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ANGLO-ITALIAN SUMMIT: INTERNAL POLITICAL SCENE.

SUMMARY.

1. THE FUTURE OF CRAXI'S COALITION REMAINS UNDER DISCUSSION BETWEEN THE POLITICAL PARTIES. BECAUSE OF THE DIFFICULT CHOICES FACING THE CHRISTIAN DEMOCRATS (DC) NEGOTIATIONS BETWEEN THE MAJOR PARTIES HAVE HARDLY BEGUN. GOVERNMENT BUSINESS CONTINUES AS USUAL, BUT THE COALITION LOOKS JADED. NO SOLUTION IN SIGHT.

DETAIL.

2. ALTHOUGH THE PASSAGE OF THIS YEAR'S CONROVERSIAL FINANCE BILL WAS FINALLY ACHIEVED BY THE END OF FEBRUARY, SIX WEEKS OF DISCUSSION AND PUBLIC DEBATE BETWEEN THE COALITION PARTIES OVER THE FUTURE FORM OF CRAXI'S GOVERNMENT HAVE SO FAR BEEN WITHOUT RESULTS. THE PRESSURE FOR CHANGE REMAINS. CRAXI IS THE LONGEST-SERVING ITALIAN PRIME MINISTER SINCE THE WAR (HE CAME TO OFFICE IN AUGUST 1983). THIS BRINGS ITS OWN PRESSURE FOR A RE-SHUFFLE OF MINISTERIAL POSITIONS IN A POLITICAL SYSTEM NURTURED BY FREQUENT RE-ARRANGEMENT OF GOVERNMENTS. CRAXI AND HIS SOCIALIST PARTY (PSI), WHO HELD ABOUT 12 PERCENT OF THE VOTE IN THE LAST GENERAL ELECTION, WISH TO RETAIN THE PRIME MINISTER'S CHAIR AND THEIR LEADING ROLE IN GOVERNMENT. THE DC, LED BY DE MITA, WANT THE CRAXI GOVERNMENT TO END AT THE MOST FAVOURABLE POLITICAL MOMENT, MAKING ONE OF THEIR NUMBER PRIME MINISTER - WHICH THEY SEE AS THEIR RIGHT, GIVEN THAT THEY REMAIN THE LARGES POLITICAL PARTY IN THE COALITION - AND ENTERING THE NEXT GENERAL ELECTION (NOT DUE UNTIL 1988) IN AS STRONG A POSITION AS POSSIBLE. THE REPUBLICANS (PRI), LED BY SPADOLINI, AND THE SMALL LIBERAL AND SOCIAL DEMOCRAT PARTIES, WISH TO HANG ON TO THEIR PRESENT POSITIONS IN THE COALITION AND AVOID EARLY ELECTIONS AND THE RISK OF LOSING VOTES. THE COMMUNIST PARTY (PCI) HAS LATELY BEEN FLIRTING IN PUBLIC WITH THE PSI, SO AS TO GIVE THE SHIVERS TO THE DC, BUT IN FACT IS LARGELY PREOCCUPIED WITH SETTING ITS OWN HOUSE IN ORDER AND IS OUTSIDE THE MAIN CONTEST.

3. THE DC ARE THE KEY TO REACHING AGREEMENT ON NEW TERMS OF REFERENCE FOR THE GOVERNMENT. THEY WOULD DEARLY LOVE TO CUT CRAXI DOWN TO SIZE, BUT HAVE BEEN UNABLE TO DECIDE THEIR TACTICS BECAUSE OF THEIR INTERNAL DIFFERENCES. DE MITA'S EFFORTS TO REDUCE THE INFLUENCE OF THE DIFFERENT FACTIONS WITHIN THE PARTY (BEFORE THE DC PARTY CONFERENCE) HAS SHARPENED ARGUMENT WITHIN THE DC, AND POLITICAL BARGAINING HAS BECOME EVEN MORE

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COMPLICATED THAN USUAL. CRAXI AND DE MITA HAVE NOW FINALLY MET THIS WEEK TO DISCUSS THE FUTURE OF THE GOVERNMENT. BUT THAT IS ONLY THE START OF THE NEGOTIATION.

