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Mr. Harborne  
corrected  
Regr: SR 9/15  
TO note

P M Vereker Esq  
WED  
FCO

WORLD 014/2
RECEIVED 13
14 MAY 1979
ENTRY

Your reference	
Our reference	P.M.V 9/15
Date	3 May 1979

Dear Peter,

DESPATCH ON FOURTH AND FIFTH ANDREOTTI GOVERNMENTS

1. In this bag WED should be receiving copies of Sir Alan Campbell's despatch of 30 April on this subject.
2. Reading through this despatch just before the bag closed, I noted that the heading "Conclusion" had been placed over the wrong paragraph. It should have been placed over Chapter 16 and not over Chapter 15. It is a detail, but if the despatch goes to print, could you please ensure that this is put right in the printed edition.

Yours ever,

James.

W J Adams

3. The despatch... from the Major... and to provide early... was motivated by... interest... problems, though... at least the... on the Christian Democrats... stages... successfully, their party conference in... endorsed their return to... will give them a free hand to... any Christian Democrat... (para 5 to 7)

4. The Socialists experienced their usual difficulties in reconciling Christian Democrat and Communist claims in their support. By voting with the Communists against the government they frustrated their own aim of postponing national elections until after the European... In the process, relations between the Socialists and... were damaged (paragraph 21).

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WRJ 014/2	
RECEIVED	14 MAY 1979
DESK U	REGISTRY
IN-BOX	

BRITISH EMBASSY,  
ROME.



SUMMARY

FOURTH AND FIFTH ANDREOTTI GOVERNMENTS, MARCH 1978 TO MARCH 1979.

1. Andreotti's Fifth Government was defeated on 31 March, two months after the demise of his fourth government though (paragraph 14) he will remain in charge of a caretaker administration until a new government is formed after the elections on 3 June. After more than 2 years of precarious stability, Italy's political future seems uncertain again (paragraph 1).
2. The inter-party truce, which had involved Communist parliamentary support for these governments, was wrecked by the Communists in January (paragraphs 2 to 4).
3. The Communist decision to withdraw from the Majority and to provoke early elections was motivated by their own internal problems, though they tried to cast the blame on the Christian Democrats. The Communists stage-managed successfully their party conference in March, which endorsed their return to parliamentary opposition. This will give them a free hand to exploit any Christian Democrat difficulties after the elections (paras 5 to 7).
4. The Socialists experienced their usual difficulties in reconciling Christian Democrat and Communist claims on their support. By voting with the Communists against the government they frustrated their own aim of postponing national elections until after the European ones. In the process, relations between the Socialists and Andreotti were damaged (paragraph 8).

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5. Andreotti's fourth government's political and economic record was not bad by Italian standards, but most fundamental questions of economic reform, e.g. the curtailment of public expenditure and wage inflation, remain unsolved (paragraphs 9 to 12).

6. The Christian Democrats have shown signs of increased unease since Moro's death. There has been a shift towards the Right within the party. Andreotti has been an outstanding Prime Minister in many respects, but recently his personal reputation has been under attack and political rivals will try to exploit the post-electoral situation to his disadvantage (paragraphs 13 to 15).

7. The Christian Democrats are expected to win a few points and the Communists to lose a few in the elections. But unless these bring significant changes in the composition of Parliament, or party attitudes, it is hard to see how the Majority Government can be formed. One must hope for a more responsible attitude by the Socialists. A sense of disquiet is thus inevitable though Italian politicians can be counted on to exercise maximum ingenuity after the elections in resolving any consequential political dilemma (paragraph 16).

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BRITISH EMBASSY.  
ROME.

30 April 1979

(014/5)

The Rt Hon Dr David Owen MP  
LONDON

Sir ,

THE FOURTH AND FIFTH ANDREOTTI GOVERNMENTS, MARCH 1978  
TO MARCH 1979.

