 Mar-1 Apr 82 pp 100, 102

[Text] "The customs barriers are unfair, the dollar is penalizing us, the down and out in the Third World are unfair competition, the French lack civic pride and are buying foreign." These are the complaints of French textile manufacturers.

Germany, our neighbor and traditionally our number 1 customer, is rejecting our products. The United States should be a logical export market due to its purchasing power and the common culture which links us. Besides, the United States was captivated by French clothing to the point of becoming our number 3 foreign customer at one time. Today it prefers to buy elsewhere. It is acting just like the French consumer who buys an Italian sweater or a shirt from Taiwan without any hesitation.

If imports continue to increase while our foreign markets crumble, it is because our products are either not suitable or not competitive, or both. One need only leave the country to note how French fashion retains its aura. It is copied; the whole world rushes to Paris to visit the textile showrooms, to see the collections and the fashion shows. At least the French textile industry has the advantage of having no other competitors except the Italians as far as design is concerned. The proof: right now American designers who are using Yves Saint Laurent's or Thierry Mugler's ideas from 5 years ago are very highly thought of.

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French fashion retains all of its appeal abroad as well as in the Chaussee-d'Antin boutiques. On the other hand, when it comes to buying its products, the prices cause hesitation. Abroad, the French creations are limited to the upper end of the range. In France, most consumers turn to imports in one out of two cases.

Then where does the French manufacturer's handicap come from? Their plants are no less well equipped than those of their competitors. They have the same machines, and methods which are often more sophisticated as they are heir to long experience. The labor force is just as qualified. They are obviously paid more than in Asia or along the Mediterranean, but still less than in Germany, Belgium, Great Britain, and even Italy.

"Wrong!" protests a chorus of our manufacturers. "The real foreign manufacturers are experiencing the same difficulties. We have an equal chance against them, and we know how to fight. Only the unfair competition is harming us and leaves us defenseless."

Could the "German" products entering France all be coming from Eastern European countries via East Germany? Are there no hosiery factories in Italy, and could Benetton be operating on the black market? No, of course not.

In truth, the lack of competitiveness of French companies is due neither to poorly suited products nor to lack of productivity. It is due to the nature of the French market itself and, consequently, its distribution structure.

More than any other, the French market is subject to fashion. Only Italy experiences this phenomenon to a comparable extent. In Germany, a woman will ask her friend where she found her pretty dress and will go buy the same one. Here, two women wearing the same dress to a dinner party will ruin an evening. In France, as in Italy, business integration ran up against this diversity, while in Germany and other European countries, an organized distribution network was developing. This made possible the initiation of a fruitful dialogue with the manufacturers who, strengthened by many large orders, found themselves in a position to invest and to reach a truly industrial level.

Acrobatics and Poker Hands

The French ready to wear manufacturers, on the contrary and like their textile suppliers, found themselves faced with a splintered distribution network whose primary requirement remains to present articles which are different than those offered by the shop next door. This results in orders for small lots which are expensive to assemble and which, when placed one after the other, never make anything more than small runs.

This whole process is inflationary. The collections presented must be as extensive as possible to get the largest number of votes; fabric purchases becomes poker hands. For producing fabric is a relatively heavy industry

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whose production costs are directly related to the quantities ordered and to production planning. Furthermore, its sales force must be proportionate to the distribution network: it represents 60 percent of the cost of the finished product. For example, the increase in the price of gas was a bad blow to the garment industry simply through the increase in sales representatives' travel expenses.

All these costs unite to make French clothing a luxury product compared to an identical item designed and sold within a truly industrial context. Ready to wear companies therefore remain small and middle size enterprises, generally family business which put themselves through acrobatics every season to make deliveries on schedule. The consequences: little improvement in productivity, little investment, lack of capital, a marketing strategy based primarily on instinct and experience--and no international outlook at all.

It is a miracle so far that an industry worthy of the name has been able to develop in France within this context. It was forged slowly during the expansion period, and then more rapidly when the crisis came, with the stronger ones then picking up the pieces from those who succumbed. Dis-tribution, by beginning to structure itself too, helped the movement.

However, even among the ladders, small runs continue to plague production equipment. In fact, the French manufactureres find themselves sidelined and compelled to produce what the others don't want to make--in a defensive position, therefore.

The first temptation then is for each one to place himself further on the fringes, to become unbeatable in his small area of specialization. You raise your range, update collections more often to outdistance the competition, and offer a flexibility which is not available to foreign manufacturers who are too far from the market or whose plants are too rigidly set up. This policy may appear logical and even astute. It only results in higher prices.

The second temptation is to increase the number of specialties to reach a sufficient size. It has often led to dangerous and disastrous diversification. There have also been successes. They have been achieved by those who knew how to find a common denominator among their specialties, or to create a large potential for distribution by establishing a trademark or foreign markets. In both cases, success presupposes having the means, because launching a trademark and an export policy require heavy investments. In both cases, inflation is still winning.

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Research, Innovation Efforts

Paris L'EXPRESS in French 26 Mar-1 Apr 82 p 114

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[Text] Faced with the extent of the effects of the crisis on the textile and garment industries, particularly on employment, it was indeed necessary to decide to study the question more closely. Never have these two sectors benefited from such great concern. In less than 1 year, three large reports have summed up the situation, analyzed the problems and found solutions. All that's left is to implement them.

The first two are reports of the National Assembly and Senate investigations. The third, called the Donnadieu Report and presented to the Economic and Social Council at the end of 1981, takes up the larger themes of the previous reports again, further extending the analysis, in other words adding an attempt at a middle and long term forecast giving full play to foreseeable technological progress. "Only technological progress," states Gerard Donnadieu in his introduction, "can give a future to an industry which, without it, strongly risks merely hopeless development."

The verdict is severe and proves, if there is a need to, that the situation calls for immediate decisions without which the patient will not survive the decade. A comforting aspect: many innovations are in the wings. "It's enough to record them in the laboratories. Their chance of penetrating industry remains to be evaluated," says Donnadieu.

The French research laboratories are full of discoveries waiting to be introduced in plants. Unfortunately, it is the foreign manufacturers who are seizing them and sending them back to us in the form of quality or competitive imported products at a price against which there is no protection.

Fortunately, some discoveries have been applied in France itself. For example, this is true of the Novacore process, invented by ITF-Nord, which enables more rapid production in spinning, a 30 percent energy savings, and a more natural feel to the thread. In weaving, automization of the shops should result in control of the looms (threads which break must be repaired) from a single room where shutdowns and their causes are detected. Each loom can have a different production program, giving this heavy industry the flexibility it needs so badly. We are therefore moving toward automatic mills where 1 hundred looms will be supervised by a single operator, while today for every 20 looms you need 1 weaver to continuously run back and forth among the machines in a deafening racket.

In the garment industry major turnarounds are yet to be imagined. The only real innovation that manufacturers dream of would be the possibility of working with, and especially transporting, a piece of cloth as easily as a sheet of metal. At her sewing machine, an operator spends two thirds of her time not stitching, in other words handling the cloth. The day when someone finds a way to make the cloth firm, to stiffen it for the duration of the manufacturing process, and then to give it back its suppleness and all its original qualities, will revolutionize the garment industry.

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Meanwhile, significant progress has already been made in the preparation for the manufacturing process: more and more often computers are being used for grading, for stenciling patterns, and for cutting, in order to save time and reduce cloth trimmings. There are even robots for assembly which take over particularly painstaking operations: putting on buttons, belt loops, pockets. Also, in hosiery, robots separate and turn around fitted articles, and perform semi-automatic cutting of stockings. Others can integrate rather complex assembly operations for simple mass produced products such as underwear, shirts, or some sports clothes.

We Have Outwitted Ourselves

CETIH [Garment Industries Technical Study Center] had given itself the single objective of doubling productivity, which would cut the number of jobs in half, were everything else to remain the same, which is obviously unlikely.

For, the inevitable consequence of the race to innovate will be a reduction in jobs. In fact, the alternatives are clear: either the textile and garment industries succeed in increasing their productivity, and therefore their competitiveness, by all means available and their future involves a substantial reduction in personnel; or they disappear.

"It is obvious," realizes a textile professional, "that we have outwitted ourselves because we did not invest enough compared to our foreign competitors. And we did not invest when we should have because the low labor costs did not encourage it. We had to compensate during the crisis which cleaned us out. Those who were unable to unwilling to overcome the handicap in time have disappeared or will disappear."

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ECONOMIC

FRANCE

GOVERNMENT UNCERTAIN ON HOW TO FINANCE RETIREMENT AT 60

Paris L'EXPRESS in French 9-15 Apr 82 pp 56-57

[Article by M. J.: "Retirement: Price to Be Discussed"]

[Text] The bill for retirement at age 60 is about 17.5 billion francs. Where will they come from? The government cannot satisfy everyone.

"With the little bit of money that I will get at age 60, how can I finish paying for the country house that I bought for my old age?" Rather than being greeted as the promised "great social advance," the law on retirement at age 60 is spreading panic among many of those who should be the first beneficiaries as of April 1983. The plan is often seen by those involved as a threat to their investments, since it has not answered the humdrum question of who will pay and how much. The unions themselves are wary; some of them have not hesitated to add their criticisms to those of employers. This is enough to trouble the administration, which has already been burned by the strikes that followed the law on reducing the workweek.

