

168042

JPRS-WER-86-035

11 APRIL 1986

# West Europe Report

DTIC QUALITY INSPECTED 2

19980602 162

**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

**DISTRIBUTION STATEMENT A**

Approved for public release;  
Distribution Unlimited

6

NO

A06

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

11 April 1986

## WEST EUROPE REPORT

### CONTENTS

#### POLITICAL

##### FEDERAL REPUBLIC OF GERMANY

- Hamburg Educator Fears Anti-Americanism Among German Youth  
(Joist Grolle; FRANKFURTER RUNDSCHAU, 28 Feb 86)..... 1

##### ICELAND

- Althing Discusses Soviet Maneuver Blocking Oil Price Drop  
(MORGUNBLADID, 12 Feb 86)..... 3

##### ITALY

- PCI's Natta on European Cooperation, United European Left  
(Alessandro Natta; L'UNITA, 13 Mar 86)..... 6

##### NETHERLANDS

- VVD Maps Strategy for Coming Election  
(Hubert Smeets; NRC HANDELSBLAD, 3 Mar 86)..... 15

##### NORWAY

- Forde Defeated in Labor Party District Nuclear Ship Issue  
(Grete Berget; ARBEIDERBLADET, 14 Feb 86)..... 18

- 18 Federation Leaders Support Appeal Against SDI  
(AFTENPOSTEN, 25 Feb 86)..... 20

## MILITARY

### FEDERAL REPUBLIC OF GERMANY

- NCO In-Service Training at Battalion Level Described  
(Horst Werner; KAMPFTRUPPEN/KAMPFUNTERSTUETZUNGSTRUPPEN,  
Dec 85)..... 21

### FINLAND

- Armed Forces Chief Warns of Budget Problems, Aging Weaponry  
(UUSI SUOMI, 17 Feb 86)..... 36

### NORWAY

- Norwegian Fleet Units To Join in 'FLOTEX-86' Exercise  
(Liv Hegna; AFTENPOSTEN, 28 Feb 86)..... 37

- Defense Minister Sjaastad Enthusiastic Over AWACS Experience  
(Liv Hegna; AFTENPOSTEN, 4 Mar 86)..... 39

- Storting MP Urges New NATO Command Structure for Arctic  
(Tore Austad; AFTENPOSTEN, 5 Mar 86)..... 41

- 'Anchor Express' Exercise Reveals Poor Arms Maintenance  
(Liv Hegna; AFTENPOSTEN, 5 Mar 86)..... 43

- General Warns Against Exaggerating Soviet Threat in North  
(Grete Berget; ARBEIDERBLADET, 6 Feb 86)..... 44

- Paper Urges Wider Debate on Future Defense Mission, Structure  
(Editorial; AFTENPOSTEN, 4 Mar 86)..... 46

- Briefs  
Submarine Component Contract 48

### SWITZERLAND

- Arms Procurement Process, Production Capabilities Detailed  
(WEHRTECHNIK, OESTERREICHISCHE MILITAERISCHE ZEITSCHRIFT,  
Jan/Feb 86)..... 49

- Military R&D, Procurement Process 49  
Firms, Product Lines Surveyed, by Hans Sigmund 58

## ECONOMIC

### AUSTRIA

- Sinowatz on Economic Developments, Unemployment  
(Chancellor Fred Sinowatz; NEUE AZ, 22/23 Feb 86)..... 75

FEDERAL REPUBLIC OF GERMANY

Partial Privatization of Government-Owned Industries Approved  
(SUEDEDEUTSCHE ZEITUNG, 13 Mar 86)..... 86

FINLAND

New Finnish, Soviet Trade Commission To Start in April  
(Tuomas Keskinen; UUSI SUOMI, 15 Feb 86)..... 89

Industry Group Leader Warns of Economic Downturn  
(UUSI SUOMI, 1 Feb 86)..... 91

ICELAND

National Bank Chief: Greater GNP Growth as Inflation Slows  
(MORGUNBLADID, 13 Feb 86)..... 93

Unemployment at Four Year Low  
(MORGUNBLADID, 15 Feb 86)..... 94

NORWAY

Labor Party Press Organ Warns Willoch on Oil, Budget Issues  
(Editorial; ARBEIDERBLADET, 14 Feb 86)..... 95

ENERGY

DENMARK/GREENLAND

Long Range Energy Program in Doubt Over Danish Funding  
(BERLINGSKE TIDENDE, 27, 28 Feb 86)..... 97

Switch From Oil to Hydroelectric, by Jorgen Skjoldan  
Copenhagen Rejects Loan Request 98

Halt of Eastern Coast Oil Search Has Economic Impact  
(Jorgen Skjoldan; BERLINGSKE TIDENDE, 27 Feb 86)..... 99

NORWAY

Industry Group Fears Energy Policy Inadequate To Meet Needs  
(Kjell Aaserud; AFTENPOSTEN, 13 Feb 86)..... 100

Country's Oil Production Expected To Increase Sharply in 1986  
(Morten Woldsdal; AFTENPOSTEN, 13 Feb 86)..... 102

Low Oil Prices May Lead to Postponement of Field's Expansion  
(Morten Woldsdal; AFTENPOSTEN, 18 Feb 86)..... 104

11 April 1986

POLITICAL

FEDERAL REPUBLIC OF GERMANY

## HAMBURG EDUCATOR FEARS ANTI-AMERICANISM AMONG GERMAN YOUTH

Frankfurt FRANKFURTER RUNDSCHAU in German 28 Feb 86 p 4

[Letter from Joist Grolle, Hamburg Senator for Education, to U.S. Ambassador Richard Burt, date unknown: "Image of America Is Deteriorating": first paragraph is FRANKFURTER RUNDSCHAU introduction]

[Text] Hamburg Senator for Education Joist Grolle is concerned about the "image of America among our youth." In a letter to the U.S. ambassador in Bonn, Richard Burt, he complains that the "policy of intervention" of the United States with respect to Nicaragua--and now the announcement by Ronald Reagan concerning its intensification--is allegedly having disastrous effects on the sympathies of young people. The following is Grolle's verbatim text.

Dear Ambassador,

As the senator responsible for education in Hamburg, I am addressing myself to you out of concern for the image of America among our young people.

Similarly to U.S. involvement in the Vietnam War in previous years, the policy of intervention by the large United States towards the small country of Nicaragua is having disastrous effects on the sympathies of our youth for the United States. I am making this statement against the background of the fact that there are many initiative groups of various political composition in Hamburg that have developed partnership ties with schools and agricultural projects in Nicaragua. These relations came about after the violent Somoza regime was overthrown in 1979 and a wave of sympathy from all over the world accompanied the new democratic beginnings in Nicaragua. My own son spent 3 months in Nicaragua with one of these initiative groups in order to help set up a coffee plantation in the jungle. The experiences that he and many others brought back with him differ clearly from that which many newspapers are reporting about the situation in Nicaragua.

There can be no question of bloody oppression as in Somoza's day. The positive changes achieved since the overthrow of tyranny with respect to agrarian reform, health care and illiteracy continue to be considerable. On the other hand, it is true that there has been a great deal of disillusionment and disappointment. The economic situation has suffered setbacks, and the democratization process has faltered in mid-course. As critically as these

latest developments should be judged, part of the reason for them has in fact quite clearly been the massive policy of intervention by the U.S. government. From the very outset, Washington has supported the violent contras; in 1984 it permitted the mining of Nicaragua's harbors, in 1985 it imposed a general economic boycott on Nicaragua; in 1986 the President requested from Congress no less than \$70 million for the anti-Sandinista mercenaries, led by former Somoza people.

This intervention from the outside is not consistent with principles of human rights. Human rights questions are all the more implausible as a reason for intervention as long as the U.S. government accepts much worse abuses in other Central American states. In particular, however, the policy of intervention is having the opposite effect of what is allegedly intended. The result is not less, but greater dependence on the USSR. The result is not less, but more bloodshed. In the jungle settlement alone in which my son worked last year, a dozen unarmed village dwellers have in the last few months been shot by contras in ambushes. The thought that this happens on a daily basis in large parts of Nicaragua, and this with the open support of the United States, is deeply alarming.

I am certainly aware of the fact that similar and worse things are currently being perpetrated by the USSR against the Afghan people. There can be no quibbling over or downplaying of this fact. But up to now the United States has demanded that it be measured by different standards than the USSR. The United States has always demanded that it be measured according to the ideas of its own Declaration of Independence. Should this standard lose its validity in view of U.S. policy in Nicaragua? As long as the U.S. administration is unable to give any convincing answers to this question, the image of America among large parts of our young people will inevitably deteriorate. In view of the central importance accorded the German-American friendship, this is a development about which no one can fail to be concerned.

Moreover, world public opinion as a whole cannot be indifferent when small countries like Nicaragua are deprived of their right to self-determination by armies of mercenaries sent from the outside. Those who are concerned about guaranteeing human rights in Nicaragua must be interested in seeing Nicaragua released from the stranglehold of the current policy of intervention.

12271

CSO: 3620/591

POLITICAL

ICELAND

ALTHING DISCUSSES SOVIET MANEUVER BLOCKING OIL PRICE DROP

Reykjavik MORGUNBLADID in Icelandic 12 Feb 86 p 32

[Article: "Soviets Always Deal in Terms of the Highest Prices on the Rotterdam Petroleum Market"]

[Text] Icelandic Minister of Trade Matthias Bjarnason said yesterday in the Althing that he planned to make efforts to ensure that the price of gasoline decreases in Iceland in coming months even if the drop could result in a considerably increased outflow of capital from oil company purchase balance sheets. The price of gasoline has been unchanged since October of last year when the price increased. The price has, on the other hand, been falling on foreign markets in recent weeks. The same thing can be said about other types of petroleum products.

Hjorleifur Guttormsson (People Alliance, Eastern Electoral District No 1) asked to deliver an unscheduled speech in the joint session of the Althing yesterday. The subject was Icelandic petroleum purchases. He noted the substantial fall in the price of petroleum products on foreign markets and asked when such price decreases might take place in Iceland. He said that Benzene and crude oil had in fact decreased in price very little recently and that the price of gasoline has been unchanged since October of 1985, when the last price increase took place.

The MP noted that the oil companies late last year purchased substantial stocks of petroleum at high prices and that these stocks would be exhausted by late spring. Decreases in the prices of petroleum products in Iceland would be highly beneficial for trawler outfitters and capelin processing plants. Outfitters are attempting to obtain cheaper petroleum abroad and they could not be blamed for doing so. A great differential, however, between petroleum prices in Iceland and abroad would result in a decline in local employment and an increase in exports of raw, unprocessed fisheries materials. This would later result in a considerable decrease in our sales of frozen fish on the American market. The MP said that he would inquire from the Ministry of Trade whether or not he thought it natural that the decrease in the prices of petroleum products taking place abroad also take place in Iceland and whether or not he felt that something is wrong with Iceland's oil importation system.

The Icelandic Minister of Trade replied that special purchase balance sheets absorb the fluctuations that take place in petroleum prices. When petroleum prices increase abroad the price remains unchanged in Iceland for a period of time and the same thing is true when petroleum prices fall. If petroleum prices are allowed to decrease in Iceland to their lowest level achieved on foreign markets there will be a large outflow from the purchase balance sheets and that would mean a considerable loss of bank funds.

The minister said that crude oil and benzene have been falling in price for half a month and that the government had decided to support, in cooperation with the financial authorities, a fall also in the price of gasoline on the short term and that we will not wait until the middle of april for price changes.

Kjartan Johannsson (Social Democratic Party, Reykjanes) said that decreases in petroleum prices always take a long time and that the same thing is true of increases in petroleum prices. He referred in particular to the words of the Icelandic Minister of Trade to the effect that it is risky to look at petroleum prices in Iceland in terms of the lowest market prices on a given day. The MP said that oil agreements with the Soviets have made provision for the Soviets having a choice of the day that is to provide the standard for prices. Those who have examined graphs showing the evolution of petroleum prices on the Rotterdam market and have compared them with oil purchases in Iceland have noticed that the Soviets have always dealt in terms of the day when the price was highest and never the day upon which the price was lowest.

Johannsson said that the oil companies will not be able to base prices on the highest Rotterdam prices if they purchase cheaper oil and thus see no advantage in it. It would be appropriate to review the oil purchasing system.

Hjorleifur Guttormsson said it was better than nothing that the government plans to support a decrease in the price of gasoline before the end of winter. The differences in prices now current should be considered unsatisfactory. If people believe that petroleum prices will continue to fall abroad then they should allow prices to fall immediately in Iceland. The certain risk in this area should be accepted. He also thinks it necessary to review the oil trading system that has hitherto been in force so as to ensure that there is no repetition of the present situation.

Matthias Bjarnason cautioned very much against the idea of a free trade in petroleum products. Such free trade could lead to Iceland being unable to sell any salt herring next year. He said that no one has doubted the necessity of purchasing large quantities of oil for Iceland at a time so that there is a 2-3 month supply distributed about Iceland. People are also in agreement that the price paid for petroleum products should be the same everywhere in Iceland.

Pall Petursson (Progressive Party, Northwestern Electoral District) said that he would like to caution about the consequences of decreases in the prices of petroleum products and to raise the issue that it is still uncertain that such decreases in prices will take place. He quoted two foreign experts to the effect that in the wake of decreases in the prices of petroleum products will

come economic instability. Other sources of energy will not be competitive with oil for a while and initially there will be a reduction in petroleum survey and production. There could later be a reaction and a new price surge. He said that he would like Iceland to prepare again for several years of careful economy due to the temporary benefits of petroleum prices decreases.

The MP made it very clear that he is an opponent of free imports of petroleum.

Kjartan Johannsson said that it was a matter of opinion who was more pessimistic, Bjarnason or Petursson. Petursson sees much adversity in the wake of the petroleum price decreases and Bjarnason has asserted that freeing of Iceland's petroleum trade will lead to short supplies in Iceland and would adversely effect the sale of Icelandic fisheries products abroad. This black pessimism reminds me on the discussions of the dangers of free trade during the early years of the Government of National Reconstruction. Ministers should consider how free trade has turned out and look at the deficiencies the the petroleum trading system with this in mind.

Valdimar Indridason (Independent Party, Western Electoral District No 1) said that he was in agreement with the Icelandic Minister of Trade that Iceland's position regarding exports of salt herring to the Soviet Union would be in danger if petroleum purchases from the Soviet Union were to end. It is possible to sell salt herring no where else than in Russia.

Kolbrun Jonsdottir (Social Democratic Alliance, Eastern Northern Electoral District) said that the petroleum trade between the Soviet Union and Iceland is not a good one. The Soviet Union sells petroleum to Iceland because they see a profit in it. The MP should encourage the complete freeing of the trade in petroleum. There should be competition to obtain petroleum at the lowest price. And those involved in the petroleum trade should take up the burdens of the trade.

9857

CSO: 3626/0021

POLITICAL

ITALY

PCI'S NATTA ON EUROPEAN COOPERATION, UNITED EUROPEAN LEFT

Rome L'UNITA in Italian 13 Mar 86 p 4

[Speech by Alessandro Natta on 11 March to the Federal Institute of International Studies and Studies on Eastern Societies in Colonia]

[Text] The PCI's European choice: an autonomous Community, a more united Left. A necessary course: detente, collective security, easing of the antagonistic logic of the blocs, a new economic order. The role and objectives of Western Europe in the East-West confrontation. We are working for a convergence of the progressive forces, for a reassembly that points toward and prepares a new phase in the history of the European Left.

We give an almost full report of the speech by Alessandro Natta on Tuesday to the Federal Institute for International Studies in Colonia. He said:

1.

The lines of tension that cross the world from East to West and from North to South make the overall international equilibrium ever more rigid, and at the same time more unstable and precarious.

Reciprocal effects between phenomena of different, or at least not homogenous, origins are intensifying: I am referring to the increasing interactions among the opposition of the blocs, the growing gap between the world that has already been defined as postindustrial and the world of underdevelopment, and the recent spreading of crises and bloody conflicts.

The scientific-technical revolution, which has accelerated in the past decade, poses major and disturbing dilemmas: it can mean progress, but also risk of regression; it can mean creation of further wealth, but also worsen with new poverties; it can open vast realms of liberation or, instead, of unknown subjection or alienation. Man is in the process of achieving remarkable goals by his science, but the same science can lead to tragic results for civilization and the existence of mankind. The concept of moving from nuclear armament to militarization of space is significant to everyone.

Finally, the spread of terrorism calls on all democratic forces to wage within the law and with the law a relentless struggle, without pause or any concession. However, the scope of the phenomenon, the evil that characterizes

it, and its combination or secret links with other forms of major crime, constitute a perversion that it would be fruitless to try to defeat with repressive efficiency alone, necessary as it is.

#### Geneva Summit

Certainly, any catastrophic view must be rejected, just as appears unfounded any vision of mankind's destiny being in constant and irresistible progress. However, in order to guarantee the future, to keep open the possibilities for liberation, development and civilization it is above all peace that must be adopted as the priority good and goal; as the supreme value of our epoch, of human action. And this is the foundation and at the same time the backbone of our congress documents.

They affirm the centrality of peace. As a function of peace, it is necessary to break the spiral of the armaments race and reverse the destructive trends that threaten the entire international system, to construct an organic system of peaceful coexistence that, in international cooperation on an equal basis, will give scope to the sovereign decisions of each people and the rise of the Third World. The path appears ever clearer: that of detente, collective security, progressive relaxation of the antagonistic logic of the blocs, and gradual but effective convergence of the West and the East, the North and the South, toward construction of a new international economic order. Tensions and egoism canceled the Brandt report from the UN agenda: however, it remains, and instead increasingly assumes the value of a high and irrefutable warning!

In order that it may be heeded, with all the updatings that the development of the reality requires, we must get underway toward ending the threat of the dispute between the two superpowers to win strategic supremacy in the world and over the world.

Competition between differing social and political systems must not result in reaction by one or another with traumatic means. Transfers and developments in various parts of the world in relation to means of production and forms of social and political organization must not be imposed by or patterned after any model. The atomic era, the gap between development and underdevelopment, the gains and dilemmas of the scientific-technological revolution, the dangers of tampering with and destruction of essential and common assets, such as nature and the environment, require new kinds of recognition of reality, and a new way of thinking about and foreseeing international relations, policy, and relations among the classes and among men, and between man and the planet in which he lives.

#### 2.

From the premises that I have tried to summarize there derive the basic choices of our party in the international field. We have referred, using a term that is perhaps approximate but meaningful, to the "European choice."

This is certainly nothing new for the Italian Communists: but through the congress we want to further define the scope, identifying a permanent dimension, not adjunctive or complementary, for our theoretical reflection and our practical commitment.

## New Continental Setup

We are referring to the part of the continent covered by the European Economic Community. Of course, this is not the Europe of the accepted geographic-historical meaning of the term; but on the level of political action we are convinced that we must orient to the community entity, without thereby giving up the prospect of a different continental setup, which could instead develop--in the long term--also through the unity and autonomy of the present European Community.

The countries that are members of it--with the exception of Ireland--are also members of the Atlantic Alliance. The balance between this and the Warsaw Pact does not allow unilateral breakaways; moreover, the historical, political and economic ties between Western Europe and the United States are a deep-rooted and broad reality. The choice of going alone and autonomy from the Community, which, in the current international context, has been proposed as a traumatic transfer or surreptitious sliding into neutralist or nonaligned positions, would be ambitious folly in respect to political reality, in addition to being fraught with destabilizing potential: thus, that is not our choice and we reject it.

However, with full respect to the Atlantic Alliance--for its geographical limits and defensive purposes--the European Community has an objective necessity for autonomy for protection and affirmation of its own interests and objectives to be realized through its political, economic and institutional integration.

Following the Soviet-U.S. summit, the atomic disarmament plan presented by M. S. Gorbachev, including the proposal for dismantling and destruction of the intermediate missiles in the European theater, and President Reagan's counterproposal, though they reflect the roughness of the negotiation road, have opened significant room for the presence and initiative of Western Europe. On the other hand, the Strategic Defense Initiative that President Reagan continues to affirm as among the priority goals of his administration, in addition to the possibility of a terrifying resumption of the arms race and further unknown destabilizations of the international equilibrium, involves additional risks for Western Europe: the "strategic" risk of remaining "exposed" in the new confrontation between the superpowers; and the economic and civil risk of the drawing across the Atlantic of brains and technology.

In short, this involves a great risk of a new and irremediable subordination, one that in our view is neither countered by the fantasies concerning construction of a small belt in space among the stars, made to measure for Europe, nor compensated by the illusion of volume of business or technological "fallout" that could result for our countries.

There is no doubt that raising these problems, while at the same time affirming the particular nature of the Community's interests to be defended and achieved through its autonomy and unity, means that we need to face with courage the topic of European defense.

These are issues of extreme complexity on which the German Social Democratic Party has prepared important formulations that could be the subject of

successive profitable meetings, but which I cannot now try to discuss in detail for obvious reasons. I feel it important to say that we Italian Communists are opposed to the idea of establishing a European nuclear pole, which by its intrinsic characteristics would end up constituting a new factor for tension and arms race. Defense today must be a search for security, and today that can only be "joint, reciprocal, and interdependent, such as to include parties that regard themselves as antagonists": as our comrade Enrico Berlinguer had stated, and as we read in a highly interesting paper by your Timmerman.

If that applies on the world level, so much more should it apply on our continent. As a consequence, the necessity arises that Western Europe assert its own security interests in the context of the negotiations underway in Geneva; that until an agreement is achieved for total elimination of nuclear weapons their role be limited exclusively to deterrence against a nuclear attack by another (minimum deterrence); that we promote a start to negotiations on creating a nuclear-free zone in the continent and controlled reduction, toward the complete withdrawal from Europe of tactical nuclear weapons; that the banning of chemical weapons and their installation be completed; that the balance of conventional arms also come to be based on search for the minimum possible level, with maximum utilization of the Stockholm and Vienna negotiations, also toward an agreement on a package of reliable military measures, binding and verifiable.

It also seems to us that we should pursue in all the available headquarters (Western European Union, European Group, EEC institutions, etc.) a greater cooperation with the European states also in the defense sector, especially for standardization of weapons, adoption of joint criteria and controls in sale of arms to third countries, and study of ways of industrial reconversion relating to agreed reductions in arms.

A serious problem arises here concerning the economic, military and political integration of the Community: because unfortunately in the conflicts bloodying the Third World there are too many weapons that have come from Western Europe, though with the best arguments of the demands of commercial competition.

#### North-South Dialogue

We believe that the European Community could and should play a significant role in solution of such conflicts, sometimes ignited by internal causes, but very often worsened, even when not directly caused, by the East-West tension. This role must be based on the principles of independence, self-determination, the right of every people to have a state with secure borders, and opposition to any interference or intervention, whatever the motive.

These are the principles that should be respected and applied in Nicaragua as in Afghanistan, in Cambodia as in all of Central America and southern Africa, and in the Middle East-Mediterranean basin, where the European responsibilities are particularly pressing: because of our extensive interests, because of the price in blood that Europe is also paying, and because of the scope of the crisis, with the suffering of peoples in the middle of it and the threats that it involves for the entire system of international relations.

On a different level are obviously the contributions that the European Community could make in the confrontations in the various areas of conflict, but we are convinced that in each case there emerges as imperative the necessity for joint review of the arms trade thus far engaged in by too many of the Community countries themselves.

On the other hand, in these areas of acute crises and conflicts there is the impact not only of the East-West tension, but also the break in the North-South dialogue, with the strong reassertion of the free trade direction, in reality a conservative one, which for the Third World has resulted in great calamity.

Our congress documents affirm that it is crucial, along with launching of the process of detente and disarmament in East-West relations, to resume the North-South dialogue in the reality of the world economy, and not only at the United Nations and the other negotiation headquarters.

It is certainly a matter of making the "aid" shares more consistent to areas where drought or epidemics prevail; but, overcoming any hypocritically philanthropic attitude (which was the subject of specific criticism in the Brandt report itself), it is necessary to launch a major policy based also on a shift of resources from North to South that disarmament should make possible, but above all aimed at promoting the autonomous ascendancy of the Third World into cooperation and equal interdependence. A policy that is expressed in defense of raw material prices, liberalization of trade, reform of the international monetary system, and in a progressive but genuine solution to the debt burden could decisively contribute to a more equitable international division of labor and thus to a generalized and noninflationary recovery of the world economy.

This need should be emphasized even more at a time when the drop in the prices of oil and raw materials, and the decline in the value of the dollar, seemed to have opened significant opportunities for growth in the economies of various European countries, while also risking a worsening of the difficulties of other countries, especially in the Third World.

#### 15 Million Unemployed

The European Community could and must make a basic contribution to the process of reorganizing, on an international scale, the structures of production, trade, and consumption; though slow yet necessary for building a new economic order. However, as in the case of an active presence in the field of detente and disarmament, this assumes a Community capable of interweaving its projection toward the world with its own gradual internal economic, political and institutional integration.

It is clear to us that this "should be" of the Community corresponds neither to its current situation nor to the major part of the underlying trends.

We do not adopt the litanies of europessimism, we do not yield to the easy--or malicious--prophecies of the inevitable decline of Europe. Yet we believe we have a clear recognition of the low profile in which the Community is

stagnating, sucked in by the bloc constraints, by the clinging of its own past, uncertain in face of the accelerated worldwide broadening of the economy, and threatened by the technological and financial power of the giants that dominate the market: a Community that is losing competitiveness in the leading edge industrial sectors, and in which unemployment is approaching 15 million individuals, young people in particular; while dissatisfaction and xenophobia are spread through large segments of the population in face of the millions of immigrants from other continents.

