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INTELLIGENCE MEMORANDUM

ITALY'S NEW PROGRAM AGREEMENT: HOW SIGNIFICANT?

Politics in Italy are never simple, and thus it is no surprise that there are many interpretations of the program agreement reached by Italy's major parties on July 4. The Italian Communists claim the agreement is an historic landmark in terms of both substance and political significance; Senate President Fanfani, a conservative Christian Democrat, calls it a mere "wish book."

On close reading, the agreement appears to be far from a cure-all for Italy's problems, but on the other hand it is a good deal more than ~~the vacuous document~~ pictured by Fanfani. In practical terms, it represents a ~~fairly~~ good start toward combatting crime and violence and controlling public expenditures. It also provides the basis for future innovative measures in such fields as patronage and regional and local government.

Perhaps even more significant, the agreement represents, if not a landmark, at least a milestone in the relationship between the Communists and the other parties: for the first time since 1947 the Communist party has been brought formally

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and openly into the policy making process. As with previous gains by the Communists, this one will probably not be reversed. Indeed, it is likely that the over-all Communist role will grow.

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The Details

The parties have made a promising beginning in some areas and dodged decisions in others. The agreement is full of specifics in the first two sections, dealing with public order and the economy, but tends to trail off into generalities in the remaining four sections which concern regional and local government, schools and universities, press and television policy, and nominations to top jobs in the public sector enterprises.

Public Order: The last major round of legislative activity on the public order question took place following an upsurge of political violence in the spring of 1975. The chief issue then was whether to grant the police more latitude in dealing with extremists--a course favored by the Christian Democratic-Republican government but opposed by the left, which regarded it as an infringement on civil rights. After prolonged and bitter debate, the government won parliamentary approval for a modest increase in police powers--police were permitted to use their weapons more freely and to search suspicious persons without the authorization of a magistrate. The law also limited the power of the courts to grant "provisional liberty" to those arrested in connection with serious crimes.

The new interparty agreement deals more comprehensively with the public order situation and envisages the addition of significant new police powers to the 1975 law, including preventive detention of suspicious persons, the authority to raid suspected terrorist hideouts without prior judicial authorization, and the expanded use of wire taps in the detection and prevention of serious crime.

In addition, the agreement goes into considerable detail in recommending:

--Speedy passage of laws reorganizing the police and intelligence services;

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--A mechanism within the Interior Ministry to achieve closer coordination among the security forces;

--Measures to improve the penal system and streamline the judicial process.

The public order section of the accord thus incorporates many of the measures which Christian Democratic and government spokesmen have called for in recent months to combat lawlessness. Virtually the only point on which the Communists did not concede substantial ground was the question of police unionization. Both the Communists and the Socialists insist that any police union must be linked to the existing labor confederations--in which the left has preponderant influence--while the Christian Democrats and other parties favor an independent police union. The document notes that the differences "remained irreconcilable" and leaves resolution of the matter to parliament.

Admittedly, most of the proposed measures are intended to deal more with the symptoms than with the causes of Italian political violence. Still, the measures add up to a more vigorous attack on the problem than any previous efforts and could enable the Italians to turn the corner on the violence question.

The concessions made by the Communists attest not only to the importance the party placed on bringing the talks to a successful conclusion but also to the Communists' desire to reinforce the public's growing perception of the party as a force for order.

Economic Policy: The economic portion of the accord gives Andreotti a mandate for continued austerity. It specifically endorses the objectives cited last April by the IMF in granting Italy a sizeable stand-by credit: reduction of the budget deficit, reallocation of resources from consumption to investment, and the reduction of unit labor costs.

In the public finance area the agreement urges:

--a ceiling on public spending by national and local authorities and specific procedures for ensuring that expenditure levels do not exceed available funds, as they have often done;

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--restoration of limited taxing authority to local governments;

--reduction of social insurance costs through a variety of means, such as the introduction of a minimum charge for medicines;

--a temporary freeze on public sector hiring at both the national and the local government levels.

A variety of fiscal measures are envisioned for 1978 to further dampen domestic consumption, stimulate investment, and create new jobs. In citing priority investment targets, the agreement is most specific on policy toward the underdeveloped South. For example, it urges that arrangements be made by the end of July for simplifying the expenditure of investment funds there.

The agreement fails, however, to come to grips with the critical problem of soaring wage costs. It stresses the need for increased productivity and includes a program to increase labor mobility, but it avoids any reference to fundamental reform of the wage escalator system, which--by permitting most wages to rise quarterly in response to the cost of living index--is the chief factor behind wage-push inflation.

Labor remains adamantly opposed to changes in the escalator, and the Communists are thus reluctant to authorize any tampering with the system, even though party economists recognize the need for changes. The Communists realize they are vulnerable to criticism from the Christian Democrats on this score and are now seeking support in the labor movement for other changes in the wage structure aimed at reducing overall labor costs.

Other Points: The rest of the agreement deals in a general way with less urgent problems ~~that happen to be more divisive politically than most issues related to public order or the economy.~~ Included are calls for:

--Rapid implementation of earlier legislation designed to transfer more power to the 20 regional governments, a contentious issue because of the extensive Communist presence at the local level;

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- Reform of the educational system to relieve overcrowding and modernize the curriculum. The Communists shy away from specifics in this area because of their strained relations with the student left;
- A variety of reforms relating to the press and television, a nettlesome issue because of the struggle for influence that has been taking place in the media field since a court ruling last year declaring the government's monopoly in the broadcast media unconstitutional;
- New procedures for personnel appointments in the public sector, a delicate subject because the Christian Democrats have traditionally made extensive use of the public enterprises for patronage purposes.

