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ALLEGATIONS SECTION



ITALY: ANNUAL REVIEW FOR 1978

SUMMARY

1. A year of dramatic events: the Moro affair, the resignation of the President and the death of two Popes. Perhaps more significant in the long run were Italy's EMS decision and the election of a non-Italian Pope. (Paras 1-2)
2. The removal of Moro altered the political balance. The politician who has subsequently emerged most strongly is Andreotti. The political parties were shocked into adopting new anti-terrorist measures, though Italy's troubles with terrorists are by no means over. (Para 3)
3. The sudden resignation of the discredited President Leone. His substitution by a respected Socialist confirmed the improvement of the PSI position under Craxi's leadership. The Communists, despite their acceptance into the Parliamentary majority, had an uneasy year. (Paras 4-5)
4. The political framework may prove too fragile to sustain necessary economic measures. The Treasury Minister, Pandolfi, has managed to get some important new legislation through Parliament. But serious problems remain in securing parliamentary approval for the proposed 3-year programme of restraint combined with economic expansion in the South (the "Pandolfi Plan"). The unions and the political left may be unwilling to accept adequate wage restraint. Nevertheless in some respects the economic situation

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/is



is more favourable than a year ago, particularly as regards the external position. (Paras 6-9)

5. Andreotti's decision to join the EMS from the outset, despite the misgivings of his economic advisers and of the left, was courageous. The political consequences remain to be seen. British and Italian objectives were near enough to facilitate close collaboration on the technical aspects of the EMS negotiations. Despite our different political attitudes towards European integration there is no reason why this cooperation should not be continued to our mutual advantage. But Italian resentment at exclusion from inner Western groupings will need careful watching. (Paras 10-12)

6. Italian leaders are looking to 1979 with some anxiety, particularly as regards the prospects for the Pandolfi Plan. The election of the new Polish Pope has increased political uncertainty. But the Italians are in somewhat better shape than a year ago to face the coming year. The forthcoming European elections will provide an interesting index of changes in electoral opinion. (Paras 13-15)

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BRITISH EMBASSY,
ROME.

(014/5)

10 January 1979

The Rt Hon Dr David Owen MP
etc. etc. etc.
Foreign and Commonwealth Office
LONDON S W 1.

Sir,

ITALY: ANNUAL REVIEW FOR 1978

1. In reviewing Italian affairs in 1978 I shall this year comment on only the most dramatic or significant events. I shall attempt to peer only a little at the prospects for 1979 since they are more than usually obscure.

A year of shocks

2. The kidnapping and murder of Aldo Moro, the forced resignation of the President of the Republic six months before the end of his normal tenure, and the death of two Popes; these were the headline events. Of perhaps greater significance in the long run were Italy's decision, despite serious misgivings against a background of economic weakness, to join the European Monetary System from the outset; and the election, for the first time for 450 years, of a non-Italian Pope.

The political scene

3. Looked at in retrospect the agonising Moro affair seems to have had two main consequences. One was simply that the removal of such an important figure from the political scene altered the balance of influences and personalities in Italy, especially inside the Christian /Democrat

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Democrat Party. The politician who seems subsequently to have emerged most strongly in the course of the year, partly owing to Moro's disappearance and partly because his Government has been relatively effective, is Andreotti. The other main consequence of the Moro murder was to administer such a shock to the public and to the political parties that they were reconciled to the adoption of at least some of the measures necessary to combat terrorism. Italy's troubles with her terrorists are by no means over yet, but at the end of the year the forces of law and order seemed to be gaining ascendancy in spite of the fact that the terrorists had lately switched their target to the magistrature and the police forces themselves, evidently in an attempt to break their morale.

4. Compared with the Moro murder, the premature resignation of Leone as President of the Republic was a paltry affair. It had been widely speculated about for some time and although Leone's departure finally came about with dramatic suddenness his influence and stature had already been seriously eroded by allegations of corrupt practice or patronage. What was significant politically was, first, that his departure did not precipitate a crisis, but on the contrary tended to strengthen the political framework in which Andreotti's Government functions; and secondly, that his successor is a Socialist (PSI). This was clear confirmation of the improvement of the PSI position made under Craxi's leadership as demonstrated in the partial administrative elections in May. It should also be to the advantage of the PSI in general that the new President of the Republic should be such an evidently admirable man even

/if,

if, as an octogenarian, he cannot be regarded as likely to last the full 7-year course.