It was, however, to respond to a union claim that the authorities too these risks. During the seventies, the CGT and the CFDT made retirement at age 60 their priority issue; thousands of their members sent postcards to the Elysee. The theme was taken up by the left and Francois Mitterrand, as a candidate for president of the republic, gave it special emphasis in his speeches and proposals. What was promised has been delivered: the socialist government is now acting on it. Unfortunately, the law seems to be hastily put together.

The administration itself does not know how this change will be financed. So that France can have the "great retirement system" that Pierre Mauroy spoke of recently, it is not enough to offer everybody retirement at age 60. The "new retirees" must have the same resources available as former retirees had at age 65. In other words, the equation is simple: fewer contributors for more money to be collected. This is a real financial headache because of the complexity of the retirement system.

What, in fact, is the retirement pension? First of all, it is a basic pension, the Social Security pension, which equals 50 percent of the salary

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of the 10 best years of the career, when contributions have been made for 37-1/2 years. Then there is the supplemental retirement that is given to everyone equally and that can be as high as 20 percent of the average career salary. Finally, for professionals, there is the retirement linked to their special systems. In sum, a nonprofessional retiree receives, on the average, between 60 and 65 percent of his salary, a percentage that professionals often have difficulty reaching. To guarantee these advantages as of age 60, a threefold effort will be necessary.

A Possibility for Everyone

For the Social Security retirement alone, 11 billion francs in new receipts must be found each year; to this must be added 6.5 billion for the supplemental retirement, for a total of 17.5 billion. Although the government has practically complete control over Social Security, this does not hold true for the supplemental systems, which are managed equally by employers and unions. It is up to them--labor and management--to decide in the months to come if they will go along with the government decree. If they do not go along, their workers will not be able to benefit from a fully paid retirement at age 60. This would not definitely be serious for nonprofessionals, who would only receive a reduced pension between age 60 and 65.

On the basis of these financial realities, several concrete questions arise:

--Will contributions be increased? Nicole Questiaux, minister of national solidarity, confidently states that the Social Security pension fund can meet its future obligations without difficulty. However, the minister is actually counting on a decline in unemployment, which will result in additional receipts (an unemployed individual does not contribute). In any case, if retirement at age 60 is taken as a hypothesis, contributions for professionals' retirement and supplemental systems should jump. Total new costs could reach 18 percent for nonprofessional workers and 30 percent for professionals, to be shared between workers and employers.

--Who will benefit from retirement at age 60? It will be optional, but open to everyone that has contributed for 37-1/2 years. This will be an obligatory condition, whereas now anyone, even if he has contributed less than that length of time, can retire at age 65 with a reduced pension. "The change should primarily benefit those who have contributed the longest, and who, on the average, die sooner than the others," explained Nicole Questiaux.

--Can you accumulate benefits if you work after age 60? Yes, but only until age 65. Past this age, continuing to work will not increase the pension. Now, retirement can be improved by working until the age of 75.

--Will you be allowed to work while collecting your pension? Yes, as long as you change your professional activity. But this would result in a penalty in the form of a contribution to UNEDIC--National Union for Employment in Industry and Commerce--the unemployment fund--when the salary surpasses the minimum wage level.

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--When will the future of the supplemental systems be decided? Nicole Questiaux hopes to receive a preliminary response from labor and management as early as next July. But theoretically they have until 1 April 1983 to consider this.

This, in fact, is the date on which retirement at age 60 should take over from the "income guarantee." Created in 1977 by agreement between the owners and the unions, the income guarantee up to now enabled 300,000 workers to retire at age 50 with 70 percent of their last salary. Union leaders regret that the new law is not as generous.

According to Nicole Questiaux's calculations, eliminating the income guarantee will save the state 15 billion francs, almost the equivalent of Social Security expenditures for retirement at age 60 (17.5 billion). But there is one problem--it is not the same money. The transaction will balance nicely by transferring state expenditures to employees and firms. A good reason for unions and management to complain.

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ECONOMIC

ITALY

CIAMPI'S REPORT ON FINANCIAL PROBLEMS OF INDUSTRIAL SECTOR

Milan IL SOLE-24 ORE in Italian 25 Apr 82 pp 1, 2, 11

[Article by Guido Gentili: "The Italian System Is in Grave Danger"]

[Text] Rome--Called to appear at a hearing of the House Industry Commission last Thursday, Carlo Azeglio Ciampi--Governor of the Bank of Italy--went well beyond the subject: "Financing for firms in the context of the outlook for the 1980's." The text of his address, which was made public yesterday (and which we publish on page 11), can reasonably be considered a synthesis anticipating the final conclusions Ciampi will read to the annual assembly of the issuing institute at the end of May.

There are at least four key passages in Ciampi's report which shed light on the strategy the central bank will adopt in the coming months:

1) A slowing down of the rate of inflation, together with containment of the government deficit and balancing of the balance of payments, is the "necessary prerequisite for a gradual decline in the cost of money and a full recovery of financial markets." According to Ciampi, it would be an illusion to "expect a reduction of interest rates to solve the various problems besetting firms." In short, there will be no change in the policy governing interest rates until a concrete anti-inflationary policy has materialized. Furthermore, Ciampi added, the "precarious currency equilibrium calls for a prudent interest rate policy, but sometimes this prudence is not enough, as we see from recent events which forced the Bank of Italy to intervene with administrative measures."

2) The internal constraint of a ceiling on the Treasury's demand still determines monetary policy to a large extent. In this connection Ciampi's meaning was clear: after the 1981 excess of about 9 trillion with respect to estimates, for 1982 "the data on government demand for the first months are not in line with the estimated ceiling of 50 trillion."

Ciampi also made a strong allusion to the Treasury's checking account, which is one of the ways the Treasury meets part of its demand. According to Ciampi, the account should not go in the red by more than 14 percent of the expenses decided on by Parliament. But this limit, which is meant to be reached only exceptionally, has been reached systematically, with a great

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degree of rigidity. Another item which the governor mentioned that is cause for concern is the fact that this debt (on which interest is charged at the rate of 1 percent) is about 30 trillion today.

In this context, the "containment of the government's deficit is a primary need, and the objective should be the balancing of entries in the current account; excess debts should be reserved for the capital account.

3) The outlook is anything but encouraging in the area of external constraints. Here, too, Ciampi's analysis seems to sound an alarm which the government and political group cannot ignore. Says Ciampi: "In the balance of monetary assets there is a balance which cannot be disturbed too long or too much. For 2 years now the balance of payments (current account) has shown large deficits: 8.3 billion in 1980 and 9.3 billion in 1981. Such large deficits cannot be further sustained." Nor is it possible to rely blindly on indebtedness to procure financial assets on foreign markets; this operation, warned Ciampi, "is not always easy and is very expensive."

4) With foreign demand still stagnant, the margins of recovery of Italian exports are "very modest." The only card left to play is competitiveness, but this cannot "be pursued through currency devaluations, since parity changes unaccompanied by strict measures designed to limit demand and internal costs lead to an acceleration of the inflation spiral."

Text of Governor Carlo A. Ciampi's address to the House Industry Commission
The following text is the address given by Carlo Azeglio Bianchi, Governor of the Bank of Italy, to the House Industry Commission regarding problems related to the financing of technological innovation in Italian industry.

The vicissitudes of Italian industry in the second half of the 1970's reflect considerable efforts to adapt to the profound changes of the preceding years in the development and structure of demand, the availability and relative costs of the factors of production, and the nature and operation of financial markets.

These efforts have been successful in the case of many firms, especially small and medium-sized ones. They have not yet been productive for other firms, especially large ones, partly because they are engaged in sectors like steel and chemicals which are going through a world-wide crisis. It is still doubtful how long this improvement will last, given some of its characteristics.

These brief conclusions are based on an analysis of trends in international trade, the accumulation of capital, applied research, and the economic and financial accounts of enterprises.

International trade in manufactured products left Italy with a credit balance which increased from \$5 billion in 1973 to \$19 billion in 1981, down slightly from \$22.1 billion in 1979. This improvement is still not enough to offset the oil deficit, which rose from \$1.6 billion in 1973 to \$20.4

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billion in 1981. During the period covered, the balance for non-petroleum raw materials increased from \$-7.4 billion to \$-9 billion; the balance for services was practically unchanged (going from \$1.5 billion to \$2.3 billion); the larger contribution from tourism was offset by a worsening of financial burdens. As the final effect of the above-mentioned changes, the balance of payments on current account, which has a deficit of \$2.5 billion in 1973, had a deficit of \$8.1 billion in 1981.

Industry's contribution to the balance of payments was due to containment of imports and increased exports, which went from 6.1 percent in 1973 to 7.1 percent in 1980 (after passing through a peak of 7.5 percent in 1979). The increase in exports was due mainly to the so-called "mature" sectors, which have a high number of small and medium-sized firms that were able to adapt quickly to qualitative and geographical changes in demand. In particular, the credit balance of the textiles, clothing, furnishings, and leather and "other manufactured products" sectors rose from 1.7 billion lire in 1973 to 11.0 billion in 1981.