This seems to us a warning, in short, that the European Community is today still an object of the tensions characterizing the international political and economic relations rather than a dynamic agent for overcoming them.

We are convinced that the Community should achieve relations with the United States that are both close and based on the equality that must be the norm between allies, in every field, from the strategic to the commercial. This is one of the preconditions for the Community to be able to project itself as an important factor in easing all the tensions and toward overcoming them.

On the basis of this necessity, our Congress theses affirm the determination of Italian Communists to promote the dialogue with the democratic and progressive elements in the social and cultural life of the United States.

That's it: the "European choice" does not at all mean that we are satisfied with the status quo. It is the definition of the fundamental field of the battle that we want to wage at the national and supranational level, to respond to many of the tough problems that division and--along with it--the growing interdependence among the various areas and phenomena of the real world are posing for all the revolutionary, reformist, and progressive forces that seek to save and change human life, in the direction of democracy and social justice.

#### "Eureka" Plan

The Eureka plan also has a significance that goes beyond its own intrinsic value; the calls for a different relationship with the Third World are spreading in various degree; an opening to COMECON looms persistently, among other things with the legitimate concern to safeguard the bilateral relations with countries that are members of it, while the awareness of the scope of problems solvable only at the supranational level is becoming ever clearer. In this connection, the document issued by your trade union organization, the DGB, in May 1985 is valid for everyone, dealing with the themes of care for the environment and qualitative development, and it contains a wealth of interesting observations such as those offered as follows.

The horizon is not all black.

The fact is that the autonomous and unitary European Community is a strong idea if it is conceived as a result of, and a factor in, the struggle for coexistence and for a new international economic order: hence, in a profound change in its directions and structures, whose protagonists are the reformist

and progressive forces, and the forces of the Left, which must be aware that it is very difficult to hold fast in open ranks formation in face of the challenges of our time; that it is very difficult to control the innovation processes underway in the economy and society, either by adopting the same themes as the conservative offensive currently prevailing in the West, or by only promoting resistance, rearguard battles within the national borders. Perhaps they know--through the same experience suffered in the past few years--that it is very difficult to advance on new roads of development and toward progressive solutions of a socialist type in a single country, apart from the European dimension.

3.

It seems to us that this is a truth that emerges from the experience of the past decades, and which during the past few years the international tension and neoconservative offensive in the West have further underlined. We definitely have not only the divisions among the various currents on the Left, but also the differences of opinion and orientation relating to the European Community that horizontally divide every grouping, whether socialist, social-democratic, communist or other inspiration.

Also among these divisions and differences, in our judgment many regions have caused the Left to find itself unprepared in face of the internationalization of capital, the consequences of the technical-scientific revolution, and the attack by the Right on the social state.

The search for a minimum of planning and operational understanding among the forces of the European Left is an essential precondition for it to move to the counteroffensive in confrontations with the Right and its attack, which, if not exhausted, is at least revealing its inability to envision a future in which valid answers will be found to the requirements and needs of the peoples and societies of Europe.

In this context falls the clear affirmation in our Theses that the PCI is an "integral part of the European Left."

The geographical reasons are obvious, and the historical reasons evident, given that the Marxism-inspired workers movement--in which our origins lie--is a child of the culture, of the Western European civilization; however, these reasons are interwoven in the strategy of Italian communists, in the Socialist concept itself to which they have attained over the complex and arduous course of the past 40 years: socialism as a constant fulfillment of democracy in the relations of production, in institutions, culture, society.

We are struggling for a society whose development is carried out within pluralism of ideas and interests, toward ever more advanced goals of justice and social rationality, productive efficiency, restoration and care of nature, and with uniting communication among men.

Naturally it is a struggle, a goal that derives from our national reality.

Here Natta concisely recalled the PCI's policy proposal and struggle for a

democratic alternative in Italy, based on a program that recombines the needs of the society--in the first place, full employment--with the necessities and duties of the state. This struggle for a democratic alternative has implications and projections not only within the Community but for the dialogue among the forces of the Left throughout Western Europe. The PCI wants to participate in the theoretical and practical process underway on the European Left, in the pluralistic discussion in which every force of the Left presents itself with its own identity of ideas and policy.

In the identity of the Italian Communists--permit me to stress this without lack of modesty--there is the precise and irrevocable definition of full autonomy of their party and the pursuance of a new worker and democratic internationalism.

#### Italian Communists

The PCI is not, nor does it feel to be, a part of one ideological camp or of a worldwide communist movement, understood as an organization having its own center, its own one-voice strategy, and its own organizational structure: whoever thought this, or outright desired it, would not only be blind in face of the current reality, but would be going against the historical process, the future prospects. The current that is pressing contemporary history forward is of far broader dimensions and complexity; all the forces that are and can in future always be committed for the major objectives of peaceful coexistence and a new international order.

In our recent meetings with the top leaders of the Chinese Communist Party and the Soviet Communist Party it seemed to us that we perceived a growing attention--from various angles--to the need for this new conception and practice of internationalism.

In any case, we strive to promote this fully among the communist parties. As the PCI, we base on these principles our relations also with the social democrats and the socialists, and the other progressive forces and movements in Europe and the world.

The fact remains that for the PCI the full autonomy in its decisions not only reflects an open vision of the relations among the parties, but is the premise and the basis of a strategy that accepts political democracy as a universal value, also in the obvious diversity of institutions and the forms in which it is expressed; a value that, I repeat, should inspire and characterize the struggle and the solutions of socialism.

This is why we maintain that it is necessary to work for a better understanding, a convergence, an understanding among the various components of the worker movement and the European Left; for a reassembling that prepares a new phase in our history.

[Boxed item: Article by Paolo Soldini. Colonia--For the researchers of the Federal Institute for International Studies and Studies on Eastern Societies, the PCI is no "mysterious object." Some of the most brilliant analyses of the strategy and political culture of the Italian communists have come

specifically from there in the past few years. Like the thesis by Heinz Timmermann marking to some degree a turning point in the understanding and appreciation in Germany of the new development then being called "Eurocommunism." A number of Italian Communist leaders, from Pajetta and Napolitano to Chiaramonte, also passed through the Institute, and there are close contacts with the other research bodies dealing with the same "subject matter."

No surprise then that Alessandro Natta, who was the guest of the Institute on Friday for a meeting-debate, found himself facing a floor of "insiders" who had much to ask and much to say. In short, it was a rapid-fire discussion, "free of structure and very intense," as Dr. Vogel, the Institute's director, described it, with speakers from the entire German political spectrum and numerous guests in order to "profit" to the fullest from the presence of the PCI secretary general. The previous day, the latter had met with Willy Brandt in a discussion of evident political significance.

Thus, at 10 a.m. Natta took his seat at the table in the meeting hall--with him were Gianni Cervetti, chairman of the communist group in the European Parliament; Sergio Segre, who was an important participant in the issue of relations between the Italian Communists and the German Social Democrats, which makes him quite famous among the scholars of the Institute; and Angelo Oliva, secretary of the group in Strasbourg. Natta read the report that we publish separately, and then, after a brief interval, replied to questions, requests for clarifications, and doubts, with participant concerns or differences barely concealed (among the participants were also supporters of the Konrad-Adenauer Stiftung, the CDU scientific foundation, and the Federal Ministry of Foreign Affairs). It all took place in a very open atmosphere, marked by the common recognition, expressed at the beginning of the meeting by Dr Vogel, that "what the PCI does and thinks is important for Italy, but also for Europe and East-West relations."

The topics covered in the discussion were basically those that Natta had introduced in the report, but the points that the German "insiders" were most interested in was quite evident from the questions: the relations between the Italian Communists and the CPSU (and the PCI's judgment on the renewal elements that the German political world sees in Gorbachev's policy); the significance of taking a position in and feeling "an integral part of the European Left" (the dialogue with the other parties of the Left outside Italy and with the PSI); the positions on security issues (attitude toward NATO and the assumptions of European defense), and finally the decision in favor of community integration.

A large complex of problems that constitutes the major part of the congress discussion underway and that was also the basic substance of this trip by Natta to Germany and his meeting with Brandt.

In the afternoon of Tuesday, before leaving for Italy, Natta participated in an ad hoc and affectionate meeting at the PCI federation of Colonia.

9920

CSO: 3528/101

POLITICAL

NETHERLANDS

VVD MAPS STRATEGY FOR COMING ELECTION

Rotterdam NRC HANDELSBLAD in Dutch 3 Mar 86 p 3

[Article by Hubert Smeets: "VVD Emphasizes Fighting Strength at Beginning of Campaign Because Opinion Polls Fall Short of Expectations: Liberals Afraid of CDA-PVDA Coalition"]

[Text] Den Bosch, 3 Mar--The VVD is entering into the election battle in the coming months like a soccer team full of front and center field players. The liberals appear to have no need for a consolidated defense so soon after the fall of the bill introduced by Mrs Wessel-Tuinstra, in part caused by them. At the start of the VVD electoral campaign Saturday afternoon in Den Bosch, VVD campaign leader Ferry Houterman did not make mention of the rearguard of his party, although it was he who used this sporting metaphor to rouse the hundreds of party members who had gathered in the capital of North Brabant province.

Political leader Ed Nijpels was similarly on the offensive in his remarks in Den Bosch. "The opinion polls these days are not that great. Let us then show our fighting strength, the fighting strength to bring about liberal solutions at crucial moments," Nijpels impressed upon his audience in the Casino in Den Bosch. All the more so now, the head of the liberal ticket said, because what is at stake now is "one of the most important battles that the VVD has had to wage since the war."

This because, as party chairman Jan Kamminga had said in his opening speech almost as an oath, "it would be a catastrophe if the new elan that the VVD has given to government, that blooming flower, were to be trampled down by the return of the PVDA to the government."

Back Door

There was no open discussion Saturday in Den Bosch about the fact that the course that the VVD has taken in recent weeks with respect to euthanasia legislation can at least be called aggressive. But it was being discussed unofficially. Even though the compromise developed by Nijpels to not definitively deal with the Wessel-Tuinstra bill and the "test" of the cabinet until after the election and after further consultation with the Council of State might be seen by the outside world as a defeat, there was scarcely any

criticism of it Saturday within the VVD. Not only because liberal supporters in the south--it was no coincidence that the party began its campaign in North Brabant, one of the regions where it must manage to consolidate its electoral gains of 4 years ago at the expense of the CDA--are not that eager for quick legislation. But especially because the VVD is mortally afraid of a cabinet crisis right before the city council elections on 19 March.

#### Countersignature

Indeed, the chances of this were becoming ever greater last month as the ties between the cabinet and the VVD caucus became looser. The "test" put forward by the cabinet in mid-January was a surprise to Nijpels. Contact between him and liberal cabinet members is not always solid and adequate. Nevertheless, the caucus decided to hold firm to the proposal by Mrs Wessel-Tuinstra. About 2 weeks ago, however, it became clear to the caucus that Prime Minister Lubbers did not want to accept that. By way of the liberal ministers in the cabinet, "signals" trickled through that the prime minister would not only refuse to give his "countersignature" to Wessel-Tuinstra's bill if passed, but that he wanted to go further. This week, before the final vote on the bill in the Second Chamber and thus 2 weeks before the city council elections, Lubbers would declare the bill "unacceptable"; this was the message that the VVD ministers brought to their caucus. In that case, the only choice the VVD would have would be to knuckle under or to split the coalition. However, there is a saying: "Whoever splits pays for it." The VVD caucus did not want to prove this adage. Moreover, the dramatic council elections that could have been the result of this would have clearly cast their shadow on the national elections on 21 May, the caucus leadership thought. At this, the threesome of Ed Nijpels, Albert-Jan Evenhuis (vice chairman) and Dick Dees (spokesman) began to consider a back door that would offer a way out. Last week the compromise formulated by these three initially met with objections in the caucus. Only after they got a guarantee from Nijpels that the "extra round of care" advocated by them would not have any consequences in terms of content for the VVD position on euthanasia, almost all of the caucus took a position supportive of their chairman's proposal on Thursday. The quick positive reaction by Prime Minister Lubbers consequently made many liberals breathe a sigh of relief.

#### No Experiments

The reaction Saturday in Den Bosch was similarly one of relief. This because even though cooperation with the CDA in recent years has been "quite decent," as Kamminga characterized the coalition, the fear that the Christian Democrats will again turn to the PVDA after 21 May is deeply entrenched in the VVD. The fact that Lubbers, as prime minister, has committed himself to the current cabinet policy--"VVD policy," according to Kamminga--and that the PVDA appears to be erecting obstacles with its position on the cruise missiles, is hardly reassuring to the liberals. "We remember another Lubbers, that minister of economic affairs, who took part in the wild spending of the Den Uyl cabinet. When it comes down to it, the PVDA and the CDA agree on the cruise missiles. Thus, a solution can be found, perhaps in a commission," Kamminga said in earnest, referring to the compromise on the closing of nuclear power plants

achieved by Christian Democrats and Social Democrats in 1981 during the formation of the Van Agt-Den Uyl cabinet.

This is why the VVD wants to make education policy one of its major themes in the months ahead. Nijpels made a veiled claim Saturday in Den Bosch. With the motto "no experiments," the VVD assumed a strongly disparate position with respect to both the CDA and the PVDA. "Quality must be top priority. Let us cut out discussions of structures, cut out experimental middle schools. The heart in the right place, the mind in the right place," Nijpels said.

After the three "attack issues" of work, income and security, and together with "environment, free media choice and liberal support for less bureaucratic mess," education is one of the four "midfield" electoral topics according to the strategic plan of campaign leader Houterman. Houterman himself put some more heart into the party members on Saturday. "If Evert van Benthem demonstrated Wednesday that one man can win two times in a row, then two million VVD voters can certainly do the same," Houterman said figuratively.

After Nijpels had given the final go for the campaign and had been loudly cheered together with chairman Kamminga--both with thumbs raised--the liberals went home in lively spirits.

12271

CSO: 3614/72

POLITICAL

NORWAY

FORDE DEFEATED IN LABOR PARTY DISTRICT NUCLEAR SHIP ISSUE

Oslo ARBEIDERBLADET in Norwegian 14 Feb 86 p 7

[Article by Grete Berget: "Nuclear Torch in Oslo Labor Party"]

[Text] Foreign ships visiting Norwegian ports likely will become the torch which heats things up when the annual convention of the Oslo District Labor Party sets its agenda in two weeks. Alliance women, young people and the labor movement are demanding clear language when the annual meeting states its views on visits to Norwegian ports and a declaration that ships may not carry nuclear weapons on board. When the deadline for proposals expires today, there will be at least three recommendations for demanding a declaration.

It was precisely the issue of visits to Norwegian ports and the demand for a declaration against nuclear weapons being on board which was the cause for Labor Party vice chairman Einar Forde not being made the head of the editorial committee. According to ARBEIDERBLADET'S information, it was Forde's handling of this issue during the national convention last year which was the basis for the proposal being made for an opposition candidate. At the national convention, the following wording was approved: "There must continue to be requirements that visits by foreign warships not be carried out with nuclear weapons on board."

No Relay Race

"We will not have a relay race with nuclear weapons in Norwegian ports," says Thor Lauvsnes, head of the Metal Industry's party group. The delegation is sending in its proposal today calling for a declaration of no nuclear weapons being on board.

"The proposal resembles the one made by AUF [Labor Youth] and we do not have problems in supporting it. We are counting on broad support from the labor movement," said Lauvsnes. The Iron & Metal Workers will have seven representatives at the annual convention. Lauvsnes rejects a compromise solution in this matter. "On what would a compromise be based--whether we would allow nuclear weapons in Norwegian ports for one, two or five days?" he asks.

## Negotiations Crippled

The head of AUF in Oslo, Turid Birkeland, counts on their being good possibilities for a victory for their proposal to require a written declaration from allied warships that they are not carrying nuclear weapons on board during visits to Norwegian ports and Norwegian territorial waters. "It is time that we stop allowing agreements making us crippled concerning negotiations," says Birkeland. She points to the visit of the American battleship IOWA and believes that it illustrates that it is necessary to have a yet more precise statement of Norway's nuclear weapons policy.

## Clarification

The womens committee of the Oslo Labor Party also is recommending a declaration, but in a form which is different from AUF's proposal. The Oslo women unanimously approved a proposal at their annual meeting that Parliament must require a declaration from the ships which visit Norwegian ports. This proposal is the same as that which was proposed at the annual convention of the Troms District Labor Party where the majority changed the word "must" to "can".

The leader of the womens committee, Lene Loken, evaluates the chances for a majority in favor of their proposal as being good. "In my opinion, the proposal conforms to the belief of the majority in the Oslo district party. The proposals emanate from various groups within the party, both trade groups and others," says Loken.

[Question] "Is this now leading to a divisive security policy debate?"

[Answer] "I cannot see that there is any basis for there being any divisive debate. The proposals are in accordance with the 'Bratteli Doctrine' which requires that ships not carry nuclear weapons. Things went well in this regard while we had a Labor government because we said what we thought to our allies. The current government shoves the doctrine aside and sneaks, for example, IOWA into port. Therefore, it is necessary to make yet clearer that we will have nuclear-free ports."

[Question] "Will you accept a compromise?"

[Answer] "Our annual convention resolution is clear and I cannot see that there are any possibilities for compromise," responds Lene Loken.

Tove Heggen Larsen, vice chairman of the Oslo Labor Party, tells ARBEIDER-BLADET that she backs the proposal and points to several party groups having negotiated and given their support to the proposals for requiring nuclear-free visits.

12578

CSO: 3639/82

11 April 1986

POLITICAL

NORWAY

18 FEDERATION LEADERS SUPPORT APPEAL AGAINST SDI

Oslo AFTENPOSTEN in Norwegian 25 Feb 86 p 24

[Article: "Eighteen Union Leaders Oppose SDI"]

[Text] A total of 18 federation leaders within LO [Norwegian Federation of Trade Unions] support an appeal by trade groups for Parliament to pass a resolution prohibiting Norwegian industry and researchers from participating in projects which are connected to the American strategic defense initiative, SDI. Those who support the appeal also want to influence public opinion to prevent a new twist in the arms race between the United States and the Soviet Union.

"Simultaneously with our discussing disarmament, we are having an actual turn toward something which is worse. The totally insane is completely enmeshed in the system," said the head of the Norwegian Chemical Industrial Workers Association, Arthur Svensson, at a press conference yesterday.

The 18 federation leaders within LO represent the entire spectrum of the labor movement. Of the larger associations, only the Norwegian Iron & Metal Workers Association is not joining in the appeal.

The appeal calls for Parliament to support Norway using its influence in causing the super powers to halt research and development of space weapons.

12578

CSO: 3639/82

MILITARY

FEDERAL REPUBLIC OF GERMANY

#### NCO IN-SERVICE TRAINING AT BATTALION LEVEL DESCRIBED

Herford KAMPFTRUPPEN/KAMPFUNTERSTUETZUNGSTRUPPEN in German Dec 85 pp 261-265

[Article by Lt Horst Werner, S2 Panzergrenadierlehrbataillon 353: "NCO Development in the Field Forces"]

[Text] In-service training is the "extension and expansion of the ... training and ... advanced training. It should refreshen or deepen knowledge and proficiency and transmit additional knowledge and proficiency..." (Footnote 1) (Army Service Regulation 102/100, Inclosure 7/14)

#### Taking Aim

NCO development is a standard task in training. It has to be seen as assistance for the trade, as an introduction for training and as an instrument for NCO motivation. The introduction of new, more combat-worthy equipment, the end of the NCO shortages and the increases in allocations and quality of the Marder squad leaders all place ever newer and higher demands on the NCO in-service training.

Goals and contents are spelled out here:

- NCO in-service training should be an introduction and help in preparing for training,
- it should contribute to leadership ability.

As a rule, direction and execution lie in the hands of the company commander. Because of the shortage of experienced officers, it is seldom possible to delegate the task of implementing NCO in-service training, so the commander himself is alone entrusted with it.

#### Learning Group Analysis

In NCO development, NCO's of varying ages and differing levels of assignment have to be considered. Specifically, these are the platoon sergeant, squad sergeant, NBC team leader and the special function NCO's such as the company sergeant major, company commander or communications NCO.

"NCO development must be aimed at quick improvement in the troop training, especially in combat and marksmanship; it is practical assistance for the training. Next to that stands the growth into a dedicated representative of the NCO corps... the allocation of 24 hours per quarter (16 in the third quarter) remains unchanged. The battalion-wide training is specified in Appendix D." (Footnote 3) (Annual Training Order 1985, Armored Infantry Instruction Battalion 353)

With this, he translates the brigade requirements for the battalion and sets his main points and the allocation of time. The battalion-wide training is carried out for all the NCO's by one of the company commanders, under the direction of the battalion commander. This takes some of the workload off the company commanders.

"NCO's in specialty fields will receive an extra four hours per quarter of in-service training. Plan for class training as per Appendix D 1." (Footnote 4) (ibid.)

The following training classes were formed and organized as a result:

- Personal Conduct,
- Leadership/Training,
- Service Support,
- Sanitary Support,
- Pay System.

The in-service training is under the direction of the appropriate staff section leader. Implementation lies in the hands of the same officers, and is supported by professionally competent and qualified NCO's from the respective areas of expertise. To illustrate, I will show the plan for the class-(functional-)training in our battalion. (Footnote 5) (Ibid.)

The director, which is as a rule the company commander, decides from case to case which portion of his NCO corps will take part in the training activities. These activities should be arranged so that all the participating NCO's can be called, and indeed so that each can work in his own assignment area.

#### Responsibility for the NCO In-Service Training

The Chief of Staff in the Army exercises influence on troop training in the Annual Order, and with that indirectly on the NCO in-service training, in which he sets guidelines for the training. The command authorities translate these guidelines in their respective annual training orders. Since, however, there is not a defined order in NCO development, these training orders only have a limited measure of influence on the training.

I will illustrate this with an excerpt from the annual training order of an armored infantry brigade:

"Careful preparation for training, and improvement in practical ability as a leader in combat, are central to NCO development.

To improve professional ability as a supervisor and leader in the primary field of application is not, however, the only aspect of in-service training. The growth into a convinced and convincing representative of the NCO corps must stand equally alongside. The public appearance of the NCO in uniform is to be supported." (Footnote 2) (Annual Training Order 1985, Armored Infantry Brigade 35)

This formulation allows the battalion commander enough room to regulate the NCO in-service training in his battalion. Since he knows the training plans (unit training, troop training grounds, etc.), he will give the main points to the companies. However, only as an exception will he specify the subjects, training goals and time allocation.

As a rule, the company commander can plan the larger part of the NCO training activities according to the plans of the company. In order to secure command supervision, the battalion commander receives the companies' NCO development plans at the beginning of each quarter. The battalion evaluates the carried out in-service training activities at the end of the quarter. The company commander's responsibility is thereby undisturbed.