5. The Communists (PCI) for their part derived little benefit and some disadvantage from both of these events. Moro had been the architect of the elaborate structure of the present political framework which enabled them last March to take a small step forward towards their goal of participation in Government. Even if Moro in fact gave away very little and may be seen in a sense to have outwitted them, he was still the Communists' preferred interlocutor and they must regard his disappearance as a set-back to their ambitions. Then too the Red Brigades, who killed Moro, repeatedly asserted that they were Communists, thus damaging the PCI in the eyes of the public, though the PCI somewhat counteracted this by their staunch support for the Government's firm stand against the terrorists. As for the resignation of Leone, this too did not prove helpful to the PCI even if they were able to claim (with justice) that it was they who finally forced him to go. The substitution in the Presidency of a discredited Christian Democrat by a respected Socialist must be judged a bad deal from the Communist point of view. Altogether, despite their acceptance into the Parliamentary majority, the Communists have had an uneasy year; their identification with the Government's policies has reduced their appeal to the electorate and caused dissatisfaction among the membership; and the Socialists have made some effective points against them in ideological controversy.

/The economic scene



The economic scene

6. What caused the resignation of the previous Andreotti Government in January 1978 was that the political framework in which that Government operated proved too fragile to sustain the economic measures which were required. A year later something of the same thing seems to be happening again, though with several significant differences.

7. The new Andreotti Government formed in March presented to Parliament an agreed economic programme for which a massive majority was obtained. But, contrary to what had been predicted, the path of legislation proved rough and the new Treasury Minister, Pandolfi, has probably had the most difficult portfolio next to that of Andreotti himself. He managed to get through Parliament one very important piece of legislation, a law on state accounting which for the first time gives the Treasury Minister power to introduce a Finance Bill with the budget which will operate as an instrument of economic policy. The first bill under this legislation was passed by Parliament in December, and introduces the main public expenditure cuts for the financial year 1979. Important, if controversial, legislation on fair rents has also been passed, as well as a long disputed bill to encourage the recapitalisation of ailing industries by the banks.

8. Nevertheless serious problems remain in obtaining parliamentary approval for measures to carry out the "Pandolfi Plan", presented to Parliament as a 'White Paper' in September and now due for preparation in its operational form in January 1979; this is a three year programme of restraint



combined with investment to produce new employment and substantial expansion of economic activity in the underdeveloped South and islands (Mezzogiorno). The unions and the political Left, for all their apparent acceptance of the general thrust of the Pandolfi plan, are not yet by any means satisfied with the Government's will and ability to identify and create new jobs and projects in the Mezzogiorno. Even if they were to be satisfied on this score it is not certain that they would or could bring about adequate wage restraint to help fulfil the Government's targets on containing inflation and reducing current central expenditure. Nor is there any sign that they are willing to tackle structural inflation in the form of wage indexation. Thus the intractability of the problems facing the Government's economic planners may once again lead to a political crisis early in 1979.

9. The situation is however different from a year ago in at least three respects. One is that the external position and the state of the reserves are now eminently satisfactory and the rate of inflation has been reduced from 20% in 1977 to 12% (though there is no sign of its decreasing further). Another is that the newly-appointed Minister of Industry, Prodi, promises to be of comparable administrative calibre with some of the other outstanding members of this Government such as Ossola and Pandolfi. A third is that Italy has now taken a deep breath and made up its mind to plunge into the European Monetary System. The first two of these factors are favourable. The third is debatable.

/European affairs



European affairs and the European Monetary System (EMS)

10. Italy's decision to join the EMS from the outset had, after an initial period of indecision, been regarded by December as virtually certain, until the unexpectedly brutal behaviour of the Germans and the French at Brussels in paring down Italian demands for resource transfers made it impossible for Andreotti to sign on the dotted line without asking for a pause for reflection and consultation. His final decision to join after all, in spite of the misgivings of some of his most respected advisers such as the Governor of the Bank of Italy and the criticism of both Socialists and Communists, was a courageous one. It has for the time being strengthened his position inside his own Party but it has at the same time damaged the political consensus and it remains to be seen what the political fall-out will turn out to be, especially in relation to the prospects for the Pandolfi plan.

