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C O N F I D E N T I A L

FM ROME WIGFO780 6APF79

TO EXTOTT GEB

WR3 01412

INFO.LDN BONN WSHDC PARIS BREC BNATO ITCOTT/EUF NDHQOTT/DINTS HOLYSEE

BAG MILAN DE ROM DUBLN DE LDN COPEN HAGUE BRU DE PAR

DISTF PSI GEP

REF OURTEL WIGFO727 (2APR)

---ITALIAN ELECTIONS-BACKGROUND AND PROSPECTS ←

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SYNOPSIS:

WHETHER ITALIAN NATL AND EUROPEAN ELECTIONS WILL COINCIDE ON JUNE 9-10 OR NATL ELECTIONS BE HELD FIRST, REMAINS TO BE DECIDED BY GOVT ON POLITICAL AND TECHNICAL CONSIDERATIONS. DEFEAT IN PARLIAMENT OF ANDREOTTI'S LATEST GOVT HAD CHARACTER OF HAFSA-KIPI. DEGRADATION OF POLITICAL SITUATION INCREASING INFLATION AND PROSPECT OF REFERENDUM LIKE ELECTION CAMPAIGN OF ISSUE OF COMMUNIST PARTICIPATION IN GOVT ARE DISTURBING. UNLESS CHRISTIAN DEMOCRATS(DC) AND/OR COMMUNISTS(PCI) CHANGE THEIR LINES, STABILITY AND EFFICIENCY OF FUTURE GOVTS AND PARLIAMENT WILL BE PROBLEMATIC EVEN IF, AS EXPECTED, DC ADVANCES MARGINALLY AND PCI REGRESSES IN NATL ELECTIONS.

2. REPORT: HEAD OF STATE DISSOLVED PARLIAMENT ON APRIL 2/2 CONCLUDING THAT DEFEAT IN SENATE ON MARCH 31/31 OF ANDREOTTI'S FIFTH GOVT AFTER TWO MONTHS OF CRISIS INDICATED THAT NO/NO GOVT WITH PARLIAMENTARY MAJORITY COULD BE FORMED. DATE OF NATL ELECTIONS

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HAS YET/YET TO BE DECIDED BY GOVT BUT IT MUST FALL BEFORE OF
COINCIDE

WITH EUROPEAN ELECTIONS ON WEEK-END OF JUNE 9-10. DATE CHOSEN WILL
TAKE INTO ACCOUNT POLITICAL AND TECHNICAL ISSUES, INCLUDING
SOCIALISTS AND CENTRE PARTIES PREFERENCE FOR COINCIDENCE WITH
EUROPEAN ELECTIONS AND INCONSISTENCY OF SUCH COINCIDENCE WITH
ITALIAN ELECTORAL LAW.

3. ANDREOTTI'S FIFTH GOVT WAS FORMED OVER SOCIALIST AND PCI
OPPOSITION TO ITS EXCLUDING PCI MEMBERS AND PCI NOMINEES.
SELECTION AS MINISTERS OF PARTICULAR INDIVIDUALS FROM DC AND
DEFENESTRATION OF RESPECTED TECHN NFKHMPP JPLA AND PPODI WAS
CONSIDERED PROVOCATIVE. DC WAS ACCUSED OF UPHOLDING ITS WORST
TRADITIONS IN CONFERRING MINISTERIAL APPOINTMENT SOLELY IN FUNCTION
OF DISTRIBUTION OF POWER BETWEEN FACTIONS WITHIN PARTY. DC
SEC-GEN ZACCAGNINI AND OTHER QUOTE REFORMIST UNQUOTE DC LEADERS
EXPRESSED PUBLICLY THEIR DISLIKE OF CABINET COMPOSITION WHICH
IT WAS SUGGESTED WAS DICTATED BY ANDREOTTI WITHOUT REGARD FOR
DC IMAGE. (WE SUSPECT ON BASIS OF VIEWS OF RELIABLE CONFIDANT
OF HIS THAT ANDREOTTI'S CHOICE OF ACCEPTABLE OF PARTICULAR
DC MINISTERS WAS CALCULATED TO HELP ENSURE GOVT'S DEFEAT IN
PARLIAMENT. SEE PAPA 5/5 BELOW).

