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TELELETTER

FROM R N CULSHAW

FILE REF: Ø14/12 Ø5 JUN 1981

FOLLOWING FOR R P OSBORNE ESQ. WED

Taken IND Na No 8 HOLY SEE J H CALLAN COPIED BY BAG TO P THOMPSON, MILAN,

ITALIAN POLITICAL SITUATION

1. OUR TELEGRAM NO 200, AND THE AMBASSADORS MINUTE OF 4 JUNE ABOUT CONVERSATIONS ON THE NATIONAL DAY PARTY.

2. THE WILLINGNESS OF THE PRI AND PSDI TO SUPPORT A GOVERNMENT OF SIMILAR COMPOSITION TO FORLANI'S FIRST, AND OF THE PLI TO JOIN IT IF INVITED, HAS NEVER BEEN IN DOUBT. THE MOOD OF THE PCI AND THE DC IS SUCH THAT NO RETURN TO THE 1979 FORMULA OF 'NATIONAL SOLIDARITY' IS CONCEIVABLE AT PRESENT. THE CRITICAL DECISION THEREFORE RESTS WITH THE PSI, AND DEPENDS ON HOW FAR CRAXI WISHES TO PRESS HIS OWN AMBITIONS THIS TIME ROUND OR OTHERWISE RAISE THE PRICE OF PSI SUPPORT FOR A GOVERNMENT LED BY THE DC. THAT WAS THE BASIS OF THE JUDGEMENT IN THE SECOND SENTENCE OF OUR TELEGRAM NO.200.

3. SINCE PLAUSIBLE ALTERNATIVE PRIME MINISTERS WITHIN THE DC MAJORITY ARE HARD TO FIND. AND ALL THE DC FACTIONS SEEM AGREED ON BLOCKING A LAY CANDIDATURE AT THIS STAGE, THERE HAS ALWAYS BEEN AT THE BACK OF ALL THE PARTY LEADERS' MINDS THE THOUGHT THAT, IF FORLAN! FAILED, THE RESULTING IMPASSE COULD LEAD TO EARLY ELECTIONS. THESE WOULD BE EXPENSIVE FOR THE PARTIES, BAD FOR THE GOVERNMENT'S ECONOMIC POLICY, AND UNLIKELY TO PRODUCE ANY SIGNIFICANT CHANGE IN THE RELATIVE STRENGTH OF THE MAJOR PARTIES. PERTINI AND THE PUBLIC MIGHT WELL ACCUSE THE PARTY WHICH FORCED ELECTIONS OF PLAYING POLITICS TO THE DETRIMENT OF THE NATIONAL INTEREST. TO MAKE FORLANT FAIL WAS THEREFORE NOT A STEP TO BE TAKEN LIGHTLY.

4. MOST ATTENTION FOCUSSED ON THE PSI DIRECTORATE MEETING WHICH LASTED ALL DAY ON 3 JUNE. THE RESULTING STATEMENT DOES NOT PRESS FOR A NON-DC PRIME MINISTER, AND MOST OBSERVERS TAKE THIS TO MEAN THAT CRAXI HAS REALISED THAT HE WOULD NOT HAVE THE NECESSARY SUPPORT AND HAS FOR THE TIME BEING GIVEN UP HOPES OF BECOMING PRIME MINISTER. INSTEAD, IT SPEAKS OF THE NEED FOR CLARIFICATION FROM THE DC ON SIX ISSUES: P2, THE ECONOMY, FOREIGN POLICY, INSTITUTIONAL REFORM, EARTHQUAKE RECONSTRUCTION AND THE INDEPENDENCE OF THE MAGISTRACY — AN OMNIBUS LIST, THE DISCUSSION OF WHICH COULD LAST AS LONG AS CRAXI WISHES. THERE WILL SOON BE A MEETING BETWEEN DELEGATES OF THE TWO PARTIES TO TRY AND HAMMER OUT A FORMULA. AS USUAL, THE MOST DIFFICULT PROBLEMS WILL CONCERN NOT THE NEW GOVERNMENT'S PROGRAMME BUT THE DISTRIBUTION OF MINISTERIAL POSTS. RUMOURS ABOUND, ONE OF THE MORE PERSISTENT BEING THAT THE PSI WANT THE MINISTRY OF THE INTERIOR - BUT THE DC WILL NOT GIVE AWAY JOBS LIGHTLY, LEAST OF ALL THOSE LIKE INTERIOR, WHICH HAVE IMPORTANT NTWERS OF PATRONAGE. THE DC ALSO HAVE TO CONSIDER HOW TO PRESERVE THE BALANCE BETWEEN THEIR VARIOUS FACTIONS. IF IT WERE DECIDED QUIETLY TO DROP THE MINISTERS CONNECTED WITH THE P2 SCANDAL, OR TO BRII IN THE LIBERALS, SOME RESHUFFLING OF POSTS WOULD IN ANY CASE OR TO BRING BE NECESSARY.