#### Time Allocation

Preparation, implementation and follow-up work in NCO development tie up the company commander as well as the NCO's, so for the company soldiers there has to be some training set up which only requires very few NCO's. On the other hand, the time allocated must be enough to fulfill the requirements of the annual orders. The battalion commander has to consider this when he assigns hours for in-service training activities. The regulations in our battalion seem to me to be reasonable and practical. The commander writes in his annual training order:

Table 1. Class (Functional Training in Armored Infantry Training Btn 353

AusbKlassen (1)	Datum/Zelt (2)	Thema (3)	Std (4)	Ort (5)	Teilnehmer (6)	a) Lig b) Durchfhr (7)	Bemerkungen (8)
(11)	07. 03. 85 1000-1200  1300-1500	Beurteilungswesen - Allgemeines - Erstellen von Beurteilungen - Quellenhinweise - Fehlerauswertung (13)  PERFIS - Bearbeitung Stellenbesetzungslisten - BA 90, BA 99	2  2	U-Raum 3./351	S 1-Fw S 1-Uffze KpFw   S 1-Uffze SIDstSold	a) S 1-Offz b) S 1-Offz S 1-Fw   a) S 1-Fw b) S 1-Uffz	ZDv 20/6. PerskM. SDH-Mitt. sind mitzuführen  ZDv 20/15 Bd 14 II Bw Schlüssel PERFIS sind mitzuführen
(21)	04. 02. 85 1000-1200  08. 03. 85 1000-1200	Gefechtsführung unter A/C Bedrohung/Bedingungen (Teil 1) - taktische Kurzfagen (ABCAbw) dabei: + Einüben von Verfahrensabläufen + Vorbereitungen von Entscheidungen + Befehlsgebung auf GefStd (23)  (Teil 2)	2  2	U-Raum 1./353	S 3-Fw S 2-Fw S 3-Uffz KpTrpFhr	a) S 3-SIOffz b) S 3-SIOffz	
(31)	15. 02. 85 1000-1140	Verfahrensablauf Tausch von Austauschstellen (33) - Unterlagen - Identifizierung - Vorlieferung - Abauf bis/bel NschKp	2	U-Raum 1./353 NschGeb NschKp 350	MatGrp MNT-Fw MNT-Uffz VU (S 4) TVB (36)	a) S 4 b) MatGrpFhr	VVH 22-D U/P
(41)	05. 03. 85 1300-1350	Arbeitsabläufe bei der Bewirtschaftung von NVG - Ersatzbeschaffung von in Verlust gegangener Bekleidung/pers. Ausrüstung (43) - Umgang mit Anforderungs-/Rücklieferungszettel	1	U-Raum 1./353	MatGrp MNT-Fw MNT-Uffz VU (S 4) VersDst Uffz/Fw	a) S 4 b) MNT-Fw	VVH 22-D U
(51)	19. 03. 85 0850-0940 1000-1140	Einweisung in Ablauf der alarmmäßigen Munitionsaufnahme (53) - Lagerorte - Vorbereitete Unterlagen	3	U-Raum 1./353 SIOMunNdlg Kas-Ber.	TrspGrp MatGrpFhr GerUffz VU (S 4) (56) VersDst Uffz/Fw MNT-Fw MNT-Uffz	a) S 4 b) S 4	Unterlagen S 4
(61)	13. 02. 85 1445-1630	Ausbildung am Phantom in der Herz-/Lungenwiederbelebung (63) Führen von Krankenunterlagen - G-Akte, Arztüberweisung, Krankenkarte (73)	1  1	San-Ber. Bespr. Raum	SanGrp	a) SanGrpFhr b) SanGrpFhr	P  U
(71)	06. 03. 85 1445-1630	Verladen von Verwundeten im SanKfz - MTW, 1,5to, 0,5to	2	Platz vor SanZentr	SanGrp (76)	a) BtlArzt b) SanGrpFhr (77)	P
(81)	15. 02. 85 0800-1200	Einweisung in BRLog-F Teil MatErh  Handhabung der neuen TDv Teil 31 Erstellen und bearbeiten von ZKG für - Kalibrierung - Instandsetzbare Austauschteile - Sammelauftrag - Auftrag für mehrere Geräte (83)	1  1 2	InstBereich Besprechungsraum	Uffz/Fw InstZug   (86)	M Mehr  OFw Saal (87) Fw (87)  Fw Winkler Fw Winkler  Fw Fahr Fw Fahr	
(91)	14. 02. 85 1000-1200  19. 03. 85 0850-0940 1000-1140	Umzugskostenrecht in der Praxis (93)  Einweisung in Ablauf Alarmmaßnahmen (mit S 4)	2  2	TrVerw	ZSIVerw ReFhr BeeTrVerw (96)	a) TrVersBea b) TrVerwBea (97)	

Key:

- 1) Training Class
- 2) Date/Time
- 3) Subject
- 4) Hours
- 5) Location
- 6) Participants
- 7) a-Direction, b-Instruction
- 8) Remarks

- |                         |   |   |   |
|-------------------------|---|---|---|
| 11) Personal<br>Conduct | 13) Judgment <ul style="list-style-type: none"><li>- General</li><li>- Availability of<br/>Judgments</li><li>- Sources</li><li>- Error Evaluation</li></ul> | 16) S1-Senior NCO<br>S1-Junior NCO<br>Co.SergeantMjr.<br><br>S1-Junior NCO's<br>Special Duty Troops | 17) a-S1-Officer<br>b-S1-Officer<br>S1-Senior NCO<br><br>a-S1-Senior NCO<br>b-S1-Junior NCO |
|-------------------------|---|---|---|

PERFIS

- Preparation of  
Duty Assignment  
Rosters
- Operating  
Instruction 90,99

- |                            |  |   |                                       |
|----------------------------|--|---|---------------------------------------|
| 21)Leadership/<br>Training | 23)Combat Leadership<br>in NBC threat/<br>conditions (Part 1) <ul style="list-style-type: none"><li>- tactical NBC<br/>defense incl.:<ul style="list-style-type: none"><li>- practice of<br/>methods/pro-<br/>cedures</li><li>- preparations<br/>for decision-<br/>making</li><li>- giving orders<br/>on field of<br/>combat</li></ul></li></ul> | 26)S3-Senior NCO<br>S2-Senior NCO<br>S3-Senior NCO<br>Company Commander | 27)a-S3-Staff Off.<br>b-S3-Staff Off. |
|----------------------------|--|---|---------------------------------------|

(Part 2)

- |                           |  |   |                            |
|---------------------------|--|---|----------------------------|
| 31)Supply<br>Material gp. | 33)Procedures in<br>exchanging ex-<br>changeable parts <ul style="list-style-type: none"><li>- documentation</li><li>- identification</li><li>- advance de-<br/>livery</li><li>- work w/supply<br/>company</li></ul> | 36)Material Group<br>MNT-Senior NCO<br>MNT-Junior NCO<br>S4<br>Troop Supply | 37)a-S4<br>b-Supply Sq Ldr |
|---------------------------|--|---|----------------------------|

41)Supply Material gp. Supply (S4) NCO'	43)Procedures in rationing of non- expendable supp. - getting replace. for lost clothing/ pers. items - procedure with re- quisition slip	46)Material Group Munitions NCOs S4 Supply Service NCO's	47)a-S4 b-Supply Sgt.
51)Supply Transport S4	53)Briefing for emergency rounds distribution - location - prepared docs	56)Supply Supply NCO's S4 Supply Service NCO's	57)a-S4 b-Supply Sgt.
61)Supply Medic	63)Heart/Lung re- suscitation tng. w/dummy Direction of medic facilities - health records, doctor's slips, sick slip	66)Medical Group	67)a-Med.Gp Leader b-Med.Gp Leader
71)Supply Medic	73)Removing wounded in ambulance - .5 to 1.5 to	76)Medical Group	77)a-Battalion Dr. b-Med.Gp Leader
81)Supply Maintenance	83)Briefing on BR-log maintenance section  Acquisition of new Tech Manual Part 31  Replace/repair combat equipment - calibration - reparable exchange parts - collection - multi-equipment work	86)NCO's from service/repair ptn.	87)Various NCO's
91)Pay	93)Moving cost priv. Briefing on alert procedures	96)Battalion HQ comp. Pay officer Records Processing	97)a-Supply Proc. b-Records Proc.

## Contents of NCO In-Service Training

### Combat Training

Combat training prepares the best for wartime proficiency. The main points are practice in fire and movement, night combat, integrated training and recognition of the threat through training about the enemy.

In order to carry out a realistic combat training, the NCO's must be able to translate their own intentions into a simple operation plan. An order language which is understandable is an essential requirement for that. The combat exercise must never get to the point that the intended progress makes resolve and action on the part of the trainees impossible. The instructor of the training, that is, the company commander, must be ready with several options to continue the exercise.

The main points of in-service training in the scope of practical leadership in combat must be:

- terrain description, terrain judgement, terrain utilization,
- thought-out formulation of orders,
- teamwork with support troops,
- improvement in leadership ability in the framework of tactical development, and
- knowledge of the enemy (combat vehicles, weapons, strengths and weaknesses).

Development in the scope of combat training is only sensible when it is carried out as practical duty in the field, as a field inspection, or at least as a terrain-model exercise.

In-service training is also under the command supervision of the battalion commander and the company commander during an exercise, in which the NCO's are deployed as the leaders of their units.

### Weapons- and Equipment Training

New and improved weapons and equipment require constant retraining in this area. Only he who masters his equipment can then train his soldiers. Knowledge of the interaction of the parts especially belongs here, in order to be able to quickly and correctly handle a possible mechanical problem.

### Methodology of Training

I believe that in general there is no need for a special in-service training on the subject of "Methodology of Training." Methodology plays a greater role in all the development activities. In this manner, a practical position becomes clear for the NCO.

I see one exception in the preparation for basic training. For the most part, the NCO's have problems with the quick readjustment from advanced training back to basic training. Here, the company commander must initiate directed in-service activities, in order to clarify the changed requirements on training for the NCO's. An example should illustrate this.

A company commander in an armored infantry company initiates in-service training in the following subject:

"Methodology of Training - Preparation and Implementation of a Reconnaissance Squad Mission" as initial training for recruits.

The company commander could persistently point out to his NCO's that during the training of recruits, training in small steps with many interruptions is better suited to avoiding mistakes than just giving the entire recon squad mission all at once and then step by step carry out the activities. The recruits are quite simply overwhelmed by the entire order.

#### Leadership/Leading People

The NCO's must learn to consider the physical and psychological strains of combat in the training. On top of that is the constant task of encouraging and maintaining motivation and the will to serve. This is no easy task.

In the Annual Training Order of 1985, our commander wrote about the theme of leading people:

"Care and consideration does not preclude strictness; a cloak of entitlement concerns is to be discouraged. The service time of our soldiers is to be carefully economized, and to be measured according to the given assignment and training requirements. The small group, above all, requires the attention and participation of the superiors. Camaraderie between superiors and subordinates is to be cut off. Abuse of soldiers is to be prosecuted through discipline and punishment." (Footnote 6) (Ibid.)

In the field of leadership, there should be development through the company commander by way of example situations on the basis of "compilation of directives for in-service training," which will strengthen the security of the NCO's with respect to their subordinate soldiers.

The demanded combat worthiness also requires preparedness to have the "will to fight" on the part of the leadership and their assistants in the event of an aggression. In conjunction with the hands-on ability, we will be situated in place to fulfill the mission.

The "Policy for Superiors" represents a further assistance to the company commander. Example situations can also be used here to show the intent of the policy. When the company commander succeeds in "incorporating" the sense of this policy within his NCO's, he will have a supportive, prepared NCO corps.

#### Contents of the Political Indoctrination

In our battalion, political indoctrination is given in seminar form. NCO in-service training should enable them to assist the company commander in running the seminar. To support this development, the division regularly reserves places for in-service training seminars, which can be used by the company commanders in the framework of their possibilities.

Our commander described the training objectives for political indoctrination thus:

- The soldier must understand and be able to explain what he is fighting for.
- The NCO's are to relay the understanding of the individual's task, and the basic principles of our security policies... " (Footnote 7) (Ibid.)

### Supply

The in-service training in the field of supply and logistics encompasses material support and rationing as well as medical support.

Help from the Technical Service is to be offered for development in the supply field. Along with supply rationing, it is an important task of the NCO. He has to know:

- how to care for and service weapons and machinery,
- an operator's procedure when there is damage,
- how to run verifications (on inventory lists, shortage lists, etc.).

NCO developmental training for "the special-commitment Technical Service" can be planned as follows:

- The day will be determined and placed in the duty schedule.
- Technical personnel will be called (maintenance team, communications team personnel),
- The need for fuels will be transmitted and requisitioned.

On training day, the vehicles and weapons will be put away in an orderly fashion, and the area will be staked out. The company commander directs the NCO in-service training and runs the individual sections as a class, where each NCO, alongside his equipment, supervises and helps with the work.

In medical support, the emphasis of in-service training lies in application of self-help and buddy-aid, and follow-up care for the wounded.

Use of liners in combat exercises are good for reaching the following training objectives:

- self-help and buddy-aid,
- transport of wounded,
- use of the ambulance and organization in the removal of wounded.

For this, assistance personnel (medical corps) must be called from the headquarters company in time.

### Organization of the NCO Developmental Training

Preparation, implementation, and follow-up of the NCO in-service training demands a relatively high amount of time. You have to assume that several days of preparation are needed for development activities with training facilities. The plan has to be sketched out, and the training location has to be notified. After that, the fundamentals of the course have to be worked out according to the regulations and orders. In certain circumstances, equipment

or personnel have to be requested from the headquarters company. Working out details for the training area with respect to time, precise objectives, command instructions, and expected activities require at least one additional day. Altogether, about two to three required working days have to be expected. In addition, there is the preparation immediately required before the training, such as the march to the training grounds, preparation of training stations, etc.

During the preparation, the company commander and a small staff of training assistants make a timely appearance (according to the training subject).

Preparation for in-service training which does not require training facilities, such as weapons- and equipment training, shooting rhythm, training with communications gear - setting up a SEM 25/35 radio set, etc., - can be done in a considerably shorter time. Even so, a time at least equal to the hours of training will be required for preparation.

Since the NCO's are not available for training conscripts while they are at in-service training themselves, the company commander has to determine who will be responsible for conscript training. The following solutions are available:

- The soldiers are trained in, say, general security practices, by the S2 Officer, or in company training by the company sergeant major.
- The company gets physical training under the direction of the company officer or an experienced sergeant who is not eligible to participate in NCO in-service training.
- The chaplain gives instruction in human affairs.
- The soldiers use some of their leave time.

Our commander decided that a portion of the NCO in-service activities should be centrally run by the battalion, so that in important subjects, all the NCO's receive the same instruction. The great effort required for preparation is then only required once for the battalion.

These central activities apply to the battalion-wide NCO training of four hours per quarter, and to the class instruction which is likewise four hours per quarter. The class instruction is already dictated.

Examples for battalion-wide NCO in-service training can be drawn from the following excerpt from the Annual Training Order 1985.

Early announcement of the training subjects and dates enables the companies to plan accordingly. The instructors for these in-service training activities have enough time for the preparation. The training is always directed by the battalion commander.

Example 1:

Table 2: Battalion-wide NCO In-Service Training (Footnote 8) (Ibid.)

1. Quarter			
22 Feb	Field Briefing	Training Area	a) Battalion CO.
0800-1200 hrs	The armored infantry group as a recon unit on foot.		b) S3 Staff Off.
	The small combat community in defense.		
	The armored infantry group dismounted in attack.		
2. Quarter			
29 Apr	Marksmanship Training	Rifle Range	a) Battalion CO.
0830-1230 hrs	Preparation and execution of combat fire.		b) 3rd Company CO.
	"The armored infantry group in attack in changing tactics."		
3. Quarter			
07 Jul	Guard Training		a) Battalion CO.
1300-1700 hrs	(Terrain model training)		b) S2 Officer
	Watch duty procedure.		
4. Quarter			
14 Oct	Advanced Technical Tng.		a) Battalion CO.
1300-1700 hrs	Execution of technical services by the crew.		b) Tech. Staff Off.

Example 2: NCO In-Service Training in an Armored Infantry Company

The company commander himself directs most of the NCO in-service training. The subjects are so selected that through them, company troop training is being prepared. Therefore, the company commander translates the requirements out of the Annual Training Order and out of his training plans into an advance training plan, which he reports to the battalion three months before the beginning of the quarter.

As per the Commander's orders, in our battalion the company commander runs 20 hours of NCO in-service training per quarter. As an example, the NCO training plan for an armored infantry company follows:

Table 3: NCO In-Service Training in the 1st Quarter (Footnote 9)  
(NCO Dev. Plan for Armored Infantry Instructor Battalion 353, 1st Quarter 1985)

Hrs	Training Plans	Method of Instruction	Location	Director
3	Leadership and Rights	Classroom	2nd Co.	Company CO.
	- Development activities		Classroom	
	- General			
	Example			

- |   |  |                     |                                  |             |
|---|--|---------------------|----------------------------------|-------------|
| 2 | Fundamentals for APC<br>combat in day, night,<br>and bad weather   | Terrain Model       | 2nd Co.<br>Terrain Model<br>Room | Company CO. |
| 5 | Takeover of obstacles<br>- Deployment as a detona-<br>tion party.<br>- Handover/takeover of an<br>obstacle prepared for<br>detonation.                                   | Classroom,<br>Field | Per order                        | Company CO. |
| 7 | Terrain Reconnaissance/<br>Description<br>The Armored Infantryman<br>in defense<br>- Deployment + APC<br>+ MILAN<br>+ Riflemen   | Field               | Per order                        | Company CO. |
| 3 | NBC Defensive Training<br>for All Troops<br>- Chemical warning pro-<br>cedure.<br>- NBC warning procedure.<br>- Deployment of NBC troops.<br>- Report- and warning duty. | Classroom,<br>Field | Per order                        | Company CO. |

#### Methodology and Time

Based on the large requirement of time for preparation and execution, NCO in-service training must be tightly organized. Above all, it should be seen as assistance for general training. Beyond that, it should not only be implemented during the ordered instruction hours, but instead in-service training should always be continued. The following measures are available for this purpose:

#### The Weekly Briefing

For training planning, the company commander identifies, among other things, points of emphasis, locations, and training objectives. To insure uniform training in the company and to explain the training organization in the company, the company commander addresses as a rule all the company's NCO's to review the training for the coming week within the duty plan. This early preparation for training gives the NCO's the opportunity to acquire training equipment, to reserve a training location, and to hand out the leaflets, etc.

#### The Daily Briefing

Here, the platoon leader reviews the training for the coming day and the following one with his instructors. Since the main points (subject, location and time) are already known, they can concentrate on the details, such as the following:

- progress of preparations are reviewed, and if necessary, changes are ordered or recommended,
- organization and training procedure are given before going to the field,
- training material on hand has to be inspected and
- instructional help, especially for weaker NCO's, can be assigned.

These daily briefings therefore regulate the training in great detail, in order to keep the operation tight and to avoid killing time.

#### Command Supervision by the Superiors

Supervision by the battalion commander enables him to get an idea of the planning and execution of the NCO in-service training, allows him to assist the training, and also to prevent mistakes.

In NCO in-service training, it is better to let small mistakes wait until the training briefing to be corrected. Otherwise, the training could be too interrupted.

Command supervision is, however, also involved in the daily training of NCO development. For the commander/company commander, it is at the same time the situation report and the control over successful NCO development.

#### Behaviour as Leader on the Front

The NCO is called to be the leader in many situations in daily training or during an exercise. Development in this area consists of repeatedly exercising control and promoting the behaviour as a leader, quickly correcting shortcomings, and above all increasingly employing the weaker NCO's. The company commander must maintain his command supervision in order to learn the strengths and weaknesses of his NCO's.

If the company commander keeps making these demands, and weaknesses are immediately corrected, success will soon follow.

The NCO's will be more confident to go to the front as leaders. For the company commander, this means he will have to spend much time with the training - as a rule at least half of the training time.

#### Practice of Shortcoming Recognition

Discipline and order are the cornerstones of the soldiers' life. Add to these virtues attention to so-called minor details, such as the unbuttoned buttons on soldiers' uniforms, sloppy or missing salutes for superiors, lack of headgear or incomplete discharge of orders. Development in this area consists of immediate correction of shortcomings. A good possibility to do this is present in the preparation for military drill, for example: - having dress code inspection, - reviewing proper behaviour during giving of orders, - checking for sufficient distance between NCO and the training group.

During normal training time, these shortcomings must also be recognized and corrected.

If the company commander's supervision is not sufficient for this, he must order an NCO in-service training session in the framework of the ordered training schedule, so that the recognition and correction of small and hidden shortcomings can be practiced.

#### Assistance for the Execution of NCO In-Service Training

##### Methodology of Field Conferences

Field conferences are well-suited for letting NCO's get themselves oriented in the training area or deployment area (the exception) in the training site or even in the position. Orientation in the deployment area will only be possible for many units with large march movements.

Due to peacetime unit deployment, frequency and scope of this in-service training cannot be generally recommended for all Army units. In any case, though, this activity should take place at least once a year, which would encompass at least one day.

One NCO orientation should be held regularly every quarter in the training area, tied in with a field briefing. The field orientation itself is an essential requirement for successful training. Here, the company commander must himself consider whether the march in the field is justified, or if the orientation can better be carried out on the terrain model, in order to save time.

##### Methodology of Terrain Model Training

A terrain model room should be available at least once in every company. The terrain model training is excellent for advanced- and in-service training of the NCO's, since decision tasks can be exercised on a reduced scale terrain, without a great commitment of time for the march in and out of the area.

One possible use is to prepare for troop training on the terrain model. For this, it must be as accurate a scale representation of the training area as possible, so that the company commander can discuss the organization and procedure and individual subjects in the training with the NCO's.

The second broad possibility for the company commander is the terrain model exercise. Here represented is an example of reconnaissance training.

1. The company commander prepares a terrain model exercise with exercise facilities and has the terrain model assembled according to his terrain concept.
2. The company commander gives his NCO's the order for the recon unit. After that, one of the training objectives is to practice giving orders. For that the participants must show the location of their activities on the terrain model and carry out the orders and activities as if they were at the site.
3. The individual phases of the recon unit mission is practiced in steps. Here, the following partial objectives can be pursued:

- selection of the correct line of movement,
- discussion of security,
- giving orders,
- measures after striking upon the enemy
- decision,
- reporting, etc.

The advantage of terrain model training is that the company commander can represent the terrain according to his wishes and ideas. The preparation of a terrain model exercise requires no more time than an exercise in the field. Practically all partial objectives can be visibly exercised in the terrain model. For better representation, single pictures can be represented with a viewgraph or sound recording. The training is independent of the weather and not tied to a certain time of year. Follow-up preparation for in-service training can be carried out immediately at the training area - that is, the terrain model room in the company.

I believe that NCO in-service training using the terrain model embodies so many advantages that the company commanders should directly exercise the subjects which represent the typical battle situations, and should not depend on the behaviour of the individual soldier.

#### Summary

In an age of technical advances with new and ever greater demands on technical understanding on the part of the NCO's, the NCO in-service training must increasingly contribute to further training the NCO on his equipment, until he masters it, so that he can then train his soldiers on it.

In addition, the NCO must be able to motivate and develop the soldiers. These demands make impossible to discontinue in-service training, because the young NCO is not yet in the position to do this.

It was intended to show that by orderly and early NCO in-service training planning, success will come with a reasonable relationship to the time spent. However, the significance of training in the various subject areas should also be highlighted.

It is not possible to offer a binding and all-encompassing representation of NCO in-service training for all combat troops equally - especially with regard to content and time allocation. The company commanders must determine in each case the type and scope of their NCO in-service training.

13071  
CSO 3620/578

MILITARY

FINLAND

ARMED FORCES CHIEF WARNS OF BUDGET PROBLEMS, AGING WEAPONRY

Helsinki UUSI SUOMI in Finnish 17 Feb 86 p 9

[Article: "Weapons Becoming More Expensive and Service Life Shorter, Defense Forces Far from Goals"]

[Text] We are several hundred million markkaa short of the procurement goal recommended by the Third Parliamentary Defense Committee, states Defense Force Commander General Jaakko Valtanen. The development program recommended by this defense committee concludes this year.

In an interview granted to POHJALAINEN he considers that by condensing the overall development schedule of the Defense Forces from 15 years to 10 years enormous benefit could be achieved. "We have proceeded with too little money so that the schedule has begun to stretch out," he argues.

The commander of the Defense Forces proposes small steps for a corrective program so that there will not be a billion-markka shortfall in the procurement schedule in the 1990s.

According to General Valtanen, falling behind in procurements is the result of the rapid development in weapons technology, among other things, since weapons are becoming more expensive at a rate that is 2--6 percent faster than the overall expenditure level. Their service life is also becoming shorter as technical development advances.

10576

CSO: 3617/78

MILITARY

NORWAY

## NORWEGIAN FLEET UNITS TO JOIN IN 'FLOTEX-86' EXERCISE

Oslo AFTENPOSTEN in Norwegian 28 Feb 86 p 10

[Article by Liv Hegna: "Norwegian Naval Units Participate in 'FLOTEX-86': Convoy to Northern Norway"]

[Text] The wind is good and the men are longing to go. This was the description given by the head of the coastal unit, Commander Kjell A. Prytz, of the situation of the Norwegian navy just a few days prior to the commencement of the FLOTEX exercise from the coast of Trondelag. Along with 2,000 officer colleagues and enlisted men, Prytz will participate in leading this year's marine exercise.

A total of 44 Norwegian ships, along with 15 from Britain, will exercise in the defense of supply routes from southern to northern Norway.

The commander of naval forces in northern Norway, Real Admiral Torolf Rein, emphasized in the written information which was distributed prior to the exercise that FLOTEX 86 will provide naval defenses with an excellent opportunity to show that naval forces cannot be stopped by darkness, weather or wind.

"If we use our weapons correctly and utilize all of the advantages which our own coast provides us, it will be uncomfortable for an aggressor to meet us on our home territory," Rein believes.

### Convoy

Commander Prytz told AFTENPOSTEN that the ships will leave Trondelag on Monday to form a convoy with reinforcements for the northern part of our country. Not the least due to the fact that the Americans have their supply depots in this district, Trondelag has become the actual starting point for escort assignments from this area and farther north. Prytz states it as follows: "We are establishing naval protection against attacks on transport ships from submarines, surface ships and planes. Additionally, a mine war is an important area of concern during this year's large naval exercise."

The FLOTEX exercise has been planned in connection with the large land exercise by allied and Norwegian forces known as Anchor Express. During the entire exercise, NATO's surveillance plane, E3A (AWACS), will participate. During the previous Express exercise in 1984, the leaders of the exercise thought that the Norwegian units did not manage to utilize the amount of data which the NATO plane could provide. A main point in this year's exercise presumably will be to see whether there has been success in improving in this area.

12578

CSO: 3639/82

MILITARY

NORWAY

DEFENSE MINISTER SJAASTAD ENTHUSIASTIC OVER AWACS EXPERIENCE

Oslo AFTENPOSTEN in Norwegian 4 Mar 86 p 37

[Article by Liv Hegna: "Sjaastad: AWACS Planes a Success"]

[Text] Setermoen-- The experiences with NATO's AWACS surveillance planes have been better than we expected and hoped for when we began with this type of flights. We are now thoroughly examining the experiences, which will act as a basis when we are to establish the pattern for AWACS flights from Ørland. This was said by Defense Minister Anders C. Sjaastad at a press conference when he inspected the troops before the combat phase of the Anchor Express exercise begins. Sjaastad said in addition that military leaders will have to endure opposition from politicians after budget initiatives.

Anders C. Sjaastad commented on European Supreme Commander Bernard Rogers' statement to the effect that he supports the Norwegian armed forces chief in his views regarding doubling of the percentage increase in the armed forces budget in the years to come: "Rogers' initiative has not harmed relations between the military and politicians. But when military men present such initiatives they must count on getting a response in return," Sjaastad said.

To the question of whether he is worried that the British seem to have encountered problems when they are to replace their fleet which will carry amphibious forces to other countries, including Norway, the defense minister answered that according to his understanding there is broad perception in Great Britain of the fact that the defense of the homeland starts with the defense of Norway. "I hope that the British will support the amphibious capacity as these boats gradually become old."

