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SAVING TELEGRAM

BY BAG  
FROM ROME  
TO: FCO  
SAVING NO: 19  
17 DECEMBER  
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*Prime Minister*

TO FCO SAVING TELEGRAM NO 19 OF 17 DECEMBER 1979  
AND ROUTINE UKREP BRUSSELS, ALL OTHER EEC POSTS, UKDEL NATO,  
WASHINGTON, MILAN

MY TELNO 547: ITALIAN POLITICAL SITUATION

1. It seems opportune to review the precarious Italian internal political situation a fortnight before the Italian Presidency begins.
2. Despite its honourable victory on the TNF issue (my telno 578) the Cossiga Government is beset by difficulties. Most observers believe that it can survive until next month and probably until after the Christian Democrat Congress, still scheduled for late January. But few think that Cossiga has now much chance of carrying on until after the administrative elections in the early summer, as was the view until recently.
3. In an informal press briefing on 13 December, Craxi, the leader of the Socialist Party (whose abstention in Parliament is necessary to the Government's survival) rocked the boat. He said that a government crisis was now simply a matter of timing and that an unforeseen mistake could bring it about at any time. These comments were in an unofficial declaration and Craxi has since tried, over the weekend, to deny that the Socialists will take the initiative in torpedoing Cossiga. Nevertheless Craxi's remarks were widely interpreted as marking the end of the period of truce which Cossiga's government has enjoyed since its inauguration in August.
4. The motivation for Craxi's comments is probably his need to ward off attacks from the left-wing of his party which have gained force in the last few days, following the repercussions of the ENI/Saudi Arabian oil deal scandal (my telno 576: not to all) and the split in the Socialist Party on the vote on TNF (paragraph 2 of my telno 578).

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5. The ENI scandal has corroded Socialist unity badly because Craxi is believed to have spread allegations about the involvement in this murky affair of his left-wing rival Signorile and the latter's apparently close associate Mazzanti (the suspended President of ENI). The vote on TNF has encouraged other left-wing socialist elements, traditionally close to the Communist Party, to join Signorile in a challenge to Craxi's leadership.

6. Meanwhile, the tone of Communist opposition has sharpened, as has the militancy of the Communist-dominated Trades Union Confederation, CGIL. When I saw Lama, the Head of CGIL, on 14 December he was shooting a strong line about the need for PCI involvement in government to see the country through its difficulties.

7. The Government's strategy towards the unions, which has consisted in trying to avoid a formal dialogue, is weak as also its economic management, with the failure of the 1980 budget and associated finance bill to be carried into law. The impact of the oil crisis, highlighted by the ENI affair, will probably be sharpened as a result of the Caracas OPEC Meeting and the government may be obliged before long to take further measures in the energy field which will be unpopular and politically controversial, such as further increases in the price of petrol.

8. Another major source of government concern is the security situation. In the past few weeks, the morale of the security forces has been strained by the killing by terrorists of a number of police officers, particularly in Rome. On 11 December, the terrorist group, Prima Linea, occupied a management school in Turin and methodically wounded 10 students and teachers. There were other violent terrorist incidents at Fiat on 14 December. The government has prepared a package of new anti-terrorist measures which are being enacted by decree law (further details by letter to the department). The first reactions of party spokesmen are positive.

9. Cossiga's strongest card remains the lack of a credible alternative to the present parliamentary formula. The Communists have no interest in accepting a formula short of a degree of power-sharing which would probably still be unacceptable to the Christian Democrat Party as a whole though, given the present unreliability of the Socialists, the idea of some sort of deal with the Communists has been revived in certain Christian Democrat circles. But, despite what they say, the Communists may not want to make, for the time being, another bid. They certainly do not want an early general election. The Socialist Party now appears



far too divided to allow a new version of a centre-left coalition between themselves, the Christian Democrats and the three small centre parties to re-emerge. The Christian Democrats, as a whole, are not ready yet to accept a Socialist Prime Minister, which might in theory still be the key to PSI support, given that the left-wing of Craxi's party would not allow him to take office without some further opening to the PCI.

10. As no new element likely to break this impasse is likely to emerge before the Christian Democrat Congress, and perhaps not even then, there is no objective justification for provoking a new crisis. The dangerous instability of the Socialist Party and the general feeling that Cossiga faces a sea of troubles makes it seem improbable at present that he can survive for many more weeks. But in Italy the political wind can change overnight.

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