11. Meanwhile the negotiation leading up to the establishment of the EMS has had important and mainly favourable effects on Anglo/Italian relations. Italian and British objectives, although not identical, were near enough for us to be able to collaborate very closely in negotiating on the technical aspects of the exchange rate mechanism, and in attempting to correct the grosser inequities of the Community Budget and the Common Agricultural Policy. There is one fundamental difference between the Italians and the British and that is the attitudes of our respective political parties to European integration; hence of course our different final decisions over joining the system from



the outset. Subject to this consideration, however, and to certain well known differences of emphasis e.g. on Mediterranean agriculture, there is no reason why the harmonious cooperation now established between Italy and the United Kingdom over EEC questions should not be continued to the advantage of both of us.

Italy and quadripartitism

12. During 1978 there were signs of increased Italian resentment at exclusion from inner Western groupings, e.g. the trilateral and quadripartite consultations on military technology and the meeting of Heads of Government of the 'big four' convoked by the French President at Guadeloupe this month. This concern, deriving largely from Italy's uneasy position as the least powerful of the major Western nations, has been endemic since Italian unification, but deserves some sympathy today, if only because Italians who feel strongly about this tend to be those most devoted to the Western alliance. The matter needs careful watching in the Anglo/Italian as well as the general Western context.

Prospects for 1979

13. The Italian Government leaders and members of the Establishment are looking with some anxiety at the prospects for 1979. They must be hoping for rather less drama than in 1978. They must also be hoping that the world economic situation will evolve more favourably than at present forecast. Above all, they must be hoping - most of them at any rate - that the political consensus will be durable enough to carry through a not too diluted version of the Pandolfi

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plan. Meanwhile there are at any rate some blessings to be counted in 1978, notably an apparent wane in the popularity of the Communists.

14. As for the newly elected Polish Pope, this has caused some political uncertainty in Italy. Despite the withdrawal of the Vatican from active interference in Italian politics over the past 20 years, its shadow looms large, the new Pope has had considerable popular impact, and all the parties are wondering what effect his presence will have on their fortunes. There has been no apparent resentment here at the Italians' loss of their monopoly of the Holy See, but there is the awareness of the arrival on the Italian scene of a new personality of undoubted stature.

15. For myself, I judge that the Italians (except the Communists) are in somewhat better shape than they were a year ago to face the vicissitudes of the coming year. The direct elections to the European Parliament are likely to loom large in the thinking of Italian politicians for the first half of the year, and these will certainly provide an interesting index of the changes in electoral opinion since the Parliamentary elections of 1976.

16. I am sending copies of this despatch to Her Majesty's Representatives in other EEC capitals, Washington and Moscow; to the UK Permanent Representatives to the European Communities and NATO; and to Her Majesty's Minister to the Holy See.

I have the honour to be,
Sir,
Your obedient Servant,

Alan Caplan

CALENDAR OF EVENTS

JANUARY 1978

- 2: Two young neo-Fascists found killed on Etna (probably by a bomb they were preparing).
- 4: Four parties (PCI[Communists], PSI [Socialists], PRI [Republicans], PSDI [Social Democrats] withdraw support from the Government.
- 5: Unions suspend decision on general strike as current Government would not be a valid interlocutor.
- 7: Two young MSI (neo-Fascist) militants killed in an ambush in Rome: a third one fatally shot (probably by a policeman) in the disorders which followed.
- 7: US Ambassador Gardner summoned by Carter to Washington for a report on political situation in Italy.
- 10: US State Department's spokesman confirms "non-interference" policy in Italy.
- 11: The DC confirms its "no" to an emergency coalition with PCI and other parties.
- 12: Official declaration from US State Department confirms the principles of "non-interference" and "non-indifference" as regards entry of Communists in W European Governments. Further note the following day.
- 12: New Heads of Secret Services appointed.
- 16: Interior Minister Cossiga in Bonn for talks on anti-terrorism.
- 16: The Andreotti Government resigns.
- 17: Political banishment for 50 extremists ordered by Rome judge. Protests and demonstrations in following days.
- 24: Lama (Secretary General of the Communist dominated federation CGIL) in an interview in "Repubblica" outlines sacrifices to be asked of workers. Lively reactions in following days.
- 26: Report by Berlinguer to PCI Central Committee: PCI entry into an emergency government (or explicit entry into the majority) indicated as a solution for the crisis.
- 27: Italian Bishops confirm generic warning against Marxism.
- 30: Green lira devalued by 6%.
- 30: Government subsidies to industrial social insurance contributions extended to March 31.