1. Signor Andreotti handed in the resignation of his fifth government on the 31st of March, only two months after the resignation of his fourth, which had lasted since March 1978. His fifth government, which brought the small Republican and Social Democrat parties into coalition with the Christian Democrats, never even obtained an initial vote of confidence in Parliament. The upshot was the dissolution of Parliament and the calling of new elections two years before the scheduled time. Thus, after a period of two and a half years of comparative, if precarious, stability under Andreotti's Prime Ministership, Italy seems to have returned once more to the political unease and uncertainty which characterised much of the previous decade. How has this change in the political climate come about?

Background to the Crisis

2. The political truce which followed the June 1976 elections depended initially on an arrangement whereby the Communists and other smaller lay parties agreed to support Andreotti's minority Christian Democrat government by their abstention. After the Communists had upset this arrangement by demanding a further step

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towards power, Andreotti formed his fourth government in March 1978 on the basis of a five-party political majority including the Communists, though excluding the Liberals. At this time, Andreotti appeared to have made the best of a difficult situation by giving only a very small concession to the Communists, while buying time for his government and his party to recover support lost in the 1976 elections, and if possible to lay the foundations for a renewed understanding with the Socialists who under their new leader, Craxi, seemed prepared once more to distance themselves, however stealthily, from the Communists.

3. The new majority was never so united as in the first few weeks of its existence, when the Communists and other lay parties (apart from some wavering by the Socialists) stood firmly behind the government in the face of terrorist blackmail during the Moro affair. The majority also held up well during the unexpected Presidency crisis in July after President Leone had been forced to resign 6 months before the end of his term. But as early as 9 June the Communist leader, Berlinguer, wrote to Andreotti complaining of delays in carrying out the agreed programme: by the early autumn these complaints had become accusations of a change in political direction since the death of Moro. By December, the Communists had broken ranks with the majority and voted against the government on two occasions, first because of the immediate entry of Italy into the European Monetary System and secondly because of the nomination of new chairmen of major public bodies. Finally, in mid-January, amidst a barrage of accusations against the Christian Democrats, the Communists changed

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course and announced that they could no longer take part in "unitary" solutions, except on the basis of their old demand for full Communist participation in government. This meant the end of the five-party majority and of the fourth Andreotti government which had depended on it.

4. When the fourth Andreotti government resigned on 31 January, it was still not clear whether the Communists would push their intransigence to the extent of provoking an early general election which nobody except the extreme right-wing parties appeared to want. But as the crisis wore on, it became clear that neither Andreotti, nor even the late Ugo La Malfa - the widely respected Republican leader, who for a brief (and for the Christian Democrats, awkward) period was given a mandate to form a government by President Pertini after Andreotti's first effort had failed - was going to be allowed by the Communists to re-constitute a government similar to the previous one. The Communists did slightly moderate their demands during the closing phase of La Malfa's attempt, by offering to settle for the inclusion of representatives of the independent left who had been elected on the Communist list, plus an assurance that the Christian Democrat representation in the new government would not be decided on the basis of a share-out between party factions. Opinions are still divided as to the precise state of the game when La Malfa threw in his hand on 2 March. But when Andreotti, La Malfa and the veteran Social Democrat, Saragat, were jointly appointed by President Pertini on 7 March for a final attempt at forming a government,

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the Communists quickly insisted on a number of unacceptable conditions such as the Communist right of veto over the choice of all ministers and the participation of the Communists in certain regional councils. This was too high a price to pay and Andreotti was left with no alternative but to cobble together a three-party government, his fifth, presented on 20 March, which he knew would risk defeat on a vote of confidence because it had no prearranged majority. The Communists were certain to oppose it and the only acceptable chance of survival (since Andreotti had announced that he would not accept the support of the right-wing, though non-Fascist, National Democrats) lay in the possibility of Socialist abstentions. In the event, the Socialists were unwilling to disassociate themselves in this way from the Communists, and the government was defeated, on 31 March, by one vote in the Senate - thus precipitating the dissolution of Parliament and leaving Andreotti in charge of a still-born administration whose main task will be to manage elections, both national and European.

