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Mr Carter
Mr Gladstone

Mr. Osborne
Pa
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EUROPEAN COUNCIL

1. Mr Bullard has asked for an up-date on the political situation in Italy for the Prime Minister's briefing for the European Council.
2. Rome Telno 236 of 19 June sets out the position as it then was. The administrative elections held on 21/22 produced an increase in the overall Socialist (PSI) vote from 10% to 14%. The two main parties, the Christian Democrats and the Communists, both lost votes. Signor Craxi, the Socialist leader, is now better placed to ask for Ministerial posts in a new Spadolini-led government. Signor Spadolini will again consult the leaders of the parties which will make up his coalition and he may be in a position to announce his Ministers by 27 June. This will depend on whether he can satisfy the other parties with the distribution of Ministerial posts.
3. Signor Spadolini and the Republican party command only about 3% of total votes and it seems inevitable that a general election will have to be called within a matter of months.

[Signature]

F P Osborne
Western European Department
W64 233 3266

27
24 June 1981

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FM ROME 191600Z JUN 81

TO PRIORITY FCO

TELEGRAM NUMBER 236 OF 19 JUNE 1981

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MY TELNO 200: ITALIAN POLITICAL SITUATION

1. AFTER A WEEK'S CONSULTATIONS, SPADOLINI HAS "LIFTED HIS RESERVE" AND TOLD PRESIDENT PERTINI THAT HE IS IN A POSITION TO FORM A NEW GOVERNMENT.
2. SPADOLINI HAS BEEN WORKING FOR A COALITION OF FIVE PARTIES, ADDING THE LIBERALS (PLI) TO FORLANI'S COALITION. THE PARTY SECRETARIES OF THE SOCIALIST PARTY (PSI), THE SOCIAL DEMOCRAT PARTY (PSDI), THE CHRISTIAN DEMOCRAT PARTY (DC) AND THE PLI HAVE ALL EXPRESSED THEIR SUPPORT FOR HIS DRAFT PROGRAMME AND EFFORTS TO FORM A GOVERNMENT BUT SUPPORT FROM THE SOCIALISTS WAS CONDITIONAL AND FROM THE DC VERY GRUDGING. CRAXI HAS SAID THAT A CLARIFICATION OF THE POLITICAL SITUATION WOULD BE NECESSARY AFTER THE PARTIAL ADMINISTRATIVE ELECTIONS (INVOLVING 9 MILLION ELECTORS) OF 21/22 JUNE.
3. SPADOLINI SHOWED THE SAME DRAFT PROGRAMME TO PRESIDENT PERTINI AND DISCUSSED IT WITH THE "SOCIAL PARTNERS" - THE BANK OF ITALY, THE THREE UNION FEDERATIONS, THE EMPLOYERS' ORGANISATION AND THE FARMERS' ORGANISATION. THE BANK OF ITALY EMPHASISED THE SERIOUSNESS OF THE ECONOMIC DIFFICULTIES FACING ITALY. THE "SOCIAL PARTNERS" DID NOT MAKE SUBSTANTIVE DECLARATIONS AFTER THEIR CONSULTATIONS WITH SPADOLINI, BUT NOR WERE THERE ANY INDICATIONS OF OUTRIGHT OPPOSITION TO A POSSIBLE PRI-LED GOVERNMENT.
4. SPADOLINI HAS LIFTED HIS RESERVE BEFORE HAVING OBTAINED AGREEMENT FROM THE PROSPECTIVE MEMBERS OF THE COALITION ON THE DIVISION OF MINISTERIAL PORTFOLIOS. THE SOCIALISTS IN PARTICULAR HOPE THAT THE ADMINISTRATIVE ELECTIONS WILL IMPROVE THEIR BARGAINING POSITION IN THIS RESPECT SEMICOLON WHILE PICCOLI (SECRETARY OF THE DC) SAID THAT SINCE THE CHRISTIAN DEMOCRATS WERE THE PARTY WITH THE RELATIVE MAJORITY OF VOTES IN ITALY, BUT WOULD NOT HAVE THE PRIME MINISTERSHIP, THEIR POLITICAL WEIGHT IN SPADOLINI'S GOVERNMENT WOULD HAVE TO BE RECOGNISED WITH A LARGER NUMBER OF PORTFOLIOS THAN THEY HAD IN FORLANI'S. SPADOLINI'S DIFFICULTIES ARE CLEARLY NOT YET OVER: DETAILS OF HIS PROGRAMME, DIVISION OF MINISTERIAL PORTFOLIOS AND THE UNSCRAMBLING OF THE P2 AFFAIR HAVE ALL TO BE SETTLED.

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5. THE PCI INTEND TO REMAIN IN OPPOSITION, BUT THEY HAVE NOT PUT OBSTACLES IN SPADOLINI'S WAY. BERLINGUER HAS SAID THAT THE FORM THEIR OPPOSITION WILL TAKE WILL DEPEND UPON THE CHOICE OF MINISTERS AND UPON THE PROGRAMME ADOPTED BY A GOVERNMENT LED BY SPADOLINI.

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