CALENDAR OF EVENTS

FEBRUARY 1978

- 7:
7: General Haig expresses worry over PCI role in Italy.
9/10: Visit by G C Pajetta and Segre (PCI) to GDR.
13: Statistics show 38.77% increase in Italian exports to Britain in 1977.
13: Sadat's visit to Rome.
13/14: Assembly of Unions' delegates in Rome. Lama's austerity policy approved by large majority.
14: Magistrate (Judge Riccardo Palma) assassinated in broad daylight in Rome.
17: Andreotti sends outline programme to the parties.
24: Wave of student violence in several towns.
24: Ministerial Committee approves energy plan.
27: Anti-kidnap insurance organisation (allegedly linked to Lloyds) discovered in Milan.
30: The PCI goes to court to collaborate in investigations into the Carrara kidnapping.
28: Council of Ministers approves decree law on measures against terrorism.
24: Mayor Mayor shot by "Red Brigades" in Rome.
28: G C Pajetta received by the President of the Republic.
28: First Congress of PCI opens in Rome (ends 4 April 1978).

CALENDAR OF EVENTS

MARCH 1978

- 1: DC gives the go-ahead to Andreotti for negotiations aimed at a "programme majority" including the PCI.
- 8: Andreotti and the five parties reach agreement on programme (the PLI [Liberals] has withdrawn from the six-party agreement).
- 9: "Red Brigades" trial opens in Turin; Adelaide Aglietta, Radical Party Secretary, among jurors.
- 10: Policeman killed by "Red Brigades" in Turin.
- 11: Andreotti forms new Government (all DC).
- 14: Emilio Colombo re-elected President of European Parliament.
- 16: Aldo Moro (President of the Christian Democrat Party) kidnapped; bodyguards killed by "Red Brigades".
- 16: The Government gets vote of confidence in emergency procedure.
- 20: Two SAS men in Rome to collaborate in investigation into the Moro kidnapping.
- 21: Council of Ministers approves decree law on measures against terrorism.
- 24: Former Mayor shot by "Red Brigades" in Turin.
- 28: G C Pajetta received by Dom Mintoff in Malta.
- 29: 41st Congress of PSI opens in Turin (ends on April 2).

CALENDAR OF EVENTS

APRIL 1978

- 3: Massive arrests in Rome over the Moro kidnapping (protests from PCI: people released a few days after).
- 4: "Red Brigades" send 4th Communiqué with a further letter by Moro. Andreotti in the Chamber confirms the Government will not deal with Red Brigades.
- 5: Craxi confirmed Secretary of PSI; Nenni President.
- 6: Karamanlis in Rome discusses Greece's bid to enter EEC.
- 5/19: Napolitano (PCI) delivers series of lectures in US.
- 11: Prison guard killed in Turin by Red Brigades.
- 15: Moro "sentenced" to death by Red Brigades (6th Communiqué).
- 15: Disastrous train crash near Bologna (47 killed).
- 18: Ortoli (Vice President of European Commission) in Rome discusses EEC loan.
- 18: Red Brigades announce Moro's "death by suicide" and say corpse is in Lago della Duchessa. Another communiqué two days later states he is alive - a 48-hour ultimatum for release of Communist prisoners is set.
- 19: MSI and right-wing movements in Spain and France set up "Eurodestra".
- 20: Prison office shot dead by Red Brigades in Milan.
- 25: Kurt Waldheim appeals to Red Brigades (causing embarrassment in Italy).