Communist Manoeuvring

5. The main responsibility for this change in the political climate lies with the Communists. Andreotti had hoped that his fourth government would survive with Communist support, at least until after the European elections in June. But it appears that the Communists began to find their position so uncomfortable, trapped in an association with government policy but without any increase in power, that they felt obliged to provoke a change at the beginning of the year. The timing was no doubt dictated largely by their party Congress (the



first since 1976) which took place at the end of March. Local election results last year had shown some falling off in their electoral appeal (a new and worrying phenomenon for the Italian Communists) and there was evident dissatisfaction among their rank and file. Had the leadership not changed direction when it did, Berlinguer and the "moderates" could have come under serious attack at the Congress. Moreover the publication of the government 3-year economic plan in January obliged the Communists to take up a position. Had they accepted it they would have been committed for a long time to supporting the government on most of the larger economic issues.

6. Nevertheless, many people thought in January that the Communists would in the end come back into the majority on the basis of an intermediate solution (such as the inclusion in the government of "technicians" acceptable to their party) which could then be presented to the faithful as a further step forward towards power. But it now seems clear that they had decided at the outset to have a showdown with the other parties of the majority. Their manoeuvring in the early stages of the crisis - for example their offer to accept representatives of the independent-left in a La Malfa government - was merely an attempt to put the blame for provoking elections on to others. They always made sure that their demands were significantly in advance of what they knew the Christian Democrats could accept. It was significant that on the very day (31 March) on which the Communists voted down the new government in the Senate, the party faithful were applauding hard line speeches at the /Congress





Congress in support of Berlinguer's call for the party to be "in government ... or "in opposition".

7. The return to what the Communists claim to be a role of 'responsible' opposition was ably orchestrated by Berlinguer. He and his colleagues no doubt hope that the government which will be formed after the forthcoming elections will run into political and economic difficulties. In that situation the Communist Party might expect to recover any ground lost in the elections and events might lend force to the argument that Italy was ungovernable without Communist help. The Communists might also hope that, at this point, their demand to introduce their ministers in the government (which remains the main objective of their "historic compromise" policy) would prove irresistible.

Socialist disarray

8. Not for the first time in recent Italian history, the Socialists must bear a fair share of blame for allowing the crisis to develop as it did. They had always pinned their hopes on the European elections in June, in which they expected to benefit from their association with larger fraternal parties in the Community. Conversely, their local election results in Italy last autumn had not confirmed the upward trend that was apparent in the middle of last year. In these circumstances it was thought likely - indeed this was put to me in January by Andreotti's diplomatic adviser, who was no doubt reflecting his master's views - that the Socialist Party secretary, Craxi, might be willing to move some way from the Communists in Parliament in order to avoid facing national elections before the European ones. As things turned out, the Socialists



did have it in their power to keep the fifth Andreotti government in office with their abstentions, at least until after the European elections. But, as so often happens with the Italian Socialists, they proved too disunited, when it came to the point, to be able to distance themselves even that small amount from the Communists. They thus ended up by getting the worst of both worlds: the Communists, who see the Socialists as serious potential rivals on the left, have been allowed to out-manoeuve them by provoking elections; and the elections, it turns out, are to be a week before the European ones (owing to last-minute technical difficulties, which the government ought perhaps to have foreseen, about holding them both together) which is the one solution the Socialists were seeking to avoid. The Socialists are thus going into the campaign in some disarray. Craxi has made it clear that his party will not fight an election campaign based on Communist demands to enter the government (though they would not oppose this), but on the assertion of an independent third force role for the Socialists. At the same time he has launched a bitter attack on Andreotti for his "bad faith" over the date of the elections. This perhaps augurs badly for the prospects of a future alliance between Christian Democrats and the Socialists, which in the long term, given the present parliamentary arithmetic, is probably the only way of giving Italy a government with a stable, non-Communist majority.

