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Sheila
Br. 7/10. pl.

(A6)

(Use home tel. post w/ end on this subject) Mup 3/6

MY TELNO 519: ITALIAN INTERNAL SITUATION

1. PRESIDENT PERTINI HAS SPENT THE LAST TWO DAYS IN RITUAL CONSULTATIONS WITH PARTY LEADERS. THE UNFORTUNATE AND UNEXPECTED MANNER IN WHICH COSSIGA WAS BROUGHT DOWN CAUSED IRRITATION TO PERTINI AND BITTERNESS ALL ROUND. THE FEELING OF LEADING POLITICIANS I SPOKE TO LAST NIGHT WAS THAT TIME WAS NEEDED TO HEAL DIVISIONS.

2. THIS TIME THE CRISIS DOES NOT INDEED LOOK EASY TO RESOLVE. COSSIGA HAS HAD ENOUGH FOR THE MOMENT. THERE ARE NO OTHER OBVIOUS RECIPIENTS OF THE FIRST MANDATE WHICH THE PRESIDENT MAY HAND OUT TOMORROW. LIKELY CHRISTIAN DEMOCRAT (DC) CANDIDATES (EG FORLANI OR PICCOLI - PARTY CHAIRMAN AND SECRETARY RESPECTIVELY) ARE RELUCTANT.

3. A DC PRIME MINISTER WOULD HAVE TO FIND A WAY TO PGEVENT THE DEFECTIONS WHICH UNID COSSIGA. THE TIME IS NOT THOUGHT RIPE FOR CRAXI (SOCIALIST) TO SUCCEED. THE DIFFICULTIES OF THE DC AND THE SOCIALISTS WORKING TOGETHER WERE DISPLAYED IN THE FALLEN GOVERNMENT. THE NEXT ALSO NEEDS TO SHOW LESS FLANK TO THE COMMUNISTS. THERE IS TALK OF BRINGING IN THE OTHER SMALL PARTIES, OR AT LEAST THE SOCIAL DEMOCRATS, IF NOT THE LIBERALS. BUT THAT IS NO EASIER THAN IT WAS LAST TIME ROUND. A POSSIBLE PISALLER MIGHT BE A CARETAKER DC ADMINISTRATION UNDER, SAY FANFANI (EX - PRIME MINISTER AND NOW PRESIDENT OF THE SENATE).

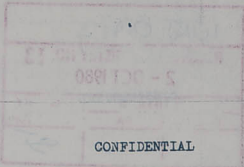
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4. MEANWHILE, THE ECONOMIC POSITION (MY TELNO 520) IS ALSO DIFFICULT. THE PROVISIONS OF THE DECREE LAW ON WHICH THE COSSIGA GOVERNMENT FELL, LAPSED TODAY. COSSIGA HAS DECLINED TO INTRODUCE MEASURES TO SORT OUT THE FISCAL CONFUSION WHICH RESULTS FROM THE FAILURE OF THE DECREE, THOUGH A SHORT BILL WILL PROVIDE THAT THE TAXES (ABOUT 1,000 BILLION LIRE) DURING THE PERIOD THE DECREE LAW WAS IN FORCE REMAIN LEGAL REVENUE. UNLESS THE OPPOSITION INTRODUCE AMENDMENTS TO THE BILL TO RESTORE SOME OF THE PROVISIONS OF THE DECREE LAW, VAT ^{RATES} ~~LIMITS~~ WILL RETURN TO PRE-JULY LEVELS, THE PRICE OF PETROL WILL FALL, AND THE FISCALISATION OF EMPLOYERS' SOCIAL SECURITY PAYMENTS WILL NO LONGER TAKE PLACE.

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gc Mr Washin



6. THERE ARE FURTHER COMPLICATIONS AT FIAT WHERE FOLLOWING THE GOVERNMENT'S FALL, FIAT POSTPONED REDUNDANCY FOR 14,000 WORKERS, THEY HAVE NOW ANNOUNCED THAT 24,000 WILL BE PLACED ON SHORT TIME WORK UNTIL JANUARY WITH THE IMPLICATION THAT HALF OF THEM WILL EVENTUALLY LOSE THEIR JOBS. SERIOUS LABOUR UNREST IS DEVELOPING IN TURIN. ON THE OTHER HAND, THE EMERGENCY FINANCIAL MEASURES INTRODUCED BY THE GOVERNMENT OVER THE WEEKEND APPEAR TO HAVE TAKEN ANY IMMEDIATE PRESSURE OFF THE LIRE.

FCO PLEASE PASS SAVING ADDRESSEES.

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[REPEATED AS REQUESTED]

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