"Amphibious operations are more flexible than stockpiling. For an enemy never knows where reinforcements will go on land," Sjaastad said.

German Commander?

What about regular German troops in the allied European Command's mobile forces, the so-called Fire Brigade? Sjaastad has this view of that: "I think it is an appropriate distribution of tasks such as it is known. But we have no complaints if at some time there should be a German

commander of the Fire Brigade. Norway had no viewpoints in this regard when the present commander's successor was to be named," he said (there was strong competition from a German candidate when the choice fell on an Italian, Major General Franco Angioni from Santa Marinella in Italy).

### Stockpiling

"We have finally received information from NATO regarding the fact that the financing of the stockpiles in the mountains in Trøndelag has been approved. The construction of the mountain facilities begins in the current year and will be finished around the turn of the year in 1989-90; accordingly, at the same time that we are finished with the stockpiling for an extra Norwegian brigade at Evenes in North Norway," Sjaastad said.

Regarding the proposal for a railway line from Murmansk to Kirkenes, Sjaastad said that this is an example where civilian and military interests are on a collision course. "We must not forget that communication lines can be used to convey an attack against us. But it is also of greatest interest defensewise that a population be maintained in South Varanger," the defense minister said.

As far as plans for stockpiling in general are concerned, Sjaastad said that little had been done in practice before the Willoch government took over.

"Now conventional ammunition, fuel and spare parts have been stocked at our airfields. This program is part of SACEUR's Rapid Reinforcement Plan," Sjaastad said, but added that allied naval forces have taken part to too little an extent in exercises in the Norwegian Sea. "It is important that NATO display the flag in this region so that it does not develop into a 'mare sovieticum.' But the Soviet Union is also not present in this region on a permanent basis. I do not think that it is of practical use or politically necessary for the allies to be present on a permanent basis in the Norwegian Sea," Defense Minister Anders C. Sjaastad said.

8831

CSO: 3639/86

11 April 1986

MILITARY

NORWAY

STORTING MP URGES NEW NATO COMMAND STRUCTURE FOR ARCTIC

Oslo AFTENPOSTEN in Norwegian 5 Mar 86 p 2

[Article by Storting Representative Tore Austad (Conservative Party):  
"Atlantic Command Over North Norway"]

[Text] NATO's command structure has largely speaking remained fixed since the integrated defense alliance was established. The biggest change has been that the headquarters of the European Command was moved from France to Belgium when de Gaulle pulled France out.

NATO has three main commands, with their limited responsibility for the alliance's total defense. They are the Atlantic Command, the Channel Command and the European Command. The European Command is in turn divided into three parts: the North Command with responsibility for the north flank, the Central Command with responsibility for Central Europe from the Elbe to the Alps, and the South Command with responsibility for the south flank.

The North Command with headquarters in Kolsås covers Norway, Denmark and Schleswig-Holstein. Norway in turn has two commands: the supreme commands for North Norway and South Norway.

#### An Island

Viewed strategically--in relation to the rest of the alliance--Norway is an island. All reinforcements and supplies must come by air or by sea. But not only this. North Norway is also in the strategic sense in many ways an island. Communications by land with South Norway are weak (one road and one railroad). These will be very vulnerable to being cut, so that reinforcements and supplies will have to go by air and sea also from south to north.

The north's strategic importance for the entire alliance has been increasing strongly. The most strongly developed military complex in the entire world is on the Kola Peninsula. In a given situation control over air and naval bases in North Norway will be among the highest-priority military objectives of the Soviet Union. This would involve a deadly threat to the entire defense of the alliance. Not least, this applies to the vital communications over the Atlantic.

## Extortion

The frequency of Soviet exercises in our nearby areas is increasing. In addition, the exercise pattern shows that they are testing their ability to advance ever more deeply down into these waters. The biggest danger we confront is that we come */behind/* [in italics] the advanced Soviet lines of attack. The danger concerns not only a possible direct military attack, but also the fact that we can be vulnerable to political extortion. It is for this reason of the utmost importance to the defense of the northern half of the country that reinforcements, not only in the form of land and air forces, but allied naval forces, too, will be in position rapidly on such an occasion. It is only the Atlantic Command (SACLANT) which will have such forces. It is a question especially of aircraft carrier groups, the units with the greatest striking power.

## Exercises

The increasing Soviet naval buildup and exercises in the north are also increasing the need for more frequent allied exercises. We cannot just passively accept the fact that the Norwegian Sea becomes a de facto "mare sovieticum"--a Soviet inland sea. All vital national security interests will then be at stake.

These conditions lead to the obvious conclusion that the ties to the Atlantic Command ought to be strengthened. Our strategic interests in the north will obviously be most strongly tied to this NATO command. It for this reason ought to be considered and discussed whether the consequences of this ought not to be taken also in a command and organization sense. This would imply that North Norway north of Namdalen [Nam Valley] will become part of the Atlantic Command, while the rest of the North Command (South Norway, Denmark and Schleswig-Holstein) would remain under the European Command. This would in turn involve the fact that the supreme commands for North Norway and South Norway would wear different NATO hats. This would surely involve some disadvantages, but it is not exceptional in the NATO context that a country be divided commandwise. (Cf. West Germany's division at the Elbe.)

## Advantages

But it would in turn also involve obvious advantages. In particular, that the Atlantic Command's forces will be more easily added to the defense of North Norway. The strategic situation for South Norway and North Norway is essentially different. Defense measures--including command relationships--ought to be organized in accordance with this fact.

8831

CSO: 3639/86

MILITARY

NORWAY

'ANCHOR EXPRESS' EXERCISE REVEALS POOR ARMS MAINTENANCE

Oslo AFTENPOSTEN in Norwegian 5 Mar 86 p 4

[Article by Liv Hegna: "Poor Maintenance of Equipment: Armed Forces Receive Spanking Grades"]

[Text] Setermoen -- The refresher course guys give the armed forces spanking grades as far as maintenance of the machinery before the "Anchor Express" exercise is concerned. "Had I taken care of the materiel so badly I would have been fired from my civilian job," Lieutenant Arild Larsen of the engineers company of the Fifth Brigade says. He thinks that it is so bad in the maintenance aspect that a war would have stopped already in the beginning phase because of worn-down materiel.

Lieutenant Arild Larsen has been in for refresher training since 13 February. He and his fellows have used the time almost continuously on correcting mistakes and defects in the materiel the armed forces distributed. Larsen emphasizes that in the case of a real war a chance would perhaps have been taken on sending a trailer without brakes onto the road, but for safety reasons soldiers cannot be exposed to such dangers in peace time.

Arild Larsen is the sales head and second-in-command at the Lillestrøm Transportutstyr A/S [Transportation Equipment, Inc.] firm. During the refresher training he has responsibility for maintenance in the brigade's company of engineers.

Lieutenant Arild Larsen tells AFTENPOSTEN that 20 percent of the mechanical equipment was not at all in usable condition when it was handed out before the "Anchor Express" exercise. The rest was also almost just a headache, according to Larsen. He thinks that it has never been so bad as this year. He himself has taken part in exercises since 1975.

Furthermore, Lieutenant Larsen questions the armed forces' priorities as far as the procurement of mechanical equipment is concerned: "We have big bulldozers but do not get tow trucks to get them out into the field. It is exactly like buying parachutes but not planes," Lieutenant Arild Larsen says to AFTENPOSTEN.

8831  
CSO: 3639/86

MILITARY

NORWAY

GENERAL WARNS AGAINST EXAGGERATING SOVIET THREAT IN NORTH

Oslo ARBEIDERBLADET in Norwegian 6 Feb 86 p 8

[Article by Grete Berget: "'Soviet Threat Exaggerated'"]

[Text] Leangkollen -- Lieutenant General Tønne Huitfeldt advises against exaggerating the negative effects of the Soviet naval buildup in the north. Huitfeldt thereby does not share without reservation Armed Forces Chief Fredrik Bull-Hansen's expressed desire for increased American presence in this area.

"There is no doubt that the Soviet naval buildup has been considerable, but it may also be appropriate to direct a caution against exaggerating the negative effects--and thereby contributing to giving the statement a self-fulfilling effect," General Huitfeldt said at a seminar to the Atlantic Ocean Committee. He thereby expressed a considerably more nuanced attitude toward increased American presence in nearby areas than other central military professionals.

Huitfeldt pointed to the report in the media of Soviet naval exercises and the report in the more official press statement. He cautions against using expressions like "lines of defense" in this connection, expressions which previously belonged only in the army vocabulary. "In the army context such expressions imply that if lines of defense or positions are broken through or outflanked, the battle is lost, locally in any case. This is not the case and can also not be so in naval warfare--with the distances which it is a question of here, even with the increased range of naval weapon systems. We must also be careful about attributing a decisive role to the naval forces, as important as they are," Huitfeldt emphasized, and pointed to a Norwegian foreign policy dogma during the entire period from 1905 to 1940. Namely, that if the first assumption regarding the fact that the major powers would be most interested in keeping Norway outside a clash between them should prove untrue, then the Norwegian armed forces would have other assumptions to fall back on. Superior British naval power was to prevent the Germans from gaining a foothold in Norway. Of course, it did not happen this way. Airplanes and the geographical factor altered the capacity and possibilities of naval warfare.

## Justifies

Huitfeldt cautioned further against using expressions like "lines of defense" and "that the Soviet Union is exercising in defense in the Norwegian Sea."

"The use of these expressions gives the activity a legitimate and justified character. This cannot possibly be correct when it is a question of cutting off communication lines between the Western allies. If this is pursued too far, it is certainly possible to come to the point of classifying the Soviet attack on Finland in 1939 and the invasion in Afghanistan as defensive warfare," the lieutenant general said.

## Free Win

Both Armed Forces Chief Bull-Hansen and Admiral Ingebrigtsen have expressed the desire for increased naval presence in the north from American quarters as a response to the increased Soviet activity in this area. Huitfeldt raised several fingers of warning.

"Let us not contribute to giving them a free win with the report of naval exercises in peace time. This could give some the feeling of hopelessness, something for which there is no basis in reality."

He referred to the fact that an exercise in peace time cannot be used as a basis for firm conclusions regarding intentions and actual possibilities in a war. "The exercises do not say anything about what these vessels will be capable of in situations with active countermeasures by NATO's naval and air forces, and in ocean areas where they are beyond the range of their own air support."

## Stockpiling

At the seminar Huitfeldt came out with the following sensational statement on the issue regarding stockpiling of American materiel:

"Although the issue was dramatic both politically and militarily, it was a better solution than what we originally asked for and hoped for. Although it was a more expensive solution. As we know, the original plans were to the effect of deployment in Troms, but the outcome was deployment in South Trøndelag."

8831

CSO: 3639/86

MILITARY

NORWAY

PAPER URGES WIDER DEBATE ON FUTURE DEFENSE MISSION, STRUCTURE

Oslo AFTENPOSTEN in Norwegian 4 Mar 86 p 2

[Editorial: "What Kind of Defense?"]

[Text] The armed forces chief created a stir in November of last year through an address in which he confronted the political leadership with two alternatives: either a considerable increase in funds for the armed forces, or reduced defense. Researchers and military professionals took up General Fredrik Bull-Hansen's sharp wording and discussed the future defense system. In political quarters, on the other hand, they were either offended that the armed forces chief expressed himself at all, or his words were seen as an affirmation of the fact that the armed forces are in a miserable state.

The third view was aired during the Armed Forces Association's debate meeting in Oslo on Thursday of last week. Or should one rather say lack of a view? In spite of increasing activity and a formidable military potential in our powerful neighbor to the east, as well as dramatically rising costs for procurements for the armed forces, members of the Storting's Defense Committee had no signals to give regarding our future structure.

The justification for this aloofness was cited to be the fact that we have a current defense plan in which the increase rate has been set at 3.5 percent via the Storting's annual appropriations. No reason has been found to change this percentage, and the specific materiel needs our armed forces face, and which are publicly known, were not commented on or expanded on during the debate. The only party which already at this time is willing to take a position on--and support--the armed forces chief's proposal regarding a 7.5-percent increase is the Progressive Party. In those circles, they want, in turn, to take the money from aid to underdeveloped countries and agriculture subsidies.

No one claimed that we already at this time must replace the current defense plan with a new one, but we have doubts about the lacking intellectual flexibility our defense policy people are displaying toward the problems of the future. Figure scales adopted and structures accepted today provide no excuse for not discussing how we will best maintain a credible defense system up to the turn of the century, as the armed forces chief has asked us to after a job of thorough analysis. Today we have "a reasonably good defense

system," as it was said in the debate. Already now our politicians should give some signals regarding how we will continue to guarantee this, and we agree with General Tønne Huitfeldt, who pointed out that we can no longer evade a debate.

Such a debate must be conducted with the deepest seriousness and proceed from the extraordinarily high interest in defense which has been recorded among our people. There will be understanding of the fact that the armed forces must be top priority and that the question must continue to be which duties our armed forces are to cover. Things will have to be going badly with our social economy before we accept a relative weakening of our effort in this area. Up to now a high degree of agreement regarding this view has prevailed. Why, then, not take up the gauntlet from the armed forces chief?

8831

CSO: 3639/86

MILITARY

NORWAY

BRIEFS

SUBMARINE COMPONENT CONTRACT--NEBB has been awarded a contract for converters and battery generators for the navy's new submarines which are being built in West Germany. The order involves six boats in the Ula class and has a value of 48 million kroner. The equipment is to be delivered from 1987 to 1991 and is to be produced in the firm's plant at Skoyen in Oslo. [Text] [Oslo AFTENPOSTEN in Norwegian 13 Feb 86 p 42] 12578

CSO: 3639/80

MILITARY

SWITZERLAND

## ARMS PROCUREMENT PROCESS, PRODUCTION CAPABILITIES DETAILED

### Military R & D, Procurement Process

Bonn WEHRTECHNIK in German Feb 86 pp 37-42

[Article: "The Group for Defense Services"; first paragraph is WEHRTECHNIK introduction]

[Text] A special WEHRTECHNIK seminar in October 1985 was dedicated to the theme, "Switzerland--a Neutral State, Its Procurement Policy and Procedures Under the Special Consideration of the LEOPARD 2." The central agency for research, development and procurement is the Group for Defense Services [GRD], whose tasks and procedures, based upon a report by Director Rene Hubert, deputy armament chief, are presented in the following. Comments by Peter Lyoth, chief of the commercial department for flight hardware in the GRD, is the basis for the section on international arms cooperation.

The Group for Defense Services (GRD) is a part of the Federal Military Department (EMD), which is approximately equivalent to a defense ministry, and has functions similar to those of the BWB [Federal Office of Military Technology and Procurement] in Coblenz. To be sure, the state armament plants are also subordinate to it.

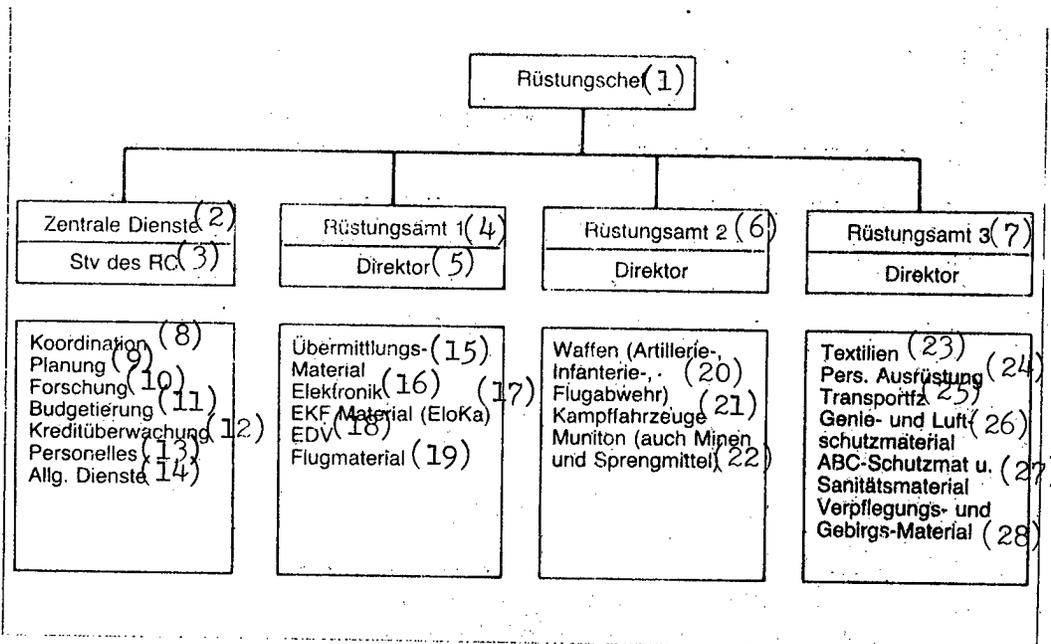
The GRD has responsibility for the handling of the scientific, technical, industrial, economic and financial questions in connection with the research, development and procurement of defense material. The GRD is thus an important public contracting authority. On an annual average for the years 1980 through 1984, the payments of the GRD amounted to 45 percent of the total expenditures of the EMD, of which about 1.2 billion Swiss francs, or 70 percent (55 percent to private industry and 13 percent to state armaments plants), were spent domestically and 500 million Swiss francs abroad. The work covered 6,000 orders annually and about 5,000 suppliers. In detail for 1984, these were as in the table below.

In Switzerland, defense material procurement amounts to 0.85 percent of the gross national product.

Economic Groups	Millions of Swiss Francs	Number of Firms
Metals, machinery and apparatus	980.8	2,620
Textiles	57.5	371
Leather and shoes	43.5	140
Chemicals	14.4	318
Rubber (excluding tires)	11.9	39
Wood (excluding firewood)	7.2	144
Automobiles including tires	148.1	225
Plastics	8.8	116
Miscellaneous	37.2	1,089
Administration	173.2	153
Foreign	356.6	587
<b>Total</b>	<b>1,839.2</b>	<b>5,802</b>

### The Organization

The central administration of the GRD was reorganized in mid-1983. Indeed, the change was from a functional organization structured in accordance with the functions research/development, procurement and production to organization according to production areas. The deputy armament chief leads the Central Services, the director of Armament Office 1 manages the area of flight, command and transmission material, Armament Office 2 includes weapons, combat vehicles and ammunition, and Armament Office 3 covers vehicles, engineering, and equipment, and NBC and special material. The central administration, that is, the Central Services and armament offices 1, 2 and 3 have a total of 850 employees. The GRD personnel are functionally divided as follows: 29 percent technology, 26 percent commerce, 33 percent technical positions, and 12 percent quality control.



In Mid-1983, the Central Administration of the GRD Was Reorganized From a Functional Organization to an Organization According to Project Areas

Key:

- |                                 |  |
|---------------------------------|--|
| 1. Armament chief               | 18. Electronic data processing                           |
| 2. Central Services             | 19. Flight hardware                                      |
| 3. Deputy armament chief        | 20. Weapons (artillery, infantry, and antiaircraft)      |
| 4. Armament Office 1            | 21. Combat aircraft                                      |
| 5. Director                     | 22. Ammunition (including mines and demolition material) |
| 6. Armament Office 2            | 23. Textiles   |
| 7. Armament Office 3            | 24. Personal equipment                                   |
| 8. Coordination                 | 25. Transport vehicles                                   |
| 9. Planning                     | 26. Engineering and air defense material                 |
| 10. Research                    | 27. NBC protection and medical supplies                  |
| 11. Budgeting                   | 28. Rations and mountain supplies                        |
| 12. Credit control              |  |
| 13. Personnel affairs           |  |
| 14. General services            |  |
| 15. Transmission hardware       |  |
| 16. Electronics                 |  |
| 17. Electronic Warfare Hardware |  |

#### The Federal Armament Plants

The GRD has six armament plants of its own that are brought together in a Federal Office for Armament Plants. This federal office has its own accounting. The individual armament plants are largely autonomous and are basically managed like private companies. They work almost exclusively in the armament area and accordingly are completely dependent upon orders from the central administration of the GRD. One is striving for the clearest possible demarcation of the fields of activity among the federal armament plants and private industry. In the foreground here is partnership and not competition. See table below for armament plants, number of employees and sales figures.

#### The Armament Plants in Key Words and Figures

Armament Plants	Abbrev.	Year Founded	Most Important Product Areas	Number of Employees	1984 Sales (mil. Fr.)
Federal Design Workshop, Thun	K + W	1863	Combat aircraft, artillery and antitank guns	1,017	179
Federal Ammunition Factory, Thun	M + FT	1863	Small-caliber and pyrotechnic ammunition, fuzes and initiators, protective breathing equipment	1,157	184
Federal Ammunition Factory,	M + FA	1896/ 1903	medium and large-caliber ammunition, unguided rockets,	1,055	157

Altdorf

demolition material

The Armament Plants, continued

Armament Plants	Abbrev.	Year Founded	Most Important Product Areas	Number of Employees	1984 Sales (mil. Fr.)
Federal Weapons Factory, Bern	W + F	1871	Infantry weapons, mine launchers, simulation and training systems	528	63
Federal Powder Factory, Wimmis	P + F	1919	Propellants for all types of ammunition including rockets	440	40
Federal Aircraft Factory, Emmen	F + W	1943	Aircraft, helicopters, drones, guided weapons, space operations	726	147

The main tasks of the federal armament plants are:

--performance of service as extended technical offices for the central administration of the GRD;

--assistance in the evaluation and testing of armament;

--development and production of propellants and ammunition;

--function of general contractor in joint programs for armament of foreign origin;

--final assembly for large procurement projects, as in the area of tank, flight and artillery hardware;

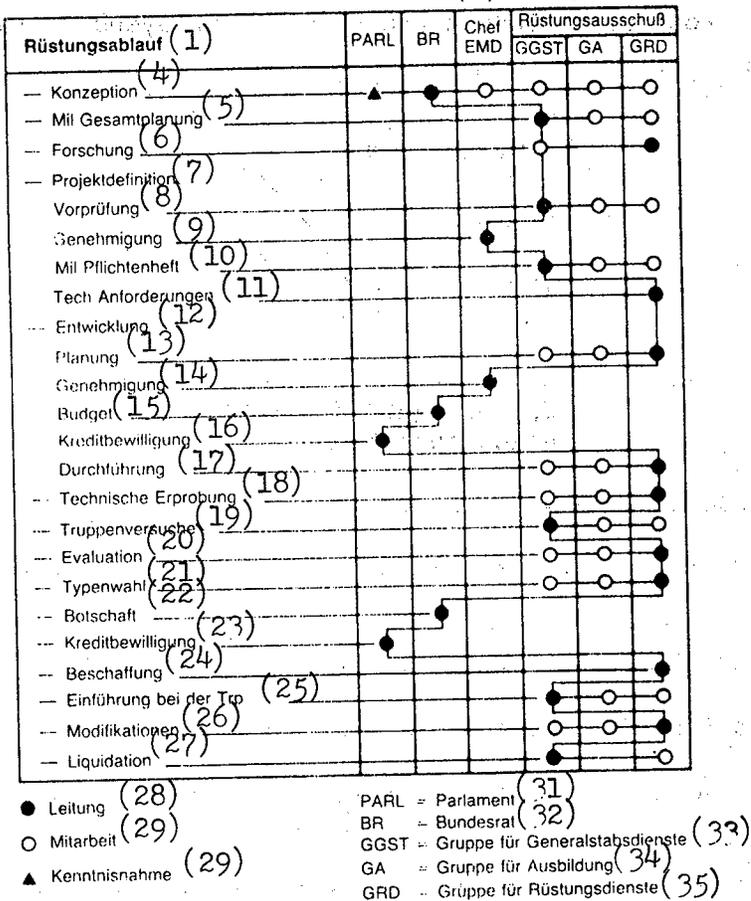
--implementation of the modification service during the utilization phase.

The armament sequence--in our case, designated as the course of procurement for military hardware--is represented in the table on the next page. The most important authority for coordination and control in the armament sequence is the Armament Committee composed of the general staff chief (GGST [Group for General Staff Services]), training chief (GA [Training Group]), armament chief (GRD) and the commander of the air defense units (kdt FF Trp).

The basis for every armament project is a military duty manual to be issued by the general staff chief. It includes: intended use and mission (justification, procurement scope, and time relationships), system requirements (tactical requirements, performance specifications, and environmental conditions) and logistical requirements (maintenance, repair service, training concerns, and documentation).

Relying on the military duty manual, the armament chief issues the appropriate technical specifications that include the technically measureable magnitudes such as performance data, environmental specifications (shock, vibration, temperature and humidity), operation and applications, etc.

(2) (3)



Key:

- |                              |                                      |
|------------------------------|--------------------------------------|
| 1. Armament sequence         | 18. Technical testing                |
| 2. Chief of the EMD          | 19. Operational tests                |
| 3. Armament Committee        | 20. Evaluation                       |
| 4. Concept                   | 21. Type selection                   |
| 5. With overall planning     | 22. Message                          |
| 6. Research                  | 23. Extension of credit              |
| 7. Project definition        | 24. Procurement                      |
| 8. Preliminary testing       | 25. Field introduction               |
| 9. Approval                  | 26. Modifications                    |
| 10. With duty manual         | 27. Liquidation                      |
| 11. Technical specifications | 28. Management                       |
| 12. Development              | 29. Cooperation                      |
| 13. Planning                 | 30. Cognizance                       |
| 14. Approval                 | 31. Parliament                       |
| 15. Budget                   | 32. Executive Federal Council        |
| 16. Extension of credit      | 33. Group for General Staff Services |
| 17. Implementation           | 34. Training Group                   |
|                              | 35. Group for Armament Services      |

Technical testing is supposed to indicate whether the performance data established in the Technical specifications are being met. The goal is the achievement of technical readiness for procurement. The technical testing is carried out by the technical offices of the GRD and by the armament plants.

