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TO IMMEDIATE FCO

TELEGRAM NUMBER 612 OF 17 NOVEMBER 1980

INFO SAVING WASHINGTON, EC POSTS AND UKDEL NATO

p/w briefs

PRIME MINISTER'S VISIT TO ITALY.

1. THE PRIME MINISTER AND YOURSELF ARE DUE HERE ON 23 NOVEMBER. YOU MAY WISH TO HAVE AN ASSESSMENT OF THE PRESENT POSITION OF THE ITALIAN GOVERNMENT AND THE NEW PRIME MINISTER, SIGNOR FORLANI.

2. FORLANI IS PREOCCUPIED WITH INTERNAL DIFFICULTIES. THE FORMATION OF HIS ENLARGED COALITION ENDED A GOVERNMENT CRISIS BUT DID NOT SOLVE THE PROBLEMS OF GOVERNING ITALY. NOR DID IT CHANGE IN ANY IMPORTANT RESPECT, ITALIAN FOREIGN POLICY. ITALIAN GOVERNMENTS COME AND GO WITH DISTRESSING FREQUENCY, BUT ITALY'S FRIENDS AND ALLIES CAN NEVERTHELESS RELY ON A FAIR DEGREE OF CONTINUITY IN POLICY. THIS TIME THERE IS THE ADDED REASSURANCE THAT COLOMBO AND THE MINISTER OF DEFENCE, LAGORIO, REMAIN IN OFFICE.

3. FORLANI'S PROSPECTS ARE NOT PARTICULARLY GOOD, EVEN MEASURED BY THE SHORT LIFE EXPECTANCY (8 MONTHS ON AVERAGE) OF POST-WAR ITALIAN GOVERNMENTS. BUT HE HAS SOME ASSETS, AND THERE IS A WIDESPREAD VIEW THAT HE IS BETTER PLACED POLITICALLY THAN WAS COSSIGA. PICCOLI, THE PARTY SECRETARY, IS WORKING HARD TO UNITE THE DC BEHIND HIM. FORLANI IS TRUSTED BY THE RIGHT BUT IS EXPECTED ALSO TO MAINTAIN SOME FORM OF DIALOGUE WITH THE COMMUNISTS, WITHOUT ENVISAGING THEIR ENTRY INTO GOVERNMENT. HE HAS ALSO TO KEEP THE SOCIALISTS IN THE COALITION WITHOUT CONCEDING TOO MUCH TO THEIR LEADER, CRAXI. THIS SORT OF PARTY MANAGEMENT IS MEAT AND DRINK TO FORLANI AS TO MOST CHRISTIAN DEMOCRAT AND OTHER ITALIAN POLITICIANS. BUT IT DOES LEAVE HIM WITH LESS TIME FOR INTERNATIONAL PROBLEMS OR MACRO ECONOMICS.

4. HE HAS RUN QUICKLY INTO RATHER SERIOUS DOMESTIC WORRIES, INCLUDING A MAJOR FINANCIAL SCQFDAL OVER A DIESEL OIL TAX FRAUD WHICH CONTINUES TO MAKE HEADLINES. THE SUMS OF MONEY SAID TO BE INVOLVED ARE HUGE AND THOUGH NOTHING HAS BEEN PROVED, IT SEEMS LIKELY TO CONFIRM THE PUBLIC'S DEEP CONVICTION THAT THEIR POLITICAL SYSTEM IS CORRUPT. AS YET IT POSES NO THREAT TO FORLANI COMPARABLE TO THE DONAT CATTIN AFFAIR WHICH BEGAN COSSIGA'S DOWNFALL. BUT AS THE RAMIFICATIONS OF THE FRAUD AND SUBSEQUENT ATTEMPTS TO COVER IT UP ARE REVEALED (INCLUDING EVEN ALLEGATIONS THAT FORLANI HIMSELF AS MINISTER OF DEFENCE IN 1975 WAS INVOLVED), FORLANI IS LARGELY PREOCCUPIED WITH IT.