4. THE OPTIONS STILL SEEM TO BE:

(A) AGREEMENT AMONG THE COALITION PARTIES ON THE GOVERNMENT PROGRAMME FOR THE NEXT FEW MONTHS (A 'VERIFICA'), WHICH WOULD LEAVE ASIDE QUESTIONS OF A MINISTERIAL RESHUFFLE UNTIL AFTER THE DC PARTY CONGRESS IN MAY.

(B) A 'VERIFICA' COUPLED WITH A SUBSTANTIAL GOVERNMENT RESHUFFLE, DESIGNED TO PRODUCE A SECOND AND STRONGER CRAXI GOVERNMENT ABLE TO LAST INTO 1987. THIS SOLUTION WOULD NEED A HIGH DEGREE OF POLITICAL MANAGEMENT AND AGREEMENT BETWEEN THE PARTIES AND THEIR FACTIONS, LACKING AT PRESENT. IT WOULD, HOWEVER, PLEASE THE PSI AND THOSE MAJOR DC FIGURES WHO VALUE THE ALLIANCE WITH THE PSI AND WANT TO REDUCE DE MITA'S INFLUENCE. BUT DE MITA HIMSELF AND THE MAJORITY OF HIS PARTY DO NOT WANT TO COMMIT THEMSELVES TO SUPPORTING CRAXI FOR SO LONG.

(C) A GOVERNMENT CRISIS SOMETIME AFTER THE DC CONGRESS WHICH WOULD EITHER RESULT IN A DC-LED GOVERNMENT (ALMOST CERTAINLY A CARETAKER ONE LEADING TO EARLY ELECTIONS): OR IN A SECOND CRAXI GOVERNMENT LASTING INTO 1987 BUT SO RESHUFFLED AS TO WEAKEN CRAXI'S OWN AUTHORITY.

ALL THESE OPTIONS ARE STILL OPEN.

5. SO IS THE STATUS QUO, STRENGTHENED SOMEWHAT TO PERMIT THE GOVERNMENT TO CARRY ON WITH ADEQUATE AUTHORITY. THE PARTIES MAY FIND NEGOTIATING ANY MAJOR GOVERNMENTAL CHANGE TOO DIFFICULT, AND MAY BE CONTENT WITH A SHORT-TERM UNDERSTANDING WHICH WOULD SEE CRAXI THROUGH THE DC CONGRESS THIS SPRING AND BEYOND. ON THE OTHER HAND, SOME COMMENTATORS BELIEVE THAT THE PARTIES MAY NOW BE MORE INCLINED TO REACH AGREEMENT IN ORDER TO TAKE ADVANTAGE OF THE BENEFITS WHICH THE RECENT DROP IN OIL PRICES IS EXPECTED TO BRING TO THE ITALIAN ECONOMY.

6. THIS IS, EVEN BY LOCAL STANDARDS, A COMPLEX AND FLUID SITUATION, AND I WOULD NOT RULE OUT SOME UNEXPECTED, SUDDEN MOVE, I HAVE HEARD THAT CRAXI HAS CONSIDERED SEEKING EARLY ELECTIONS, BUT HAS REJECTED THE IDEA FOR THE PRESENT.

7. CRAXI HAS BEEN MUCH PRE-OCCUPIED BY THESE DOMESTIC POLITICAL CONCERNS AND THE PRIME MINISTER MAY FIND THEM MORE ON HIS MIND NEXT WEEK THAN OTHER SUBJECTS. HIS STAFF HAVE RECENTLY FOUND IT DIFFICULT TO GET CRAXI TO CONCENTRATE ON ANY BUT THE MOST PRESSING FOREIGN POLICY PROBLEMS. HE WILL HAVE FOCUSED ON THE DETAILS OF THE ANGLO-ITALIAN SUMMIT ONLY AT THE LAST MOMENT. MIFT (TO FCO ONLY) CONTAINS A LIST OF SUBJECTS WHICH CRAXI AND HIS MINISTERS MAY RAISE DURING THEIR MEETINGS ON 12 MARCH.

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