

5

CONFIDENTIAL
SAVING TELEGRAM

BY BAG
FROM ROME
TO FCO
SAVING NO. 15
13 APRIL 1982
CONFIDENTIAL

TO FCO SAVING TELEGRAM NO. 15 OF 13 APRIL 1982
AND INFORMATION SAVING ALL EC POSTS, WASHINGTON, UKDEL NATO,
HOLY SEE, MILAN, NAPLES, FLORENCE AND GENOA

MY SAVING TELEGRAM NO. 11: ITALY INTERNAL

1. The political situation remains confused, and Spadolini continues to exercise all his skills of mediation to keep his coalition partners united. On some key-issues, like the 1982 budget, Spadolini has had to proceed with caution, and this may prove damaging to the economy. The political pressure on him is increasing, and his opponents argue that a different way of ensuring "governability" must be tried, however self-serving the arguments. But Spadolini still exudes confidence, and enjoys the backing of President Pertini.
2. The lack of confidence and direction of the Christian Democrats (DC) and the Communists (PCI) is helping Craxi, the Socialist leader (PSI), to increase the strength of the "lay bloc" of minor parties and to keep himself in centre stage. The lay bloc would expect to gain at least 5% in general elections, and most of those new votes would go to Craxi - although Spadolini's success as Prime Minister will also help his small Republican Party. At a PSI mini-Congress on 4 April Craxi said that he would not press

CONFIDENTIAL

/his

his candidature for the Prime Ministership in this legislature; taken with his earlier statements about not wishing to see Spadolini replaced by a Christian Democrat, this suggests that he is thinking in terms of elections this year, since there is no other credible candidate to follow Spadolini. The PSI's weight in the coalition is sufficient to force elections, but Craxi must choose his time and his pretext carefully. He has set out no clear ideas on policy, as distinct from tactics.

3. It is a measure of Craxi's success that the other parties seem to do little but react to his forcing tactics. The small lay parties are content to let him make the running on their behalf, hoping thus to strengthen themselves vis-a-vis the two largest parties. For the PCI, Berlinguer criticised Craxi's latest speech: because of internal difficulties following the recent rift with Moscow, the PCI are ill-prepared for an election campaign, and their policy of "democratic alternative", meaning left-wing alliance with the PSI, is not a practical prospect for the time being. It would be very difficult, however, for Berlinguer to go so far as to support the DC in government by benevolent abstention, to postpone or avoid elections. The DC are in poor shape, with no generally agreed candidate for party secretary to replace Piccoli, and have again postponed their Congress, now planned for 2 May; this is widely interpreted as a stalling manoeuvre to put off the expected crisis, since they argue that only after their Congress can serious negotiations with coalition partners be begun. This pre-Congress phase exposes their factional squabbling, and no coherent strategy has been proposed: the one thing that unites them is their opposition to early elections. To parry demands from the coalition partners for clarificatory talks, Piccoli is to meet other party leaders bilaterally between now and the

/Congress

Congress; but he is now in baulk, and at best only stop-gap solutions could emerge.

4. An agreement about policy and Ministerial posts between the coalition parties, to last until the normal end of this legislature (1984) as an alternative to anticipated elections, looks unlikely at the moment. It might however be revived after any elections if the most difficult question, that of the Prime Ministership, could be resolved.

5. A crisis in the next month could occur even without deliberate provocation by Craxi or others: its most likely causes would be the Finance Bill (passed by the Chamber on 8 April, now again before the Senate), the 1982 Budget (which has to be approved by the end of April), or the new Bill on liquidazioni (severance payments). The Bill on liquidazioni must pass by the end of May to avoid a June referendum on the issue, which if successful would add an enormous amount to employers' labour costs. In any case, the pressure on Spadolini will increase after the DC Congress, when the new DC leadership will have to establish a working relationship with the minor parties. By then, however, the deadline will have passed for elections before the summer. At the moment, they are still technically possible but President Pertini, who must dissolve Parliament, would be hard to convince that they were justified, and the public show little enthusiasm.

ARCULUS

STANDARD

WED
ECD's
EESD
NAD
SED
NEWS D
CABINET OFFICE