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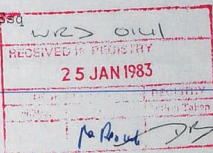


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Fate is in an impossible position.
His direct responsibility for unpopular
measures must cause Craxi considerable

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Your reference *giff*
Our reference 01474 *11/*
Date 17 January 1983

Dear RB,

ITALY INTERNAL

1. Rome Telno 21.

2. The political character of the disagreement within the coalition is becoming more marked, and the opposition offered by the PCI is getting tougher. As a result, many commentators now take for granted that there will be anticipated general elections before the summer. Against this background it may be helpful if I examine separately four ingredients: De Mita's deliberately rough treatment of the lay parties (notably in his speeches in America); PCI support for popular protests; unease among the lay parties at sharing responsibility for the unpopular economic measures; and the lack of dynamic leadership by Fanfani. Put together, these ingredients make quite an explosive mixture.

De Mita

3. The fact that De Mita was able to go on a five-day visit to the United States at a tense time shows both his self-confidence and the value which he attaches to polishing the DC's credentials with the Americans. His message there was clear, and had been anticipated in various interviews to Italian newspapers: it is the DC which guarantees Italian political stability and loyalty to the West; the only real alternative is the PCI; the Americans and Italy's other friends should therefore accord special treatment to the DC. There has been a predictably angry reaction from Craxi and other lay party spokesmen, but De Mita seems unruffled. He intends to exploit the present weakness of the lay parties, which seem unable to pull together and resort instead to attacking those aspects of DC policy which hurt their individual electorates. At the same time, De Mita is applying the classic DC strategy of the "two bakers", whereby the party buys its bread from whichever potential ally (PCI or lay bloc) offers it cheapest (this *bon mot*, like most of those in Italian politics, comes from Andreotti).

/De Mita



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X | De Mita understands better than many of his predecessors how to deal with the PCI, and is respected by them; he therefore has no difficulty about threatening to play the card of a closer DC understanding with the PCI. He is being criticised by those within the DC who think that the party should restate its commitment to alliance with the PSI, but his position remains secure: the last Congress gave him a mandate for two years, and he has put his supporters in most of the good party positions (I shall report separately on his style of managing the DC in his first six months). There is therefore little chance that De Mita will moderate his tone.

PCI

4. Berlinguer had encouraged the workers to protest against Fanfani's economic programme before the present wave of large scale disturbances began, and there is no doubt that many of those involved are PCI sympathisers or members: official party statements, however, while acknowledging the justice of these protests, continue to put the emphasis on firm opposition in Parliament to the government's programme (which may be enough to emasculate the measures; it was a bad omen that the government only just survived the routine first vote on whether the package was constitutional, because of absenteeism and some rebel government votes). The PCI tend to be wary of uncontrolled popular demonstrations. Some local sections may have actively encouraged protests, but the PCI's impressive organisational machine is not yet in action and the national leadership seems to envisage a gradual escalation of tension rather than a massive PCI-led public protest against the government before the end of this month. Those like Benvenuto (in public) and Mazzotta (in private to the Minister) who have accused the PCI of a sinister role in these demonstrations have produced no evidence and have clear political motives for taking that line.

5. What is certainly true is that the present tense situation suits the PCI, and is unlikely to change unless the economic package is modified or agreement is reached on the scala mobile. Berlinguer now has a perfect rallying cry for the party's Congress planned for March, which may therefore need to spend less time than expected on such potentially divisive issues as the break with Moscow. As a result, there is a renewed self-confidence in the party; I doubt whether they now fear early elections.

Lay Parties

6. The lay bloc is much weakened, and its individual components are all worried. The difference in their assessment of the economic package is shown by Spadolini's decision to stay out /of

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of this government (electoral reasons also played a part) and by the lack of consultation between the PSI and the PSDI. The absence of the PRI reduces the lay bloc's weight in the government and therefore its ability to extract concessions from the DC.

7. Situations of social and economic tension always tend to polarize Italian politics; the DC have been careful to take credit for being the party of economic rigour, and the PCI present themselves as the only effective champion of working class interests. All the lay parties risk being criticised from both sides, and especially by the new middle-class electors whom they have been trying to woo. The PSI are most exposed because Fanfani's strategy relies much more on revenue increases (for which Forte is responsible) than on spending cuts (which could be blamed on individual Ministers, including those of the DC). This is leading some Socialists to argue that the time has come to leave the government or to manufacture a crisis leading to its fall; the latter would be ideal, but Craxi is uncomfortably aware of his failure to achieve that result several times last year. In the confidence debate Martelli signalled that the PSI would review their support for Fanfani after six months; much will depend on their internal calculations of how many percentage points they would gain in elections this Spring. Whatever they decide, it is a refreshing change for the time being to see Craxi obliged to react to initiatives from the DC rather than vice versa.

Fanfani

8. It is still not clear why Fanfani accepted the Prime Ministership. He was the party's choice, not Pertini's, and most commentators interpreted this as meaning that the DC wished to play their strongest card. There are persistent rumours that he had a personal understanding with Craxi linked to his own great ambition to become President of the Republic; if so, he may have over-rated Craxi's ability to deliver government stability. Humility is not Fanfani's long suit (see Rome Telno 616); he may have thought that he could succeed where so many others had failed, or may simply have been unable to resist the desire to return to the front pages, however briefly. His instinct will be to fight on to the bitter end as Prime Minister, but the DC would not let him do so if the resulting damage to their image before elections were too serious. (He also has many enemies in the party who would not be sorry to see him fail.) His position as a traditional capo, lacking recent Ministerial experience, has already been a gift in propaganda terms to the PCI, who portray him not as yesterday's man but as the man of the 1950s. One possible handicap, when a crisis occurs, is that he cannot count on the same solid support from /Pertini

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Pertini as Spadolini had; already we hear stories of friction between President and Prime Minister; nor can Pertini be as confident now of his ability to resist the pressure for elections. So far Fanfani has pushed his economic Ministers to the front, Elections largely avoiding personal mediation à la Spadolini.

9. There is much talk of combining the administrative elections (due in many Italian towns this Spring) with the general elections due in 1984. The PSI hinted at the possibility of holding both this Spring; more recently, D'Onofrio of the DC has proposed postponing the administrative elections until 1984. To run them in parallel would save money both for the government and for the parties; it would also reduce "consumer resistance" among the Italian electors, who feel that they are called too often to the ballot box. It might also help those parties which pride themselves on a good reputation in local government, such as the PCI, since many voters would apply the same logic to both elections. Spring elections are favoured: to hold them in mid-Winter would put at a disadvantage the large parties and those which are strong in areas affected by the bad weather, notably the DC; the summer would mean a lower turnout. The motive for the DC's proposal is to reduce the pre-electoral atmosphere, and to avoid the blame for a crisis if one occurs. It remains to be seen whether the administrative elections will really slip; there is no technical reason why they should not, if the coalition parties can agree.

Conclusion

10. Much will depend on the outcome of the scala mobile negotiations and on the progress of the economic package through Parliament. At present the government looks weak and it has found no effective response to the wave or popular protests. What does seem clear is that no wise politician would rush to replace Fanfani if he fell; it therefore looks as though this will be the last real government of the legislature. When the general elections will come is impossible to predict; the considerations remain very much as set out in my letter of 4 February 1982 to Roy Osborne, but there has been one major change: no major party now has a strong interest in avoiding early elections at any price.

Yours ever

R N Culshaw

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cc: Mrs K Colvin, Research Dept., FCO
Chanceries: Paris, Bonn, Washington

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