The improvement in the manufactured products balance is evidence of an accentuation of the already highly specialized nature of our country's low technology sector, whose share of total exports rose from 38.5 percent in 1970 to 44 percent in 1980. At the same time, the share of intermediate technology products fell from 50 percent to 44.5 percent and that of high technology products remained unchanged at the modest 1970 level of 11.5 percent.

These opposing trends in Italy's productive specialization demonstrate the viability of most of our industrial textiles and the possibility of our maintaining comparative advantages in the so-called "mature" sectors as well if enterprises are efficiently managed and constantly updated with respect to processes and products. On the other hand, the inadequate development of our intermediate and advanced technology sectors is cause for concern. The backwardness of these sectors seems to indicate a widening, rather than a reduction, of our country's technological lag.

This phenomenon is partly related to the long-standing crisis of the large enterprise, which in these circumstances is unable to adequately play its irreplaceable part in the development and dissemination of applied research and innovation.

One arrives at the same conclusions if one considers the albeit limited data available on spending for research and development. Its share of GNP grew slightly at the beginning of the 1970's, then remained at the modest levels achieved at the beginning of the decade: 0.9 percent, which is less than half the proportion of income reinvested in research and development in other industrialized countries. Direct spending for research and development by Italian firms also compares unfavorably with spending in other industrialized countries. Direct spending for research and development by Italian firms also compares unfavorably with spending in other industrialized countries, with the exception of Japan.

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Evidence of efforts to adapt to the changed composition of demand and to the new relative prices of the factors of production is also apparent in investment trends, which, while influenced in general by the modest outlook for development, reveal in their composition--mainly oriented towards substitute investments--a clear intention of rationalizing production.

Italian production at the beginning of the 1980's seems to be marked by a new form of "dualism" between "flexible" firms (mainly small or medium-sized, many of them in the so-called mature sectors) and "rigid" firms (mainly large ones, most of them in more capital-intensive sectors).

This dualism emerges from an analysis of the economic accounts and assets of firms. In the case of the group of companies studied by Mediobanca, we see that in general they show years when they operate at a loss which although it is lower than the 1975 level of 4.2 percent of sales, reached at the height of the recession which followed the oil crisis, is still between 2 and 3 percent. These losses can be attributed both to inadequate gross operating margins (7-8 percent) and to the effects of financing burdens (6-7 percent), which absorb almost the entire operating margin.

Capital formation remains modest for all firms. At the end of 1980, firms' self-financing accounted for 15.5 percent of liabilities, averaging 13 percent for state-owned enterprises and 18 percent for private enterprises. This is largely the result of a decline in self-financing, which was 59 percent of gross capital formation, on the average, for the period 1963-1968 (for the group of companies studied by the Bank of Italy), then declined to 51 percent in the next 5-year period and 47 percent in 1974-1979. The decline was especially pronounced in the case of partially state-owned enterprises: their self-financing accounted for only 22 percent of gross capital formation, compared to 63 percent for private enterprises. The resulting high dependence on external financing has increased the vulnerability of enterprises to fluctuations in financial markets; this dependence is a further constraint affecting monetary policy.

In view of the high price instability prevailing in the Italian economy since the beginning of the 1970's, the financing of productive enterprises, especially financing and investments, has been hampered by savers' high liquidity preference and by the demand for short term funds both at home and abroad. Above all, because of the large government deficit, financing of firms is "crowded out" by that of the Treasury.

The main problems concern risk capital formation, the demand for long-term securities, and the cost of debt-financing.

1) Inadequate risk capital formation, which is a structural feature of our production system, basically reflects supply shortages, since capital splits offered to the public are often not those of enterprises with the best prospects for profit. But demand could be increased considerably by greater efficiency on the stock market and by a broadening of the type of instruments offered and intermediaries.

It should be stressed, at any rate, that increased capital formation of firms, which is appropriate in times of stability, is necessary under circumstances

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of wide cyclical fluctuations and high price and tax instability. The increase in the demand for shares, which began in 1980, resulted in the sale of stocks worth about 7 billion in 1981, compared to an average of 3 billion from the 3 preceding years; but the subsequent decline confirmed the fact that the structural problems of the stock market remain mostly unsolved.

2) The shift in demand toward deposits and short-term securities has increased liquidity and therefore the instability of the whole economy, and hampers investment financing, especially for investments with long amortization periods. This is therefore one of the ways inflation exerts its destabilizing influence and misallocates resources. To offset this trend and bring the demand for financial assets back to equilibrium it is necessary to encourage the sale of variable-yield securities with increasing margins as a function of maturation time, increase the role played by firms and credit institutions in the transformation of maturations, and use fiscal policy to induce the public to buy longer-term securities.

The results of this policy have already begun to appear; market sales of fixed-yield securities (excluding Treasury bills), which fell from 20 billion in 1970 to 2 billion in 1980, rose to 12.5 billion in 1981. Net purchases by the public, which were minus more than 1 billion in 1980, were above 7 billion last year. The recovery of the demand for securities, although it is still limited for longer-term securities, was stimulated by the sale of variable-yield securities, whose market sales rose over the past 2 years from 800 billion to about 7 trillion, equal to more than half the sales of all medium and long-term securities sold on the market.

The greater receptivity of the bond market to a search for new types of financing has made possible a clear recovery on the part of special credit institutions. Their operations are still conditioned, however, by the difficulty of providing credit on easy terms, as the mechanisms available do not allow the forms of collecting preferred by the market, at least until Parliament approves the bill on facilitated credit recently submitted by the government.

3) The problem of the cost of debt-financing should be approached taking into account the fact that the return on savings, especially in its most liquid forms, cannot be separated from the rate of inflation, not only because of equity requirements but also and above all because of considerations of allocation of resources, since inadequate interest rates can lead--and have led during periods of low interest rates--to a decline in the propensity to save and/or a channelling of saving to speculate assets and stores of value both within the country and abroad.

The total cost of indebtedness has fluctuated considerably in real terms; at times it has even been negative. In 1981, due to the joint effects of a deceleration of inflation and an increase in rates caused by the constraints of operating on international markets, it reached sizeable positive values, but was always lower than the levels reached in the other major industrialized countries, in particular the U.S.

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In fact, the incidence on sales of financing burdens for the group of enterprises studied rose only one point between 1974 and 1980, from 5.7 percent to 6.8 percent, although the cost of indebtedness only rose from 10.5 percent to 18 percent during the same period. This was possible because the incidence of indebtedness on profits fell from 54.6 percent to 37.8 percent, partly because of the effect of the rationalization of savings and capital achieved by enterprises, but also to a large extent because of inflation, which "depreciates" indebtedness while "inflating" taxes. It should also be borne in mind that because of the correlation between interest rates and the rate of inflation, financial burdens--given a certain level of indebtedness--tend to vary not with the rate of inflation but with variations in the rate of inflation. The increased incidence on profits when price inflation is accelerating is therefore a physiological problem within certain limits, which is offset by phases of deceleration of price inflation, when their influence on financial burdens should fall.

Slowdowns in inflation, the containment of the government deficit, and a balanced balance of payments are therefore the necessary prerequisites for a gradual decrease in the cost of money and a full recovery of financial markets. But it would be an illusion to expect lower interest rates to solve the various types of problems besetting enterprises.

The present process of inflation has had a profound effect on production and on the enterprises most heavily involved in investment projects financed primarily through fixed-yield forms of external financing with long maturation periods; these have had to be revised to take into account both trends in credit policy and conditions on financial markets.

The high liquidity preference of savers has made it difficult to rely on the bond market in traditional ways. Meanwhile it has been necessary to pursue a diversified supply policy with respect to the maturation time, forms, and yield of securities. In particular, given the high risk of fixed-interest long-term loans, there is plenty of room for bonds for financing, and the volume of their sales, in the case of personal credit institutions, increased from 1980 to 1981 from 27 to 53 percent of the total.

High interest rates--which were positive in real terms in 1981--and expectations of further large fluctuations in the prices of investment goods induced enterprises to modify their real and financial management strategies.

In the case of real management strategies, enterprises have tended to shorten the duration of their investment projects and rationalize the management of inventories and, in particular, the sale of fixed-yield securities. This has had adverse effects on the facilitated credit system and investments in general.

In the case of financial management strategies, enterprises have anticipated the demand for funds in accordance with an acceleration of the implementation of investment projects and varied the composition of their financing sources so as to tap new alternative circuits rather than traditional sources of financing.

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In particular, they have designed financing strategies to:

- 1) contain short-term financing by rationalizing the management of funds; this has often led to centralization. Increase the velocity of circulation of financial activities; utilize, in the case of unexpected needs for funds, money market instruments (bank acceptances).
- 2) choose financing systems which limit present and future burdens and reduce short-term indebtedness.

Thus there is extensive use of direct financing instruments, like stocks and bonds, both convertible and with variable yields.

In 1981, sales of stocks leveled off at a little less than 7 billion--about double the level recorded the preceding year. This turning to the stock market can be attributed to many causes. Among them, important ones are the difficulty of obtaining funds through the banking system, the need to contain indebtedness, and expanded stock market activity in the first months of 1981. The companies listed on the stock exchange have had an increasing tendency to obtain financing with risk capital due to the favorable expectations of stock purchases related to rising quotations. In the first part of the year, at the time when assemblies were meeting to approve budgets, the principal companies quoted on the stock exchange had stock splits, many of them supported by bank guarantee consortia. The crisis the stock market suffered from in the middle of the year obliged many companies to postpone projected stock splits.

