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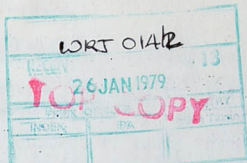
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TO IMMEDIATE FCO

TELEGRAM NUMBER 56 OF 22 JANUARY

INFO SAVING UKREP BRUSSELS, UKDEL NATO, WASHINGTON AND OTHER EEC POSTS.



## ITALIAN POLITICAL SITUATION

1. THE PARLIAMENTARY MAJORITY ON WHICH SIGNOR ANDREOTTI'S MINORITY CHRISTIAN DEMOCRAT GOVERNMENT DEPENDS FOR SUPPORT HAS BEGUN TO LOOK INCREASINGLY FRAGILE OVER THE PAST FEW DAYS. ALTHOUGH A GOVERNMENT CRISIS DOES NOT YET APPEAR TO BE IMMINENT, THE AGGRESSIVE NOISES WHICH THE COMMUNIST PARTY HAS RECENTLY STARTED MAKING COULD POSSIBLY LEAD TO A BREAK-UP OF THE MAJORITY OVER THE ISSUE OF THE GOVERNMENT'S 3-YEAR ECONOMIC PLAN (MY TELNO 39) WHICH IS DUE TO BE DISCUSSED IN PARLIAMENT ON 29 JANUARY.
2. THE COMMUNIST OFFENSIVE BEGAN WITH A LEADER IN THE PARTY PAPER L'UNITA ON 14 JANUARY AND WAS FOLLOWED UP IN RATHER MORE SPECIFIC TERMS IN A STATEMENT BY THE PARTY EXECUTIVE ON 18 JANUARY. THE STATEMENT ACCUSES THE CHRISTIAN DEMOCRATS OF CHANGING POLITICAL DIRECTION AND BLOCKING THE IMPLEMENTATION OF THE MAJORITY AGREEMENT OF LAST MARCH. IT CRITICISES THE GOVERNMENT FOR ITS "HASTY AND UNCONDITIONAL" ENTRY INTO THE EMS, AND FOR ITS RECENT NOMINATION "WITHOUT DUE ACCOUNT OF PCI VIEWS" OF CANDIDATES FOR THE CHAIRMANSHIP OF MAJOR PUBLIC BODIES. THE STATEMENT ALSO EXPRESSES ALARM AT THE "SCANDALOUS" ESCAPE FROM CATANZARO LAST WEEK OF GIOVANNI VENTURA, ONE OF THE CHIEF SUSPECTS IN THE LONG-RUNNING TRIAL OF THOSE SAID TO HAVE BEEN INVOLVED IN A RIGHT-WING BOMB OUTRAGE IN MILAN IN 1969. (THE CHIEF OF POLICE WAS PROMPTLY SACKED AFTER THE ESCAPE; IT REMAINS TO BE SEEN WHETHER THE POLITICAL LEFT WILL ALSO DEMAND THE HEAD OF THE MINISTER OF THE INTERIOR, ROGNONI). THE COMMUNIST STATEMENT GOES ON TO CRITICISE THE 3-YEAR ECONOMIC PLAN FOR ITS EMPHASIS ON REDUCING THE COST OF LABOUR, WHICH IT SAYS SHOULD BE ONLY ONE ELEMENT IN A COMPLETE REFORM OF WAGES POLICY, AND FOR THE VAGUENESS OF ITS PROPOSALS FOR NEW INVESTMENT IN THE SOUTH.

THE STATEMENT DOES NOT, HOWEVER, GO SO FAR AS TO SUGGEST THAT THE COMMUNISTS WILL NECESSARILY SEEK TO BRING THE GOVERNMENT DOWN: IT CONCLUDES BY SAYING THAT IT IS NOW UP TO THE CHRISTIAN DEMOCRATS TO DECIDE WHETHER TO ALLOW THE PRESENT MAJORITY AGREEMENT TO CONTINUE.

