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done ER 16/10 - see. O.L.A. - encl only.
Mr. Webb Assessments Staff, labial/ffs



British Embassy
Via XX Settembre 80A 00187 Rome

Telex 61049 Telephone 4755.441

Mr. Vercher 17/10 (57)
his reinforcement

of the PSI (and of Craxi in particular) is an interesting development.

Miss M Savill
WED
FCO

WRJ 014/2
RECEIVED 13
17 OCT 1980

Your reference

Our reference

Date 10 October 1980

MSavill.
17/10
p. into 20/10

Dear Margaret,

✓ 23/10

PSI/PSDI AGREEMENT

(52)

1. Our telegram no. 550. I now enclose our translation of the text of the joint statement; some of the verbiage was impenetrable in either Italian or English.
2. In commenting on the agreement both Craxi and Longo have made clear that unification of the two parties is not in prospect: as you know, it has never worked well in the past because ideologically the left of the PSI and the anti-Communist PSDI have nothing in common. The agreement does however help both party leaders: Craxi because it increases his leverage with the DC and helps block any moves towards a broad left alliance including the PCI, Longo because it gives his party an immediate entree into the coalition and thereby increases his prestige. Craxi may regard it as one more step along the road to his own Prime Ministership. The reference in paragraph 4 of the statement to "equal dignity (with the DC)" and the "principle of alternation" is probably significant in this context: next time round, Craxi can argue that only by giving a leader from one of the lay parties (sc. himself) a spell at the Palazzo Chigi can life be breathed into the centre-left formula.
3. In principle the agreement is open to the Radical Party to join, but first indications are that their price is too high: they will certainly stay in opposition this time. Their appeal to voters depends on not compromising features of their policy like the commitment to popular referenda, protection of the environment and a large transfer of resources to the third world, which the main Parliamentary parties cannot accept.
4. The groundwork for the agreement was laid when Craxi and Longo together saw ex-President Saragat last month. It should not be seen as the dawn of a new Socialist era or the creation of a viable "third force" in Italian politics, but rather as a tactical move which suits both parties now and commits them to very little. Its main importance is that it could ease Forlani's task.

Yours ever
Robert Culshaw
R N Culshaw

cc: Mrs K Colvin
Research Dept

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TEXT OF PSI/PSDI DECLARATION OF INTENT

(Paragraphs not numbered in original)

1. Their renewed adherence to the values and experience of Socialism in Western Europe, and their shared efforts in the Socialist International, the European Parliament, local administrations and in the trade union movement, lead the delegations of the PSI and the PSDI to underline the need both to establish a frank, friendly and constant consultation on the major problems of international and internal politics and to seek agreed solutions to these problems.
2. This decision does not abolish the reasons for the political and organisational autonomy of the two parties. Rather it meets the need for a connection and an agreement which can be extended to all the forces which share a common inspiration of the left which is socialist, free and democratic. The social, cultural and electoral evolution has assigned to the forces of free democratic socialism a growing role; this role demands of the parties replies which are convincing and coherent.
3. The connection, the agreement, and the shared initiatives between the PSI and the PSDI (also including other forces) must be capable of being set in a more general context - one of understanding and dialogue between all the democratic forces and especially between those which have deep roots and wide representation in the world of labour. The Socialists and Social Democrats are profoundly aware that active progress must be continued in the work of creatively combining the values of Christianity and of Socialism: they both assert the rights and principles of men and women, and confirm the lay conception of politics and the State. This applies in constructive dialogue with the trade union movement, to favour its autonomous and unitary development, its full participation in the major choices of economic and social policy, and its construction of a real industrial democracy. This applies also in constructive dialogue with the PCI, so that it can regain ground and develop the process of revision and international autonomy to which the future of the Italian left is so largely linked. So that in Parliament, in the trade unions and in local organisations agreements on policy, planning and administration can be worked out. So that the present rigidly contrasting positions can be overcome - since they are one of the more important factors of ungovernability. The two parties are fully aware of the importance of settling new conditions for the opening of constructive perspectives in the relations between all the forces of the Italian left.
4. In their constructive dialogue with the DC, the delegations of the two parties confirm their willingness to renew a policy of guaranteed collaboration based upon loyalty and equal dignity, recognising their respective fundamental roles and a principle of alternation. Such collaboration cannot exclude different and distinct roles in our country's interlinked system of local government, still less can it exclude fair democratic competition for which the past and the present offers good reasons.