The operational tests are based upon the military specifications. They include a check of applications and suitability in field conditions and in the militia and serve to develop the definitive operational concept, training concept and maintenance concept. Finally comes the statement of troop fitness by the general staff chief.

The following criteria are valid for the subsequent evaluation of readiness for procurement:

- technical examination of the hardware;
- testing of the hardware;
- initial operational capability of the hardware;
- scope of procurement;
- effects on the infrastructure;
- cost calculation;
- risk evaluation;
- industrial and economic viewpoints.

On the average, the following time relationships are valid for the armament sequence: 1 to 2 years are needed for the planning and military requirement, 1 year for the extension of credit for the research, development and test program, 1 to 4 years for the development including technical testing, 1 year for the operational test, an additional year for the message and credit approval and, finally, 1 to 3 years for procurement, so that the equipment can be fielded after 6 to 8 years.

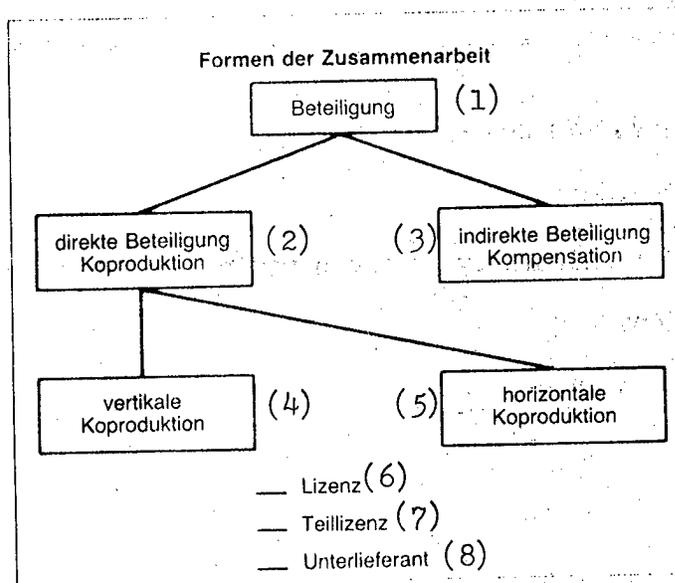
#### Cooperation With Industry

The Armament Commission serves to promote cooperation with industry. Every 6 months, the general staff chief and the armament chief hold talks with the heads of industry. The Union of Swiss Mechanical Industrialists (VSM) is the GRD's partner for the handling of additional questions in armament and business policy. The individual branches are partners of the GRD for the elaboration of medium and long-term development and procurement planning. The Swiss Association for War Technology (SKG) is a forum for the GRD for the discussion of basic questions. Mixed working groups between the administration and industry elaborate the bases for the armament policy of the

legislature. These working groups exist for the areas military communications technology, combat vehicles and tube weapons, vehicles, ammunition and flight hardware.

### International Arms Cooperation--Possibilities and Limits for Switzerland

The increasing foreign dependency of Switzerland in the procurement of complex armaments necessarily also brings the small neutral country a greater confrontation with questions of international cooperation in the armament area.



### Forms of Cooperation

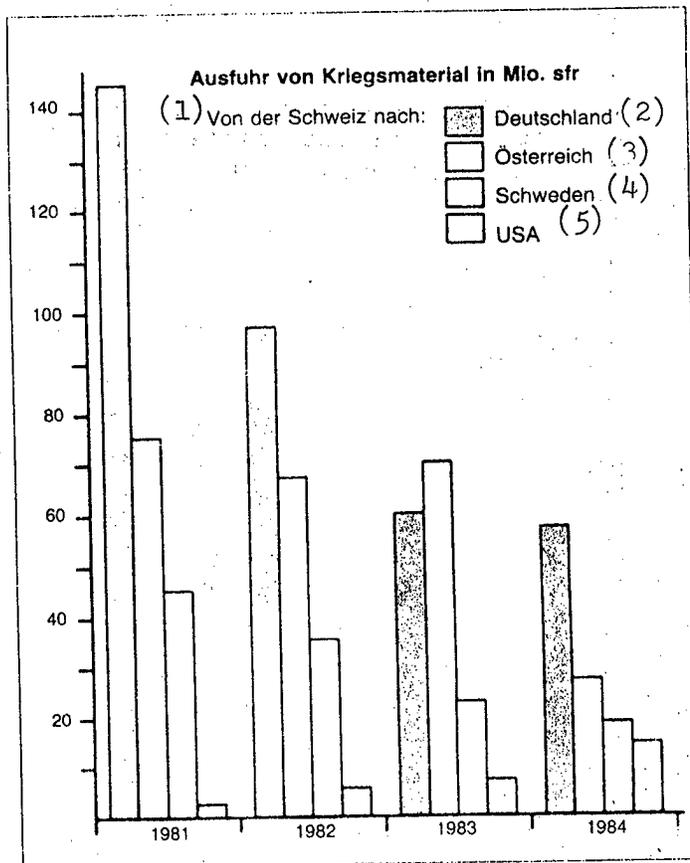
**Key:**

- |   |                            |
|---|----------------------------|
| 1. Participation                          | 5. Horizontal coproduction |
| 2. Direct participation<br>Cooproduction  | 6. License                 |
| 3. Indirect participation<br>Compensation | 7. Partial license         |
| 4. Vertical coproduction                  | 8. Subcontractor           |

Because of the Swiss policy of neutrality, the goals and motives for cooperation differ in certain areas from those of the FRG. Whereas in the latter it is military and economic reasons that support the political will for arms cooperation in the alliance, in the case of Switzerland it is security and defense policy considerations that necessitate international arms cooperation. So there are certain similarities in regard to defense policy and arms exports as well as in reference to the industrial and economic circumstances. In Switzerland as well, national defense is dependent upon domestic industry, even though there are certain areas where one cannot get along without foreign hardware. Just as in Germany, Swiss industry also has

an interest in utilizing its development and production capacities constantly and evenly. The requirement of the armed forces is thereby low, however, when measured against modern industrial scales. Because armaments are generally replaced only after a long time, one can expect continuing orders only in rare cases. Orders from abroad help to bridge such employment gaps. The development of armaments in Switzerland is always desirable and to be promoted in those areas whose scope of procurement permits a distribution of development costs that is appropriate relative to the procurement costs. It is necessary where the hardware is not available abroad, where independence from foreign suppliers is especially important, or where secrecy requires it. If a development cannot be carried out in Switzerland, then participation by Swiss industry is to be sought in the procurement of armaments developed abroad. The guiding principle for international cooperation is: Technical cooperation with other countries in armaments can occur to the extent that the policy of neutrality, intergovernmental agreements and industrial requirements permit it.

Primary emphasis is to be put on the direct cooperation of individual firms. For joint research and development, reasons of neutrality policy and the interest in maintaining the country's independence dictate that cooperation should primarily be sought with neutral states.



## Exports of Military Hardware in Millions of Swiss Francs

**Key:**

- |                        |                  |
|------------------------|------------------|
| 1. From Switzerland to | 4. Sweden        |
| 2. Germany             | 5. United States |
| 3. Austria             |                  |

As in the FRG, the entire arms production in Switzerland accounts for only a few percent of the annual value of the production of the manufacturing industry. In Switzerland as well, the ties of the labor market to defense orders are not great in percent terms. Based upon their security interests and their foreign-policy goals, both countries pursue a restrictive policy with respect to arms exports, especially relative to Third World countries. The results of this restrictive policy are seen in the negligible share of armaments in the overall exports of the two countries. This share averages less than 1 percent and amounts to about 400 million Swiss francs on an annual average. In the practice of international cooperation in arms technology, direct forms of cooperation are carried out through licensing and partial licensing and subcontractor relations and indirect forms of participation through compensation.

To the extent that joint research, development or production is being considered, reasons of neutrality policy and the interest in preserving independence dictate that cooperation should primarily be sought with neutral countries; the main emphasis should thereby be given to promoting direct cooperation of individual firms.

The evaluation of the difficulties in international cooperation is basically similar to that of the FRG: apart from the limitations that result from the aspects of the neutrality policy, the most important obstacles are seen to be the different military concepts in regard to requirements, time periods and finances, the different capabilities of the partners in regard to technology, industry and the economy and, most recently, national protectionist measures.

In conclusion, the current and planned projects in international arms cooperation are summarized below.

Vorhaben (1)	Laufzeit (2)	Partnerland (3)	Art der Beteiligung (4)	
			Direkt (5)	Indirekt (6)
TIGER F-5	1975-1987	USA	●	●
DRAGON	1978-1989	USA	●	
PINZGAUER	1978-1982	A	●	
M 109	1980-1986	USA	●	
RAPIER	1980-1987	GB	●	●
MAVERICK	1982-1990	USA	●	●
LEOPARD	1984-1991	Deutschland	●	●
ELSALEO Elektronische (7)	1985-1994	Deutschland	●	●
Schießausbildungsanlage	1985-1990 (8)	USA		●
TAFLIR Takt. Flieger-Radar				
EKF (9)	1985-1993	Groß-britannien		●
Elektronische Kampfführung				
SCHIESS-SIMULATOR (10)	1984-1989	Deutschland	●	
(Dragon/Leopard)				
(Lwl-Pzj) (11)	1986-1991	Deutschland	●	
HG 85 Handgranate (12)	1985-1989	Deutschland	●	
DISTANZMESSER (13)	1985-1990	Norwegen	●	
UHF/VHF BODENFUNK (14)	1985-	Deutschland		●
LWF-PZJ (11)		USA		●
Lenkwaffe Panzerjäger (11)	1986-1993	Norwegen	●	●
Jet-Schulflugzeug (15)	1987-	F. D. GB	●	●

## Examples of Current and Planned Projects With International Arms Cooperation

### Key:

- |  |                                       |
|--|---------------------------------------|
| 1. Project                                 | 9. Electronic warfare                 |
| 2. Period to run                           | 10. Firing simulator                  |
| 3. Partner country                         | 11. Guided weapon tank destroyer unit |
| 4. Type of participation                   | 12. Hand grenade                      |
| 5. Direct                                  | 13. Distance measurer                 |
| 6. Indirect                                | 14. UHF/VHF ground radio              |
| 7. Electronic marksmanship training system | 15. Jet trainer                       |
| 8. Tactical anti-aircraft radar            |                                       |

### Firms, Product Lines Surveyed

Vienna OESTERREICHISCHE MILITAERISCHE ZEITSCHRIFT in German Jan/Feb 86 pp 37-48

[Article by Hans Sigmund: "The Armaments Industry of Switzerland"]

[Excerpt] Domestically, a total of about 12,000 workers are working in the private and public armaments plants, including about 4,000 in the plants of the EMD. That leaves about 8,000 employees in the private armaments industry, whereas there are about 300,000 people employed in the machine and watch industry alone. It is thus clear that the exportation of weapons involves goods of the highest quality and therefore of commensurate value creation.

The government and parliament, who have ultimate responsibility for where monetary resources are invested, therefore demand optimum efficiency in arms deliveries so as to ensure maximum combat effectiveness for the army. So one refrains from all "promotion intentions" through cheap protectionism and purposefully subjects his own armaments industry to the toughest foreign competition.

To be sure, federal aid cannot be overlooked: as has already been intimated, the armaments plants of the EMD often produce those arms that private industry considers generally unprofitable and unexportable. But the EMD must calculate from a strictly commercial point of view and therefore run its plants with a certain "basic load," which is only possible when the planning is very long-term and realizable. In addition, the armament policy of the EMD purposefully allows quasi-monopolies of individual enterprises in certain areas, especially in the case of high-value armaments or large-scale projects.

That is without danger as long as foreign enterprises can participate fairly in the competition beginning with the project evaluation, accurate insights into the calculation are possible, and there is justification for mutual trust. If certain work cannot be expected from its own industry at a fair cost, the EMD assists in the acquisition of licenses in that it, as a rule, investigates their technical value itself.

Furthermore, the EMD promotes systematic research work within the scope of federal research support. There is a fundamental aim to create the know-how for army armament domestically. So in contrast to the willingness to take over proven foreign licenses, there are reservations about the issuance of orders for research and development abroad. Where this is possible, all specialties should be covered by their own development activities, which naturally in no way means that all of their own developments will be realized. Where in special cases--usually for economic reasons--foreign developments are taken up, then only after objective analysis, investigation and testing, until the latest state of technology is thoroughly understood and assessed.

The extent to which industry and EMD are satisfied with the results of such cooperation varies: it is the opinion of many critics that there is still too much spontaneity and too little institutionalization in the relations, whereby one is thinking about a joint strict "research council" (EMD/industry/state research), etc. With such an organization, it should be possible--long before a new requirement is apparent from the military model--to see to it that projects as such can be demarcated and defined, that is, the technology receives a head start that makes the chances and difficulties in its realization as well as the time and cost requirements discernible at the beginning of development.

With the background of this information, with which an attempt was made to present essential characteristics of Swiss armaments sectors, we now turn to a description of some representative plants, their activities, main products and performance.

#### The Federal Armaments Plants

This is taken to mean a group of factories that--in part developing from old workshops at today's site--are the army's "arsenal plants." Through the Federal Office for Armament Plants in the Group for Armament Services, they are indirectly subordinate to the EMD. In principle, they work according to the rules of self-management. That is, they are profit-oriented to the extent that this is possible with the long-term planning of the EMD that they have to follow. Since the EMD is obliged to meet its requirements under optimum conditions, the factories are set up in the most up-to-date manner and are run in accordance with true management criteria.

The two oldest plants (founded in 1863) are in Thun and they are the Eidgenoessische Konstruktionswerkstaette [Federal Design Workshop] (KW) and the Eidgenoessische Munitionsfabrik Thun [Thun Federal Ammunition Factory] (MFT). Up to now, all artillery pieces introduced into the Swiss Army were developed and built at the KW or, in some cases, were manufactured under license. The works always had internationally esteemed ballistics experts at its disposal. It is the only Swiss plant in which large-caliber weapons can be manufactured.

When the army bought the Centurion tank in 1955, it was revised at the KW, adapted in detail to the special requirements, and taken care of at all repair stages. In this way, a great potential in test equipment for tank

construction was established, which ultimately suggested the development of domestic Swiss tank production, still one of the main activities of the works.

It began with the Pz 61, with which the competence of the KW for tank building was proven, and finally followed the various series of the Pz 68 and of type-related versions. The KW took over the function of general contractor for the firms in private industry involved in tank construction, whereby private industry, in turn, handled about 70 percent of the volume of orders.

As everybody knows, the new Swiss battle tank Leopard II is not a KW design but the enterprise will exercise the decisive testing and control function of the project as well as tasks in maintaining and increasing combat effectiveness. In essence, then, it appears that the KW, because of an outstanding provisioning with test equipment for all tank subsystems, is becoming an exquisite testing and research center for the building of battle tanks.

At the MFT, the main emphasis of the work is on the efficient mass production of small-caliber ammunition and on the area of pyrotechnics. In addition, fuzes, detonators and blasting caps are manufactured here using the most up-to-date methods. Since Switzerland consumes only a minimum amount of live ammunition but, on the other hand, has large stocks of standby ammunition, it is sometimes necessary, in addition to control, to do some reworking. This process is handled economically: about 80 percent of the ammunition components are reused and the explosive itself is fully regenerated. Furthermore, it is here where the tasks of the elimination of unexploded rounds and the destruction of superannuated ammunition are concentrated.

An additional support of Swiss ammunition manufacturing is the Altdorf Ammunition Factory (MFA). Here artillery ammunition is manufactured on a large scale. Among other things, the factory is equipped with high-quality automatically controlled machines for non-cutting cold and warm forming and cutting cold forming. Since Switzerland introduced the Dragon antitank system and the Rapier anti-aircraft system, their essential projectile components are manufactured here. Also manufactured are airdropped ammunition, mines, hand grenades and various types of demolition material. The foundry for explosives and explosive mixtures is operating with the most up-to-date safety devices.

All ammunition factories work with propellant powders produced at the Wimmis Powder Factory (PF). In accordance with the Federal Constitution, the manufacture of propellant powder is a federal monopoly, whereby the PF became the monopoly holder for the production of propellant charges for artillery and rocket artillery. Highly qualified chemists are working at the factory, this being necessitated by the federal mission as well as by the constraint of adapting propellant technology to the still-increasing demands of weapons technology. One can count on further development, especially in the direction of automatic process control while maintaining the highest level of operational safety.

The main production of infantry weapons is in the Bern Weapons Factory (WF). In its time, the firm developed the Swiss machine gun and the rocket tube and was notably involved in the production of the SIG-Automatic Rifle 57. Since

the most up-to-date facility for the manufacture of cold-formed barrels is located there, the factory can also be sure of a large share of the production of the new automatic rifle.

A very interesting development is the double-barreled fortress grenade launcher in 12-cm caliber. Besides the high rate of fire that is the primary objective, the weapon--with semiautomatic reloading--has a remarkably small degree of dispersion. Conventional grenade launchers in 8.1 and 12-cm caliber are also being manufactured. A remarkable design success was the development of the automatic loader for the 15-cm self-propelled howitzer M-109, which is also being reproduced abroad under license.

This firm as well is taking into account modern trends in military technology, especially with the manufacture of firing simulators for various weapons, including the internationally known Florett System.

The Eidgenoessisches Flugzeugwerk Emmen [Emmen Federal Aircraft Factory] (FW) was employed as the general contractor for the licensed production and final assembly of all postwar aircraft procurement--that is, the Vampire, Mirage and F-5 types as well as the Alouette III. The plant thus had a leading role in familiarizing Swiss industry with the aircraft subsystem and component manufacture. In addition, the FW had to carry out the conversion of Swiss combat aircraft to other operational tasks, because, as everyone knows, Switzerland extends the service and working life of all weapon systems to the limit. The probable next problem of this type is the conversion of the F-5 area-protection fighter to suitability for low-altitude attack.

Naturally it is precisely in the air-armament sector that it comes to temporarily longer and in effect difficult-to-estimate gaps in orders, so that today the factory has in part switched over to the guided-weapons sector: it is general contractor in the Dragon and Rapier system. In addition, it was possible to fall back successfully on the civilian market, namely the production of parts for the Airbus and the DC-9-80 as well as assistance in the Ariane Project. It is thereby important that one remain in close touch with modern high-performance technology even when army orders decline. This will be urgently needed when a new Swiss combat aircraft is introduced.

This seems to be the place to go into some still-current procurement practices that in the nature of their execution were possible only with the participation of an enterprise such as the Emmen Aircraft Factory:

The Rapier procurement program with about 60 units may well require about 1.2 billion Swiss francs. As everyone knows, it thereby involves a just recently war-tested system for antiaircraft defense at lower and medium altitudes that the army will employ for the air defense of its mechanized divisions. For this purpose, the firing units from each of two Pinzgauers are to be pulled on trailers. The operation of each firing unit will require about eight soldiers. For about 50 million Swiss francs, the EMD has acquired the reproduction licensing rights for this certainly expensive but promising system and, as already mentioned, the FW has been brought in as general

contractor. Thus, in addition to the participation of private firms in the realization of the project, a labor force of about 140 highly qualified workers is ensured for at least 5 years at the aircraft factory.

Through federal technical help, the Rapier System was improved to the point where it can now be operated in the firing position by just one man, providing for automatic or manual target designation as well as an automatic threat analysis, a higher quality of electronic countermeasures, and an automatic error analysis. The overall result of the Swiss contributions is an abrupt improvement in quality. It is clear from this example what the demand of the EMD in the "Guidelines for the Formation of a National Armament Policy" (1971) actually means, in which it states: "...the technical knowledge must come from practical experience and not merely from sales brochures. Therefore, tests are to be carried out at home and abroad to the extent necessary to assess the state of the technology."

A similar procedure was followed in the procurement and reprourement of the F-5 Tiger with the participation of Emmen: Apart from a few complete aircraft flown in from the United States, essential components were again manufactured under Swiss license by FW--this time in close cooperation with the firm Pilatus and FWA. Domestic orders reached a value of 65 million Swiss francs with 130 employees for 25 years. Compensation deliveries to Northrop and General Electric for 50 percent of the total order amounting to \$250 million in favor of the Swiss aeronautical industry are likewise being arranged.

Such a policy presupposes:

--procurement of a current aircraft type from a leading production country with a long utilization period and sure international market chances,

--presence of a an already-qualified aeronautical industry with the ability to learn, no matter how small it may be in comparison with that of the United States,

--the capability of offering products at the same costs and in the same quality (open market) as the U.S. firms.

The role of the Emmen Aircraft Factory in the modernization of the old Hunters was similar, although the dimensions were smaller. After the basic aerotechnical overhaul, the aircraft are equipped with Maverick air-to-ground weapons (TV-guided). As further armament, the aircraft will carry 80-mm Oerlikon rockets, 270-kg bombs and electronic-warfare components (chaff and infrared flares) and thus represent a high-quality ground-attack aircraft. Because of the increasingly necessary display representation for the use of the Maverick, the cockpit also had to be redesigned as well. But the result will be an aircraft with a high attack capability that can be kept in service into the 1990's. The overall Maverick purchase value is around 160 million Swiss francs, which again will be 50 percent compensated within the Swiss aeronautical industry.

Also, a 32-square-meter wind tunnel was set up at the Emmen Aircraft Factory, so that one can expect an increased emphasis on development work here as well.

## The Private Armaments Industry

The complex of these enterprises shows diversification in several respects. On the one hand, the large concerns have subsidiaries in several foreign countries, all or the majority of whose capital is in their possession. These foreign plants work in various product lines of the parent company depending upon how economic success, and thereby export expectations, can be optimized. In addition, all of the concerns are obviously seeking civilian work that is not dependent upon the changing demand for weapons, even countercyclical work if possible.

Within Switzerland, the large firms cooperate closely with medium-size and smaller enterprises with internationally recognized know-how, so that there is no redundancy in capital-intensive sectors. And by no means do the small firms have to be part of the armaments industry. But they consider their participation in these production systems to be evidence of their respectability, quality and reliability.

The following list of important enterprises in the armaments branch--certainly acknowledged to be incomplete--begins with the mentioning of base industries, that is, enterprises whose existence is the necessary precondition for the development of high-quality armaments industries, although their direct contribution has a relatively small "arms-orientation," and subsequently deals with firms specializing in military technology that are more directly involved in the market.

The Sulzer concern: the concern can rightfully be characterized as the cradle of high-quality machine building and metallurgical research, although in no way does this characterization describe its overall work. With sales of about 3.5 billion Swiss francs and more than 33,000 employees, about 20,000 of whom are in Switzerland, the firm can look back on 150 years of development: its origin was the foundry of the Sulzer brothers in Winterthur.

For an enterprise of the interior, it has astounding fields of activity and successes: its marine engineering provides over 40 percent of worldwide ocean-going shipping with propulsion plants. On the other hand, the concern's own gas-turbine building for aircraft was stopped but Sulzer is an important participant in the licensed fabrication of all jet engines used in Switzerland. In this, it generally functions as general contractor, for which it is predestined by, among other things, its leading role in advanced metallurgy. In addition, the transmission component assemblies, tank turrets and tank hulls of the Pz 68 were produced within the scope of the concern and, thanks to its experience in all types of cast steel and in welding engineering, it will also play an important role in the building of the new Swiss battle tank.

Another indication of its worldwide importance is the fact that Sulzer supplied the axial compressor for a new engine test stand of the U.S. Air Force.

Brown, Boveri & Cie: Just as in the case of Sulzer in machine building, Brown, Boveri (BBC) has an importance for the entire area of electrical engineering that can hardly be overestimated. It was founded in 1891, at a time when the other large European electrical concerns also came into being. With all of its subsidiaries in Europe and abroad, it employs about 100,000 people, 20,000 in Switzerland alone. Its annual sales are on the order of 8 billion Swiss francs.

Its power, information, and communications electronics is of primary importance for military technology. BBC developed overall defense systems for civil defense, an area pursued with great conscientiousness in Switzerland. The army mainly procured microwave directional radio systems for analog and digital transmission with up to 1,200 voice channels, VHF/UHF radiotelephone sets, and ciphony systems with the greatest cryptological security. Best known internationally is the Vericrypt-1100 ciphony system with almost 100,000 code families each having 1 million eligible individual settings.

Because, among other things, of its membership in the "ABZ Consortium," BBC is a strong part of the army's plans for the future: it has the task of developing still-unconventional ultramodern radio systems. One of the results that is already available today is the SE-2000 VHF system equipped with automatic channel selection, digital address-oriented calling procedure, various operating modes, and optimum utilization of the frequency range. The partners in the consortium and thus substantially involved are the firms Autophon and Zellweger Uster. As far as is known, the system can service 65,000 addresses and there is a 98-percent probability that the automatic calling technique will achieve the desired connection within 5 seconds.

Although only a small part of the concern's activities has branched off into military technology, BBC is an indispensable "technology feeder" of the Swiss armaments industry--especially for telecommunications technology--because of its research work and international contacts.

Hasler AG: With about 5,500 employees, the enterprise is particularly active in the wired communications engineering of the army and civil defense. It has been delivering field telephones and exchanges, switchboards, and wire and radio teleprinter systems since 1930 and, most recently, electronic teleprinters with auxiliary enciphering equipment, which will probably find additional customers in the NATO area as well.