CALENDAR OF EVENTS

MAY 1978

- 1/4: Forlani's (Foreign Minister) visit to Iran.
- 2: Opening of Lockheed trial at Constitutional Court.
- 4: Two industrialists shot in the legs by "Red Brigades" in Milan and Genoa.
- 5: Communiqué No 9 from "Red Brigades" announces carrying out of death sentence on Moro.
- 5: Council of Ministers approves reduction in contributions for social insurances and reform of military code.
- 7: Sergio Segre (PCI) back from one-week lecturing tour in US.
- 9: Moro's body found in a car near DC and PCI headquarters in Rome.
- 10: Cossiga resigns as Minister of the Interior - Andreotti takes over temporarily.
- 10/12: Whittome (IMF) visits Rome.
- 9/12: Foreign Ministry Under-Secretary Radi visits Ethiopia.
- 9/15: Foreign Ministry Under-Secretary Foschi visits Somalia.
- 12/14: Lord Chancellor in Italy to attend Memorial Service for Aldo Moro. Calls on Fanfani (President of the Senate).
- 13: Memorial Service for Moro in the Basilica of San Giovanni. Pope attends.
- 15: Results of local elections show DC success, PSI improvement, PCI losses.
- 16: Decree-law on anti-terrorism approved in the Chamber with a vote of confidence.
- 17: Italy accepts the EEC Mediterranean package.
- 18: Two hideouts of "Red Brigades" discovered in Rome: eight people arrested.
- 18: Final approval of Abortion Bill.
- 21/24: Ossola (Minister for Foreign Trade) visits Budapest and Warsaw.
- 24: Secretary of British Communist Party sees Berlinguer in Rome.

MAY 1978

- 24: Craxi stresses PSI autonomous role (speech at meeting of Central Committee); Craxi's position stronger after dissolution of groups in PSI (May 27).
- 26: Council of Ministers approves first series of measures to increase State revenues.
- 27: Lama (interview in STAMPA) calls for change in Unions' policy as regards wages, working hours, pensions, strikes.
- 30: ESPRESSO again attacks Leone over his ties with the Lefebvre brothers involved in the Lockheed bribery scandal.
- 31: Baffi's report to Bank of Italy.

CALENDAR OF EVENTS

JUNE 1978

- 3: PCI Deputy Pajetta (as a member of Italian delegation of deputies visiting New York) sees Ambassador Young. Interview in papers of June 7.
- 3/9: Italian industrial delegation led by Bisaglia visits Moscow.
- 5: Five people charged with the killing of Moro.
- 6: Prison guard killed in Udine.
- 6: Abortion law comes into effect.
- 7: Lloyds reported as making profits in "K & R" insurances in Italy.
- 10: "Unita" carries text of a letter by Berlinguer to Andreotti, complaining of delays in carrying out a Government programme.
- 12: Laws on Public Order and Financing of Parties supported by electors in referendums (but with a low percentage).
- 13: Virginio Rognoni (DC, Base faction) appointed Minister of the Interior.
- 14/18: PRI holds 33rd Congress in Rome. La Malfa and Biasini confirmed President and Secretary on July 22.
- 15: Giovanni Leone resigns as President of Republic, following "Espresso" accusations.
- 21: Police chief shot dead in a bus in Genoa.
- 23: Sentence issued at "Red Brigades" trial in Turin.
- 26: Success of independent local lists at elections in Friuli-Venezia Giulia and Val d'Aosta.
- 27: Forlani received by Ecevit in Ankara.

CALENDAR OF EVENTS

JULY 1978

- 6: 15 billion EUA loan from European Investment Bank to Cassa per il Mezzogiorno.
- 8: Sandro Pertini (PSI) elected President of Republic at 16th poll.
- 12: Wave of arrests in Rome and Florence in connection with the Moro assassination.
- 15/17: Italy among countries attending summit in Bonn.
- 16: Delfino succeeds De Marzio (who resigned) as Secretary of "Democrazia Nazionale" (right-wing party).
- 19: Senate approves reform of agrarian tenancy agreements.
- 22: La Malfa and Biasini confirmed President and Secretary of PRI (Republicans).
- 24: Italy's commitments for economic recovery confirmed by Pandolfi to EEC partners in Brussels.
- 25: Pandolfi (Treasury Minister) visits London accompanied by the Governor of the Bank of Italy, Baffi.
- 25/27: Italian Chief of the Defence Staff, General Cavallera, visits UK.
- 26: Fair Rent Bill gets final approval in the Senate.
- 28/31: Meeting of DC National Council (Fanfani absent). Piccoli elected President.