4. SARAGAT, SOCIAL DEMOCRAT, AND FORMER HEAD OF STATE, WHOM CURRENT
HEAD OF STATE HAD INVITED TO JOIN GOVT AS ONE OF TWO DEPUTY PRIME

MINISTERS, HAD REFUSED INVITATION BECAUSE OF DC'S REJECTION OF INCLUSION IN GOVT OF QUOTE INDEPENDENTS OF LEFT UNQUOTE ELECTED IN COMMUNIST LISTS. LAMALFA, REPUBLICAN LEADER, WHO ACCEPTED OFFICE AS DEPUTY PRIME MINISTER, AND WHOSE PRESENCE WAS REGARDED AS GUARANTEE OF RESPONSIBILITY, DIED ON MARCH 27/27 AFTER EXPRESSING PUBLICLY IN LETTER TO PROMINENT NEWSPAPER WHICH HAD CRITICIZED ANDREOTTI'S CABINET THAT HE HIMSELF WAS BITEF OVER CABINET'S INADEQUACIES. COMPOUNDING PERCEPTION ON INSTITUTIONAL DISARRAY WERE CRIMINAL INDICTMENTS OF GOVERNOR AND ASSISTANT DIRECTOR GENERAL OF ITALIAN CENTRAL BANK ON MARCH 25/25 (REF OUFTEL WTGR0655 MAR26/26).

5. ANDREOTTI'S MAR30/30 STATEMENT TO PARLIAMENT SEEKING VOTE OF CONFIDENCE PORTRAYED HIS NEW GOVT AS COMMITTED TO CONTINUE ITS PREDECESSOR'S PROGRAM INCLUDING THREE YEAR ECONOMIC PLAN BUT GAVE IMPRESSION THAT ANDREOTTI WAS INVITING PARLIAMENT TO DENY CONFIDENCE. INTER ALIA, ANDREOTTI STATED THAT HIS GOVT WOULD ONLY SEEK AND ACCEPT PARLIAMENTARY MAJORITY INCLUDING SOCIALISTS AND COMMUNISTS THAT SUPPORTED ITS PREDECESSOR. IN CURIOUS DEMISEMENT OF CONFIDENCE VOTE IN SENATE ANDREOTTI WAS DEFEATED BY ONE VOTE BECAUSE OF ABSENCE OF DC SENATORS (INTIMATES OF ANDREOTTI) WHOSE VOTES, COMBINED WITH THOSE OF PARTIES OF GOVT COALITION AND OF SOME MEMBERS OF RIGHT WING PARTIES, WOULD HAVE GUARANTEED CONFIDENCE. IT THUS APPEARS REASONABLE TO ASSUME THAT, CONSISTENT WITH HIS CONVICTION THAT GOVERNING ITALY REQUIRES

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DC-PCI COLLABORATION, AND PEOTTI IN FORMATION OF HIS CABINET AND WEAKNESS OF HIS PRESENTATION OF IT TO PARLIAMENT INVITED DEFEAT OF GOVT TO WHICH PCI WAS OPPOSED AND DISSOLUTION OF PARLIAMENT.

6. APRIL 3/3 QUOTE CORRIERE DELLA SEFA UNQUOTE LISTED NUMEROUS AND SERIOUS PROBLEMS WHICH LAST PARLIAMENT AND GOVT LEFT UNRESOLVED. QUOTE STIMULATED BY INCREASE IN PRICES OF OIL AND SOME RAW MATERIALS, BY WAGE DEMANDS AND RELATED STRIKES OF UNIONIZED LABOR, INFLATIONARY PRESSURES ARE ERUPTING AGAIN. GOVT DID NOT/NOT ACT QUICKLY ENOUGH TO REVISE AND PARLIAMENT TO APPROVE PROPOSED THREE YEAR ECONOMIC PLAN TO COMBAT INFLATION AND ENCOURAGE INVESTMENT AND EMPLOYMENT. SOME LAWS WERE PASSED BY PARLIAMENT BUT THESE INCLUDE MEASURES SUCH AS NEW RENT LAW AND HEALTH REFORM WHICH HAVE INFLATIONARY EFFECTS. RESTRUCTURING OF HEAVY INDUSTRY WAS IMPOSED IN MAKESHIFT AND UNCOORDINATED MANNER. INEFFICIENCY OF PUBLIC ADMINISTRATION CONTINUES TO INCREASE. INSTITUTION OF REGIONAL GOVT HAS NOT/NOT GIVEN HOPED FOR RESULTS. EVEN MORE DRAMATIC IS CRISIS IN PUBLIC ORDER AND ADMINISTRATION OF JUSTICE. MANY CRIMES AMONG WHICH ARE ACTS OF CORRUPTION AND VIOLENCE REMAIN UNPUNISHED. THOUSANDS OF CRIMINALS BEGINNING WITH INNUMERABLE TERRORISTS NOT/NOT TO MENTION THEIR FELLOW TRAVELERS, WHO ARE ALMOST NEVER BOUGHT TO JUSTICE, HAVE BEEN RELEASED

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FROM PRISON BECAUSE OF STATES INABILITY TO BRING THEM TO TRIAL. PERSONS OF CERTAIN INTEGRITY, SUCH AS BAFFI AND SARCIANELLI, TO WHOM COUNTRY OWES RECOGNITION FOR THEIR EXEMPLARY ACTION AT BANK OF ITALY, ARE ON OTHER HAND INCriminated UNQUOTE. (CORRIERES LISTING OF PARLIAMENTS SHORTCOMINGS IS NOT/NOT EXHAUSTIVE, OMITTING, FOR EXAMPLE, FAILURE TO PASS PENSION REFORM, AND SOME POSITIVE LEGISLATION IS OVERLOOKED).