The history of the firm's founding is interesting: it was established by the federation in 1852 as the Eidgenoessische Telegraphenwerstaette [Federal Telegraph Workshop]. In 1865, however, it was bought by its director, Hasler, and since then it has remained a family holding. It is obviously a successful "privatization," for annual sales are on the order of 500 million Swiss francs.

Adolf Saurer: The Saurer Works provide for a substantial part of the motorization of the army, to which they dedicate about half of their

enterprise capacity in the Arbon factory. The concern is active in the FRG, Austria, the United States and South Africa with its own factories and achieves annual sales of about 480 million Swiss francs.

Heavy army utility vehicles, especially cross-country artillery movers and engineer vehicles, have been produced since as early as the turn of the century. In recent years, the Saurer Works were also involved in the licensed production or final assembly of the Steyer-Pinzgauer aircraft. Supercharged direct-injection diesel engines and steering gears are being built for tank production. Saurer also services several types of Swiss combat aircraft and helicopter engines and developed and builds components for jet engines.

Motorwagenfabrik Movag: Not founded until 1950, this enterprise in Kreuzlingen can be considered the second supporter of military motorization. Here, with an 80-percent share, military technology clearly dominates, where it specializes in wheeled and tracked tanks of its own development in the 5 to 27-ton class.

Outstanding products of recent years are the wheeled tank of the Piranha-Cougar and Grizzly classes as well as the Husky workshop vehicle. The combat armored personnel carriers built in 4 x 4, 6 x 6, and 8 x 8 versions have operating weights of between 8 and 13 tons and the arms they carry include 7.62 to 12.7-mm machine guns, machine cannons in calibers between 20 and 35-mm, and tank guns in 90-mm caliber. Tests with the installation of the new 10.5-cm light tank turrets were likewise successfully performed on the vehicle.

The enterprise achieved a remarkable breakthrough in the equipping of the wheeled tank in Canada and the United States (LAV program).

On the basis of its tracked-vehicle-SPZ [armored personnel carrier] development Tornado, Saurer has also been able to participate in the Marder Program, in which many Tornado components have been included. The Swiss Army is introducing the Tornado 2 and that, on account of certain common design features, could well also benefit the Taifun, the tank destroyer project of the Movag.

Naturally the development and improved performance of the 25 to 35-mm guns greatly benefited the production of these true infantry combat vehicles. Similarly, the production of the tank destroyer will be helped by the low-recoil 10.5-cm weapons now available and the new vehicle-supported guided weapons against tanks and helicopters. The weight classes favored by Movag are very suitable for making use of these possibilities.

In passing, we should also mention the successful development of a ball mount (for the fire fight of mounted gunners) and the externally mounted 500-MG's [machine guns] for armored personnel carriers. Both developments have also been used in foreign tank production and could also play a role in the modernization of the old Swiss M-113. The enterprise has built almost 2,000 special-purpose lightly armored vehicles for the Swiss Army since 1950.

Georg Fischer Concern: The concern with headquarters in Schaffhausen and factories in the FRG, the United States and Japan achieves annual sales of about 1.5 billion Swiss francs and employs about 7,500 workers in the Swiss plants, who produce almost 55 percent of sales. It dedicates only a fraction of its capacity to military technology but--because of its specialization in modern casting technology (cast steel, gray cast iron, graphite cast iron, and annealed cast iron)--it is practically indispensable in today's tank production, especially in the area of turrets, hulls, track elements and other track and suspension parts. The armor-steel-casting C technology is used for mechanized component assemblies even in radar production. Naturally the Fisher Works have a suitable participation in the building of the new self-propelled combat and antiaircraft gun.

Oberburg Engineering AG: Here it is a question of a machine factory that, as a leading supplier of ammunition factories throughout the world, is a typical representative of Swiss innovative enthusiasm. About 80 percent of the production of machine tools for the automated manufacture of metal articles, especially ammunition components, are exported.

For the special ammunition area, there are essentially three groups of machine tools for sale for cutting without shavings and the enclosing and grooving of cartridge cases, whereby the caliber range of from 20 mm to 210 mm is completely covered and sheet metal thicknesses of up to 8 mm can be worked. The latest models permit an increase in the production of cartridge cases from the previous 5 pieces per minute to 18 to 25 pieces per minute.

Fully automatic production lines are also being built for the hooping of guide rings on projectiles so as to carry out all work operations such as tube cutting, annealing-furnance treatment, copper-bond pressing, and turning in an efficient manner.

These machines are in use not only worldwide but also in the Swiss ammunition factories, which are thus in a position, depending upon the military need, to establish practically any desired level of production. The existence of the Oberburg products gives Switzerland an extremely valuable bartering item for the acquisition of important critical supplies, even in wartime or times of crisis.

Although the market for automatic ammunition machines may be relatively stable, Oberburg also has a second leg to stand on--the manufacture of automatic machines for the production of all types of can tabs and bottle caps, whereby complete production systems are offered here as well.

Schweizerische Industriegesellschaft (SIG): SIG is known in the armaments industry primarily for its hand-held weapons but only about 600 of the total work force of 4,000 are working in this area. The economic basis of the enterprise goes back to the Schweizer Waggonfabrik founded in 1853. More than 30,000 motor, freight, mail and passenger cars have been manufactured to date in this branch. To be sure, the manufacture of rifles had already begun by

1860. In addition, a certain importance belongs to the production of outstanding pistols. One of the latest models, the 9-mm Para-Pistol P 220, has, as some of the earlier models, been introduced into the militia as an orderly's weapon.

SIG also built the first Swiss automatic rifle SG 510 that was introduced in 1957. It will soon be replaced by the follow-on model, the SG 540. To avoid unpleasant export restrictions, this model is also built under license by Manurhin in France with very great commercial success. International sales are satisfactory. Thanks to this and similar provident market policies, the SG 540 was marketable at the right moment and has achieved large sales figures, especially overseas.

The new automatic rifle will be delivered in the calibers 5.56 mm and 7.62 mm and weigh about 3 to 4 kg and has a rate of fire of 650 to 800 rounds/minute. The weapon has a "three-shot automatic operation" that could be very effective in limiting the use of ammunition and certainly was one of the reasons for the sales success.

Oerlikon-Buehrle-Holding AG: The international concern has a total of about 30,000 employees. It is highly diversified both geographically and in terms of its products and, depending on the business situation, military products account for about 40 percent. The armaments industry thereby stands on the two most important groups, the Oerlikon Group and the Contraves Group.

The enterprise was established from the machine tool factory Oerlikon in the early 1920's by the machine and weapons designer Buehrle. Even today, this factory and its associated firms, Oerlikon Italiana and the British Manufacture and Research Comp (BMARC), are dedicated mainly to the building of machine tube weapons and guided weapon systems as well as the related ammunition production. Even before World War II, the tube weapons were rather clearly superior to competing models in regard to design maturity, reliability, precision, and rate of fire and several licensing agreements had already been entered into with foreign countries or were in preparation.

Therefore, when war broke out, the firm's technical and economic state had been consolidated and the great requirement of the Federal Army for weapons, especially in the area of antiaircraft defense and onboard armament, could be met predominantly by Oerlikon. In terms of armament, this was doubtless its most important contribution to the preservation of Swiss neutrality.

Today, with the calibers 20 mm to 35 mm, Oerlikon covers the entire range of infantry, vehicle, aircraft and ship armament. The most recent increment was the Diana machine cannon system in 25-mm caliber, usually applicable as a twin gun in the air force version, as a four-barreled gun in the navy version, and as a single gun as combat vehicle armament. This system will probably be the follow-on model for the 20-mm guns now in use throughout the world, which today no longer correspond to the requirements, either in terms of caliber or general ballistic reasons. But it is also possible that many older 30-mm systems will be replaced by it. For the next 5 years at least, Oerlikon will share this extensive market with only two to four equally potent firms.

During the last 10 years, the main work of the Oerlikon works was aimed at the continuous design improvement and extension of applications for the 35-mm weapons as well as their inclusion in more comprehensive weapon systems. They likewise concentrated on the improvement of the performance of ammunition and fuzes. With the introduction of the 35-mm system as an armored anti-aircraft gun of large European military powers--even though these powers have their own efficient weapons production--the concern's leading technological role was confirmed internationally.

A very promising area is naturally the arming of lightly armored (infantry) combat and transport vehicles. In the light of today's experiences, the result was confirmation of the combat effectiveness of the 25-mm caliber as the lower performance limit and of the 35-mm caliber as the optimum armament with respect to problems of installation, weight and munitioning. In terms of military technology, it is therefore certainly correct to go even further in the adaptation of the 35-mm weapons and to offer as vehicle armament a lower rate of fire with the greatest ballistic precision and increased penetration.

For several years now, the company has again been interested in the guided weapons sector. It pursued this work for 20 years and then abandoned it. Looking back, this approach was probably correct, since no completely satisfactory problem solutions would have been possible with the technology then available. One would probably have been able to expect limited sales successes only with large development outlays, for in Switzerland there is no covering of the development costs of such an export-oriented company.

In making a critical evaluation of its own situation, Oerlikon has now allied itself with Martin-Marietta, one of the most potent technology concerns in the world, and developed the combined air defense and anti-tank guided weapons system ADATS. In this partnership, Oerlikon itself may handle only a little more than 50 percent of the overall production in its own plants but in any case it will gain new customers through the distribution of production.

The ADATS system uses missiles with a warhead diameter of about 130 mm that are designed to ride laser beams. This makes the system electronics relatively inexpensive. Martin-Marietta is very familiar with laser technology and the system is rather immune to electronic interference measures. On the other hand, the system in this form does not have an all-weather capability (suitable only to the degree permitted by the particular laser technology in use) but that is not absolutely necessary for a close-range air defense system for low and medium altitudes, because here air attacks generally occur only under visual flight conditions. On the other hand, the integration of the anti-tank capability into the system is new.

When in the above the talk was of "relatively inexpensive," naturally the emphasis is clearly on "relatively." The development costs of such a superweapon were estimated at 400 million Swiss francs and they could amount to 500 million francs by the time it is ready for series production with the foreseeable system enlargements.

Criticism is being heard against the "excessively high performance capability" of the "polyvalent" system: a speed several times that of sound would not be necessary, tanks did not require a range of 8 km for the guided missile, and there was no use for an armor penetration of 900 mm in the engagement of air targets.

One could oppose such tactical objections with many arguments: first of all, with the experience that very often an improved weapons technology has gone beyond traditional tactical concepts. In addition, people are obviously alarmed that a polyvalent weapon system shows better performance in both operational areas (air target and tank engagement) and not worse performance (as one is accustomed) than the specialized systems. Under some circumstances, however, one could reach a "tactical understanding" for the system when one sees that an ADATS company could fully replace both a tank destroyer company and an antiaircraft guided missile company, whereby it surpasses each of the two units in its specialized combat performance.

However much the author is convinced of the correctness and tactical value of the system design, the circumstance that ADATS may be integrated into many other large systems in which Oerlikon gun systems are already present can lead to competition among the concern firms in the furnishing of offers. But it is difficult to imagine that serious procurement agencies could not make the right choice from among the offered "weaponsmix" dominated by Oerlikon.

The success in the sale of guns for infantry combat vehicles has meant that Oerlikon also builds tank turrets for this armament that meet the most varied tactical requirements, that is, single and twin turrets, one and two-man turrets, and different types of mounts and ammunition feeding. With such a production, the vehicle manufacturer or general contractor is thus relieved of part of the design responsibility by the most competent authority and this field of activity consequently became very successful.

An additional strength of the Oerlikon group is in the area of on-board aircraft armament. Here it has long been recognized that the 20-mm caliber was no longer adequate for low-altitude attacks in particular and there were limits to the improvement of velocity and rate of fire on account of the recoil forces transferred to the airframe. The development of the 30-mm Oerlikon fixed gun KCA has successfully broken through this limitation: the weapon has an effective range of 2,000 meters and fires 1,350 rounds/minute with a velocity of 1,050 meters/second. The working principle of a revolving gun is applied.

It is difficult to assess the chances of the KCA on-board weapon. Anyone capable of building a combat aircraft generally has a suitable gun supplier whom it is difficult to by-pass. But the fact that even Sweden with its advanced industry has installed the Swiss KCA in the Viggen allows some conclusions about the competitive quality of the weapon.

An additional on-board weapon is the unguided Sura 80-mm rocket with an effective range of 3 km, which can be used from winged as well as rotor aircraft.

As has already been mentioned, Oerlikon has the advantage of producing both weapons and the corresponding calibers of ammunition. This results in the possibility of the parallel development of the corresponding technology in both areas. The factory is now working successfully in the "rapid ammunition" development area, that is, high-quality kinetic energy rounds, subcaliber rounds, and the like.

Naturally the other development direction--"intelligent ammunition"--has few chances in calibers of this size, not to mention the fact that it is risky to subject the corresponding electronics to discharge accelerations of about 130,000 g's and that the products would be difficult to sell on account of their price. At the present time in antiaircraft ammunition, then, one is concentrating on the further development of fuze technology, the intensification of the blast of the exploding round, and the increase in the fragmentation effect.

The other armament group of Buehrle-Holding is Contraves: The main plant and primary developer is Contraves AG in Zurich with about 2,000 employees and total sales of around 1 billion Swiss francs, whereby 80 percent is accounted for by military products. In addition, there are three large subsidiaries, the Contraves Italiana and the Contraves-Goerz Corp in the United States with about 1,000 employees each and the Contraves AG in Stockach in the FRG with about 500 employees.

The group concentrates mainly on fire control systems, of which about 2,000 are in use today worldwide. To the extent that these include radar equipment, it is either a matter of the company's own developments or use is being made of Siemens or Ericsson licenses, again a sign of wise self-limitation and the willingness for international cooperation.

The large company success began with the marketing of the antiaircraft fire control system Fledermaus and later Superfledermaus, which is now in use in more than 20 armies. In addition, through the issuing of licenses, more than 2,000 sets of equipment have been reproduced in Japan and later in India as well. A similar success can be expected for the follow-on system Safeguard. It is a fire control system for the integration of guns and guided weapons; in the Greek Army, it is combined with the Sparrow guided missile, in the Italian Army with the Aspide, and in both cases with the 35-mm Oerlikon.

The further development of the Skyguard is in full swing. Thus a cw-illuminator was installed on a Sparrow launcher, with the help of which a [signal] can be given from the target-allocation radar to the launcher. In addition, the fire control system itself was equipped with an auxiliary millimetric-wave device, so that overall a multiple-target engagement was achieved.

The basic principle of the antiaircraft fire control for tank antiaircraft systems was first realized in the Gepard. The technical level thus achieved naturally benefits the introduction of the new 25-mm gun of the Diana series. For the navies as well, such guided weapons as the Sea-Sparrow or Seawolf together with the 25-mm four-barreled gun Sea-Zenith are combined into the Safeguard defense system against low-altitude aircraft and missiles.

An additional field of work was the development of the Fieldguard artillery fire control system. Thus the external ballistic influences are fully covered by the radar measurement of the trajectory of one or two guiding rounds. After their mathematical processing, the data go immediately to fire control for .PA

firing for effect. In the FRG, the system is known and has been introduced as the FERA-System and is being installed in fire control tanks.

Another remarkable development is represented by the computer-aided Gun-King gunsight that measures the trajectories of air, sea and ground targets and from them immediately shows the necessary firing data. Thus it involves a kind of "optical-electronic control station for clear-weather day and night operations" that can be used for all weapons in calibers over 20 mm and also integrated into larger fire control systems.

In cooperation with partner firms, Contraves has also developed the Shorar search radar that will probably be integrated into the ADATS, the LPD 20 that will be used to supplement the Superfledermaus by way of modernization, and the Alerte device, of which the latter will presumably be an alternative to the Shorar device.

These industrial projects, large even on a world scale, require research and testing that private European companies normally cannot handle and that the state finances there. As already mentioned, however, the Swiss Confederacy does not promote the development work of primarily export-oriented enterprises. It is thus clear that Contraves can handle this expense only because civilian concerns share the risks, cooperative efforts facilitate access to high technology, and the products are marketable because of their outstanding quality. Contraves has also been successful in participating in technologically demanding areas in the space project Ariane.

**Pilatus-Flugzeugwerke:** Only very recently has Pilatus become a member of Buehrle-Holding and through Pilatus the concern has also acquired the British firm Britten-Norman, so that in the future as well one can expect serious work by the concern in selected areas of aircraft construction.

The Pilatus works came into being under the pressure of the events of the war in December 1939 in out-of-the-way Stans. From the beginning, there was close cooperation with the aeronautical institutes of the ETH [Swiss Technical College] in Zurich. Initially all efforts were concentrated on the building of the very efficient P-2 trainer, which is thereby the ancestor of the modern PC-7 and PC-9 turbotrainers. Also built was the STOL aircraft SB-2 Pelican, of which the proven Porter types could be characterized as the follow-on model. At the same time, during the war, important components were built for the Me-109E, which was then in the service of the Swiss Air Force. Without this production and the technically high-quality repair capacity, it would have been difficult to maintain the Me-109's as an effective neutrality-protecting formation during the war.

With the technology used today, a certain level has been reached both in the trainer as well as the STOL construction series. Only marginal improvements would still be possible. But the market still seems to be able to absorb more. Sales of the Porter, which to some extent is filling a void in the market, continue to be good and the PC-7 is used in 13 airforces and 3 civilian training operations. To stabilize the breakthrough that has thus been achieved, Pilatus has begun the PC-9 series, which, despite its design similarity with the preceding model, does have a substantially greater operational spectrum.

In almost all combat aircraft of the Swiss Air Force, from the Morane fighters to the Mirage IIIS, the Pilatus enterprise was a responsible participant in licensed production and maintenance services. Today, in addition to its participation in international consortia for aviation and space operations, the enterprise appears to be aiming at the market in third countries. The Islander program of Britten-Norman as well as the Porter production will be continued and it is possible that some day the two lines will be combined with a new design. On the other hand, the seemingly rather exotic Trilander was resold to the Romanian aircraft industry as a licensed production and no longer built in the Buehrle company. The concern's aircraft construction group achieved total sales of about 230 million Swiss francs.

Flug & Fahrzeugwerke AG (FFA): The FFA company in Altenrhein is actually a Dornier creation in which, among others, the large German flying boat Do X was built. After its involvement in the manufacture of parts, servicing and maintenance for the Vampire and Venom aircraft of the air forces, the P-16, the heretofore last purely Swiss combat aircraft project, was also handled here. They refrained from series production for economic reasons but even more so because of changes in the development plan of the air forces. The Lear Jet, one of the most successful aircraft of "General Aviation," was also developed here. Mirage wings were built under license. The AC-202 Bravo trainer of FFA is being used by the Swiss Air Force as well as by Swiss Air and overseas.

For the purpose of a certain diversification, FFA is also working on the track and suspension of all existing Swiss tank designs and will also build these components on the new battle tank. In addition, special tracked vehicles such as armored bridge-laying vehicles are being produced.

#### Additional Firms

In the following, mention is made of some firms that not only serve to "round out" the picture of the Swiss armaments industry but are important subcontractors that appear less in public because of the nature of their production--not least because their main business is in civilian sectors.

Dixi S.A. is one of the most renowned watch factories in the world with headquarters in Lelocle. Here millions in sales have been achieved since 1937

in the manufacture of precision fuzes. But more recently, the company has also been producing high-quality firing range facilities with automatic hit scorer that are exported to the FRG, among other places.

Tavaro S.A. with headquarters in Geneva, which produces the Elna sewing machine, among other things, has also been successful in the manufacture of precision fuzes. Most recently, however, it has been especially well represented in the international market with electronic fuzes.

In Dottikon, Schweizer Sprengstoffabrik (SSF) produces, besides civilian explosives, the most important share of the military explosives used in Switzerland, including Hexogen (RDX), Hexasit, Hexolit and Pentrit (Petn), Pentasit, Pentolit, the plastic explosive Plastit and rubber elastic explosives.

Geotec S.A. generally specializes in measuring instruments--especially for flow measurement in liquids and gases at velocities of up to 100 meters/second--and the related flow control technology. The hot-film technique is a long-neglected method for flow measurement in gases. It was used by Geotec for wind measurement under special stresses. Equipment operating under this functional principle is especially suitable for use in ground and sea combat vehicles and 75 percent of this production is not exported.

GRETAG AG occupies a similar exceptional position. Its special area is the enciphering of text and data, ciphony and speech deception. In the public, however, the firm has become known primarily for the eidophor system that it developed, making possible large-display representations. Such systems were delivered to the Federal German Navy and NASA, among others.

Huber & Suhner AG is a pioneer in Swiss conductor and insulation technology. Its cables are used worldwide, including in all Contraves fire control systems, among others.

The Isola Works play a similar role, especially in the production of field cable: the cables are brought to the site of operations wound on weather-resistant drums and can be laid in a very short time with no loops whatsoever.

Von Roll AG has been active in Swiss armament for more than 100 years. It specializes in hydraulics. It achieved a worldwide breakthrough in the area of tank steering gears. Its products have also been installed in the Marder armored personnel carrier in the FRG and they are also used in the Austrian Kuerassier tank destroyer.

Finally, we mention some subsidiaries of large foreign concerns that have largely been integrated into the Swiss armaments industry:

Siemens-Albis AG, resident in Switzerland since 1922, is a close partner of Contraves in all fire control systems of air defense, especially in the radar sector. The most important success of this cooperation was doubtless the

Gepard Project, for which Siemens developed the target tracking and allocation radar. But the enterprise is also pursuing a number of its own developments by itself, as in the sectors for radar components and night-vision equipment.

A second company of this type is Standard Telefon und Radio AG (STR), an ITT subsidiary supplying the Swiss Army primarily with communications systems, that is, radio equipment for vehicles and aircraft, portable equipment and digital directional radio systems (in delta modulation) as well as landing radar. The building of simulators is also included in the delivery program. An important order in the armaments industry was the development of an IFF

system tailored to special Swiss requirements and needs for use in a combination of gun and guided-weapons defensive systems.

Naturally Siemens-Albis and STR represent an important channel for the transfer of high-technology into Switzerland from abroad. On the other hand, they also pave the way for exportation into those countries in which the parent companies of these firms or other subsidiaries are active, which simultaneously results in competent bases and maintenance services there for the products of Swiss concerns.

The author is aware of the fact that neither with his introductory remarks on the Swiss national, neutrality and armaments policies have all the motives for the development of such a specific armaments industry been presented nor is the enumeration and description of the companies and their products complete. But he hopes that he has shown that both the industrial and armaments policies correspond to the national defense policy in the best manner, whereby consideration is given to the naturally limited possibilities. At the same time, however, it was necessary to show that Swiss military technology is not just a locally important interest but that the Swiss armaments industry extends far into international areas thanks to its high scientific and technical standard.

9746

CSO: 3620/560

ECONOMIC

AUSTRIA

SINOWATZ ON ECONOMIC DEVELOPMENTS, UNEMPLOYMENT

Vienna NEUE AZ in German 22/23 Feb 86 pp 18-24

[Statement to the Austrian Parliament by Chancellor Fred Sinowatz]

[Text] Mr President, honored Assembly!

On Monday last I chaired a discussion on economic development, held between the social partners and the government. The most remarkable result of these talks was the extraordinary optimism currently expressed about the situation of our economy. This optimism is fully justified by last year's economic data and, especially, the expectations and forecasts for 1986 business.

In this gratifying economic climate, our employers have decided on exceptionally large investments. At the same time we are recording the substantial growth of real incomes. Inflation is well below international averages, the current account in balance and, though we Austrians are worried by the 4.8 percent average 1985 rate of unemployment, this represents a most satisfactory situation when compared with international levels.

The business outlook is also favorable in other Western industrial countries, such as the United States and the FRG. We may therefore be sure that Austria will record respectable economic growth in 1986, too--for the fourth consecutive year. Most likely the 3 percent growth achieved in 1985 (the largest increase since 1980) will actually be exceeded.

Despite this excellent economic result, some events occurred in the past year, which dimmed the generally successful economic picture. A cause for special concern is the development of VOEST-Alpine AG, the largest Austrian corporation, which last year suffered losses totaling some 11 billion schillings. At the same time I must warn you not to lose from sight the dimension of these losses in relation to other economic data. Let me illustrate this by some figures. The value of last year's Austrian exports, for example, amounted to 546 billion schillings. Private consumption accounted for 775 billion schillings, and the net incomes of the Austrian population came to 680 billion schillings. Last year, Austrians spent about 100 billion schillings alone on the purchase and operation of their private cars. In view of these figures, it seems somewhat absurd to speak of a state of emergency with regard to the admittedly very large losses of VOEST-Alpine.

In this connection, please allow me to mention some basic facts regarding the situation of the nationalized industries and, in particular, VOEST-Alpine AG. As far back as November 1985, when losses were still assumed to be of the order of 5.7 billion schillings, I said right here at the National Council that, however regrettable, this developments offered an opportunity for a new start, the total reform of the nationalized industries.

Three months have elapsed since then. They were used by the Government and the respective organs for setting the signals for this new start. Today, the Government has submitted to the National Council the draft of the new OeIAG [Austrian Industries Management Co] law. The abolition of the proportionality of the parties and the reorganization of the OeIAG are the centerpieces of this law. The OeIAG is to be turned into a genuine holding company on the international model. In view of the fact that he represents the owners, the competent minister's authority will be strengthened with regard to the nomination of OeIAG supervisory board members and the consequent abolition of the parties' right to nominate. This is of prime importance, because in future none of the supervisory board members appointed must be allowed to feel responsible to any institution except the proprietor, the Austrian Republic.