In the bond market, which was stimulated by the introduction of tax exemptions on interest income, there was increased use of convertible and indexed bonds, and a strong tendency for enterprises to diversify the parameters of variability and their conditions. The Bank of Italy, in order to ensure the necessary availability of information about the market, applied guidelines to companies which were designed to avoid the use of parameters that are not easily identified.

The value of convertible bonds issued grew ten-fold in 1981 with respect to the preceding year. The increase is due to reasons of expediency for both savers and bond issuers. Investors attenuate the risk of currency depreciation, because together with the interest on the bond they acquire the possibility of exercising an option to convert a bond into a share. The issuer can obtain financing without an immediate stock split, and can sell securities at interest rates lower than the current rate. The limitations of convertible bonds are above all uncertainty as to when the option to convert will be exercised and the resulting difficulty for the issuer in planning long-term financing.

Finally, state-owned enterprises have tried to improve their financial situation by resorting to alternatives to traditional instruments, for example leasing and factoring. These institutions make it possible to use the means necessary for production without directly acquiring them, and facilitate the acquisition of commercial credits, making it possible to contain the degree

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of indebtedness and exercise a positive influence on the management of liquidity; this has clear economic advantages, which increase with the size of the gap between the cost of money and the return on capital investment.

In this connection it should be noted that, in general, the expansion of these operations can be considered positive in terms of their effect on productivity, the final cost of investment, and the financial structure and assets of enterprises. Given expectations that the rate of inflation will not decelerate, leasing enables firms to limit the time and costs of investment decisions, thus facilitating an intensification of capital as a factor of production, and benefiting their economic accounts due to the faster amortization implicit in fiscal forecasting entailing integral deductions of fees. The use of leasing and factoring also makes asset and financing management more flexible, reducing the proportion of rigid operations, increasing the velocity of rotation of short-term operations, and limiting the extent of indebtedness and hence of financial risk.

It should however be noted that the increase in the number of intermediaries operating in the above-mentioned sectors, which is partly due to the formation of companies without operational or patrimonial links to credit institutions, and extensive use of atypical securities can give rise to problems in the efficient allocation of resources and be an obstacle to the availability of market information and to the orderly development of capital markets. These considerations indicate that financing systems other than credit institutions should be carefully monitored, also for purposes of general regulation.

1) GRADO DI AUTOFINANZIAMENTO DI UN GRUPPO DI 458 SOCIETA' ITALIANE DELL'INDUSTRIA MANIFATTURIERA (in percentuale della formazione lorda di capitale fisso e scorte)					7) EROGAZIONI DI CREDITO A MEDIO E LUNGO TERMINE E INVESTIMENTI NEL SETTORE INDUSTRIALE (miliardi di lire)						
2) Anni	3) Totale societa' (468)	4) Societa' a part. statale (62)		5) Societa' private (396)	8) Anni	9) Erogazioni			13) Investim. fissi lordi (d)	14) Rapporti %	
		(a)	(b)			10) Agov. (*) (a)	11) Non ag. (b)	Totale (*) (c)	a/d (e)	c/d (f)	
1963	35,3	20,7		45,4	1971	1.390	1.035	2.475	4.246	32,7	57,1
1964	40,6	21,8		55,3	1972	1.613	854	2.487	4.418	36,5	55,8
1965	49,7	41,4		90,1	1973	1.526	1.463	2.935	5.076	25,1	49,9
1966	73,7	49,3		83,6	1974	1.825	1.188	2.714	6.071	18,9	33,6
1967	55,9	44,7		61,4	1975	2.100	1.027	3.752	7.690	23,8	48,9
1968	81,0	69,7		90,1	1976	2.473	1.815	3.811	9.158	24,0	47,6
1969	64,5	63,9		64,7	1977	1.036	2.567	5.040	10.675	23,3	47,5
1970	36,1	26,0		41,1	1978	2.074	3.012	5.008	11.447	17,4	43,7
1971	38,7	13,7		44,1	1979	3.382	3.178	5.114	14.300	13,4	35,5
1972	47,4	31,9		77,7	1980	1.505	5.300	8.082	10.421	13,8	41,5
1973	77,7	46,8		102,8	1981	4.442	3.112	11.494	22.135	15,3	51,9
1974	48,3	37,2		49,7	media 1971/75	1.565	1.293	2.858	3.058	25,8	47,2
1975	36,3	22,0		46,0	media 1976/81	2.442	3.979	5.421	14.520	15,8	44,2
1976	36,7	25,2		78,8							
1977	36,2	2,1		56,1							
1978	81,1	16,9		72,0							
1979	56,5	26,7		71,6							
1980	* 38,7	3,1		54,4							
Media											
1963-68	59,3	39,6		71,0							
1969-73	51,3	34,5		64,1							
1974-79	47,0	21,7		62,3							

(*) di cui crediti all'esportazione sull'interbo (dati parzialmente stimati): 1978 - 941; 1979 - 829; 1980 - 1.108; 1981 - 1.587

6) Fonte: Banca d'Italia - Nota: (1) gruppo di 202 societa'

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Key

- 1) Extent of self-financing of a group of 458 Italian manufacturing firms.
(percentage of gross capital formation and inventories)
 - 2) year
 - 3) Firms, total
 - 4) partly state-owned firms
 - 5) private firms
 - 6) Source: Bank of Italy, Note: (*) group of 202 firms
 - 7) Distribution of medium and long-term credit and investments in industry
(billions of lire)
 - 8) year
 - 9) Distribution
 - 10) Facilitated
 - 11) Not facilitated
 - 12) total
 - 13) Fixed gross investments
 - 14) percentage ratios
- * Including export credits within the firms (data partially estimated):
1978-941; 1979-829; 1980-1, 108; 1981-1,587.

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POLITICAL

FEDERAL REPUBLIC OF GERMANY

IMPLICATIONS OF RISE OF GREEN PARTY EXAMINED

Hamburg STERN in German 6 May 82 pp 216-220

[Article by Sebastian Knauer: "Parties; Green Wave"]

[Text] By gaining further successes in legislative elections at the state level, the Greens have been transforming party politics in the Federal Republic. New coalitions have been formed with the fourth party. Do the Greens wish to ally themselves with the established parties and can they do so?

"There is a specter in the Federal Republic--the specter of the Greens," noted pollster Rudolf Wildemann at the time of the last federal elections 2 years ago. In 1980 the Greens won only 1.5 percent of the vote in the duel of chancellor candidates Schmidt and Strauss. The political managers in Bonn's parties sighed with relief at this pitiful result. This year the specter is spreading new terror. At least since the surprisingly good showing of the Greens in the legislative elections in Lower Saxony in March (Greens--6.5 percent, FDP--5.9 percent), the entire structure of the party system is being tested. The traditional three-party setup is being powerfully shaken by the Greens' winning seats in legislative bodies.

The role of the FDP "as the party holding the balance of power" (SPD Executive Committee member Hans-Jochen Vogel) "is in danger" if, as in Berlin, Lower Saxony and a number of city and town councils, the Greens succeed in becoming the third largest party.

The CDU/CSU, which is far removed from the election platforms of the Greens ("an alternative to capitalism"), is hoping for indirect assistance from the pro-environment party, which has up to now gained its votes from the Social Democrats. A fourth party, which Bavarian Prime Minister Franz-Josef Strauss includes in his plans as a prerequisite for a change of government in Bonn, is beginning to establish itself, however, not to the right but to the left of the governing parties.

For the SPD the Greens could be an ally in order to prevent a conservative government from taking power. Of course, the Social Democrats are issuing harsh rejections. Says Federal Secretary General Peter Glotz, "The Greens are our political opponents, whom we are fighting against," and SPD head Willy Brandt, who predicts that the Greens will enjoy a 5-year career in

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parliament, states, "They don't want to deal with us and prefer to show us their naked backside."

At the federal convention of the SPD, Petra Kelly and Lukas Beckmann, members of the Greens' executive committee who advanced with a peace poster, were prohibited from entering the hall. But the debate about red-green alliances began a long while ago.

The Greens are expected to do well in the upcoming elections for state legislatures in Hamburg (in June), in Hessen (in September), and Bavaria (in October). A senate poll shows that the Green-Alternative coalition can expect almost 10 percent of the vote in the Hansa city. Nevertheless Hamburg mayor and Number 1 SPD man on the ticket, Klaus von Dohnanyi, is ruling out a coalition, "The Greens don't exist as a party for me."

That could change if the SPD and FDP are threatened by further setbacks. It is still open to question whether the Liberals will again be represented in the three state parliaments or whether the Greens alone will take their seats next to the SPD and the CDU deputies. In that case, neither Holger Boerner nor Klaus von Dohnanyi could continue to govern without aid from the newcomers.

But, if one more state falls to the CDU, the latter can for all practical purposes block the work of the Bonn government with its two-thirds majority in the upper house (Bundesrat). This would signify the end of the social-liberal coalition.

