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SUBJECT: Italian Political Situation

1. Italian Prime Minister Cossiga's tripartite government currently faces its most serious challenge to date. After receiving a "vote of confidence" in the nationwide local elections in June, the Christian Democratic-Socialist-Republican coalition has been checked in its bid to consolidate its still shaky hold on power by its failure to make tangible progress in combatting Italy's persistent economic and terrorist problems. The government's ability to overcome these difficulties will hinge on its success in lessening tensions within the coalition itself and improving relations with the opposition parties.

2. Christian Democrats--inspired by leaders such as Minister of Industry Bisaglia--and Socialists took a considerable risk in agreeing prior to the election to participate in this government. In each case, the decision--made by party moderates and conservatives--overrode objections of leftwing factions hoping to establish a more cooperative relationship between the government and the Communists. However, the gamble seemed to pay off. The results of the June election appeared to indicate public support for the newly-established coalition and were interpreted as a mandate for it to provide effective government.

3. Since the election, both Christian Democratic and Socialist leaders have sought to fulfill voter expectations for good government--and strengthen their control over their respective parties in the process. Dominant Christian Democrats are determined to tie the Socialists more firmly to the coalition. To accomplish this goal, they have been willing to grant their partners greater influence within the government, although only in exchange for total Socialist commitment to the coalition and its policies. Socialist leaders have agreed to the Christian Democratic conditions in the hope of being taken more seriously in the councils of government than was their party's experience in the days of the center-left coalitions of the 1960s. Each group is convinced that the benefits it stands to gain from the relationship will either force its leftwing opponents back into the fold or weaker them to the point that they are no longer serious threats.

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4. Leftwing Christian Democrats and Socialists continue to have reservations about the Cossiga government and seem determined to keep it off balance. They have not, however, gone so far as to desert it on recent roll-call confidence votes for fear of discrediting themselves--and their calls for greater cooperation with the Communists--by opening themselves to charges of disloyalty. At the same time, Cossiga has been reluctant to provoke confrontations with them, and has preferred to retreat on important legislative issues--such as his economic stabilization program--rather than risk exacerbating tensions within the government. [REDACTED]

5. Governmental effectiveness also has been hampered by stiff Communist opposition. The Communists view the collapse of Cossiga's coalition as a necessary first step toward resuming their drive for a direct governing role. They are determined to question the government on every available issue, in this fashion hoping to encourage both leftwing Christian Democrats and Socialists to step up their own criticisms of the coalition, challenge the dominant factions for control of their respective parties, and ultimately succeed in bringing the government down. The key to the Communist strategy is to wean the Socialists from their alliance with the Christian Democrats in order once again to make the Communists the indispensable element of Italy's governability. [REDACTED]

6. Most recently, the government has been stymied in its work by yet another problem: parliamentary obstructionism on the part of the vocal Radical Party and the neo-fascist Italian Social Movement. Cossiga's failure to break a recent filibuster by these two parties against his economic program has underlined his coalition's inherent weakness, and he is feeling intense public and political pressure to make some corrective adjustments in his governmental formula. This pressure is likely to intensify later this year if anticipated labor unrest materializes. [REDACTED]

7. One alternative that has gained some currency calls for Cossiga to broaden his government by including the Social Democrats--and perhaps also the Liberals--to bolster its parliamentary clout. But, while the Prime Minister could certainly see the mathematical advantages in such a move, he would likely calculate that it probably would worsen strains among present coalition members. It is virtually certain that both the Socialist and Republican parties would resist dilution of their own influence within the government. In addition, leftwing Christian Democrats and Socialists undoubtedly would object strongly to the creation of a five-party government that would appear even more anti-Communist than the current formula. Finally, the Communists--faced with such a coalition--could be expected to intensify their own opposition. [REDACTED]

8. If Cossiga concludes that a change in the government would be useful, he may opt to stick with the current coalition but make changes in the cabinet--possibly to include leftwing Christian Democrats and Socialists. This move might help calm existing tensions in the government and could go a long way in improving relations with the opposition; the Communists already have hinted that they would moderate their opposition if the current government--which they perceive as symbolically anti-Communist--is replaced. [REDACTED]