The opposition has repeatedly argued that the new OeIAG law will result in a new kind of proportionality thinking. The fallacy of this argument is demonstrated by the appointments to the new VOEST-Alpine executive board. This new board exemplifies the criteria the Government will apply in future with regard to the choice of supervisory boards and executive boards. Technical competence, not party political affiliation, will in future decide the selection of decisionmakers in our nationalized industries.

Honored Assembly!

We are starting on a tremendous challenge--to restructure the nationalized industries and thereby provide a promising foundation for one of the most important sectors of our economy. The results achieved so far--the new OeIAG law, the new VOEST executive board and the intended reorganization of the nationalized industries' trading operations--indicate the approach the Government intends to take, the approach of economic prudence, long-range planning and future oriented structural development.

Even before the end of April, advisers to the corporations are to submit proposals on the future structure of the OeIAG. Even before the summer we will have the corporate concept for the VOEST-Alpine AG, drawn up by the new executive board. This will ultimately provide the basis for the next and--let me emphasize this point--the last financial aid provided for our nationalized industries.

I would like to offer some basic comments:

1. In the long term, the scope for the nationalized industries' accomplishment of their economic assignments is solely defined by the profits they earn, not by the extent of public subsidies.

1. The executive boards of the nationalized industries are obligated to realize corporate concepts in accordance with business management criteria. In the discussion of the structural concept actually to be used, the definitely necessary consideration for national and regional targets will be possible only in the framework within which public money is made available for the accomplishment of these objectives.

3. Within the framework of strategic planning for the OeIAG, we will have to take into account not only the coordination of the performance programs of nationalized corporation but also general industrial concerns. The business policy of the nationalized industries, in particular, must take care that the goal of turnover maximization should not be pursued at any price. It is specially important to avoid losses from arising as the result of underbidding other Austrian industrial establishments.

Honored Assembly!

Allow me to repeat some statements I made in mid-January in my speech to the employees of the nationalized industries in Linz. I said then: "We must arrive at the efficient management of factories because plants and jobs are secure in the long run only if the companies concerned do not suffer losses." I continued by saying: "We intend to improve the structures of the nationalized industries, and we will therefore make the necessary financial resources available in future also."

"We advocate sensible business measures with a view to investments in other companies and cooperations, but we cannot even consider any dissipation, sell-out privatization."

"We cannot give any permanent job guarantees. Nobody can seriously do this. But we will not allow industrial cemeteries to arise. We will continue to pursue modern, honest and dynamic job development."

However, I also said in Linz and repeat the statement here: "We will not tolerate a significant sector of the economy, such as the nationalized industry, being badmouthed to death."

Honored Assembly!

In recent weeks, the nationalized industry was not the only one to display crisis-like manifestations. Structural problems are most prominent in farming. We have enormous surpluses in almost all sectors, and selling them abroad is getting harder and harder. Productivity is increasing apace everywhere, and the surpluses keep on growing. As a result, our customer countries are less dependent on imports. In some sectors we have already arrived at the absurd situation that the subsidies required to sell our produce abroad are larger than the amounts paid to the farmer for his output.

For many months past, the Government has been talking with the representatives of farming at the various levels, hoping to solve these problems. In fact we have achieved progress in the negotiations regarding the dairy and cereal problem.

Nevertheless I do not want to let this opportunity pass without proclaiming the need for a comprehensive reform of farming structures. Just as structural adjustments are required in our nationalized industries, we must find some means of stopping the situation in farming which is equally unsatisfactory for consumers, producers and, ultimately, the taxpayer. Otherwise we will run the danger of perpetuating the vicious circle of rising output and greater financial burdens on consumers and farmers while steadily loading the budget with billions of new subsidies.

I therefore appeal to the representatives of the farmers to cooperate constructively with us to arrive at a settlement of these persistent problems. Here, also, the principle applies that, from a long-range point of view, the necessary structural decisions will benefit those concerned--admittedly not without some hardships and therefore liable to meet resistance in some quarters.

Honored Assembly!

The economic revival in 1985 had very beneficial effects on the labor market. A rise in employment by 25,500 persons was recorded in the period January 1985-January 1986. Let me remind you that 100,000 more persons are now employed in Austria than at the height of the last boom in 1974. Moreover, this successful development is persistent: In 1986, too, we may expect a respectable rise in employment.

Despite this basically satisfactory trend at the turn of 1985/1986, the labor market does give us cause for concern in some sectors. Available manpower increased even more than employment, and unemployment therefore rose from 130,000 to roughly 139,000 in the average of 1985., At the end of January 1986, in fact more than 200,000 people were unemployed.

Young people account for about 25 percent of the unemployed. Just like women, the young are very strongly represented both in the growth of employment and that of unemployment. Due to various measures, unemployment in the construction industry did not achieve the large dimensions feared. At more than 56,000, it is actually lower by 2,200 than at end January 1985. Unfortunately, the situation is now more acute as the result of the early winter and the severe snowfalls of recent weeks. In these circumstances we may have to reckon with a longer duration of seasonal unemployment. At the present time, construction workers account for about 28 percent of all unemployed.

At more than 57,000 unemployed between the ages of 15-24, youth unemployment achieved the seasonal climax in January 1986. It is welcome news, though, that the problems on the apprenticeship market have been largely removed. At the end of January, 2,157 vacancies were offered 3,244 would-be apprentices. It is particularly worth emphasizing that the offer of apprenticeship places is almost 800 greater than a year ago.

The higher rate of unemployment has lasted for 3 years. For a small group, this has meant a long period of unemployment. Almost 1 percent of the manpower potential--more than 25,000 people--have been registered with the employment offices for more than 6 months. Young people, also, those without much education and from disadvantaged families, are confronted with long-term unemployment. Others are only able to obtain short-term employment without the opportunity to learn skills. Unfortunately, we must expect a small section to have already resigned themselves to this state of affairs. The group in question is primarily composed of people lacking sufficient qualifications. About 50 percent of all unemployed youths and two thirds of those unemployed for more than 6 months, for example, have no more than an elementary school education.

It is a special feature of the current labor market situation that the occupational structures of supply and demand diverge mainly due to technological changes. Vacancies are particularly hard to fill if they require above average education or assume special knowledge. Most of all that applies to the services sector, where 6 percent of all vacancies remain unfilled for more than 8 months. On the other hand, 19 percent of all the jobless in service professions are registered for more than 6 months. The professional profile as well as requirements have often changed substantially even in the same professional sphere. Data processing skills, for instance, are a frequent additional requirement. This explains why, for instance, the figures for vacant bookkeeping jobs and those for unemployed bookkeepers are rising simultaneously. Conversely, the figures for unemployed high school and university graduates amounted to only 2.2 percent and 1.2 percent respectively in the average of 1985--distinctly lower than the general unemployment rate.

In recent years, the employment market administration substantially increased the money spent on active labor market development. Spending rose from 1.3 billion schillings in 1981 to 3.1 billion schillings last year. The "youth billion" was made available within the framework of the youth employment program, and "action 8000" promotes the reintegration in the work process of people unemployed for long periods.

On the other hand, we have learned that money alone is not enough to decrease unemployment over and above earlier achievements and to actually increase employment. We therefore need additional initiatives to zero in on the specific problems presented by today's labor market, in order to diminish now and in the long term the threat of unemployment for the groups of people concerned.

The Ministry for Social Administration therefore drafted an employment initiative, designed first of all to raise the educational level of the unemployed. School leavers lacking the certificate of education are virtually unemployable now. They are to have more opportunities for subsequently obtaining these certificates. Also, at the present time the current vocational profiles of apprenticeship training does not take sufficient account of new technologies and processes. To improve the job opportunities for young people, the professional profiles must be brought up to date or recreated so as to keep pace with these new developments.

I would like to take this opportunity to remind you that the nationalized industries and government enterprises contribute significantly to the training of our youth. The postal and railroad services alone provide almost 3,800 jobs for young people. All their sections afford the young people sound training, oriented to business requirements and new technologies. It ensures that these young people obtain the skills that are indispensable for their future progress.

The employment offices will carry out an inquiry of their own to trace the occupations and work places which offered the best employment opportunities of recent months, or which steadily display an excess of demand. Next week, the Minister for Social Affairs will invite the social partners and their educational organizations to ascertain details of the occupations and skills in short supply in the economy. Their findings will subsequently result in a greater than usual expansion of training opportunities.

Finally, the employment offices are being instructed to thoroughly discuss with the employers the reasons for the failure to fill those vacancies which persist for a long time. That is the prerequisite for the drafting of proposals on the best way to remove obstacles to hiring.

Honored Assembly!

The early start of the winter most adversely affected the situation in the construction industry from November 1985 on. To stabilize the employment situation, the Ministry for Construction and Technology placed 4.8 billion schillings worth of construction orders in the period from September 1985 to January 1986. In addition, invitations have already been issued for bidding on important major construction projects, such as the construction of new police headquarters in Vienna and Graz.

The anticipated award of contracts resulted in a 32.4 billion order stock at Austrian building and highway construction in January 1986. The buildings sponsored by way of the water management fund currently account for orders worth 28.6 billion schillings.

The Government also drew up a catalogue of measures designed to lower the high rate of winter unemployment. Specific control mechanisms are to ensure that it will in future be possible to work all through the winter. Especially with regard to government buildings, construction preparation is to be so planned that work which can be carried on in winter, will begin in November and must be completed in March. These dates will be fixed in the bid invitations, compelling the firms desirous of obtaining contracts to employ construction workers in winter. This applies to restoration work just as much as to the award of new constructions. At the same time, great care will be taken to ensure that the shell be completed before the outbreak of winter, making it possible to do all interior work during the winter months.

The railroad and postal service also will help maintain winter employment in 1986/1987. Some construction projects, originally planned for spring 1987, will be moved forward to the winter months. The postal service will thereby

shift to the critical phase of the winter months a construction volume amounting to 1 billion schillings, the railroad a volume of more than 100 million schillings.

Another measure designed to improve the employment situation is represented by the just decided reactivation of the so-called old building billion. This promotional action, to be financed by moneys from a subsidized form of life insurance, is designed to make available loans to the Laender for restoring suitable residential buildings. However, capital market conditions have changed since the introduction of this measure. Consequently, though by now amounting to 2 billion schillings, it lost some of its intended attraction. That is the reason why the Minister for Finances decided that the residential restoration loans to be granted in the scope of this action will in future carry 6 percent interest only, instead of the former 7 3/4 percent. We may therefore expect that the Laender will have available this year the sum of 2 billion schillings for long-range and low-interest loans for restoring old buildings. That money will allow another 5,000 or more people to be hired.

Honored Assembly!

These measures, though, will still not suffice to sharply lower the overall unemployment rate. They will therefore be accompanied by the purposeful cut in working hours, already initiated by the partners to the standard wage agreements in a most responsible manner. Taking into consideration our international competitiveness and the situation in the various branches of the economy, we have already begun to reduce weekly working hours. Still, we will have to consider other types of shorter working hours also, which--on the one hand--meet the need and--on the other--help achieve the flexibility necessary for any economy.

Honored Assembly!

Pertinent studies and, in particular, recent events have demonstrated that the Austrian industry does not have enough suitable managers. No doubt, outstanding managers are thin on the ground anywhere. That is precisely the reason why many industrial countries try to emphasize the training of future managers in specialized institutions. This Government also will back all initiatives aiming at the establishment of a college of management. We should certainly try to ensure cooperation with renowned international institutes. This new facility will be designed to assist the internal efforts of Austrian corporations for training future management personnel. This, too, ladies and gentlemen, must be interpreted as a contribution to the safeguarding of jobs in Austria, because such an endeavor is made feasible not by closing ourselves off but only by open international competition.

Honored Assembly!

We are only 6 weeks into 1986. Nevertheless, we may already assume that an even more successful 1986 will follow the successful (in terms of the economy) 1985. The noticeable decrease in oil prices in the course of recent weeks benefits us and will have the result that the economic forecasts for 1986 will need to be corrected upward--in some instances to a substantial extent. Dr

Helmut Kramer, director of the Austrian Institute for Economic Research, sketched the following trends in the above mentioned discussion on economic development:

-- By comparison with the original forecasts, economic growth will be greater by at least 0.5 percent. In other words, this year's growth will most likely exceed 3 percent.

-- The Austrian current account will probably show a record surplus of some 10 billion schillings.

-- We should expect the level of prices to rise by less than 2 percent.

-- It was assumed earlier that employment growth would amount to 14,000 jobs. We may now expect 20,000. This would mean our being able to at least somewhat lower the unemployment rate.

In the course of this same discussion of economic development, Prof Dr Stephan Koren, president of the Austrian National Bank, pointed out that the continued maintenance of the currency link with other Central European hard currencies is guaranteed on the basis of the stability of prices and the development of the current account. This stable Central European bloc allows our export oriented economy to continue having secure bases of calculation.

Honored Assembly!

Three years ago, nobody among us would have dared forecast that we were going to enjoy so much prosperity in 1985 and 1986. Nobody would have believed in the possibility of a recovery that is gaining even greater dynamism in its 4th year. As regards the economy, we have certainly no reason to clothe ourselves in the currently rather fashionable pessimism. Indeed: We will be better off than ever in the Austria of 1986.

Precisely for that reason, I would like to conclude my statement by indicating a trend that is characteristic for the public--or shall I say published--discussion here in recent months and worries me greatly.

It has become the custom, nay has become quite fashionable in our country to shrug off the undeniable achievements accomplished by the Austrian people day in and day out and, instead, to sketch a situation in our country, which has nothing whatever to do with reality. The media consistently overestimate adverse news and simply pass over positive news in silence. Favorable trends are concealed in an almost self-destructive manner and negative headlines featured exclusively. Discussions assume almost Messianic zeal in concentrating on persons and events of the past instead of focusing on the opportunities and possibilities of today and tomorrow.

Just at a time

--when we may expect the lowest inflation rate for decades,

--when total incomes will rise by more than 2 percent in real terms,

--when we may assume more than 3 percent economic growth,  
--when the rate of unemployment will again decline, and  
--when our current account features a record surplus,  
the media present Austria as a country where  
--illegal practices are daily occurrences,  
--corruption flourishes,  
--unemployment is assuming undreamed of dimensions,  
--people are increasingly exploited by a greedy government,

in short, where a dire emergency is alleged to prevail and--even this fantastic claim was made--the country is sliding in direction Eastern Bloc.

I wish to seriously admonish all those who proclaim the above on the political or media scene:

Are you not aware that you do tremendous damage to our Austria by this attempt at substituting appearances for reality?

Are you not aware that you are painting a picture of Austria for international consumption, that is not only inaccurate but actually liable to sabotage Austria's renown, the confidence it enjoys in the world?

Are you not aware that you injure all Austrians by this strategy?

In order not to be misunderstood, let me here proclaim my unequivocal belief in the freedom of the media. I also wish to emphasize that the role of the position, as rooted in our Constitution, of course includes the right and even the duty to check on the government and that, therefore, political conflict represents an indispensable element of our parliamentary democracy. At the same time, it is equally true to say that the spirit of opposition and the media's sensationalism must not exceed the limits imposed by the vital interests of the state, the Austrian economy and, consequently, all Austrians.

A flagrant example is offered by the long lasting campaign regarding alleged illegal weapons exports to warring countries. When the first rumors about allegedly illegal business practices by our weapons exporting industry began to circulate, the Government and, in particular, the Minister for Interior immediately initiated various investigations to find out whether there was any truth in these rumors. Following exhaustive inquiries, the investigating authority concluded that no crime against the war materiel law had been committed. Nevertheless, some politicians and some media continue to float more rumors, without ever submitting any concrete evidence. You must realize

that such behavior seriously damages not only the arms exporting industry but the entire Austrian economy, because the integrity of all Austrian traders is called into doubt.

Honored Assembly!

I have no intention to conceal the fact that there were events and occurrences last year, which were extremely embarrassing for us and our country. In Austria and in various sectors of the country, the prosperity achieved evidently resulted in a decline of the sense of responsibility, in greater selfishness and less solidarity. Nevertheless, we are far from being a scandalous republic--albeit it is now fashionable to call us that. If we look at the world with our eyes open, we see very well that we are no more sinful than anybody else.

Let us therefore focus on the central tasks for politics and the economy.

It is our obligation--despite the exceptionally high rate of employment--to reduce unemployment, ensure greater economic growth and, at the same time, preserve our natural resources.

On the one hand we must safeguard our social achievements, envied by many other countries, and on the other even more encourage the readiness to perform.

We must cope with the marketing crisis smoldering for years as the result of worldwide excess farm production and, at the same time, safeguard the standard of living of our farmers.

We are also confronted with the definitely hard challenge to restore confidence in the nationalized industries and taking measures that will allow these corporations in the long term to recover the ability to maintain their place on the world market without recourse to public money.

Nevertheless, I am optimistic for Austria. We succeeded by enormous efforts to rebuild this Austria after two wars. We will surely also succeed in handling the challenges of the future. Especially as we have at our disposal a starting position that is certainly better than in most Western industrial countries. Of course, Austria is not the isle of the blessed, but how many countries would feel themselves blessed if they confronted no problems worse than ours.

I therefore see no reason for despondency or discouragement. As I said before, we can cope with the challenges of the future, provided we want to do so. We need self-confidence and energy. We must remind ourselves of those talents and gifts which distinguish us Austrians: Creativity, readiness to perform, hard work and our special ability for handling difficulties better than other people. And finally we also need that Austrian consciousness and patriotism which is necessary for us to successfully work for Austria and its future.

11698

CSO: 3620/602

ECONOMIC

FEDERAL REPUBLIC OF GERMANY

PARTIAL PRIVATIZATION OF GOVERNMENT-OWNED INDUSTRIES APPROVED

Munich SUEDEUTSCHE ZEITUNG in German 13 Mar 86 p 27

[Article by N.S.: "Cabinet Approves Report on Privatization" / IVG to be Distributed]

[Text] With partial sales of three government-owned enterprises and two subsidiary companies of the Bundesbahn, the Federal Government wants to forge ahead this year with its concept of partial privatization of government-owned enterprises. On Wednesday, the cabinet approved the interim report by Federal Finance Minister Gerhard Stoltenberg, according to which parts of VIAG AG, Berlin/Bonn, which is active in the energy, aluminum and chemical sectors, and parts of the petroleum and natural gas drilling company Prakla-Seismos AG, Hannover, are to be dispersed through sales at the stock exchange in June. The government-owned Industrieverwaltungsgesellschaft mbH (IVG), Bonn, whose activities include transportation and military engineering as well as the NATO pipeline in the FRG, is also to be partially privatized as of September of this year, after reorganizing it into joint stock company (AG).

However, because of security policy concerns of the Bavarian Land government it remains open whether, and how, the Industrieanlagen Betriebsgesellschaft mbH (IABG) in Ottobrunn near Munich, 74 percent of which is owned by IVG, will be included in the privatization. The cabinet ordered the finance minister to study this question and to inform the government "about the necessary consequences."

Twenty-six percent of IABG are owned by the Gesellschaft fuer Flugtechnik GmbH, Munich, which in turn is held by some 15 industrial enterprises, among them the largest German space and aviation company Messerschmitt-Boelkow-Blohm GmbH (MBB), also located in Ottobrunn. IABG gets from the Defense Ministry primarily orders in the area of military engineering, but also prepares studies for the civilian sector. The company was involved in testing material for the first stage of the booster rocket Ariane, the

Tornado and the Airbus. In the case of fighter planes, for example, it carries out attack simulations.

If at all possible, the German Federal Railways (Deutsche Bundesbahn) are also to give up 24.9 percent each of the sole ownership of two important enterprises, the Deutsche Verkehrs-Kredit-Bank AG, and Schenker und Co. GmbH, the largest German moving company, both located in Frankfurt. In the case of majority holdings by the Bundesbahn in large travel agencies, however, the expectations of the coalition parliamentary caucuses are not being fulfilled: the Bundesbahn retains 50.1 percent of the DM 18 million share capital of Deutsches Reisebuero GmbH (DER), Berlin, and 55 percent of the DM 13 million share capital of ABR - amtliches bayerisches Reisebuero GmbH.

#### Put on Ice

Partial privatization of Deutsche Lufthansa AG, Cologne, desired by the Bonn coalition, has been put on ice. Because of the continued resistance of CSU party chief Franz Josef Strauss, who sits on the managing boards of Lufthansa and Airbus, Bonn expects that at the earliest, the Federal Government will tackle this subject after the parliamentary elections in January of next year. Stoltenberg's interim report states only: "Talks continue." After the political turnabout in autumn of 1982, the partial sale of Lufthansa on the stock exchange, originally planned for 1985, had been mentioned as the second advertisement for the privatization concept, after Bonn had initiated government withdrawal from entrepreneurial activity by an additional cutback of its holding in VEBA AG, Duesseldorf, at the beginning of 1984.

In the case of Deutsche Pfandbriefanstalt (Depfa), Wiesbaden/Berlin, the cabinet ordered the finance minister to prepare a law to convert this largest German mortgage institute into a private mortgage bank AG. The sale of government holdings in Deutsche Siedlungs- und Landesrentenbank (DSL), Berlin/Bonn, and in Deutsche Industrieanlagen GmbH (DIAG), Berlin, which are active in plant construction and the machine industry, as well as denationalization of the Gesellschaft fuer Nebenbetriebe der Bundesautobahnen mbH (GfN), Bonn, which operates the Autobahn gas stations and restaurants, will probably be delayed beyond 1986.

The schedule for 1986 is as follows:

VIAG AG: During the first stage, the plan is to disperse through sale of government holdings a total of 40 percent of DM 580 million capital stock, i.e., shares of a nominal value of DM 232 million. At the beginning of July 1986, the shares are to be placed on the capital market by a consortium of banks. An offer of employees' shares is planned.

Prakla-Seismos AG: The GmbH was already converted into an AG in 1985, and it is planned to disperse through sale 47 percent of the shares (including the 5 percent holding of IVG), with a simultaneous capital increase from

50 to DM 60 million. To ensure independence, the voting rights of the shares to be sold will be limited to 5 percent. In this case, also, an offer of employees' shares is provided.

Industrieverwaltungsgesellschaft mbH (IVG): An examination carried out on the basis of the cabinet resolution of 26 March 1985 has shown that the important government interest in the over-all company can be preserved even with private participation in the parent company. Partial areas would need to be separated out if the Federal Government were no longer a majority stockholder. For this reason, the Stoltenberg paper proposes conversion of IVG into a joint stock company (AG), to increase capital from corporate funds to DM 110 million, and to spread the offer of a total of 45 percent of the shares to the investing public. Preparations are to be made in such a way that the sale of shares is possible as of September 1986. Government spokesman Ost answered an inquiry to the effect that this date was feasible, although it would first have to be studied how the subsidiary IABG, at the center of security concerns, could somehow be separated from the parent company.

9917

CSO: 3620/626

## NEW FINNISH, SOVIET TRADE COMMISSION TO START IN APRIL

Helsinki UUSI SUOMI in Finnish 15 Feb 86 p 13

[Article by Tuomas Keskinen: "Finnish and Soviet Cooperation in Environmental Protection Increasing, New Cooperative Commission to Begin Work in April"]

[Text] A new cooperative commission between the governments of Finland and the Soviet Union will soon begin its work along side of the Economic Commission directed by Prime Minister Kalevi Sorsa and the Scientific Technical Committee directed by Professor Pekka Jauho. A mixed commission on cooperation in environmental protection will convene in Moscow on 7 April.

Its members have not yet been selected, only the names of the chairmen are known. Finland's group will be directed by Environmental Minister Matti Ahde and the Soviet side will be under the direction of his colleague Yuri Israel. Last summer they signed an environmental protection agreement, which provides for the establishment of the new commission.

Until now, environmental protection cooperation between our countries has been planned in a separate section in the Scientific Technical Cooperation Committee, whose most recent Finnish chairperson has been Professor Helge Gyllenberg.

## Finland's Group To Be Appointed Soon

The President of the Republic will appoint the members of the Finnish side of the new commission in the very near future. Department Chief Lauri Tarasti will most likely become Chairman Matti Ahde's assistant.

The new high-level commission will naturally work in cooperation with the Economic Commission and the Scientific Technical Committee. Indeed, environmental protection is a subject of scientific research and an area of industry also as well as an aspect of trade as far as various purification plants and new, less polluting industrial plants are concerned.

Unlike the situation in the Economic Commission and the Scientific Technical Committee, the environmental commission will not, however, appear to have a direct connection with the Foreign Ministry.

## Large Economic Interests

The following is said of the commission's tasks in the agreement signed by Matti Ahde and Yuri Israel, the environmental ministers of Finland and the Soviet Union:

"...the mixed commission will deliberate specific measures for developing cooperation, will compile periodic programs of cooperation, and will discuss the results of cooperation. The subjects and forms of cooperation as well as the time limits for the intermediate and final results of joint work, the general conditions of cooperation, and the officials and research institutes participating in its accomplishment will be determined in the cooperative programs."

Thus the question deals with large and far-reaching issues, large organizations, and also large economic interests.

According to the agreement, the mixed commission will convene at least once every 2 years alternately in each other's country. The meeting beginning in Moscow on 7 April will last a week.

Minister Matti Ahde says that the purpose now is to prepare a program for 2 years into the future and put the experts to work.

## Emissions from Finland Reach the Soviet Union

Air protection will play an important role in the work of the commission; the reduction of sulfuric and nitrogen emissions and the purification of exhaust gases. Minister Ahde points out that as a consequence of westerly wind currents, more sulphur emissions travel from Finland to the Soviet Union than from there to Finland.