5. In searching for possible forms of solidarity between all the democratic forces, in wishing to define the terms of loyal collaboration with the DC in the majority and in government with the contribution and essential democratic participation of the PRI, and in facing up to the national crisis, including the need for governability and stability, the delegations of the two parties consider it necessary to renew and upgrade the institutions of the State and to reform it. The credibility of Parliament has been shaken by repeated crises, by the climate of division and by the cliffhanging atmosphere, all of which limit its capacity to legislate and devalue its leadership. A broad alliance and broad reforms are desirable so that the democratic institutions are enabled to function and to face up to the numerous crises which afflict Italy, thus allowing the factors of liberty, vitality and progress to emerge.

6. The delegations dwelt on the need to match the response of State justice to the double terrorism attack with its alarming international connections; to agree on the definition of an urgent economic policy and plan which together face up to industrial financial and monetary problems, in the light of the fundamental need to safeguard the real value of salaries and savings, and to defend and expand employment through a better organisation of the labour market worked out and agreed with the trade union movement. A sensible criterion of equality must regulate effective economic, social and retributive policies. A solid effort towards the home, better care of the old, and decisive action to limit old and new areas of poverty and isolation - these are the marks in Parliament and in the country of the action of the Socialist and Social Democratic Parties. Reorganising the structure of agriculture is also necessary in view of the proposals to enlarge the European Community. Efforts to give expression to the principles of social justice must become systematic. An extraordinary undertaking to save and to look for alternative sources must inspire the national energy plan. Policies of research, investment and lending must be put together to reduce our scientific and technological handicap. A strict policy towards the natural and historic environment must defend and exploit properly the enormous heritage represented by Italy's territory and culture. The Socialist and Social Democratic Parties consider essential and urgent a coherent plan of action in the South capable of combining the efforts of public and private enterprise; urban areas must be restored and their infrastructure made to work, not neglecting the potential of the tertiary sector and the major social services. The delegations also considered the problems linked to the referendum initiatives put forward by the Radical Party and the problems connected with publishing reform and the need for a law on the mass media.

7. The delegations confirmed the two parties' resolve to build up the European Community, benefitting from the coming together of all the states and the peoples of Europe. Security is guaranteed by the Atlantic Alliance and the PSI and the PSDI support an active role by Italy in the search for dialogue and the organisation of peace. Our country has a great responsibility in relation to the problems of the Mediterranean region, which is ever more menaced by open conflicts and hotbeds of war. Italy cannot postpone the moral necessity of concrete action to remove

the persistent causes of backwardness and underdevelopment in the third and fourth worlds (particularly in the countries linked to Italy by ancient friendship). In this task the PSI and the PSDI will commit Parliament and the Government so that Italy may join the efforts of those who fight to overcome famine in the world and to affirm the rights of peoples and of men against every type of oppression.

8. The delegations have arranged that their respective party organs will undertake an examination of ways of deepening and developing their collaboration, and also of the possibility of extending to other forces the invitation to consider initiatives in common while still recognising their distinct roles in Parliament. During their work the delegations paid tribute to the electoral success of the (German) Social Democrat/Liberal coalition, of the SPD and of Comrade Schmidt which assures an essential factor of continuity in the process of detente in security. The PSI and the PSDI also note that the considerable strength of the Portuguese Socialist Party has been confirmed in the political elections.