Will the Greens be the nail that finally shuts the coffin of the SPD and FDP alliance? Erhard Eppler, who was reelected to his position as a member of the SPD Executive Committee, has presented an early recipe for survival. Since "according to Adam Riese" (so Eppler) the CDU with its 45 percent of the vote can be prevented from coming to power only with the help of the Greens, one will have to depend on the good will of the new party. "Greens here, Greens there," said Eppler, "the fact is that there is no majority left of the CDU that is in opposition to the peace movement, to the pro-environment movement."

Red-Green coalitions have been working in the provinces for years. In Bielefeld the four councilmen elected on the "Colorful Ticket" aided the Social Democrats in passing their budget against the votes of the CDU. The Greens gained 3 million marks for bicycle paths, homes for women, and youth centers. In Berlin the "Alternative List", together with the SPD, established a plan for dealing with squatters. With SPD votes, an Alternative List councilman was placed in charge of the construction department.

In Kassel, the Social Democrat mayor was reelected with the votes of the Greens, and until recently, the top official in Marburg governed through an alliance with the Greens.

In the Schleswig-Holstein town of Uetersen, even the CDU haggled over seats on the various committees with a Green-Alternative ticket. The condition: that the Greens support CDU candidates for the town council.

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"Of course, one must carefully investigate," advises federal strategist Erhard Eppler, "what kinds of people comprise the respective groups, whether they are capable of political action." And that is not so easy, since even after several years of debate about platforms and personalities, groups and errors, the Green camp is a motley. Their slogan: "We are not on the right or the left, but up front."

A hitherto unpublished study the German Research Association about the "Greens in the Party System of the Federal Republic" documents the variety: 23 colorful and alternative tickets; a dozen--some of these have already wilted--Green parties and working groups such as "Green Action Future," "Action Community Independent Germans," "Urban Indians," "Bicycle Riders," the Marxist "Z Group," or the extreme right-wing "Affairs of the People/National Revolutionary Reconstruction Organization."

Berlin sociologist Richard Stoess, one of the authors of the study: "The groups making up the ecological election movement enjoy the special esteem of sympathizers, beneficiaries, and people going along for a ride. Politically they are, however, also extremely controversial, are regarded as right- or leftwing radicals, a short-lived protest movement without a political program or as an all-inclusive alternative to the existing social order."

The green jungle cleared only when, on 13 January 1980, a federal party "The Greens" which now runs candidates in all 11 states, was formed. Today 24,000 members subscribe to the party program "ecologically, socially, at the democratic grassroots level, and nonviolently." A temporary falloff in membership after the rise of conservative Greens such as Herbert Gruhl and Baldur Springmann, who founded the rival "Ecological-Democratic Party," has been canceled out.

The Greens are a rich party: over 4 million flowed into their treasury from the European election campaign; the federal party's total wealth at present amounts to DM 350,000.

The Green parliamentarians keep only about a third of a legislator's salary; in Berlin and Hanover, for example, a skilled worker's net salary of DM 1,800. The rest goes into "Eco Funds" to support citizens' initiatives or is deposited in bank accounts. In Swabia the Greens have invested half a million marks at a good rate of return.

In Baden-Wuerttemberg the conflicts within a party that does not wish to be one are clearest. There is internal trouble with the head of the Green state party, teacher Marieluise Beck-Oberdorf, who is demanding a fixed salary for her political job and threatened to resign if it was not granted. The membership rebelled against paid professionals in politics. Freiburg deputy Helgo Bran, who publicly advocated subterranean atomic piles, demonstrated little astuteness. He wants his astonishing statement to be taken for a "Trojan horse," since this method of construction is too expensive for the industry.

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"We cannot avoid being more professional," says Green deputy Wolf-Dieter Hasenclever critically. He sees opportunities for cooperation with other parties. "We don't care whether the CDU or the SPD turns off the atomic power stations." In order that the Greens do not become a "party of jabberers" (thus Hasenclever), protests at the grassroots level will continue to be supported, and extraparliamentary protest is to be taken inside the parliaments. By staging a hunger strike, the six Greens in the Stuttgart legislature wish to force a whole day's discussion concerning the construction of the nuclear power station at Wyhl.

The Greens see considerable obstacles to an alliance with the SPD. "Someone that needs us only because our percentage points will enable him to remain in power is not a suitable partner," says Secretary General Lukas Beckmann. "We are going to accomplish the goals of our platform even if we don't succeed in 1984." Jutta Ditzfurth, Green deputy from Frankfurt, attaches five conditions to a possible coalition in Wiesbaden: "No western runway, no new nuclear power plant in Biblis, no waste treatment facility, no new motorways, and no Prime Minister Boerner." And Hasenclever says, "We refuse to work together with the SPD as the party of growth."

The young party with its 17-member executive committee, which is replaced after a single term, had to build a nationwide organization in the space of a few years. The Greens had a favorable start because of the support of academics and many financially well-situated public school teachers. Hasenclever considers a possible handicap the nevertheless sparse permanent membership of the party of protest with its above-average popularity with sensitive and dissatisfied young voters. "If we share political power now, we won't be around in a couple of years."

In Hessen, the Alternatives are in the process of destroying themselves. The recently founded leftwing party "Democratic Socialists" of Manfred Coppik and Karl-Heinz Hansen is running in addition to the Greens, and an "Alternative Ticket" of runway opponent Alexander Schubart is seeking the support of the same voter groups in Frankfurt. The laughing winner is CDU candidate Alfred Dregger, whom the rival environmental groups, which will prevent one another from obtaining the necessary 5 percent of the vote, might help to gain an absolute majority of seats in the legislature.

Hamburg, too, is giving a preview of the conflict within the "Green-Alternative ticket." Only after they send representatives to the city state's legislature for the first time will one know whether the agreements about the distribution of seats and the replacement of the deputies after 2 years will last. Party researcher Stoess: "To become a permanent political force beside the three historic parties, they will need a realistic appraisal of their own possibilities and limits."

Even so, the latest Allensbach poll, made in April, says that the Greens might win as much as 6.5 percent of the vote if federal elections were held today. To accustom the fourth party to power, Green tactician Hasenclever wishes to make agreements with a potential coalition partner in areas like transportation, energy, armaments, and ecology. As a quiet partner in a kind

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of "Federal Government, Inc.", the Greens could make their influence felt. If the more powerful party reneged, Green support would be withdrawn.

These game plans do not make provision for Green notables. Hasenclever: "We cannot send ministers to Bonn yet."

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POLITICAL

FRANCE

DANGERS FROM CANTONAL ELECTIONS FOR MITTERRAND, POLICIES

Paris PARIS MATCH in French 9 Apr 82 pp 38-39

[Article by Arthur Conte: "Mitterrand To the Front: Fatal Consequence of Defeat of the Left in Cantonal Elections"]

[Text] All our information and all the signs agree: the president of the Republic does not at all underestimate the seriousness of the defeat suffered by the socialist government in the cantonal elections.

Familiar with defeat, having experienced numerous spectacular setbacks in his public life, having finally triumphed in May 1981 over the "jinx" only by pure stubbornness and through the gift of dreadfully divided adversaries, he certainly knows how to react to a strong disappointment. He has had to overcome quite a number of others. Moreover, the conquerors of the day are wise in avoiding any show of triumph, not allowing themselves to be carried away by their victory, not interrupting their fight for a single moment and, for their part, also refusing to underestimate the skillfulness of the particularly tough individual who rules at the Elysee Palace. The biggest battles are yet to come, beginning with the municipal elections which will take on an enormous political significance, like no other campaign of such a nature, and which by themselves could put both the government and the president in a decisive check. The fact remains that on 14 and 21 March, there was defeat.

Moreover, a single sign would be sufficient to demonstrate that the Elysee Palace cannot have failed to think that the cantonal elections have changed many things and have seriously affected the socialist government: the reaction of Michel Rocard, and the equally prompt reaction of Jean-Pierre Chevenement. No longer can anyone ignore the fact that as of today the socialists, and not the least among them, are convinced that at the rate things are going, the economic and political disaster of the experiment is hardly avoidable. Even using the most subtle sentences and the most calculated terminological precautions, Michel Rocard has left his comrades no illusions as to prospects if the government perseveres in its errors, its contradictions and its incoherences. It is up to others to imagine that he could have made such a statement of reservation in agreement with the president of the Republic and that he may have figured on putting himself in the expectation of the defeat of the unfortunate Pierre Mauroy. To tell the truth, as of now, everyone is working on the assumption of the total defeat of Francois Mitterrand himself. It is the "after Mitterrand" we are faced with, much more than the

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"after Mauroy." Not that Mitterrand is being threatened for the moment. But everything is already turning out as if the Mitterrand experiment could only be a failure.

The good Mauroy has become too transparent. However sympathetic he may be, he is no longer a shield. Moreover, the only people present at the very important luncheon which brought together Francois Mitterrand and Georges Marchais at the Elysee Palace a few days after the polls, were, on the communist side, Charles Fiterman and, on the socialist side, Pierre Beregovoy who, by the way, has turned the office of secretary general of the presidency into a basic cog, super-Matignon, of the Fifth Republic. As if it were natural, the prime minister was kept away from such an important dialogue.