The proposals that stand the best chance of getting on the books quickly are the specific recommendations on public order and the economy. Widespread concern with violence gives the parties a rationale for setting aside political differences on the public order question. The economic proposals, meanwhile, can be portrayed as, in part, an unavoidable response to international pressure, thus minimizing the political cost of action in that area.

Efforts to give substance to other parts of the accord, however, are likely to cause sharp controversy. Preliminary indications are that the Communists will press hard for implementation of the proposals that affect their interests directly.

Regions: The Next Test?

The issue looming largest in this regard is the regional autonomy question. Even before the program accord was reached, the Communists, backed by the Socialists, were pushing the Christian Democrats to implement a two-year-old law providing for further decentralization of the government's powers. The law is designed to give the 20 regions wide powers over schools and universities, local finances, and health care. A parliamentary committee chaired by the Communists has studied and amended the decentralization program, and has forwarded its proposals to the government for approval. But Andreotti's cabinet is split on the issue: ministers who stand to lose some of their power and patronage are resisting

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decentralization. The Communists and Socialists have stopped short of giving Andreotti an ultimatum, but they have made it clear that they consider the decentralization issue a critical test of Christian Democratic intentions regarding the recent program agreement.

This tug-of-war has broad political implications. The Communists are vitally interested, not just because of their strength in the regions--they participate directly in six of the 20 governments and have consultative roles in eight others--but because Communist gains in that area would be highly visible to members of the rank and file who now question the benefits of further cooperation with the Christian Democrats.

The regions, moreover, are already serving as a kind of testing ground, where both parties are experimenting with new forms of cooperation in an atmosphere less highly charged than Rome's. Such experiments have gone farthest in Sicily and Lombardy, where program agreements similar to that just reached at the national level have been in effect for a year or so.

The Christian Democrats may now come under greater pressure from the Communists in the regions than in Rome, since the Communist leadership may have decided that the Christian Democrats at the center have been pushed about as far as possible before new elections. But some Christian Democratic attitudes have changed as well. At least in northern Italy, local Christian Democrats appear to be gaining confidence in their ability to cohabit with the Communists in government. Their confidence stems not only from their own party's success in rebuilding its machinery in the North, but also from the difficulties encountered by the Communists in some of the areas they took over in the wake of the 1975 local elections. In short, many Christian Democrats no longer stand so much in awe of Communist cleverness and toughness.

A devolution of more authority to the regions would obviously increase the stakes involved in interparty maneuvering outside Rome. But the implications of increased cooperation between Christian Democrats and Communists at the local level would be considerable in any case, and would not be

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lost on ~~politically astute~~ Italians: the 1963 "opening to the left" that brought the Socialists into the national government was preceded by the admission of Socialists to numerous local governments led by Christian Democrats.

Significance

Even though strains are likely to develop between now and parliament's recess on July 29, the program agreement seems to have assured Andreotti's survival at least until fall. ~~Christian Democratic Party president Moro is even more optimistic; he believes the agreement could keep Andreotti in office until the presidential election in late 1978.~~

Viewed from the Communists' perspective, the agreement caps a lengthy period of maneuvering aimed at setting the precedent for more formal Communist involvement in national policy making. The Communists will now try to ensure:

- That major government policies continue to be devised through formal interparty negotiations including the Communists; and
- That enough of the new agreement is implemented to convey an impression of progress on Italy's worst problems.

The Communists are doubtless concerned that their image will suffer if Fanfani is right and the agreement, like so many earlier government programs, turns out to be a mere "wish book." That would run counter to the impression the Communists have sought to convey over the years that their participation in the governing process is essential to meaningful change in Italy.

But the dilemma for the Christian Democrats appears more acute. Failure to translate much of the agreement into law would raise further doubts about the party's ability to deal effectively with Italy's problems. On the other hand, implementing the accord in its entirety would make it more difficult for the Christian Democrats to convince their traditional electorate that the party is not moving gradually toward a

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governing partnership with the Communists.

There is already evidence of more discomfort among Christian Democrats than among Communists over the implications of the new program. The Christian Democrats' sensitivity shows up most clearly in discussions of procedural questions related to the agreement. Anxious to avoid the impression that the accord has altered the "political framework," the Christian Democrats, for example, are resisting proposals, including one from Prime Minister Andreotti, that call for regular contacts with Communist legislators on the implementation of the agreement.

Until issues such as these are resolved, the precise significance of the agreement will be somewhat conjectural. ~~Moreover, there are so many layers in Italian political life, and changes occur so slowly, that the agreement's practical effect will always be hard to discern.~~ It might be possible to argue, for example, that because the Christian Democrats have consulted the Communists privately for years on major issues, the program agreement will not significantly alter the way things really get done.

But such an argument understates the extent of the change that has occurred in the past few years. A couple of years ago a formal negotiation with the Communists on matters of high policy would have been unthinkable for the Christian Democrats; even a few months ago it would not have been discussed openly. But just as the Christian Democrats acknowledged last August that they could not form a government without Communist cooperation, they have now acknowledged that in at least one major instance they could not make government policy without open Communist participation.

Obviously the agreement does not set a rigid precedent; perhaps more often than not, old ways of doing things (in which the Communists also played a major role) will prevail. But if open and formal cooperation appears to be making any sort of dent in Italy's many problems, there will be well-nigh irresistible pressure to broaden it.

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