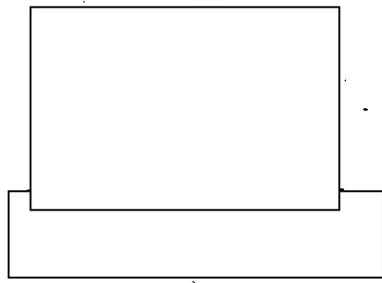


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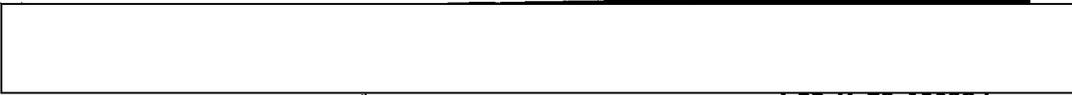
MEMORANDUM

SUBJECT: The Impact on the European Community of a Larger PCI
Role in the Italian Government: European Leaders' Views

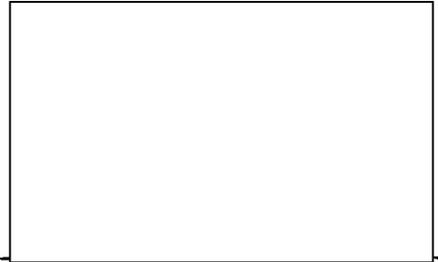
[West European political leaders and European Community officials do not seem especially alarmed about the effects on the EC of a larger PCI role in Italy's government--for example, PCI participation along with the Christian Democrats in a coalition government, with a cabinet role for the PCI.]

[These leaders have expressed certain concerns arising not so much from apprehension that such a government would directly challenge EC institutions and regulations as from a vague unease about dealing with a party that, whatever its evolution, still calls itself Communist and has never been part of the European political establishment. Eventually, a larger PCI role in Italy's government would be likely to influence political cooperation in the Community--for example on issues like CSCE--and the prospects for defense cooperation in the Community framework, but few Europeans seem to have thought through these consequences in detail. Their concern arises more particularly from the prospect that the US would view such an Italian government with hostility.]

[However, European leaders believe that they can do little to ward off a larger PCI role. Most of them suspect that in Italy's present circumstances there is no alternative that offers any hope of political stability or economic reform. Most would be likely to respond to such a development by trying to disarm Italy with a European embrace, rather than by shunning it. This approach would create a serious dilemma for them if the US in contrast ostracizes an Italian government including the PCI.]



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1. (As regards its impact on EC institutions and regulations, a larger role for the PCI seems to inspire only a low level of concern among most European leaders. They are aware that the PCI has firmly supported Italy's membership in the EC for many years and that the party sees participation in EC institutions--especially the European Parliament--as enhancing its own legitimacy.)

The PCI agreed with the Christian Democrats, in the program accord of last June, to support closer EC integration in many areas, including balance of payments adjustments, export credit policy, regional aid policy, the common agricultural policy, energy policy, and relations with the Third World.

Moreover, in its own new medium-term economic plan, the PCI reiterates these aims and calls for a resumption of the Community's integration process. In particular, it rules out protectionism--often alleged to be one of the most serious dangers European Communist parties pose for the EC--as a solution to Italy's economic problems.

PCI proposals for agricultural reform as spelled out in its plan are in close harmony with the Christian Democratic government's agricultural reform plan of last August and with ideas now current among many EC officials on the reform of Mediterranean agriculture throughout the Community.

On industrial policy, the PCI's medium-term proposals for more extensive economic planning seem to aim at moving Italy closer to the practice of several other EC countries, notably France. The PCI has opposed more nationalization of industry.

Moreover, the PCI has taken a conservative position in support of Italian economic stabilization under IMF and EC guidelines. It has resisted union pressures for more economic stimulus to combat unemployment. Its position on this issue is as restrained as that of the present Christian Democratic government, which, like other governments in the Community, has already poured massive subsidies into industry to help restrain rising unemployment.

(Thus, there is little in PCI policy to provoke apprehension among European leaders about how a larger role for the PCI might affect EC institutions and programs. Europeans believe that, at least for some time, PCI officials in Italy would take a cautious and cooperative rather than a disruptive approach to the Community.)