3. THE CHRISTIAN DEMOCRATS HAVE REPLIED WITH A STATEMENT ON 27 JANUARY EXPRESSING READINESS TO HOLD IMMEDIATE DISCUSSIONS WITH THE OTHER PARTIES OF THE MAJORITY ABOUT THE DIFFERENCES BETWEEN THEM, AND STRESSING THE IMPORTANCE OF THE 3-YEAR PLAN AS A TEST OF THE PARTIES' POLITICAL WILL TO MAINTAIN THE PRESENT AGREEMENT. THE CHRISTIAN DEMOCRATS ARE THUS MAKING CLEAR THAT IF THE COMMUNISTS WISH TO PROVOKE A CRISIS THEY WILL HAVE TO STAND UP AND BE COUNTED IN A VOTE AGAINST THE 3-YEAR PLAN. THE SOCIALISTS FOR THEIR PART ARE SAYING THAT SOME CHANGE OF GOVERNMENT FORMULA IS INEVITABLE. BUT THEIR PARTY SECRETARY, CRAXI, HAS MADE CLEAR THAT HE IS ANXIOUS TO AVOID A CRISIS "IN THE DARK" (IE WITHOUT PREVIOUS AGREEMENT ON WHAT IS TO FOLLOW) FEARING NO DOUBT THAT THIS WOULD LEAD TO EARLY ELECTIONS FOR WHICH THE SOCIALISTS ARE NOT YET READY. HE SEEMS DISPOSED TO PLAY A MEDIATORY ROLE BETWEEN THE CHRISTIAN DEMOCRATS AND THE COMMUNISTS. OF THE SMALLER PARTIES, THE SOCIAL DEMOCRATS HAVE FOR SOME TIME BEEN CALLING FOR A CHANGE PROBABLY BECAUSE THEY SEE THIS AS OFFERING THEM A CHANCE OF OFFICE.

4. THE COMMUNISTS ARE IN A DIFFICULT POSITION, AND ARE CLEARLY DIVIDED ON HOW TO PROCEED, PARTICULARLY IN VIEW OF THEIR PARTY CONGRESS IN MARCH. ACCORDING TO THE POLLS, THEIR POPULARITY IS SUFFERING FROM ALLIANCE WITH THE GOVERNMENT. THERE IS THEREFORE AN IMPULSE IN SOME WAY TO DISSOCIATE THEMSELVES FROM GOVERNMENT POLICY. BUT TOO MUCH DISSOCIATION COULD LEAD TO AN EARLY ELECTION, THE RESULTS OF WHICH THEY FEAR: NOR IN THE FINAL ANALYSIS DO THEY HAVE ALTERNATIVE ECONOMIC POLICIES TO PROPOSE. YET IF THEY ACCEPT THE 3-YEAR PLAN AS A BASIS OF POLICY IT WILL BE DIFFICULT TO AVOID STICKING WITH THE GOVERNMENT FOR SOME TIME TO COME. THIS EXPLAINS THEIR CRITICAL, BUT CONFUSED AND INCONCLUSIVE REACTION TO THE 3-YEAR PLAN.

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5. THE SITUATION FACING SIGNOR ANDREOTTI'S GOVERNMENT IS THUS DIFFICULT, THOUGH NOT YET CRITICAL. MUCH WILL DEPEND ON THE OUTCOME OF THE TALKS WHICH THE CHRISTIAN DEMOCRAT SECRETARY, ZACCAGNINI, IS EXPECTED TO START WITH OTHER PARTY LEADERS LATER THIS WEEK. IT IS NOT CLEAR WHAT THE OUTCOME IS LIKELY TO BE: BUT THERE ARE OF COURSE MANY INTERMEDIATE SOLUTIONS SHORT OF A FULL-SCALE CRISIS, E.G. THE INTRODUCTION OF MORE TECHNICIAN MINISTERS ACCEPTABLE TO THE COMMUNISTS, WHICH MIGHT BE SUFFICIENT TO GET THE MAJORITY AGREEMENT BACK ON THE RAILS. BUT THE CHRISTIAN DEMOCRATS MAY BE RELUCTANT TO YIELD ANY GROUND SINCE THEIR POSITION APPEARS RELATIVELY STRONGER THAN THAT OF THE COMMUNISTS. MY GUESS IS THAT THE COMMUNISTS WILL DECIDE IN THE END NOT TO PROVOKE A CRISIS FOR THE TIME BEING.

6. FCO PLEASE PASS SAVING ADDRESSEES.

CAMPBELL.

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REQUESTED]

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