By spectacularly approving Michel Rocard's reservations, Jean-Pierre Chevenement in turn only confirmed the seriousness of the defeat suffered by the socialists. There is little love lost between the two men and they do not understand each other very well. They have always had a different sensitivity to the majority of the problems. Chevenement played a major role in Mitterrand's victory over Rocard at the time of the nomination of the socialist candidate for the presidential election. Chevenement is preparing himself as much as Rocard for a national destiny, except that the minister of planning, a very committed European and very conscientious manager, has a tendency to be responsive to centrist sympathies, and that the minister of research, with a great deal of skill, has rather a tendency to flatter the Gaullist electorate. In a few months, the man has come a long way: he who was the enfant terrible of socialism, the troublemaker of CERES [Center for Studies, Research and Education], applies himself primarily, with the flexibility of a virtuoso, to projecting the image of a statesman who does not allow himself to be led astray by the vanities of ready made ideas. All the more reason why the support given by Chevenement to the reservations expressed by his rival Rocard cannot have gone unnoticed at the Elysee Palace, as in all the main political circles.

Who would believe then that it is the armchair of Mauroy that the two most frisky chargers of the socialist future are coveting? Unquestionably, they are maneuvering solely in the prospect of one day securing the real succession. And the situation must really have become very pressing for both of them to have wanted this early -- even though with Florentine skillfulness -- to separate their responsibility from the mistakes which have been committed! They would especially not like to get lost in the expected shipwreck. This is obvious.

Hence, the president cannot have failed to feel very strongly the very serious worsening of his position.

But, for him, there are greater causes of worry. Henceforth, not only is he himself the most exposed and not only does he become the main target -- thus, eminently vulnerable -- of his adversaries who, while respecting the law, only break loose with more enthusiasm or determination in all the departments, but he is personally suffering an "unexpected" defeat here. Evidently, he did not expect such an impressive retreat, so quickly after his advent. He has seen his troops surge back in disorder, his captains lose their heads, his spokesmen

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panic on television, his generals attack television although it has never been this colonized, and, in unacceptable statements, attack an opposition which is only doing its job of opposition. Such thorough chaos had certainly not been expected.

Furthermore, he is now faced with two obvious facts, pregnant with the most bitter thoughts -- one in the strategic area, the other in the area of history.

First, in the strategic area. Because it is clear that the French men and women have just unquestionably manifested a total allergy to a "change of society." You must want to be blind not to see this. The major socialist leaders, with Louis Mermaz at the top, explained to us: "But no, this setback is due to the fact that we have not pushed far enough or not conducted the policy of change energetically enough." A major mistake. The contrary is true. One only has to call on the most elementary common sense to explain it. Indeed, if this were really the case, if the French primarily reproached the government for being too lukewarm in its desire for change, they would have given their vote to the party which, with the greatest consistency, calls for the quickest change: the Communist Party. If the Communist Party had been triumphant in the elections, then yes, then we could draw the lesson from it that our people are asking for an upheaval of society. But the communists did not experience this triumph. Far from it. Hence, the socialist leaders are completely wrong when they explain their failure with the basic reason that their rose is not red enough.

This is all good and well, but the figures speak better than the Lionel Jospins: the people of France do not want the enormously bureaucratic society which the socialists-communists want to impose.

The French want to keep the liberal society which is theirs, except for greatly improving it. They are perfectly well aware of the tremendous underground influence exercised by the communists, in spite of their electoral weakening, on numerous aspects of socialist policy and absolutely reject the action of people who, if we are not on our guard, would one day lead us to a socialism in the Polish or Cuban fashion.

But it so happens that, in order not to displease the communists, Francois Mitterrand does not want to decelerate or shade his policy of frenzied change. Suddenly he has become completely pinned down. Basically, he has suddenly been caught in the trap he wanted to make his communist allies fall in, like his adversaries of the center and the right. By pure skill, he thought he was winning on his left front as he was on his right front, and he is condemning himself to losing on both. And he has no other solution than to persevere in the "break" strategy which he heralded too imprudently from the first days of his rule, that is to say to persevere in the error. There he is, condemned to go round in circles in the cage he himself created.

Equally serious is the fact that the men and groups susceptible to safeguarding bridges between a certain liberal school of thought and a certain social democratic school of thought have been respectively weakened and eroded. Especially the leftist radicals have disappeared into obscurity, or become a toy. And what is the value of the groups of a Michel Jobert who promised to assemble his

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cohorts and who, blase or ironic, has come to prefer publishing a novel, which was in fact written very poetically? Even better: virtually all the radicals and social democrats in the opposition have come to the conviction that, following its failure, Mitterrandism may be so damaged or discredited that any dialogue with anyone having served it would be impossible. The whole opposition is bracing itself in the most uncompromising anti-socialism. All the last bridges between liberalism and socialism are falling by themselves. Bluntly speaking, this means that Mitterrand no longer has the opportunity for a positive dialogue with a sizable center left. Considering the untiring insidious undermining of the communists, it may as well be said that a head of state has never found himself in such a tragic solitude -- and he himself is more aware of this than anyone.

Furthermore, for him, the depth of bitterness: he thought he would be able to get a lot out of the remains of the UDF [French Democratic Union], which all the socialist leaders had predicted to be doomed to dispersal and ruin, but the UDF, once again fully confident in itself, has just manifested an exceptional vitality; he believed he had blocked Jacques Chirac's party on the extreme right, and not only does the RPR [Rally for the Republic] reveal the most beautiful resources in terms of depth and manpower, but it easily plays at being extreme liberal in the face of socialist-communist sectarianism; he may have believed that he had dismantled the opposition, but the alliance between the UDF and the RPR turned out to be perfect, and, when the time comes, there will be no lack of wise men to lead that alliance at all levels. Among the new generations it is even the opposition which, contrary to all the forecasts, presents the men of greater value. We cannot list all the names, but from Pierre Mehaignerie in Bretagne to the very young Michel Barrier in Savoie (a name to remember), it is certain that it is the opposition which offers the largest supply of brilliant personalities.

In any case, this is the main result barely 1 year after the socialists took power: an impossible strategy -- and a disoriented president.

Unfortunately for him, the prospects are not any better in terms of history.

He who dreamed of a freer and more just society will leave us the most fearsome dictatorship of all: the bureaucratic dictatorship. This apostle has opened the way to an army of inquisitors. Never has the bureaucracy been king to this extent. It would be impossible to go more completely against the current of history. Because, in the future, the main world struggle for the full dignity of man will be waged against the dictatorship of bureaucratism, of which we are discovering the appalling effects in the East. This esthete, so much in love with roaming and strolling, runs precisely the risk -- and further, undoubtedly against his deepest calling -- of being written up in the annals of history as one of the major servants of this dictatorship. This born writer, who is fiercely attached to his originality, is in the process of giving full support to the technocrats and the computers over the creators of life and energy. Of course, suddenly, and in spite of the brilliance of his vocabulary, he is reduced to the coldest ideology.

This spectacle is all the more startling as Francois Mitterrand must surely have cultivated and savored the highest ambition, up to the point of dreaming of himself as the inventor of a kind of socialism.

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To tell the truth, he must have set his golden dreams too high or else he must have made a mistake about the time. He must have forgotten that, at their advent, the really great men of history or the most valuable statesmen "during uncertain times" were the most modest: Pericles, Octavius Augustus, Sully, Washington, Adenauer, Truman, John XXIII. It takes vast storms to make the giants of the epic famous, from Alexander to Bonaparte, from Churchill to De Gaulle. Under all circumstances one should be wary of the clan of ideologues, of all servants of verbal excesses and of impossible religions, after the fashion of Cromwell and Robespierre, agents of the most infernal divisions who, in the name of the universal good, always ending up -- cold blooded assassins -- with the vainest cruelties, are the most diligent in contributing to their own ruin and leave only a memory of blood. Now, we are not in a storm which in itself could call up an epic or give an opportunity to the inventors of the future. The universe and France have reached a point where they will have to cross a dark, difficult and marshy passage, as long as the red old men of the Kremlin have not moved over for a new Russia.

Mitterrand should have armed himself with the wisdom and the patience of those who assemble, and not with the ideology of those who divide. The courage was to be found in simplicity and not in excess. Glory would have come by itself to him who could wait. It will in all likelihood deny itself, and sooner than he expects, to the one who has sought it too systematically with the illusion of a few soulless words.

Let us say: for a destiny, a magnificent opportunity has been wasted.

The future of Francois Mitterrand is a difficult one...

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POLITICAL

SPAIN

OPINION POLL CONFIRMS UCD SLIDE, PSOE GAINS

Madrid CAMBIO 16 in Spanish 26 Apr 82 pp 24-27

[Text] The socialists would win the general elections if the Spanish people were to go to the ballot boxes right now. At least this is what is indicated by an extensive poll on voting preferences taken early this year.

Polls are a barometer of public opinion which are able to reflect the weather--of political preferences, in this case--just at the time they are taken. Polls are useful for assessing the situation at the moment of measurement.

But things will have to change a great deal for the UCD [Democratic Center Union], which has 16 percent of the possible votes, for it to be able to overcome the 34 percent of the PSOE [Spanish Socialist Workers Party]. Polls always leave one unknown factor unresolved: the "don't know, no answers," who later, on the day of the election, do know, and can even manage to tip the scales to one side or the other. As of now, 11 percent of those polled do not know for whom they will vote and 5 percent do not answer. This represents many thousands of still-undecided voters.

