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1. THE EVOLVEMENT OF THE GOVERNMENT CRISIS REFLECTS HOW REALLY UN-
SATISFACTORY THE CENTER LEFT SITUATION HAS BECOME SINCE DECEMBER 1963 WHEN
THE FIRST GOVERNMENT UNDER THE SAME PRIME MINISTER AND WITH THE SAME PARTIES
WAS LAUNCHED AFTER NEGOTIATIONS ON SIMILAR TERMS. FROM THE POINT OF VIEW
OF CHRISTIAN DEMOCRACY (DC), THERE HAS BEEN ONE BIG CHANGE: ALDO MORO

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IS NO LONGER THE HEAD OF THE DC DELEGATION AND HIS HAVING STEPPED ASIDE FOR DC PARTY SECRETARY MARIANO RUMOR HAS CAUSED CERTAIN STIFFENING OF THE DC POSITION.

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2.

FROM THE START OF THE NEGOTIATIONS THE DOROTEI PARLIAMENTARIANS, AFTER CONSULTATION WITH PRESIDENT ANTONIO SEGNI, HAVE CHARGED RUMOR WITH THE RESPONSIBILITY OF KEEPING MORO FROM MAKING "DANGEROUS CONCESSIONS."

THE SAME PARLIAMENTARIANS HAVE THREATENED THAT, IF CONCESSIONS ARE MADE ON DC IDEOLOGY, THE PARTY WOULD WITNESS DEFECTIONS ON THE VOTE OF CONFIDENCE THAT WOULD MAKE SCELBA'S THREAT TO BOLT THE PARTY IN THE FALL OF 1963 SEEM AS NOTHING.

3. THE NEGOTIATORS SEEM TO HAVE REACHED AGREEMENT ON MEASURES TO STRENGTHEN THE ECONOMY AND APPARENTLY NO ONE CITES THESE AS REASONS FOR INABILITY TO REACH A FINAL ACCORD. THE GENERAL CONSENSUS IS THAT ECONOMIC PLANNING, CITY PLANNING AND THE SCHOOL QUESTION FORM THE BONES OF CONTENTION. UNTIL MONDAY, IT APPEARED THAT THE ITALIAN SOCIALIST PARTY (PSI) WOULD ACCEPT ENOUGH CHANGES TO THESE PROPOSALS TO ENABLE THE DC NEGOTIATORS TO MEET THE DEMANDS OF THEIR PARTY. THE SITUATION BECAME MORE RIGID FOLLOWING THE PSI DIRECTORATE MEETING OF 13 JULY AT WHICH THE NENNI-DE MARTINO MAJORITY IN THE DIRECTORATE INCLUDED FRANCESCO DE MARTINO, GIACOMO BRODOLINI, ALDO VENTURINI, RENATO COLOMBO, GIOVANNI MOSCA, NELLO MARIANI, MATTEO MATTEOTTI,

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GINO BERTOLDI, PIETRO LEZZI, GIUSTO TOLLOY, LUCIANO PAOLICCHI, AND PAOLO VITTORELLI. OPPOSED WERE RICCARDO LOMBARDI, FERNANDO SANTI, GIORGIO VERONESI, SILVANO VERZELLI, VINCENZO BALZAMO AND TULLIA CARETTONI. TRISTANO CODIGNOLA (LOMBARDIANO) AND SALVATORE LAURICELLA (NENNIANO) WERE ABSENT. THE FOURTEENTH OF JULY WAS SPENT IN DAY LONG EFFORTS OF THE FOUR PARTIES TO RECONCILE REMAINING DIFFERENCES. ESTIMATES OF THE CHANCES OF SUCCESS OF THE NEGOTIATIONS VARIED CONTINUALLY ALL DAY.

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4. THE MOST SIGNIFICANT LATE INFORMATION WAS RECEIVED

[REDACTED] ON THE MORNING OF 15 JULY [REDACTED] THAT THE THREE LAY PARTIES ARE NOT TOTALLY LINED UP AGAINST THE DC AS IT APPEARS FROM THE PRESS. HE CITED THE INABILITY OF THE PSI TO COMPLY WITH A DC DEMAND FOR AN EXPLICIT COMMITMENT TO PUT OFF THE REGIONS AND HE FEELS THAT THE DC IS BEING UNREASONABLE IN THIS REGARD. ON OTHER ISSUES, [REDACTED] BOTH SIDES HAVE DIFFERING POINTS BUT [REDACTED] THE DIFFERENCES CERTAINLY WERE NOT SUCH AS SHOULD CAUSE A BREAKDOWN IN THE NEGOTIATIONS. THE REAL PROBLEM, [REDACTED] IS BASICALLY THE LACK OF GOOD WILL ON THE PART OF THE DC AND THE PSI TO REACH AN AGREEMENT. REFERRING TO THE DC DIRECTORATE MEETING SCHEDULED FOR THE MORNING OF 15 JULY AND TO A FURTHER FOUR PARTY MEETING SCHEDULED FOR THE AFTERNOON, [REDACTED] IT WAS HIS CONSIDERED OPINION THAT ONLY A MIRACLE CAN SAVE MORO'S EFFORT NOW AND [REDACTED] HE, [REDACTED] DOES NOT BELIEVE IN MIRACLES.

