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FROM: A M Wood, Head of WED  
DATE: 8 July 1983

cc: Mr James

*Mr Osborne for 13/7*

*Winkler*

Sir J Bullard

*Bottai was probably had to leave early 13/7  
but I was getting for this and for  
the telegrams from Rome*


*13 JUL 1983*

*DR*

ITALIAN POLITICAL SCENE

*AUG*

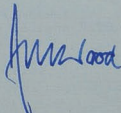
1. The Ambassador gave his initial comments on the results of the Italian elections and the implications for the future governability of Italy in Rome telno 304. You may like a note on the present position before next week's meeting in Athens.
2. In the short to medium term the elections will produce little change - a new version of the familiar coalition will be set up in due course. What the longer term result will be will depend on the evolution of the Christian Democrats. The Party has lost votes steadily for many years without compromising its hold on power, but could now put its position in eventual jeopardy if it is unable to revive its energies. The Party Secretary, De Mita, has been trying to reform the Christian Democrats over the past year, but has found his position weakened by his party's unexpected election losses. The Socialist leader, Signor Craxi, called for his resignation last week as a precondition for Socialist participation in a new five-party coalition. Signor Craxi stated that if the Christian Democrats continued what he perceived as a move to the right the Socialist party would be obliged to go into opposition. The threat was probably empty since it would have opened the door to a broad left alliance based on the Italian Communist Party (PCI) and the Socialists (PSI), which the latter discounted during the elections.
3. Most Christian Democrat faction leaders rallied to Signor De Mita, though his position remains uncertain and he will not

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for some time be able to resume his reform policies. The signs now are that the DC and PSI will reach an accord. There has been virtually no activity during the past week pending a meeting yesterday of the DC Directorate. It has been generally accepted that the DC, both as the largest potential coalition partner and as the party which suffered most at the hands of the electorate, has to sort itself out before a Government can be formed.

4. We await a report from the Embassy on the outcome of the DC meeting, but preliminary reports suggest that little new has emerged. The DC leaders apparently agreed to postpone any post-mortem on the party's election losses until after the formation of a new government, the implication being that the DC wanted to avoid entering coalition negotiations at a time of inter-faction rivalry.

5. The Chamber of Deputies reconvenes on 12 July. After that President Pertini must decide to whom he should give the mandate to form a new government. Prime Minister Amintore Fanfani, as outgoing Prime Minister, is expected to be invited to try his hand first. If he fails, the choice will lie between a Christian Democrat acceptable to the Socialists, or the Socialist leader himself, Signor Bettino Craxi. (But Signor Craxi would be opposed by the Republican leader and former Prime Minister, Signor Giovanni Spadolini, who favours an austere approach on the economy.)



A M Wood