CALENDAR OF EVENTS

AUGUST 1978

- 2: Interview by Berlinguer in "Repubblica" defining Communist attitude to Leninism.
- 6: Death of Paul VI.
- 10: General Carlo Alberto Dalla Chiesa appointed "super-investigator" in the fight against terrorism.
- 11/13: Home Secretary in Italy for funeral of Pope Paul VI. Lunch with Rognoni.
- 16: Collaboration agreement between Aeritalia and Boeing signed in Seattle.
- 23: Article by Craxi on incompatibility between pluralism and Leninism is published in "Avanti" and "Espresso". Reactions and disputes for several weeks.
- 26: Albino Cardinal Luciani, Patriarch of Venice, elected Pope - he takes the name of John Paul I.

CALENDAR OF EVENTS

SEPTEMBER 1978

- 1: One-point reduction in Bank Rate.
- 3: Inauguration of Pope John Paul I attended by Lord Chancellor.
- 4: Bomb attack on the Bologna/Florence railway fails by chance.
- 5: Alfa Romeo's agreement with General Electric and Rolls Royce at Farnborough Air Show - Agreement also between Agusta And Westland.
- 5/6: Andreotti visits Spain.
- 6/7: Roy Jenkins (President of European Community) in Rome.
- 13: Italy outlines her condition for joining European Monetary System.
- 13: A "Red Brigades" leader (Corrado Alunni) captured in Milan.
- 17: Chinese delegation arrives in Rome on a 7-day visit.
- 17: Berlinguer closes "Unità" Festival in Genoa with a speech confirming that PCI is not rejecting Leninism - unfavourable reactions from other parties.
- 19: Results of local elections in Calabria (PSI and DC claim progress).
- 21/22: Forlani in Israel.
- 27: Giovanni Galloni elected Head of DC Chamber Group (with opposition from 102 votes).
- 28: Death of Pope John Paul I.
- 28: Lancia foreman killed in ambush by "Red Brigades" in Turin. Young Communist shot dead by Fascist group in Rome.
- 29: Council of Ministers approves 1979 budget estimate, programmes report, pensions reform.
- 30: Presentation to Parliament of Pandolfi Plan for economic reform over the next three-year period.

CALENDAR OF EVENTS

OCTOBER 1978

- 1: Antonio Savino and other BR members captured in Milan.
- 4: Funeral of Pope John Paul I.
- 4/11: Berlinguer visits Paris, Moscow and Belgrade.
- 5/10: Visit by Chinese Foreign Minister.
- 5: Donat Cattin (Minister of Industry) appointed Vice-Secretary of DC.
- 10: Magistrate shot dead in Rome (Girolamo Tartaglione).
- 11: Prison doctor assassinated in Naples.
- 16: Karol, Cardinal Wojtyla, Archbishop of Cracow, elected Pope - he takes the name of John Paul II.
- 17: Death of Sen. Gronchi, former President of the Republic.
- 19/20: Confindustria delegation in Peking.
- 19/20: Visit by Romanian Foreign Minister.
- 20/21: Visit by Karamanlis.
- 20/ Pietro Longo elected Secretary of PSDI in place of Pier Luigi Romita.
- 21/24: Lord Peart attends enthronement of Pope John Paul II.
- 23: Visit by Spanish Minister for Relations with EEC.
- 25: Rhodesian Bishop Muzorewa received by Under-Secretary Radi.
- 25/26: Visit by Giscard d'Estaing.
- 28: Ossola visits China until 7 November.
- 30: Italy grants a \$1000m credit to China.
- 31: Government crisis averted over strike by hospital workers.