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5.

[REDACTED] ON 14 JULY WAS NOT TOO OPTIMISTIC THAT AN AGREEMENT COULD BE REACHED. HE ALLUDED TO PRESSURE BEING BROUGHT BY ELEMENTS OUTSIDE ITALY (OBVIOUSLY REFERRING TO FRENCH AND WEST

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GERMAN GROUPS OPPOSED TO THE CENTER LEFT) ON CERTAIN DC LEADERS TO CONTINUE PRESSING THE SOCIALISTS AGAINST THE WALL AND THUS PREVENT THE FORMATION OF A CENTER LEFT GOVERNMENT. THIS MAY REFLECT ONLY [REDACTED] DISILLUSIONMENT OVER WHAT APPEARS TO BE A DETERIORATION IN NEGOTIATIONS, BUT SHOULD NOT BE COMPLETELY DISCOUNTED.

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6. [REDACTED]
[REDACTED] THE CURRENT IMPASSE IS CAUSED BY SEVERAL CIRCUMSTANCES INCLUDING THE DOROTEI DESIRE TO PRESS THE SOCIALISTS TOO HARD AND BY THE FACT THAT THE DC LEFT WING (FORZE NUOVE) BELIEVE AND HAVE SAID THAT THERE HAVE BEEN TOO MANY COMPROMISES ON THE REFORM PROGRAM. THUS THE ITALIAN SOCIALIST DEMOCRATIC PARTY (PSDI) AND THE ITALIAN REPUBLICAN PARTY (PRI) AND PARTICULARLY THE PSI, SEEING THEMSELVES OUTFLANKED BY THE DC LEFT WING, COULD NOT ACCEPT CONDITIONS WHICH THE DC LEFT WING WILL NOT ACCEPT. [REDACTED] FAVORS A MODERATE REFORM PROGRAM, SAID THAT IF THE PSI WENT ALONG ON TOO MANY COMPROMISES ON THE REFORM PROGRAM, THE PSI LEADERSHIP WOULD NOT BE ABLE TO BRING ALONG ENOUGH OF THEIR BASE TO MAKE THE CENTER LEFT A WORKABLE FORMULA. FOR THIS REASON, [REDACTED] REGRETTED THE STRINGENT DOROTEI POSITION.

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7. [REDACTED] FANFANI IS NOT CREATING THE CURRENT DIFFICULTIES BUT [REDACTED] HE WILL NOT ENTER THE GOVERNMENT. [REDACTED] THE DOROTEI REQUESTS ON THE URBAN BILL HAVE REACHED THE POINT WHERE THEY, THE DOROTEI, WILL SOON ASK

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FOR PEASANTS TO RETURN CURRENTLY ALLOCATED LAND SO THAT SPECULATORS CAN RESOLVE ECONOMIC DIFFICULTIES.

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IN PRESS CIRCLES THERE

ARE REPORTS THAT PRESIDENT SEGNI CALLED IN ALL OF THE DC NEGOTIATORS SEPARATELY ON THE AFTERNOON OF 14 JULY TO MAKE SURE THAT NO ADDITIONAL DC CONCESSIONS WERE MADE.

9.

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CONFIRMED

JULY SEGNI'S PRESSURE ON RUMOR AND

ON SENATOR SILVIO GAVA TO HOLD THE LINE IN TODAY'S DIRECTORATE MEETING WHICH IS EXPECTED TO BE LONG AND HECTIC. AGAIN EXPRESSED THE DOROTEI VIEWPOINT THAT IT MUST BE THE PSI TO YIELD ON VARIOUS "CONFISCATORY" ASPECTS OF THE ECONOMIC PLANNING AND URBANIZATION ISSUES SINCE THE DC WILL NOT BE A PARTY TO BASIC CHANGES IN THE STRUCTURE OF THE ITALIAN SOCIETY AND STATES THAT HE IS NOT OPTIMISTIC FOR A SUCCESSFUL OUTCOME OF TODAY'S MEETINGS.

10.