7. PCI, WHICH CONCLUDED NATL CONGRESS ON APRIL 3/3, ON WHICH WE SHALL BE REPORTING SEPARATELY, HAS REJECTED RETURN IN FUTURE TO SUPPORTING DC LED GOVT TO WHICH IT IS NOT/NOT ADMITTED, AS IT DID FROM AUGUST 1976 TO JAN 1979. COMMUNISTS NEW SLOGAN, SANCTIONED BY CONGRESS, IS QUOTE ITS TIME TO CHANGE; PCI MUST GOVERN UNQUOTE WHICH IN PLAIN LANGUAGE MEANS THAT PCI LIMITS ITS OPTIONS TO GOVT OR OPPOSITION. CHRISTIAN DEMOCRATS ARE BOUND BY THEIR LAST PARTY CONGRESS HELD IN 1976 WHICH OPPOSED DC PARTICIPATION WITH PCI IN GOVT AND THIS POSITION REMAINS THAT OF MAJORITY OF DC ELECTORATE AND LEADERSHIP. THUS NATL ELECTION CAMPAIGN WILL BE FOUGHT BY TWO LARGE PARTIES, DC AND PCI, ON ISSUE OF PCIS INTERFERING GOVT AND WILL CERTAINLY LEAVE SCARS WHICH WILL NOT/NOT FACILITATE RECONSIDERATION BY DC AND PCI OF THEIR POSITIONS IN NEXT PARLIAMENT. ONE IMPONDERABLE THOUGH IS HOW NEXT DC CONGRESS, SCHEDULED FOR EARLY AUTUMN WOULD REACT TO SITUATION OF DEMONSTRATED

UNGOVERNABILITY OF ITALY WITH PCI IN OPPOSITION.

8. DC IS EXPECTED TO ADVANCE IN NATL ELECTIONS TO ABOUT 40 PERCENT OF VOTE AND PCI TO REGRESS FROM 34 PERCENT. THIS PROGNOSIS IS BASED ON RESULTS IN LOCAL ELECTIONS AND IN 1978 REFERENDUM CAMPAIGNS AND ASSUMES PCIS LOSING VOTES AMONG MIDDLE CLASSES AND EXTREME LEFT. AS PARTY OF RELATIVE MAJORITY IN NEW PARLIAMENT, DC WOULD BE ENTRUSTED WITH FORMATION OF GOVT, STABILITY OF WHICH WOULD DEPEND PRIMARILY OR INITIALLY ON DC'S ABILITY TO FORM PARLIAMENTARY MAJORITY WITH SMALLER PARTIES OF CENTRE AND CENTRE LEFT INCLUDING SOCIALISTS, ITALYS THIRD LARGEST PARTY. HOWEVER, EVEN IF DC WERE SUCCESSFUL IN INDUCING SOCIALISTS TO JOIN THEM IN PARLIAMENTARY MAJORITY, THERE WOULD BE SCEPTICISM ABOUT PROSPECTS OF SUCH MAJORITYS GOVERNING AND LEGISLATING EFFICIENTLY. ANDREOTTI IN PARTICULAR HAS PUBLICLY EXPRESSED HIS DOUBTS ABOUT PARLIAMENTS ABILITY TO FUNCTION WITH PCI IN OPPOSITION.

9. ITALYS POLITICAL SITUATION THUS APPEARS OMINOUS. CONSOLATION MAY BE DRAWN FROM PROSPECT OF PCI ELECTORAL LOSSES. AND, IN THEORY, THERE MAY BE WAYS OUT OF IMPASSE: PCI MIGHT SUFFER DEFEAT SIGNIFICANT ENOUGH TO VITIATE ITS CLAIMS TO GOVT PARTICIPATION; SOCIALISTS MIGHT ADVANCE ENOUGH AND RECOMPOSE THEIR INTERNAL UNITY SUFFICIENTLY TO PERMIT THEM TO LEAVE PCI ISOLATED IN OPPOSITION; DC MIGHT SEDUCE SOCIALISTS INTO RELATIVELY STABLE COALITION GOVT BY OFFERING THEM PRIME MINISTERS OFFICE; DC MIGHT BUY OFF PCI BY OFFERING IT PURELY SYMPOLIC PRESENCE IN GOVT. ITALIAN INGENUITY SHOULD NOT/NOT BE DISCOUNTED AS EVIDENCED BY FORMULAE DEVISED AFTER 1976 ELECTIONS

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