The fourth Andreotti Government's record

9. One of the claims made when the fourth Andreotti government took office was that the structure of the /majority



majority in Parliament would enable the chronically slow process of Parliamentary legislation to be speeded up. This claim was not really fulfilled; in spite of the consensus which was supposed to be achieved on draft legislation between the parties, argument and amendment did not noticeably diminish while the legislation was actually before Parliament. Nevertheless, the legislative record of the fourth Andreotti government was not a bad one by Italian standards. On the political side, one long-standing (and, for the Christian Democrats, divisive) measure which has at last been passed, is a bill to legalise abortion. On the economic side, a number of measures were passed, though some of them, like the legislation on fair rents and on the financial restructuring of industry, are doubtfully workable. Important legislation was passed on the establishment of a national health service (though no one appears to know how much it is likely to cost) and on housing construction. Perhaps most important of all, a reform of the state accounting system was passed in 1978 which enables the Treasury Minister for the first time to introduce with the budget a Finance Bill which can be used as an instrument of economic policy.

10. The fourth Andreotti government can also claim some success in the short-term management of the economy. The successful turnaround of external accounts achieved in 1977 was continued in 1978, when Italy had one of the biggest balance of payments surpluses in the Western world. The level of reserves rose consistently and the Lira, not surprisingly, was stable. On the industrial front, the government's nerve held fairly well, and although there was considerable pressure for



expansionary policies to be adopted, policy in fact remained fairly cautious. A certain amount of progress was made in planning industrial reconstruction and reconversion. This began to pay off towards the end of 1978 when growth began to rise significantly, the major stimuli being the buoyancy of exports and, to a lesser extent, increases in domestic consumer expenditure. Inflation remained steady at around 12%. However, the public sector deficit remained high, and this, coupled with inflows across the exchanges, resulted in a relatively high rate of monetary expansion. Unemployment increased slightly in the period.

11. The government's main effort in the economic field was devoted to the elaboration of the three-year plan, often known as the Pandolfi Plan, which was published in January just before the government fell. This underlined two major strategies which were regarded as essential if another inflationary cycle was to be avoided: the containment of public spending, and moderation in the growth of wage costs. On the first front, something is being achieved in 1979, thanks to the Finance Bill. But legislation on structural measures, such as the important bill on reform of pensions, failed to reach the statute book before Parliament was dissolved; and there is now little prospect of much being done until the end of this year at the earliest.

12. This postponement of economic reform is disquieting. But it was noticeable that when the crisis erupted, the Communists made no serious attempt to pull the three-year plan to pieces, and indeed did not even mention it in Berlinguer's statement in January announcing their



withdrawal from the majority. Dissatisfaction with the economic management and policy of the government had been a major cause of the last government crisis in early 1978; but I do not believe that this was so this time. There is now in fact a fairly wide consensus in general terms about what needs to be done: what is lacking is agreement on specifics, since any serious measure is likely to be painful to one party or another. Measures could have been taken if there had been a wide political consensus: but such a consensus did not exist by the end of 1978.

Christian Democrat Unease

13. Another disquieting factor in the background to the crisis is a certain unease within the Christian Democrat Party. There has inevitably been a change of balance in the party since the death of Moro, the one leader who seemed to be able to pull the party together behind a policy of containing the Communists by collaborating with them while limiting concessions to the minimum. His successor as President of the Christian Democrat National Council is Piccoli, the leader of the party's powerful centre-right faction, who had hoped to be given the mandate to form a government, instead of Andreotti, after the failure of La Malfa's attempt in March. (Indeed, he had already begun negotiations with the Socialists to try to secure their support in such an eventuality.) The Party Secretary, Zaccagnini, remains loyal, as he always has been, to the Moro line, but he is now flanked by the Vice-Secretary, the former Industry Minister, Donat-Cattin, who is known for his trenchant anti-Communist views. The net result has been a marked swing to the right in the party



accompanied unfortunately by some personal rivalry and dissension. The party leaders are now making an effort to close ranks during the election campaign, on the basis of rejection of any government coalition with the Communists, while remaining open to the possibility of various parliamentary majority arrangements and in particular on the look-out for a deal with the Socialists. However, they are going into elections this time without any very strong rallying point - unlike 1976 when there was a real danger that the Communists might overtake them, and there is consequently some risk that they might fight a rather fragmented and inconsistent campaign. Even if, as most people expect, they manage to gain a few points in the elections their disunity may complicate their choice of a government thereafter.