CALENDAR OF EVENTS

NOVEMBER 1978

- 1: Under-Secretary Del Rio resigns in connection with hospital crisis.
- 1: Fair Rents Law comes into effect.
- 1/2: Andreotti and Schmidt meet in Siena.
- 1/5: XX Congress of Radical Party in Bari. Jean Fabre elected Secretary.
- 2/4: 3-day visit by Rognoni to Belgrade.
- 3: Dispute on Agrarian Pacts begins to be a threat of Government crisis.
- 6/8: Ruffini, Minister of Defence, visits Britain.
- 8: Magistrate (Fedele Calvosa) and 2 escorts killed by terrorists in Patrica (near Frosinone) - one terrorist also killed.
- 10: PCI programme for Europe outlined by Amendola to foreign press.
- 9: Donat Cattin causes row with his opposition to the choice of Romano Prodi as his successor at the Industry Ministry.
- 10/12: PDUP (left-wing Socialist Party) Congress in Viareggio. Magri elected Secretary on November 20.
- 15/19: Andreotti and Forlani visit Tripoli, Cairo, Amman, Baghdad.
- 17: Italy claims return of two bronze antique statues from Britain.
- 18/19: Elections in Trentino-Alto Adige; success of local lists and extreme left-wing parties.
- 20: EEC Finance Ministers allow lira to float by 6% in case of Italy's entry into EMS.
- 22: Andreotti visits London for talks about EMS, accompanied by Pandolif and Baffi (Governor of Bank of Italy).
- 23: Donat Cattin resigns as Industry Minister.
- 20: New frontier between Italy and Yugoslavia comes into effect.
- 25: Prof. Romano Prodi appointed Industry Minister.

NOVEMBER 1978

- 27: Andreotti sees Prime Ministers of Luxembourg and Netherlands (and Jenkins the following day) in Rome.
- 28: Pandolfi reports on EMS negotiations to Council of Ministers.
- 29: Zaccagnini's (DC Secretary General) report to DC Executive hints at resumption of dialogue with PSI.
- 30: Italian government decides on EMS at the European Summit in Brussels.
- 1: Sicilian fishermen killed as a Tunisian patrol boat fires on four Sicilian fishing boats in the Straits of Sicily.
- 2: Italian music groups perform in Reggio Emilia.
- 3: Santani (DC) in Rome.
- 4: Visit by Bulgarian Foreign Minister.

CALENDAR OF EVENTS

DECEMBER 1978

- 1: Berlinguer (PCI) speaks at rally on agrarian pacts in Rome and warns both DC and PSI against any attempt at resumption of Centre/Left formula.
- 3: Driving licence computer centre destroyed by terrorists in Rome.
- 4: Results of local elections in minor centres; progress for DC, PSI; the PCI loses ground.
- 5: Italy postpones decision on EMS at the European summit in Brussels.
- 8: Sicilian fisherman killed as a Tunisian gunboat opens fire on four Sicilian fishing boats in the Strait of Sicily.
- 9/15: British music groups perform in Reggio Emilia.
- 11/14: Fanfani (DC) in Romania.
- 12/13: Visit by Bulgarian Foreign Minister.
- 12: Andreotti in the Chamber announces Italy's decision to join EMS as soon as it comes into being.
- 13: Italy's entry into EMS approved in the Chamber (with opposition of PCI and abstention of PSI).
- 14: Visit by King Hussein.
- 15: Two young policemen killed by "Red Brigades" in Turin.
- 16: Bishops confirm excommunication for people involved in abortion.
- 19: Minister of Foreign Trade Ossola in Rabat.
- 21: Christian Democrat lower house leader Galloni's bodyguards seriously injured in an attack from "Red Brigades".
- 23: Crash of Alitalia DC9 at Punta Raisi (Palermo) (108 killed).
- 29: Longo (PSDI Secretary) calls for a "controlled" crisis.
- 31: Republican newspaper "Voce Repubblicana" ceases publication.