THE PSI HAVE SAID THAT A GENUINE ''RENEWAL'' IS NECESSARY, AND NOT JUST A RESHUFFLE: BUT THAT IS CAPABLE OF SEVERAL INTERPRETATIONS.

- 5. FORLANI'S TASK IS STILL DIFFICULT, BIK THE ATTITUDE OF THE
  1 AS EXPRESSED ON 3 JUNE MUST IMPROVE HIS CHANCE OF FORMING A
  80 VERNMENT SIMILAR TO HIS FIRST. HE ENJOYS THE FULL SUPPORT OF
  HIS OWN PARTY. FRESH REVELATIONS IN THE P2 SCANDAL ARE ONE OF
  THE MANY THINGS WHICH COULD UPSET HIS PLANS, AS THE INVESTIGATIONS
  OF THE PARLIAMENTARY COMMISSION AND THE MAGISTRACY CONTINUE.
  THE PCI ARE MAKING MUCH OF THEIR COMPLETE ABSENCE FROM THE LISTS,
  AND CONSPIRANCY THEORISTS CONTINUE TO PONDER THE FACT THAT NONE
  OF ANDREOTTI'S SUPPORTERS ARE INCLUDED. BUT THE DETAILS OF
  GELLI'S ACTIVITIES, AND THE ACCUSATIONS THAT MASONRY IS
  INCOMPATIBLE WITH BEING A MEMBER OF THE DC OR HOLDING PUBLIC OFFICE,
  ARE OTHERWISE UNLIKELY TO HAVE MUCH EFFECT ON THE PROCESS OF HARD
  POLITICAL BARGAINING TO FORM A NEW GOVERNMENT, IE. OVER POLICIES
  AND PORTFOLIOS AND FUTURE ''ALTERATION''. "ALTERATION'"
- 6. FINALLY, OUR SUMMIT HAS NOT BEEN THE ONLY DIPLOMATIC CASUALTY OF THE CRISIS. THE PRESIDENT OF VENEZUELA HAS CANCELLED A VISIT SCHEDULED FOR B JUNE. IT IS DOUBTFUL WHETHER COLOMBO WILL GO TO OSLO AS PLANNED ON 9 JUNE THOUGH CHEYSSON WILL COME TO ROME. THE JAPANESE PRIME MINISTER'S VISIT NEXT WEEK IS STILL ON, BUT THERE MAY BE A QUESTION MARK OVER SCHMIDT'S VISIT TO ROME ON 17/18 JUNE, PRESS COMMENT (ALMOST CERTAINLY INSPIRED BY THE MFA) LAMENTS THE DAMAGE TO ITALY'S INTERNATIONAL STANDING CAUSED BY HER GOVERNMENTAL INSTABILITY.

MILAN AND HOLY SEE ACTIONED

R N CULSHAW

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