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STATES BLUNTLY THAT LEADERS OF THE CENTRISMO POPOLARE

FACTION ARE UNINFORMED ON ESSENTIALS, BUT THAT THEY REMAIN AS FIERCE AS EVER AGAINST THE CENTER LEFT AND ARE WILLING TO SUPPORT THE DOROTEI IF THEY CAN FORCE A BREAK OVER /PROGRAM. FOREIGN TRADE

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MINISTER BERNARDO MATTARELLA, A DOROTEI, [REDACTED]
[REDACTED] STATED THAT HE COULD NOT SEE AT THE MOMENT HOW THE NEGOTIATIONS COULD GET THROUGH THE DAY SUCCESSFULLY, BUT HE BELIEVED THAT IN THE END THE PSI, OUT OF FEAR FOR NEW ELECTIONS, WOULD HAVE TO COME FURTHER THAN THE DC IN COMPROMISING ON THE PROGRAM.

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11. [REDACTED]

[REDACTED] THE VATICAN REMAINS AS USUAL

BEHIND MORO AND THE CENTER LEFT. THIS IS ALSO THE VIEW OF A VERY INFLUENTIAL MEMBER OF THE DC PARTY CLOSE TO PREMIER MORO AND WHO REFLECTS MORO'S VIEWS, WHO INSISTS THAT MORO CONTINUES TO BE BACKED BY THE VATICAN AND THAT LIAISON IS BEING MAINTAINED THROUGH BISHOP FRANCO COSTA. OUR EXPERIENCE HOWEVER WOULD LEAD US TO ACCEPT DELL'ACQUA'S VIEWS AS EXPRESSED IN AMERICAN EMBASSY ROME TELEGRAM 8524 OF 10 JULY AS THE LATEST POSITION OF THE VATICAN, SINCE THERE IS NO DOUBT THAT THE CHURCH WAS TOUCHED TO THE QUICK BY THE SCHOOL ISSUE AND IT IS PROBABLY NOT SANGUINE THAT THE CENTER LEFT CAN RETRIEVE THE DAMAGED POSITION.

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12. THE NEXT IMPORTANT BREAK IN THE NEWS SHOULD BE AT THE CLOSE OF THE DC DIRECTION MEETING. THE SITUATION REMAINS SO FLUID THAT EVEN THE APPRAISALS [REDACTED] FLUCTUATE HOURLY, AND ONLY THE RASHEST OF PERSONS ARE PREPARED TO MAKE CATEGORICAL PREDICTIONS ON THE OUTCOME. WE DO HAVE THE IMPRESSION, HOWEVER, THAT THE DOROTEI ARE DEFINITELY SEEKING TO

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FORCE THE ISSUE. EITHER THE PSI WILL COMPROMISE FURTHER OR THERE WILL BE NO CENTER LEFT. IN THE HURLY BURLY OF A MONOCOLORE, I.E., ALL DC GOVERNMENT, OR OF NEW ELECTIONS THAT WOULD FOLLOW, THEY APPARENTLY BELIEVE THAT THE DC CAN SUCCESSFULLY APPEAL TO THE VOTERS ON A SAVE-THE-COUNTRY ISSUE. THE PSI SITUATION IS EXTREMELY DELICATE. THE PARTY APPEARS TO HAVE GONE AS FAR AS ITS PRESENT FACTIONAL LINE-UP WILL SAFELY PERMIT AND STILL BAR NEW DEFECTIONS AND MEET STEPPED UP ATTACKS BY THE ITALIAN COMMUNIST PARTY (PCI) AND THE ITALIAN SOCIALIST PARTY OF PROLETARIAN UNITY (PSIUP). HOWEVER, THE ALTERNATIVE, PARTICULARLY THAT OF NEW ELECTIONS, LOOMS LIKE A FEARFUL SPECTRE. FIGHTING FROM THE POSITION OF FAILURE, THE PRESENT PSI LEADERSHIP WOULD BE SEVERLY DAMAGED AND LOSE VOTER APPEAL AS WELL. THE PSI HAS NO CHURCH ON WHICH IT CAN FALL BACK TO BAIL IT OUT. THE TEST OF NERVES BETWEEN THE PSI AND THE DC WILL CONTINUE RIGHT TO THE END AND IT MAY ONLY BE AT THE LAST MOMENT OR EVEN AFTER POST-NEGOTIATION ANALYSES HAVE BEEN COMPLETED THAT OBSERVERS CAN DISCERN WHO YIELDED MOST. ALL THIS, IN OUR OPINION, POINTS TO A MOST PRECARIOUS GOVERNMENT EVEN IF THE CENTER LEFT IS FORMED, A VIEW ALSO EXPRESSED BY VENERIO CATTANI OF THE PSI. WITH THIS IN MIND, THE PARTIES MIGHT DROP IT AS A BAD JOB AND SEEK A BREATHER FOR THE SUMMER BY LEAVING A MONOCOLORE GOVERNMENT TO PUT THROUGH MEASURES FOR THE ECONOMIC CRISIS, WHILE SINGLE PARTIES GIRD THEMSELVES FOR A FURTHER ROUND IN THE FALL.

13. [REDACTED] END OF MESSAGE

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