The Gulf of Finland and border water systems between our countries will naturally receive considerable attention in environmental cooperation. A separate agreement on these issues was concluded in 1984 and the stipulations contained in it will not be affected by last summer's agreement.

The commission's area of operation will also include waste management and the exploitation of waste, which is closely tied to industrial and commercial questions.

The preservation of primitive and virgin areas and such questions as the study of fauna and flora in border areas in particular where the borders of nature reserves may come together are a part of the commission's purest form of environmental protection work.

10576

CSO: 3617/78

ECONOMIC

FINLAND

INDUSTRY GROUP LEADER WARNS OF ECONOMIC DOWNTURN

Helsinki UUSI SUOMI in Finnish 1 Feb 86 p 28

[Article: "Kairamo Demands Lower Interests Rates: "Western Trade Has Smashed Economic Picture"]

[Text] In Finland there prevails a misleading picture of the real economic situation, warns Director Kari Kairamo of the Industry Association. According to him, we are already in a recession, which has come sooner and more drastically than expected. Kairamo bases his judgment on the most recent information on the development of Western trade, which in his opinion is alarming.

"Finland's export prices have drastically dropped in the Western markets at the same time that export amounts have gone into a forceful downturn. Since demand will continue to grow at a rate of 4--5 percent in Europe, however, someone else is claiming our share of the market," says Kairamo.

According to preliminary data, Finland's exports to the West fell off by 10 percent in the last quarter of last year. Industry considers the reason for this exceptionally drastic decline to be the worsening price competitiveness, which is now at its lowest since the devaluation in 1982. Previously, we have been able to compensate for a weak price competitiveness with a real improvement in competitive ability, but now even this room for movement seems to have been exhausted according to Kairamo.

"Zero Inflation Is Not Enough"

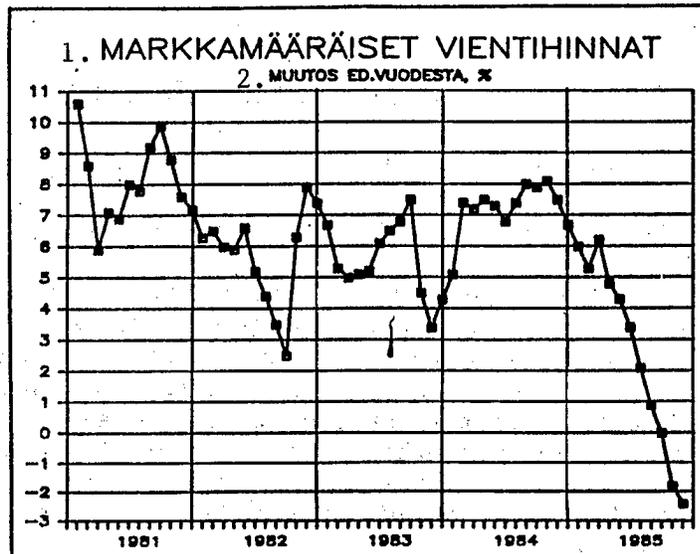
Bringing down the inflation rate even to around zero is not enough according to Kairamo, structural changes will also have to be made in industry. The most important demand is a perceptible reduction of real interest rates.

"Real interest rates has increased so rapidly here that there has not even been time to comprehend its actual effects. I am of a different opinion than the Bank of Finland with respect to its impression that the high interest level has not cut into investments.

"It is estimated that investments increased approximately 3 percent last year. This, however, is the result of the forceful increase in investments by state-owned companies, which was probably about 60 percent. The investments of

private industry have decreased and it is not expected that there will be an improvement under these conditions.

Kairamo reiterates demands for changing the energy tax, cutting labor costs, and for completely eliminating the sales tax on investments as some of the other structural revisions.



Finland's industrial export prices have drastically declined in the last year. The rate of drop was 4 percent already at the end of the year.

Key:

1. Export prices in markkaa
2. Change from the previous year, %

#### Risk Capital A Major Concern

The easing of the availability of risk capital is the most critical question for Finland's industry over the slightly longer term in the opinion of the chairman of the TKL [Industry Association]. It presupposes, among other things, making different forms of investment equal with respect to taxation as well as bringing the business tax reform to a conclusion.

Bonds and savings are predominate in comparison with share investments. For example, in comparison with Sweden the funding structure of industry is becoming worse by the day.

#### A New Spirit of Korpilammi Needed

The number one man in industry considers that the situation has deteriorated so quickly that there is a need for a "new Korpilammi spirit", within whose framework agreement could be reached on far-reaching actions.

10576

CSO: 3617/78

ECONOMIC

ICELAND

NATIONAL BANK CHIEF: GREATER GNP GROWTH AS INFLATION SLOWS

Reykjavik MORGUNBLADID in Icelandic 13 Feb 86 p 2

[Article: "Decrease of Statutory Interest Rates Not Without Intervention"]

[Text] Jonas Haralz, chief of the Icelandic National Bank, thinks that a decrease in real interest rates can only take place over a very long period of time, as the rate of inflation decreases: "Real interest rates will be higher in Iceland during the next few years, even if the rate of inflation decreases, due to the bad experiences of the public in this area. On the other hand, statutory interest rates should decrease as the rate of inflation decreases," said Haralz. When asked about it, Haralz said that interest rates for secured value bank loans which now bear interest rates of 4 to 5 percent could decrease in the near future.

In connection with wage agreements, the government has announced that it will, in cooperation with the Icelandic Central Bank, make an effort to achieve a reduction in statutory interest rates of credit institutions. It is also mentioned in the government's statement that real interest rates could fall on account of the strength in the Icelandic economy. Jonas Haralz was asked whether or not he thought that the proposal was to decrease the statutory interest rates of secured value loans more than the decrease in the credit terms index and more rapidly. "I expect that this will be the proposal. This will have the danger of a decrease in savings, unless people realize very quickly that the decreases are real and that the rate of inflation is declining."

"My view is that conditions are such that interest rates will fall, but that it will depend upon the circumstances how this will be achieved," said Johannes Nordal, chief of the Icelandic Central Bank when he was asked whether or not the decrease in statutory interest rates would be achieved through direct orders to credit institutions. Jonas Haralz said that he could not see how a decrease in statutory interest rates could be achieved to any real degree without regulations being issued to the credit institutions on the most important kinds of interest.

9857  
CSO: 3626/0021

ECONOMIC

ICELAND

#### UNEMPLOYMENT AT FOUR YEAR LOW

Reykjavik MORGUNBLADID in Icelandic 15 Feb 86 p 3

[Article; "Days of Unemployment Least in Four Years"]

[Text] Registered unemployment this January was 2 percent of the estimated labor force. This is the smallest proportion since 1982. Registered days of unemployment were 51,000, equivalent to 2,400 persons unemployed for the entire month. Some 59 percent of unemployment was among women.

The most days of unemployment were registered in the Eastern Northland Region, around 12,000. Husavik accounted for 5,000. In other parts of Iceland unemployment was somewhat less or similar to what it was the previous month. On the last working day in January there were 2,000 persons unemployed compared to 3,300 at the end of December. A news release of the Labor Office of the Icelandic Ministry of Social Affairs says that these figures are undeniable indication that employment is quickly becoming stabilized again after the seasonal halting of fishing in December and January widely about Iceland. Registered unemployment in January of 1982 was 3.3 percent, 2.2 percent in 1983, 3.4 percent in 1984 and 2.3 percent in 1985.

Registered unemployment was as follows by region (figures in parentheses are for December, 1985): Capital Region 444 (325), Western Iceland 248 (166), West Fjords 38 (44), The Western Northern Region 219 (107), Eastern Northern Region 545 (467), Eastern Iceland 199 (259), the Vestmannaeyjar Islands 28 (15) and Sudurnes 387 (332).

9857

CSO: 3626/0021

ECONOMIC

NORWAY

LABOR PARTY PRESS ORGAN WARNS WILLOCH ON OIL, BUDGET ISSUES

Oslo ARBEIDERBLADET in Norwegian 14 Feb 86 p 4

[Editorial: "Eating Own Tail"]

[Text] It was particularly the future on which Hermod Skanland concentrated during his speech yesterday to representative firms in Norway's Bank. And it was not a bright picture which the national bank director saw ahead if we continue our economic policy with the same primary ingredients--respecting which we have become accustomed and contented.

To the extent that Skanland concerns himself with previous years' developments, a solid documentation of the government's errors in its money policy emerges. In the careful choice of words of the national bank director, "Viewed in retrospect, it would certainly have been better if deregulation of the credit market had been implemented while it (the money policy) was reasonably tight, that is to say, during the course of the period from 1980-83. We now have a situation where both money and credit policies have become strongly expansive, simultaneous with our being in an international competitive upturn."

The contractive money policy which the government pursued in the beginning years of the 1980's--when we experienced a decline in international competition--built up air in the credit balloon which exploded last year. When the government opened all the flood gates in the credit market, combined with strong thrusts from international competition, the result became an enormous growth in credit and private consumption. The government chose to put on the brakes on the uphill during the difficult years and has stepped on the gas on the downhill.

The immediate impression of this policy can look positive. We are better off than most countries in Western Europe in terms of our unemployment. We have experienced a growing labor market, but the basis for the growth is very unstable. It has occurred through a process which can be compared best with eating one's own tail. The government has used opportunities for creating temporary well-being instead of utilizing our resources for building a reasonable and secure foundation for the years to come.

Or to put it in the words of the national bank director: "Our ambitious goal regarding employment also has led to our continuing the expansive policy despite our obviously having found ourselves in a competitive upturn. When the financial resources no longer are available, employment problems will not be able to be solved in this fashion."

Along with OECD, Skanland finds a great deal of the cause for the development in the credit market in tax rules regarding interest and capital gains. The possibilities for implementing a credit policy are very limited as long as we allow tax subsidies through deductions of interest expenses so that the real costs of borrowing become disassociated from the international cost of money. It also is apparent that Skanland does not have particularly great faith that we will implement early and effective measures against interest deductions and their damaging effects on the Norwegian economy.

That doubt is extremely justifiable. "I have never seen one single concrete proposal concerning what the interest deduction ceiling actually should be," Willoch said recently in a speech. And thereafter he let loose with a smorgasbord list of problems such as: "Should junior who lives at home have his own interest ceiling?"

When politicians respond to demands for necessary reform with banal contrived problems, it is their own lack of will power which they are trying to hide.

12578

CSO: 3639/82

11 April 1986

ENERGY

DENMARK/GREENLAND

## LONG RANGE ENERGY PROGRAM IN DOUBT OVER DANISH FUNDING

## Switch From Oil to Hydroelectric

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 p 2

[Article by Jorgen Skjoldan: "Home Rule Government Confused by Danish Loan Denial"]

[Text] GODTHAAB--The home rule government in Godthaab is confused by the Danish government's denial of a government loan of 400 million kroner for a power plant. Home rule leader Jonathan Motzfeldt will discuss the issue with the leader of Parliament.

The Greenland home rule government is confused over the Danish government's refusal to help with financing of the costs for five planned power stations which make up the primary elements of Greenland's efforts to become less dependent on oil.

## Denied Loan

Initially, the Danish government has declined to make a loan of 400 million kroner for establishing a hydroelectric station at Jakobshavn. The Greenlanders' hope of a government guarantee for a foreign loan of the same amount also has been rejected.

"It is noteworthy that on one day a loan to Greenland is denied, and the next day the foreign minister signs a loan of 275 million kroner for Egypt," Jonathan Motzfeldt told BERLINGSKE. He emphasizes that he has nothing against Egypt, for example, but that it is difficult to understand in Greenland why both the loan and the government guarantee for an energy-related project have been denied.

"I will see the prime minister next week when I come to Copenhagen, but prior to then, I have arranged a meeting for Monday with Svend Jakobsen, the head of Parliament. We must hope that the leaders of Parliament will bring about a wide-ranging debate on the financing of the Greenland energy plan," said Jonathan Motzfeldt.

## Strong Dependence on Oil

Greenland is strongly dependent on oil. It makes up 98 percent of the overall energy consumption. In the Greenland energy plan, there would be four hydroelectric plants and one coal-fired plant prior to the year 2005. This would cost a total of 2.3 billion kroner, but also would mean a decrease of 60 percent of the country's oil consumption.

## Copenhagen Rejects Loan Request

Copenhagen BERLINGSKE TIDENDE in Danish 28 Feb 86 p 2

[Article: "Tom Hoyem: 'Greenland Must Find New Loan Sources'"]

[Text] Greenland Minister Tom Hoyem (Center Democrat) does not share the confusion of the Greenland home rule government over the fact that Denmark will not act as a guarantor for a government loan for five hydroelectric plants worth 400 million kroner which are to be built in Greenland before the year 2005.

"It is an interesting investment which would provide income in the form of tariffs. The finance minister has said 'no' to a loan guarantee from the Danish government, and this is consistent with Greenland itself overtaking, among other things, GTO--Greenland's Technical Organization--as of 1 January 1987," states Tom Hoyem, who continues:

"Greenland must instead look around in the loan market, including for example, the Nordic Investment Bank, European investment banks or private lenders. Interest rates would be only one-half or three-quarters of a percentage point higher than with a loan from the Danish government."

Home rule leader Jonathan Motzfeldt has let it be known that he will visit the head of Parliament on Monday in order to have a wide-ranging debate on the financing of the Greenland energy plan.

12578  
CSO: 3613/78

ENERGY

DENMARK/GREENLAND

HALT OF EASTERN COAST OIL SEARCH HAS ECONOMIC IMPACT

Copenhagen BERLINGSKE TIDENDE in Danish 27 Feb 86 Sect III p2

[Article by Jorgen Skjoldan: "Oil Search Halt Hits Greenland Air Hard"]

[Text] The firm must dispose of its supplies and a number of Greenlanders will lose their jobs as a result of the American halt on oil exploration in eastern Greenland.

The decision of the American firm, Arco, to take a break in oil exploration in the Jamesonland area will have a number of serious consequences for the Greenland society. Initially, the decision will affect Greenland Air. The company (which is owned by SAS), Kryolit Company, the Danish government and the Greenland home rule government jointly will be forced to dispose of a significant portion of the planes and supplies which have been assembled with a view to extensive air transport for Arco's drilling in eastern Greenland.

Additionally, it will affect a couple hundred Greenlanders in obtaining jobs in connection with the oil exploration.

The notice of the halt in exploration was made on Tuesday and ever since, there has been hectic activity by the home rule government in Godthaab, where there is a fear of the consequences of the American decision.

"Although the winter is mild and there is light in the air, it is a dark day for the Greenland people. We have placed great expectations on the concession agreement with Arco. Now we can only hope that the measurements and drillings will commence again in two years," said home rule leader Jonathan Motzfeldt in a comment to BERLINGSKE.

Arco began seismologic explorations last summer. They have a six-year agreement with the home rule government and the Danish government to conduct oil exploration in the Arctic area.

12578  
CSO: 3613/78

ENERGY

NORWAY

INDUSTRY GROUP FEARS ENERGY POLICY INADEQUATE TO MEET NEEDS

Oslo AFTENPOSTEN in Norwegian 13 Feb 86 p 44

[Article by Kjell Aaserud: "State Power Director: 'We Need Means for Additional Power'"]

[Text] "It is not possible to achieve a power balance in Norway in 1990. The deficit will be 2 billion kilowatt hours," Gunnar Vatten, the new State Power Plants director, said on Wednesday in a speech to Norway's Industrial Society and the Industrial Society for Electronics and Automation. Vatten also said that it is not possible to achieve a balance in 1995 and 2000 without having the means to accelerate projects both within the Overall Plan, as well as others, and additionally, without significant projects--which are considered as being in categories 2 and 3 in the Overall Plan--being readied for concession consideration.

The Commission for Hydroelectric Power has undertaken an extensive study and mapping. A primary problem according to this survey is to get districts with surplus power to undertake construction which would benefit districts with deficits. There is little interest in proposals for projects which are not necessary for covering local needs. Construction would burden cash reserves in the power-rich districts.

The report mentions establishing a centralized arrangement for purchase agreements as a means for solving this problem. Commitments by the State Power Plants are thought to be a possible solution in this regard.

Vatten described as disappointing the Environmental Protection Department's attitude toward Saltfjellet/Svartisen--the central project for the coming years. There also are signals which may influence the Breheimen-Stryn project for which the State Power Plants have sought concessions. Consideration of concessions for Stryn had been indicated for 1987. It now appears that there may be a one-year delay.

"It will be very problematic to supply the desired power for power-intensive industry and lumber manufacturing," said Vatten, who otherwise saw importing power through 1990 as an alternative for improving supplies. But conditions subsequent to 1990 make imports from Sweden unrealistic. We also must count on higher prices than previously. Otherwise, Vatten saw a possible production of power from gas as a supplement to an otherwise inadequate expansion of hydroelectric power, rather than as a substitute for it. The State Power Plants will present plans soon for a possible gas power station.

## Industry Attacks Power Policies

During a large gathering of the Industrial Society for Electronics and Automation (IFEA) and Norway's Industrial Society, industry opposed the authorities' failure to supply power--which, with the help of prices, has led to rationing. This has led--and in increasing degrees will lead--to a decline in industrial competitiveness.

"It is of little help to acknowledge the need for increased power supplies if the acknowledgment is not followed up with concrete measures," said administrative director Knut Lofstad of Norway's Industrial Society. "Acknowledging the dangers in the lack of power must not lead to pointing unthinkingly to power from gas as the only possible alternative to hydroelectric power, even though this may be easy during the political debate. The price of gas and tax policies will be decisive as to whether gas power is competitive. Heat-generated power alternatives must be evaluated objectively and they must be projected into the future."

Chief engineer Torstein Tenmann of the Norwegian Forest Industries said that power consumption last year was 7 billion kilowatt hours greater than the government's estimates, simultaneously with power supplies gradually having decreased by 2 billion kilowatt hours. Power-intensive industries have sought more power. The Gothe committee now has the assignment of rationing electric power for a number of worthwhile projects from supplies which do not exist.

Division chief Geir Hoybye of Norway's Industrial Society said that it would be more than regrettable if the possibility of gas power causes delays or reduces further development of hydroelectric power. He strongly criticized the pricing of electricity and electricity costs, which this year will cost industry 1.4 billion kroner.

Arild Holland, administrative director of the Central Association of Paper Industries, also strongly attacked power prices which have tripled for the lumber industry from 1979 to 1985. "We are being deprived of the advantage we have had up to now," said Holland, who also pointed out that purchasers of power cannot seek bids in an open market. They are confronted by a monopoly which fixes price and delivery requirements in a manner different from other products. This becomes even more serious because principles are being followed which are not used in other countries. "The special Norwegian method of setting prices for power should be discontinued. There is a need for carving out a different pricing policy than that which the government is proposing," said Holland.

12578

CSO: 3639/80

ENERGY

NORWAY

COUNTRY'S OIL PRODUCTION EXPECTED TO INCREASE SHARPLY IN 1986

Oslo AFTENPOSTEN in Norwegian 13 Feb 86 p 41

[Article by Morten Woldsdal: "Greatly Increased Oil Production This Year"]

[Text] Norwegian raw oil production is expected to be significantly higher this year than last. The increase may be as much as 15 percent--or more than 100,000 barrels daily--if the current level of production is maintained throughout the year. Oil production increased by 10 percent from 1984 to 1985, so that the increase in Norwegian oil production may be as much as 25 percent in two years.

The Norwegian share of raw oil production on the Norwegian continental shelf is about 890,000 barrels a day at present. (One barrel is approximately 159 liters.) If production remains this great throughout 1986, the total for the year will reach approximately 44 million tons.

Last year, an average of about 700,000 barrels of oil was produced daily. The overall production for the year thus reached approximately 38.5 million tons. And in 1984, the daily production was an average of just under 700,000 barrels, with an annual production of 34.9 million tons.

The primary reason for Norwegian raw oil production increasing this year by nearly 15 percent--or more than 100,000 barrels a day--is Statfjord C platform in the North Sea. This platform commenced production during the summer last year, and thus, affected the production figures only for the last half of 1985. The daily production of approximately 220,000 barrels from Statfjord C will be reflected in the figures for all of 1986.

Additionally, there are plans for the Ula field to commence production this fall. Initially, the field is expected to produce approximately 50,000 barrels of oil per day. Production of condensates from Heimdal will be included in the oil statistics for all of 1986 with about 6,000 barrels daily. Ula and Heimdal will make up for the decline in production from the Ekofisk field.

Norwegian raw oil production also will increase significantly in the coming years. Subsequent to the Gullfaks and Oseberg fields commencing production, it is expected that as early as 1989, at least 60 million tons of raw oil will be produced on the Norwegian shelf. This is an increase greatly in excess of 50 percent since 1984. The figure of 60 million tons of oil corresponds to an average daily production of 1.2 million barrels.

The OPEC countries presently are attempting to force Norway and Great Britain, among other countries, to decrease oil production. Without cooperation from the North Sea producers, OPEC is threatening to force prices down below \$10 per barrel. Both the Norwegian and British governments, however, have stated to OPEC representatives that they will not consider limits on production.

#### Psychologic Significance

If Norwegian raw oil production in fact does rise by 15 percent this year--in addition to the 10 percent by which it rose last year--it clearly will create yet worsened relations between Norway and OPEC. Notwithstanding that Norwegian oil production is not great on a worldwide basis, the psychologic effect of production increases will not be insignificant.

Things were very quiet on the international oil market yesterday, with little buying. Oil prices fell a little. Oil from Great Britain's Brent Blend field was priced at \$16.20-\$16.40 per barrel for delivery in March, contrasted with \$16.40-\$16.60 on Tuesday. Yesterday, the price for oil from Brent for April delivery was \$15.70-\$15.80 per barrel.

12578

CSO: 3639/80

ENERGY

NORWAY

#### LOW OIL PRICES MAY LEAD TO POSTPONEMENT OF FIELD'S EXPANSION

Oslo AFTENPOSTEN in Norwegian 18 Feb 86 p 48

[Article by Morten Woldsdal: "Expansion of Snorre Field Possibly Postponed"]

[Text] The oil companies which own the Snorre field in the North Sea presumably will delay the decision to develop the field, AFTENPOSTEN has learned. Low oil prices are the primary reason for many of the Snorre companies being skeptical about undertaking the development project this year, so that Parliament may be able to give the "go-ahead" in the spring of 1987. Now it appears that Parliament will consider the matter no earlier than the spring of 1988. This may be the first concrete example of the decline in the price of oil affecting activities on the Norwegian continental shelf.

The first sign of skepticism on the part of the oil companies already is apparent. The operator company, Saga Petroleum, has presented a plan for commencing so-called test production from a production ship or a rig in 1989. Investments in connection with such test production could be very minimal since Saga could lease the production vessels instead of building them. Thus, even though oil prices are low, such a project could be profitable. In this fashion, Saga also could obtain valuable information concerning production conditions. Nonetheless, several of the companies which are involved remain skeptical concerning investing money today in such a project.

#### Evaluation During Summer

Initially, Saga intended that the matter of the Snorre project itself--in contrast to test production--would be considered by Parliament during the spring session of 1988, with production to start in 1993.

This past year, however, Saga has been working with the following timetable: presentation of an evaluation report to the other share owners in June/July of this year; presentation of the so-called feasibility report in November this year; presentation of the construction plan in February, 1987; consideration by Parliament in May/June, 1987; and the commencement of production in the fall of 1992--nine months earlier than originally planned.

In the evaluation plan which was intended to have been presented to the share owners during the summer, among other things, Saga was to have summarized the economic aspects of construction of Snorre. In reality, the oil companies will be required to decide to commence the construction project itself in connection with the presentation of the evaluation plan.

Following the recent dramatic decline in oil prices, several of the oil companies have become skeptical of approving construction of Snorre already this year. Even though Snorre will not commence production prior to the 1990's--and it will be oil prices at that time which will determine the profitability of the field--several of the partners want to postpone the decision concerning construction.

At a time when the companies are losing a lot of money due to the declining price of oil and dollar exchange rate, they do not want to approve new investments involving billions. The construction of the Snorre field is expected to cost about 40 billion kroner.

#### Buying Time

Several of the oil companies want to watch the developments on the oil market before they say "yes" to the Snorre project--the companies want to buy time. Most experts today count on oil prices increasing again in the 1990's, but none can say with certainty that that will occur. And it is clear that construction of the Snorre field will not be profitable at today's oil prices of approximately \$16 per barrel. Presumably, oil prices must be above the \$20-level before the enormous investment could pay off. Saga Petroleum itself states in a study: "The Snorre field is characterized as being at a great ocean depth (in excess of 300 meters) and as being a complicated reservoir.... Completed studies show that Snorre has a lower profit margin than the fields which are in production or under construction on the Norwegian shelf today." When Saga wrote that, the price of oil was more than \$10 per barrel higher than the level of today.

By taking more time prior to making a decision on the construction of Snorre, the companies also hope to discover new technologic solutions which could reduce the cost of the project. According to that which AFTENPOSTEN has learned, neither Saga nor the majority of the other companies today count on consideration of the Snorre project by Parliament prior to the spring of 1988 at the earliest. "We think it is most realistic for the field to commence production in 1993-1995," a representative of the participants states.

#### Tax Decreases

All of the companies with which AFTENPOSTEN has been in contact believe that the Snorre field will be developed. The field contains in excess of 100 million tons of oil and neither the government nor the companies can afford to leave reserves of that magnitude underground. So if oil prices do not become high enough again, the companies are counting on the authorities changing tax rules applicable to the Norwegian shelf so that Snorre can be developed anyway.

12578

CSO: 3639/80

END