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/ 5. MEASURES

5. MEASURES HAVE BEEN TAKEN TO DEAL WITH IMMEDIATE ECONOMIC PROBLEMS (MY SAVING TELNO 41, NOT TO UKDEL NATO), BUT THE GOVERNMENT IS DUE TO PRESENT ITS 3-YEAR STRATEGY BY THE END OF THE YEAR, AND THERE ARE ALREADY TENSIONS BETWEEN THE SOCIALISTS AND THE OTHER PARTIES IN THE GOVERNMENT. WITH THE RECESSION NOW BEGINNING TO HAVE ITS EFFECT HERE, THE WINTER WILL BE DIFFICULT. BUT THE GOVERNMENT HAS THE ADVANTAGE THAT THE MAJOR DISPUTE AT FIAT HAS BEEN SETTLED IN WHAT IS GENERALLY REGARDED AS A VICTORY FOR MANAGEMENT OVER THE UNIONS, AND THE LATTER MAY BE MORE CAUTIOUS IN FZKVURE CONFRWATATIONS.

6. AGAINST THIS BACKGROUND, FORLANI WILL BE LOOKING AT FOREIGN POLICY ISSUES WITH ONE EYE ALWAYS ON THEIR DOMESTIC REPERCUSSIONS. HE WILL BE AS SENSITIVE AS HIS PREDECESSORS TO ANY SUGGESTION THAT ITALY IS BEING LEFT OUT OF GREAT POWER CONSULTATIONS (ESPECIALLY IN THE LIGHT OF REPORTS OF THE GISCARD/SCHMIDT MEETING). ON COMMUNITY POLICIES, THE ITALIANS HAVE NOT YET WORKED OUT THEIR IDEAS ON RESTRUCTURING BUT WILL LOOK FOR MEASURES THAT CAN PROMOTE CONVERGENCE AND MEET THE NEEDS OF MEDITERRANEAN PRODUCERS. THEY WILL CONTINUE TO BE FUNDAMENTALLY COMMITTED TO MAKING THE COMMUNITY WORK, AND RECOGNISE THAT THIS MEANS THAT IT HAS TO SERVE THE INTERESTS OF ALL ITS MEMBERS INCLUDING THE U.K. ON EAST/WEST RELATIONS COLOMBO WILL BE FRESH FROM HIS VISITS TO MOSCOW, WARSAW AND MADRID. THE ITALIANS HAVE BEEN ROBUST OVER TNF AND THE LINE TO TAKE AT MADRID, BUT FORLANI HAS TO TAKE ACCOUNT OF THE ATTITUDE OF THE COMMUNIST PARTY WHO WANT CONSULTATION ON THIS AND OTHER ASPECTS OF FOREIGN POLICY AS PART OF THEIR PRICE FOR LESS VEHEMENT OPPOSITION.

7. I CANNOT SAY WHETHER THE PRIME MINISTER WILL FIND FORLANI AS SATISFACTORY AN INTERLOCUTOR AS HIS PREDECESSOR. BUT OUR SHARED INTERESTS WITH ITALY ON THE ISSUES OF THE DAY ARE NO LESS THAN BEFORE. ITALIAN POLICY HAS SHOWN A DEGREE OF CONSISTENCY OVER THE YEARS AND IF THE PRIME MINISTER CAN ESTABLISH A WORKING RELATIONSHIP WITH FORLANI THIS, TOGETHER WITH YOUR UNDERSTANDING WITH COLOMBO, WILL STAND US IN GOOD STEAD AT THE EUROPEAN COUNCIL AND ELSEWHERE. THE ITALIANS WILL TRY TO HELP US WHEN THEY CAN, PROVIDED THAT WHAT WE WANT IS NOT DIAMETRICALLY OPPOSED TO THEIR INTERESTS. RUGGIERO IN BRUSSELS SHOULD BE A USEFUL ALLY WHENEVER WE CAN WORK TOGETHER.

SEE MIFT.

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