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ITALIAN SITUATION



Summary

Sharp divisions within Prime Minister Forlani's Christian Democratic-led four party coalition and between the government and the powerful Communist opposition have prevented effective handling of the country's chronic economic problems. The government remains in office primarily because none of the parties seems to want a government crisis before important national referendums and local elections in May and June. Tensions are such, however that things could fall apart at virtually any time.



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Despite a majority of nearly 100 votes in the Chamber of Deputies, the government has been unable because of the competing interests of the parties to do much more than keep itself afloat. The leadership of the Socialist party--which provides the government's balance of power in parliament--is dissatisfied with its subordinate role to the Christian Democrats. The Socialists are committed to drawing sharp distinctions between themselves and their partners, hoping to attract increased voter support in the elections that would bolster their hope to lead a future government. While most Christian Democrats see their alliance with the Socialists as the best way of keeping the Communists out of the government, they are increasingly resentful of constant Socialist criticism of their leadership. The Communists--hoping to relaunch their own campaign for a direct governing role--are determined to drive the wedge deeper between the Christian Democrats and Socialists. They have relentlessly attacked both parties for the failures of the Forlani government, while calling on the Socialists to close ranks with them against the Christian Democrats.



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Since the Forlani government took office last October, these struggles have been played out against a backdrop of alleged Christian Democratic involvement in tax fraud scandals, problems in the government's relief effort in response to last winter's earthquake in southern Italy, and the failure of its campaign to eradicate political terrorism. Most recently, the parties have been at odds over Budget Minister La Malfa's projected three-year economic plan. The plan was necessitated by Italy's 20-percent inflation rate, a rising trade deficit fueled by more rapid economic growth than its competitors, an uncontrolled budget deficit, and rapid wage increases. These problems have been complicated by a rash of strikes, primarily in health, education and transportation sectors, underlining worker demands for the renegotiation of existing contracts. Despite these difficulties, each of the parties--looking forward to elections--has been unwilling to compromise. As a result, the government's comfortable parliamentary majority has disappeared on numerous occasions, when deputies have either absented themselves on key votes or lined up with the opposition. This anomalous situation has prompted discussion of both constitutional amendments that might facilitate government action on critical problems and a "government of technocrats," independent of parties, that might be more effective than the current arrangement. [REDACTED]

The government has resorted to roll-call confidence votes on certain questions to stem the tide of defections from its ranks. This gambit thus far has proven successful because--despite the parties' lack of commitment to the coalition--they are aware that the timing of the coming crisis is of utmost importance. The parties are reluctant to bring down the government before their plans and platforms for the parliamentary elections that could well follow the fall of Forlani's government are well in hand. For example, the Socialists seem content to hammer away at Forlani without withdrawing their support, at least until after the Socialist Congress in mid-April, when the leadership's policies are expected to gain official party sanction. The Christian Democrats--under virtual siege for many months--would like to put off a crisis as long as possible in the hope they can exploit their long history as Washington's principal interlocutor and convince the Socialists to withdraw their challenge. The Communists would like to keep the government in office long enough to demonstrate to the public that feuding Christian Democrats and Socialists cannot govern Italy effectively without Communist assistance. [REDACTED]

The government nevertheless has been reluctant to apply its "vote of confidence" strategy to La Malfa's plan fearing it would lose a test on critical bread and butter issues. Consequently, the Prime Minister has opted to bypass the parliament--at least temporarily--and address economic problems by devaluing the lira's EMS central rate and relying on the Bank of Italy to tighten up credit. This he hopes will buy time while La Malfa's plan is worked into a form that maximizes its slim chances of gaining parliamentary approval. Given the current level of political tensions, Forlani undoubtedly would prefer to postpone parliamentary consideration of new measures at least until after June. The budget or some interim arrangements must, however, be approved by the end of April, and it is not inconceivable that the government woes will come to a head at that time. [REDACTED]

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