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Mr Fergusson ✓

FOURTH AND FIFTH ANDREOTTI GOVERNMENTS: MARCH 1978 TO MARCH 1979

1. I submit Sir A Campbell's despatch of 30 April, which traces the course over the past year of the Christian Democrats' (DC) fitful and ultimately unconsummated love affair with the Italian Communist Party (PCI). During this period, the relationship has moved from a position where both were in a five-party parliamentary majority to the present one of a DC/PCI standoff - the PCI demanding direct participation in the government in return for its parliamentary support; the DC resolutely refusing to contemplate such an arrangement. The country is to go to the polls on June 3-4 in a general election which it clearly does not want in order to elect a government which, at least in the short term, will almost certainly not be able to govern effectively. How did this come about?

2. The DC/PCI arrangements failed fundamentally because Signor Andreotti never saw them as more than a stop-gap: as Sir A Campbell says, his aim was to buy time and build up contacts with the Socialists (PSI) with the ultimate objective of isolating the PCI. This cannot have escaped the PCI; nor is it likely, to say the least, to have encouraged them either to trust Andreotti or behave in such a way whereby, in the national interest, they might have made the arrangement work. The seeds of the arrangement's destruction were sown by Andreotti from the outset.

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3. Terrorist activity, carried out by extremists motivated by as much loathing of the "establishment" PCI as of the other parties, brought the parliamentary majority together in the defence of parliamentary government and civil order. However, once the dust had begun to settle after Signor Moro's murder, basic differences could not be hidden, above all over the solution of Italy's fundamental economic problems. The short-term indication on production, the balance of payments and reserves improved during this period: but the approach to the economy's structural problems advanced in Finance Minister Pandolfi's Three Year Plan (no real wage increases, reduced public expenditure, increases in productivity to be devoted to manufacturing investment instead of consumption) was bound to bite on the working class, who are of course the PCI's main supporters. At the same time as differences were being sharpened by the country's economic problems, the DC, in the aftermath of Moro's murder, was moving to the right.
4. PCI rank-and-file dissatisfaction with an arrangement which was shown to be costing the PCI electoral support with no compensating increase in power finally left Signor Berlinguer with little alternative but to pull the rug out from under the DC feet, faced as he was with a party congress only 2 months away.
5. The creation of a stable replacement without direct PCI involvement could only have come about with PSI support of the DC in one form or another. This was not forthcoming. As is often the case with a small (and not historically very resolute) party caught between two large opposing parties, the problem of whether to cooperate with whom and on what basis served to divide rather than unite them.



6. It is difficult to see how the situation is likely to be resolved. In the forthcoming elections the Communists are at present expected to slip back slightly from their 1976 position (34.4% of the vote); the DC to do slightly better (38.8% of the vote); and the Socialists (9.6%), the Social Democrats and the Republicans (neither of whom had more than 3.5% of the 1976 vote) to win or lose a point here or there. The Christian Democrats may thus be looking for coalition partners once again, while the Communists will no doubt look towards some sort of alliance of the centre/left. The largest of the minority parties - the PSI - is ad divided on this point as the PCI are on cooperating with the DC: on the one hand, they are anxious to differentiate themselves clearly from the PCI; but on the other, are furious with the DC. They believe that the latter deliberately arranged the election a week before the European Direct Elections so as to damage Socialist prospects in both contests; the Socialists wanted the two elections to be held on the same date since that, they believed, would boost their prospects in both. The major determinant of each party's behaviour will obviously be its vote in the forthcoming elections. Unless electoral shifts among voters are more dramatic than is expected, the immediate aftermath is likely to see another period of uncertainty as the DC cast around for the elements of a sustainable parliamentary majority.

7. The Embassy's judgment in early May was that the most likely scenario was a minority caretaker government presided over by Signor Andreotti continuing in office for several weeks after the election, while political leaders brooded on the results of both the national and European elections. Thereafter, using all the political /ingenuity



ingenuity for which Italian political leaders are famous, some more stable agreement may be achieved. It is very much in our interest that it should be, given that Italy is our major ally in our attempts to reform the EEC Budget and the CAP and to bring about greater economic convergence. The Embassy do not expect to see the inclusion of Communist ministers in an Italian Government even if the process of forming a stable government is somewhat delayed.

8. The despatch has been sent for printing in the departmental series.

D. A. S. Gladstone

D A S GLADSTONE
Western European Department

31 May 1979

cc.

Mr Petrie (EID-I)
Mr FitzHerbert (EID-E)
Mr Gillmore, Defence Dept
Mr Middleton, Research Dept
Mr Braithwaite, Planning Staff
Miss Pestell (Cabinet Office
Assessments Staff)

Mr. Nash

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Thank you.

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Foreign and Commonwealth Office
London SW1A 2AH

31 May 1979

Sir Alan Campbell KCMG
ROME

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Dear Alan

THE FOURTH AND FIFTH ANDREOTTI GOVERNMENTS: MARCH 1978
to MARCH 1979

39. I am writing to thank you for your despatch of 30 April on Signor Andreotti's last two Governments. Please excuse the delay, but the despatch only reached the department on 14 May, when we were preoccupied with the aftermath of the Anglo/German Summit and preparations for the State Visit to Denmark.

2. Your analysis of the reasons for the collapse of the last two governments, read with the sort of election outcome now generally predicted, does not encourage us to expect an early resolution of the uncertainty, not to say confusion, that seems to be the hallmark of Italian politics. We thus see no reason to quarrel with either the broad conclusions of your despatch or of your tel no 140 of 8 May. This augurs ill for the attempts which the new Government here will be making to build on the good working relations between its predecessor and the Italians with a view to securing important EEC objectives on the Budget, CAP and convergence. However, like you, we still hope that, as before, Italian political ingenuity will produce some effective rabbits out of what looks like being a pretty battered hat.

48. Your despatch has been submitted and sent for printing in the departmental series.

Yours ever

D A S GLADSTONE
Western European Department