Pa. P. 1/2 L. R. H. 1972. Jan

N
Mr Fergusson

WRS 014/1 cc P. P. P. (with suspended)

JAN
25 1979

M. Barker ..
R. Fergusson ..

ITALY: ANNUAL REVIEW FOR 1978

- A 1. I submit the 1978 Annual Review from HM Ambassador at Rome which I have acknowledged and sent for distribution in the General Series. Most of the Annual Reviews from Western European posts record a rather dull year, but in Italy, 1978 was full of dramatic events which
- ✓ | Sir Alan Campbell summarises with his customary clarity.
2. During the last few weeks there have been a number of press reports suggesting that the long awaited 3-year economic plan which was presented to the Italian Parliament on 15 January, and was the subject
- B of Rome telegram no 39, might lead to a political crisis and even, in certain circumstances, to early elections. There has been something of a lacuna in political reporting from Rome recently with the Embassy no doubt understandably waiting to see which way the wind is blowing: as Sir A Campbell says at the beginning of his Annual Review the prospects
- C for 1979 are more than usually obscure. In early November, in their last report of any substance on the Italian political situation, the Embassy judged that, unless there was considerable labour unrest arising from the level of wage demands during the winter, there seemed no reason why the Andreotti Government should not continue well into 1979. They also doubted whether after the next election, either the Socialists or the Christian Democrats would see it as being in their interests to try to construct an alternative centre-left coalition Government without the support of the Communists. But a number of more recent press reports have suggested that if the PCI's criticisms of the 3-year economic plan are not met, there is now a real possibility that
- /the PCI



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the PCI may withdraw from the Government. While the Communists are themselves divided on tactical issues as well as on the question of how far they should accept direction from the Soviet Union, these press reports are given a measure of collateral by other reports suggesting increasing discontent within the PCI, primarily about the Party's failure to extract a sufficient quid pro quo from the Christian Democrats in return for the PCI's support for the Andreotti Government. In acknowledging the despatch, I have therefore suggested to Sir Alan that we would welcome an early assessment of the current internal political situation.

A D S GOODALL
Western European Department

22 January 1979

cc. EID(I)
EID(E)
Research Department

Sir Alan Campbell manages, as always, to
be objective about Italy & yet engagingly sympathetic
to it.

Substant 28.1.



File (3)
Foreign and Commonwealth Office

London SW1A 2AH

22 January 1979

Sir Alan Campbell KCMG
ROME

LORS 014/1	
25 JAN 1979	
DEPT	
INDEX	

My dear Alan,

ITALY: ANNUAL REVIEW FOR 1978

1. Many thanks for summarising with such clarity in your Annual Review the complex and dramatic events in Italy during 1978. It is being printed for General Distribution.
2. In the useful background briefing which James Adams sent us in November for the visit of Signor Andreotti, he expressed the view that the Andreotti Government, barring accidents on the labour front, should survive well into 1979. Since then we have seen a number of press reports suggesting that the Andreotti Government are in for a rough ride over their 3-year economic plan - the article on Andreotti's "fragile edifice" in the Financial Times of 17 January was a case in point - and we noted from your telegram no 39 that the future of the government majority is expected to depend on the other parties in the "constitutional arc" finding the plan satisfactory. No doubt it is difficult to make any firm predictions until the dust has settled a little: but it would be useful if you felt able to let us have an interim assessment of the political prospects fairly soon.

Yours ever

David

A D S GOODALL
Western European Department

CONFIDENTIAL

FOREIGN AND COMMONWEALTH OFFICE

FCO file reference .WRJ. 01411.....

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DIPLOMATIC REPORT No .26./79.

General (Q).....DISTRIBUTION

ITALY.....(category heading)

10 January, 1979 date

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TO THE SECRETARY OF STATE FOR FOREIGN AND COMMONWEALTH
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4



British Embassy
Rome

18 January 1979

Miss P Kenwick
WED
FCO

WRS 014/1

25 JAN 1979

Dear Pat

ANNUAL REVIEW: CHRONOLOGY

1. In accordance with the PUS's circular of 30 March we are sending you the Chronology for 1978 for further distribution as you consider necessary.

cc Release Dept
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~~LRD~~
~~MAED~~

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From The Minister of State

31 January 1979

ORT 0141	113
01 FEB 1979	
	BY DATE

LAST PAPER

I wanted to let you know how much I enjoyed reading your Annual Review of Italy. It is extremely helpful for Ministers to be able to take in the complexities of the Italian political scene as distilled by your experienced and sympathetic pen.

(Frank Judd)

Sir Alan Campbell KCMG
Rome

bcc: WED

FILE No. **WB** 501411

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