Comparing the information in the poll with the results of the last general elections (1 March 1979) the first thing that strikes the eye is the possible decline of the Center. Prospective votes are slipping away from the government party like water through a sieve.

PSOE Surge

Some of those votes would end up with Popular Alliance, and some with the PSOE, but the vast majority would go to the account of the undecided.

If the way the Center handles things from now on through the months which remain before the elections manages to restore the trust of these persons--the majority of whom are 40 years of age and older, and who are mainly women--the UCD would be able to recover a great deal of the ground it has lost.

Another party which has also lost out is the communists. Votes are flying away from the PCE tree like a flock of frightened birds. The PCE has not

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worn itself out governing, like the former party; its decline in prospective votes in the imaginary election is due to some other cause. Perhaps it is because of its recent internal crisis; to the extent that we move away from the date of those events, their situation also could improve. To sum up, two of the important parties are losing ground and two are gaining. Both the PSOE and the AP [Popular Alliance] are to be congratulated.

The socialists have more than a third of the population in their pocket. They are out in front and on top, although by too small a percentage for an absolute majority. The younger voters--from age 18 to 40--are the ones who have the greatest confidence in the PSOE, not to mention the salaried workers and the unemployed, where the percentages rise to 46 percent.

However, they don't have the grandmothers. Women 60 and over prefer the Center. It is the only age and sex category where the socialists lag behind the UCD.

Popular Alliance does well among the different ages, whether men or women. True, people of advanced age like the AP more, but this party is maintaining a good balance throughout the different age categories. They always say that governing wears down the party in power, although the opposition always replies that being in the opposition burns up your resources, and besides, you don't stay in power. In short, this is democracy and liberty: every mast bears its sail, and the crew decides it. But it is only fair to recall that during these last years the government has not lacked for masts, and problems. Did it solve the latter well?

In the opinion of the people polled, hmmm..., that is "pretty well," according to the majority (48 percent), "badly," according to 33 percent, and 15 percent thought the government did "well." The truth is that not many are very convinced that the UCD is going to clear up the picture if it continues to govern. Things would stay the same.

The PSOE however is given a broad measure of trust: 41 percent believe that it would solve our current problems, 33 percent think that things would remain the same, and only 7 percent think that the situation would get worse. Therefore it appears that there is no fear of change, of an alternate group coming to power.

If the Spanish people had to elect the president of the government right now, there is no doubt about who it would be: Felipe Gonzalez would be the one. Forty percent would vote for him. A very favorable image, even better than that of his party: 6 percent of the voters who would not vote for the PSOE would, however, vote for its leader. The other "presidential possibilities" are far behind; but there is one important surprise: Fraga would defeat Calvo Sotelo. In spite of his efforts, Calvo Sotelo only manages to get the votes of 11 percent of those polled, while Fraga obtains almost 14 percent. The Alliance leader too would get more votes than his party would. Adolfo Suarez comes in fourth in the preferences, and is much better liked by women than by men. He is the only leader where such a large difference between the sexes is registered.

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Finally, there is another important piece of data which it is well to point out. When the people polled were asked who they believed would win the coming elections, the majority placed their bets on the PSOE (46 percent) and only one-fourth thought that the current governing party would repeat its victory. This shows a low level of confidence, which is still more disquieting if the small percentage obtained by the Centrist leader is taken into account.

Place Your Bets

It must be understood that the UCD is not rejected out of hand by the people polled, and in their name, by the electorate. Only 12 percent assert that they would never vote for the UCD. The PSOE (only 4 percent would never vote for it) and the UCD--followed by the AP--are regarded as broad-spectrum parties which people like.

This is not an unfounded statement, because the political orientation of the citizenry generally encompasses the ideological positions covered by these two parties. When the people who were polled were shown a line graph on which they could align themselves politically, the extremes on the Right and Left stayed vacant. The Left and left of Center made up 41 percent, and the Center/right of Center 25 percent.

If after going over all the information in the broad Emopublica poll, with its more than 10,000 interviews, we could sketch a composite picture of the person who votes for each party in the country, the one voting for the PSOE would be a man between 26 and 59 years of age, and the woman between 18 and 39, who live in large cities, especially over 500,000 in population, who are salaried workers in the large companies, or medium-level personnel, day laborers, or are unemployed.

The UCD voter, whether a man or a woman, is older than 59, lives in a very small town, and is also a businessman, farmer or industrialist. The AP voters also are primarily persons of an advanced age, but, in contrast with the centrist, they live in medium-sized towns, of between 50,000 and 500,000 inhabitants. Socially, they are similar to the UCD voter, with a higher incidence of businessmen, directors and industrialists. The composite picture of the communist voter is that of a man of 26 to 39 years, living in a city of more than 50,000 inhabitants and by profession a skilled worker in a small plant or an unskilled worker, although he also may practice a profession.

Technical Features of the Poll

Population: individuals over 18 years of age
Field: people residing in the peninsula and the islands
Sample Size: 10,362 personal interviews in homes
Sample Error: 1 in 100 in the most unfavorable cases of 50 percent, and with a reliability factor of 95.5 percent
Number of Sampling Points: approximately 700
Date of Fieldwork: February, 1982
Carried Out By: Emopublica and Salte Institute, S.A., Consultants

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Who Would You Vote For?

Sex and Age

Party	Gen Total		Age				Over Total		Age			
	Total	Men	18-25	26-39	40-59	59	Women	18-25	26-39	40-59	59	
PSOE	34	36	37	41	35	30	32	43	38	28	22	
UCD	16	13	8	9	17	19	18	11	14	19	25	
AP	8	9	6	8	9	11	7	5	8	7	9	
PCE	4	5	6	8	3	3	2	4	2	1	2	
Nation- alists	7	7	13	8	6	6	6	8	7	5	4	
Others	2	2	4	2	2	2	2	3	1	1	2	
Don't know	11	7	5	6	9	8	14	8	11	17	17	
Blank	2	2	3	3	2	3	2	3	2	2	1	
Would not vote	11	11	15	10	10	11	12	12	11	12	12	
No answer	5	4	2	3	4	6	5	2	5	7	6	

Population

Party	Less	2,000	10,000	50,000	More
	than 2,000	to 10,000	to 50,000	to 500,000	than 500,000
PSOE	28	31	32	35	42
UCD	23	19	15	15	9
AP	7	8	7	9	8
PCE	3	3	3	4	4
Nation- alists	5	5	8	7	8
Others	3	2	2	2	3
Don't know	12	13	3	10	5
Blank	3	1	3	3	3
Would not vote	11	10	12	11	13
No Answer	5	6	4	4	4

What Party Would You Never Vote For?

Party	Total	Men	Women	Sala- ried	Unem- ployed	Retired	Busi- ness	Stu- dents	House- wives	Answer
PSOE	4	5	4	4	3	5	7	4	3	5
UCD	12	15	10	15	20	12	9	16	9	12
PCE	27	27	27	25	18	32	33	21	28	29
AP	15	17	12	20	21	13	9	21	11	14
FN	25	30	20	34	30	20	18	45	18	20

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(1) **ELECCIONES GENERALES**

(2) **INTENCION DE VOTO Y OPINIONES DE LOS ENCUESTADOS**
(en %) Encuesta Encuestados, febrero 1982

(3) A quién votarían y como votaron

	Elecciones Generales		
	Encuestas Encuestados	1-8-79	29-10-77
UCD	18	34	34
PSoE	34	30	29
PCE	4	10	9
AP	8	5	8
FN	1	2	0.3
Independientes	7	9	8
Otros	1	1	5
No sabe	11	-	-
En blanco	2	0.9	13.4
No votaría	11	31	20
No contesta	5	-	-
Nota: nulas y en blanco	5	-	-



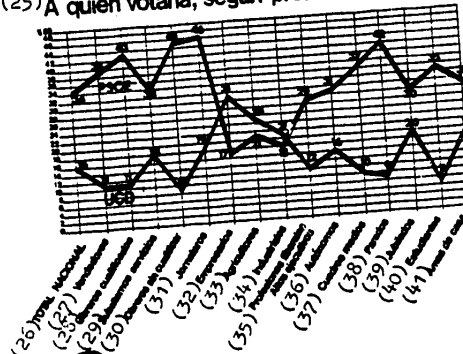
(13A) quién prefiere como presidente del Gobierno

	TOTAL	Hombres	Mujeres
Felipe Gonzalez	38.8	40.5	36.0
Manuel Fraga	13.7	14.8	12.6
Caso Solano	11.3	10.1	12.4
Adolfo Suarez	5.8	3.6	7.5
Tierno Galvan	3.9	4.7	3.2
Fernandez Ordoñez	2.3	2.5	2.0
Santiago Carrilo	2.2	3.1	1.3
Antonio Garrigues	1.6	1.9	1.2
José María Arista	1.1	1.7	0.5
Luis del Puerto	1.1	1.2	1.0
Luis del Puerto	0.8	1.2	0.6
Blas Piñar	0.4	0.2	0.6
ninguno de ellos	7.3	5.4	9.0
No sabe-no contesta	7.3	5.4	9.0