14. Where does all this leave Andreotti? By all rights he ought to be riding high. He has remained Prime Minister during the period of a whole legislature, albeit a curtailed one (the only other post-war Italian Prime Minister to do so was De Gasperi who was in office throughout the 1948-53 legislature). Andreotti has been indisputably the dominant political figure of the last three years, particularly after Moro's death, and has presided over governments which have done unexpectedly well. He is now in charge of a caretaker government managing the elections; this is always said in Italy to count as some advantage to the shaping of the government which follows. (Andreotti himself managed the 1972 elections and then formed the subsequent government.) He clearly wants to head the next government and he is a master tactician who will not give up easily.

/Conclusion



Conclusion

15. Yet, despite all this, one now senses a feeling, particularly in his own party, that it is time Andreotti went. There is an increasing amount of gossip about financial scandals with which his name - or at any rate of his henchmen - are said to be associated. His image has also been tarnished recently by his apparent initial reluctance to intervene in support for the Bank of Italy in its recent troubles with the magistrature. It is alleged that Andreotti's relations with the Bank of Italy are strained partly because their investigations have brought them uncomfortably close to matters in which his entourage is involved. This sort of gossip is of course not unusual in Italian politics; so long as Andreotti remains in office it is not likely to hurt him very much, and it may be significant that the Communists with whom he has enjoyed a relatively smooth working relationship have not so far made personal attacks on him. But there are several potential successors waiting in the wings, notably Piccoli and the Foreign Minister, Forlani, and even perhaps Forlani's political mentor, the veteran President of the Senate, Fanfani (who headed the first centre-left government with Social Democrat membership and Socialist support in 1960), though many feel that this old war-horse is unlikely to stage a political comeback. None of these three leaders is particularly well disposed to Andreotti and all can be relied on to exploit the post-electoral situation to their own advantage, particularly if the opportunity of some kind of deal with the Socialists emerges. In such circumstances Andreotti might well first be invited to form a government after the elections,



but it would not be altogether surprising if the mantle were soon passed to someone else. But to speculate, even this far, is a dangerous matter in a country where 24 hours is a long time in politics.

Conclusion.

16. The Communists torpedoed the political consensus on which the recent Andreotti governments depended. They did so primarily for internal reasons: they know that there is little immediate prospect of inclusion in government. Most people expect them to lose a few points in the elections and the Christian Democrats to win a few; but this in itself will not make it easier to find a stable government formula. Unless the elections bring significant changes either in the composition of Parliament or in the attitude of parties, the Christian Democrats will need to rely either on elements on the extreme right, which is doubtless still unthinkable (as is a coalition of left wing parties excluding the Christian Democrats) or on the Socialists. Alas, the latter have not yet lived up to the promise of their 1978 Congress in Turin, and seemed on occasions over past weeks to have been as mesmerised by the Communist big brother as in the past. One must hope that they will pull themselves together over the next few weeks. Meanwhile, there is some danger that political deadlock will continue after the elections and that the return of the Communists to opposition may provoke, even indirectly, a deterioration in relations with the Trades Unions at a time when the economic outlook is, at best, mixed. Meanwhile, the Communists, who despite a certain setback since 1976 - and this should not be underrated - are not necessarily in retreat, can be counted on to exploit any situation



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offered to spread the message that Italy cannot be governed without them. So one would be bound to view the immediate prospects with some disquiet were it not for the fact that Italian political ingenuity is almost boundless, and that Italian politicians, not excepting the Communists, have been notable, since the War, for their extreme caution and reluctance to provoke dramatic breaks with the past.

17. 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 am, Sir,

Yours faithfully,

A handwritten signature in black ink, which appears to read "Alan Campbell". The signature is written in a cursive style and is positioned above a horizontal line.

(A H Campbell)

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