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2. (European leaders observe that the Community as such flourishes when its members are prosperous and suffers when they are in economic difficulty, because this raises obstacles to closer cooperation. Economic troubles are widespread among Community countries now, and are especially serious in Italy. But many European leaders are skeptical about the Christian Democrats' capability to institute the economic and social reforms that would revivify Italy's economic performance. These reforms seem to require at a minimum PCI cooperation and probably, as the price for that cooperation in the long run, a more formal role in the government than the party has at present.)

(Thus, while European officials would doubtless prefer continued informal PCI support for a Christian Democratic government, they believe that PCI participation in a coalition government, for example, would do far more for Italy's--and hence Europe's--economic health than would a crisis throwing the PCI and thus the unions into opposition. In particular, many leaders suspect that a formal governmental role for the PCI could enhance its ability to persuade the unions to accept continued wage restraint and other forms of economic discipline. This prospect, to many Europeans, helps offset the argument that political uncertainty might lead to a flight of capital or a decline in investments under a government including the PCI.)

3. (Some European leaders voice concern that, in a broader sense, an official PCI role in Italy's government would disturb the consensus of social and political views at the basis of the Community as a political entity.)

(However, they also realize that that consensus has already been challenged--and more radically--by the economic crisis of the past four years. Even conservative leaders find that they must rethink the legitimacy of the mixture of capitalism and social democracy that has characterized postwar Europe. In the perspective of such social and political ferment, many European leaders find PCI policies by and large a responsible effort to address Italy's particular situation. In fact, they seem to provide a certain bulwark against more extreme proposals.)

(Some traditionally conservative European leaders--for example Luxembourg's Prime Minister Gaston Thorn--have stressed their uncertainty about the PCI's commitment to democracy. Other leaders, however-

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that democratic processes in Europe are so strong that they have effectively harnessed the PCI, forcing it to compete for power by seeking votes in a democratic system.]

[In fact, conservative politicians' occasional threats to break off support for the Italian Christian Democrats because of their cooperation with the PCI have apparently been defused by the very slow and tentative development of that cooperation. Moreover, some conservative parties maintain discreet contacts of their own with the PCI.]

[The dominant impression European leaders convey in the sum of their public and private discourse is that, while they have little taste for Italy's prospects as the PCI edges closer to a formal governmental role, they also have little ability to influence Italy's political evolution and little advice to offer about what alternative it has to such a PCI role--especially when some Italian Christian Democrats themselves say the alternative may well be civil war.]

[Most European officials seem fairly confident that, in relation to either the EC's economic practices or its democratic traditions, they will be able to restrain, to manage, and in a sense to "co-opt" the PCI should it attain the status of a coalition government partner in Italy.]

4. [Few Europeans have raised in detail the longer-term question of how such an event might influence EC political cooperation on foreign policy issues or the development of EC defense cooperation. They may hope to avoid serious clashes with an Italian coalition government because the foreign and defense ministries would likely remain Christian Democratic, because the consultation and consensus procedures in EC political cooperation have a strong moderating effect on all the parties, and because many Europeans partly share the PCI's desire to avoid antagonizing the Soviet Union.]

[However, European leaders acknowledge Italy's crucial role in maintaining the Community's security, especially in the Mediterranean. They remain skeptical of PCI intentions toward NATO and would seek continued assurances that an Italian government including the PCI would not jeopardize the alliance or hamper European defense cooperation. For example, they have sought to test the loyalty of PCI Italian representatives in WEU by assigning them the task of writing an evaluation of Soviet and East European implementation of the Helsinki accords.]

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5. One of the strongest sources of European leaders' concern about a larger PCI role in Italy's government is their apprehension that the US would react in a hostile manner to this trend and by extension to the EC itself. This, some of them fear, could promote the fragmentation of the Community as its members seek to reinforce bilateral links to the US in place of the emerging US-EC relationship.]

[We believe that European leaders, in speaking to US officials, are tempted to overstate their real concerns about the PCI partly in order to insure that they themselves will be trusted by Washington whatever happens in Rome. In practice, they prefer to avoid hostility or moves that would isolate Italy and to maintain low-profile efforts to keep Italy fully engaged in its institutional ties with the West, despite the PCI's presence.]

[Explicit US opposition to the PCI and other European Communist parties thus creates a dilemma for European leaders, because it conflicts with their own more pragmatic approach. It also threatens both their sense of autonomy in domestic politics and their confidence in US support for political cohesion within the Community.]

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