(6) Quién cree que ganará las próximas Elecciones

	TOTAL nacional	(21)		(22)		(23)		(24)	
		Hombres	Mujeres	Hombres	Mujeres	de 2.000 a 10.000 habitantes	de 10.000 a 50.000	de 50.000 a 100.000	Más de 100.000 habitantes
PSoE	37.4	53	40	40	40	44	49	59	
UCD	26.3	23	28	27	25	25	24	22	
Otros	7.6	7	6	5	7	6	6	7	
No sabe no contesta	28.7	18	29	29	29	26	22	15	

(25) A quién votaría, según profesión

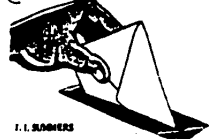


(42) Confianza en UCD (Gobierno) y en el PSoE

	TOTAL	Hombres	Mujeres
(45) ACTUACION DEL GOBIERNO			
(46) Buena	15	13	17
(47) Regular	48	48	48
(48) Mala	33	38	25
(49) CAPACIDAD DE UCD PARA SOLUCIONAR LOS PROBLEMAS Y SELE GOBERNANDO			
(50) Solucionará	15	14	16
(51) Solución igual	43	43	44
(52) A peor	30	34	25
(53) ¿DANA EL PSoE SOLUCIONAR LOS PROBLEMAS			
(54) Solucionará	41	46	37
(55) Solución igual	33	30	34
(56) A peor	7	8	7

(58) Autocalificación política de los encuestados

	Extrema Izquierda	Izquierda	Centro Izquierda	Centro Derecha	Derecha	Extrema Derecha	No sabe no contesta
(59) TOTAL nacional	1	23	19	19	7	8	23
(60) Hombres	2	28	20	19	7	7	20
(60) Mujeres	1	19	18	20	7	9	26



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Key:

1. General elections
2. Voting preferences and opinions of those polled
3. Who they would vote for, and how they voted
4. Emopublica poll
5. General elections
6. Nationalists
7. Others
8. Don't know
9. Blank ballots
10. Would not vote
11. No answer
12. Invalid and blank ballots
13. Who would you prefer as president of the government?
14. None of these
15. Don't know/no answer
16. Men
17. Women
18. Who do you think will win the next election?
19. Others
20. Don't know/no answer
21. Men
22. Women
23. Towns of less than 2,000 population
24. Towns of more than 500,000 population
25. Who they would vote for, by occupations
26. National total
27. Salespeople
28. Skilled workers
29. Service personnel
30. Unskilled workers
31. Day laborers
32. Business people
33. Agricultural workers
34. Industrialists
35. Liberal professions and high executives
36. Independents
37. Medium-grade personnel
38. Unemployed
39. Retired people
40. Students
41. Housewives
42. Confidence in the UCD (Government) and in the PSEO
43. Women
44. Men
45. Opinion of how the government has handled matters
46. Well
47. Pretty well
48. Poorly
49. Can the UCD solve our problems if it continues in power?
50. Yes, it will solve them

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51. Things will stay the same
52. Things will be worse
53. If the PSOE wins, will it solve our problems?
54. Yes, it will solve them
55. Things will stay the same
56. Things will be worse
57. Note: the total of less than 100% is because of the "don't knows/
no answers."
58. How the people polled classify themselves politically
59. Men
60. Women
61. Extreme Left
62. Left
63. Left of Center
64. Center
65. Right of Center
66. Right
67. Extreme Right
68. Don't know/no answer

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MILITARY

INTERNATIONAL AFFAIRS

BRIEFS

ANTI-HELICOPTER MISSILE--The Franco-FRG group Euromissile has started the designing of a proposed helicopter-borne missile for interception of antitank helicopters. This is the first air-to-air missile project conceived by the Euromissile group, whose parent companies, MBB [Messerschmitt-Bolkow-Blohm] (FRG) and Aerospatiale (France), have, however, already developed some airborne missiles (air-to-ground and air-to-sea). The Fakir-H project involves the designing of a new antihelicopter missile that will be interchangeable with Euro-missile's Hot antitank missile. The Hot is currently in production for the armed forces of 13 countries (cf AIR ET COSMOS, No 895), including France, and the Gazelle, Dauphin, Lynx and Bo-105 helicopters are equipped with it. The principle of the new weapon system is therefore that it offers very high operational flexibility to light-helicopter units by enabling them to be equipped with Fakir-H antitank missiles. It is planned for it to be possible to carry three Fakir-H missiles in the same transport and firing container-tube as that for the Hot, which would enable a light helicopter to carry up to 18 Fakir-H missiles. The Fakir-H will be an infrared-guidance missile derived from the concept of the Ground-to-Air Very-Short Range (SATCP) missile that Aerospatiale had designed within the framework of the competition organized by the French official services and won by MATRA [Mechanics, Aviation and Traction Co] (cf AIR ET COSMOS, No 866). The Fakir-H should therefore be an antihelicopter missile of about 6,000 meters range, which seems compatible with the conditions of antihelicopter warfare in relatively limited zones of terrain such as those that Europe has. [Text] [Paris AIR ET COSMOS in French 15 May 82 p 57] [COPY-RIGHT: A. & C. 1982] 11267

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MILITARY

FRANCE

TRANSALL, MIRAGE F-1'S CARRY OUT DELIVERY, FUELING EXERCISE

Paris AIR ET COSMOS in French 15 May 82 p 70

[Article by J.G.: "The Air Force Demonstrates Its Ability to Carry Out Rapid-Assistance Operations"]

[Text] On two occasions in 48 hours, two major commands of the French Air Force have given proof of their ability to carry out rapid-assistance operations at distances very far from metropolitan France.

Air Defense

On the first occasion--it was Thursday, 6 May 1982--four Mirage F-1's of the 5th Fighter Wing, which is based at Orange and is one of the units of the Air Command of the Air Defense Forces (CAFDA), took off from the Solenzara (Corsica) base and flew nonstop to Djibouti after being refueled in flight by a C-135-F four-jet airplane of the Strategic Air Force. The flight's duration was 5 hours 30 minutes. These four combat planes returned to France nonstop on Monday 10 May, after being refueled in flight again. As it happens, this was not a "first" for the Mirage F-1. The first time was 29 January 1980: a nonstop flight over the same distance (5,000 km) was done in 6 hours, with four in-flight refuelings for each plane, by four Mirage F-1's of the same wing. Since then, other operations of this type have been carried out without mention being made of them; they are part of the normal training of the Air Force's combat pilots and demonstrate concretely the possibilities of deployment of Mirage F-1's for rapid-assistance operations.

Tactical Air Force

The Tactical Air Forces Command (FATAC) has for its part demonstrated, on several occasions since 1977, its capacity for long-distance deployment of the in-flight-refuelable Jaguar tactical-support planes.

Air Transport

On the other hand, what has been done routinely in recent times by Air Force fighter pilots and combat pilots has not until now been able to be done by the Military Air Transport Command (COTAM), since the Transalls it previously had

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available to it were not refuelable in flight. This deficiency has now been remedied.

On the night of Saturday 8 May-Sunday 9 May 1982, at 8 pm, a new-series C-160 Transall bearing the markings of the 64th Transport Wing (Evreux) and heavily laden with freight took off from Lorient for Cayenne (Guiana). After being refueled in flight some 6 hours later by another second-generation Transall C-160 --this one assigned, though, to the 61st Transport Wing, and having taken off from the Azores--the plane landed at Cayenne-Rochambeau at 12 noon Paris time on Sunday 10 May. It had flown some 7,000 km nonstop in 16 hours of flying time. The in-flight refueling as such lasted about 30 minutes. A look at the map shows that Cayenne is farther from Lorient than the southern coast of Great Britain is from Ascension Island.

The same C-160 refueled on the outward flight was to return to its base in France on Thursday 13 May, after a second in-flight refueling operation on the return trip, under the same conditions as on the outward trip.

More Transalls?

To date, the Air Force has ordered 25 refuelable Transalls, 10 of which are also refuelers. The credit-commitment stage has not been reached for any additional order of transport planes of this type. These current exercises give solid arguments to those who consider that the COTAM should be able to have, among other things, a larger number of second-generation Transalls.

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MILITARY

FRANCE

BRIEFS

RECONNAISSANCE MISSILE IN AUTUMN--The French Air Force will receive its first CL-89 reconnaissance missiles in Autumn 1982. This pilotless missile (RPV) developed by the Canadian firm Canadair is already in service in the FRG and in Great Britain, and it has been ordered by France and Italy. A total of more than 500 CL-89's have been ordered by these four NATO countries. In France, Aerospatiale has been assigned prime contractorship for the reconnaissance system for the Air Force. Several other French firms are also participating in the program, including Sintra for the ground control station, ESD [expansion unknown] for the direction-finding radar, SILAT [expansion unknown] for adaptation of the carrier vehicle, and SOGERMA [Aeronautical Material Maintenance and Repair Company of the Gironde] for technical assistance and personnel-training. We mention that the CL-89 control station is used only for peacetime exercises; in operational use, the RPV is completely autonomous. [Text] [Paris AIR ET COSMOS in French 15 May 82 p 55] [COPYRIGHT: A. & C. 1982]

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