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Italy's Socialists: The Major Role of a Minor Party

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An Intelligence Assessment

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An Intelligence Assessment

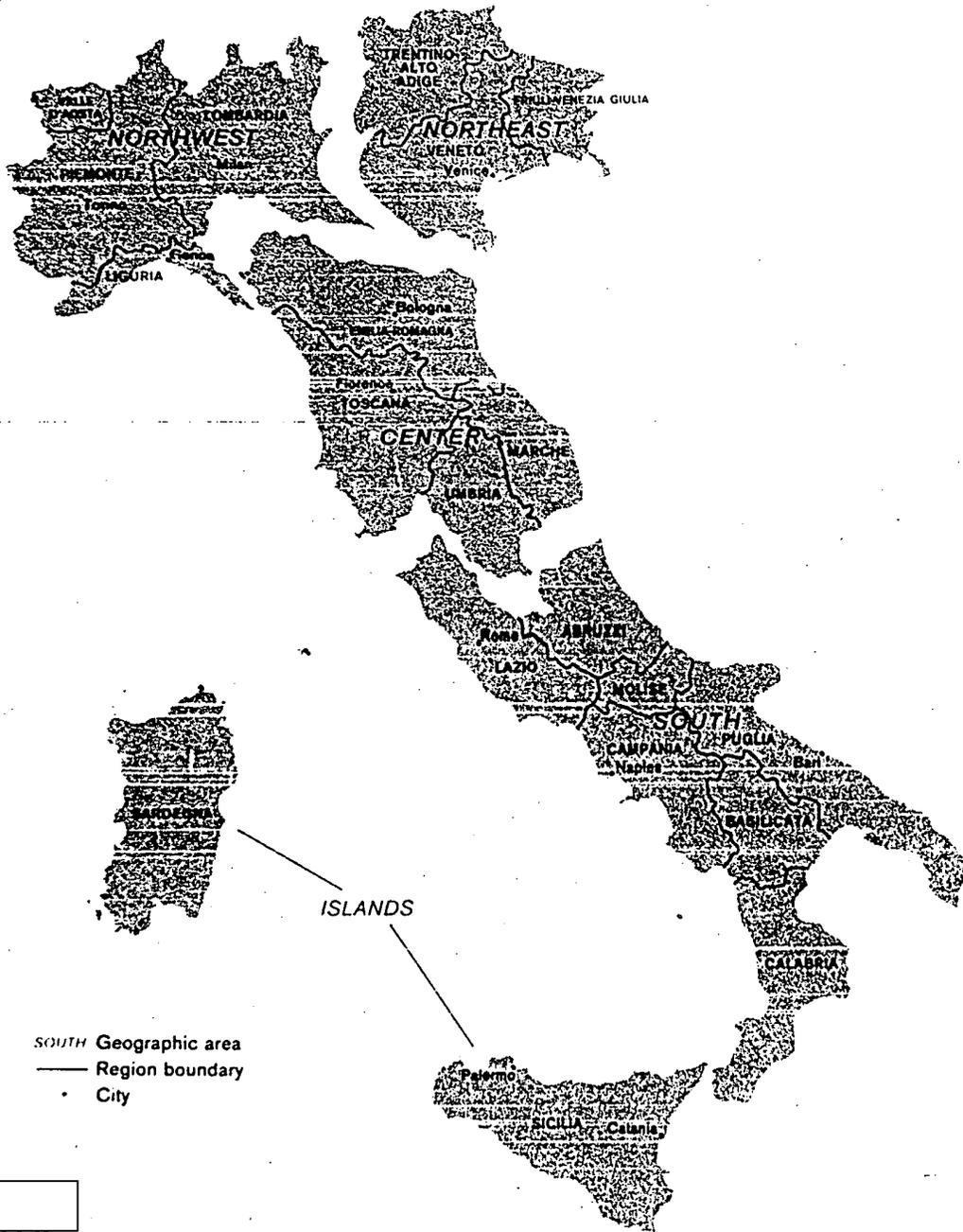
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Figure 1
Italy: Administrative Regions



SOUTH Geographic area
— Region boundary
• City

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**Italy's Socialists:
The Major Role
of a Minor Party**

Key Judgments

*Information available
as of 12 March 1983
was used in this report.*

The Socialists hold a pivotal position in Italian politics because parliamentary arithmetic makes it impossible for the dominant Christian Democrats to form a non-Communist coalition without their support or abstention. Bettino Craxi, the current Socialist leader, has been working for the last six years to give the party greater clout, and his efforts now have reached the point where we think he has a better chance than any predecessor to become Italy's first Socialist prime minister.

Craxi has extracted more concessions from the Christian Democrats in return for his party's support than previous Socialist leaders, and he is now weighing whether to try forcing an early national election this spring in the hope of strengthening the Socialists and easing his way into the premiership. He is also counting on the precedent established by Republican leader Giovanni Spadolini, whose two governments last year laid the basis for a new, but not yet firmly established principle that the prime-ministry should alternate between the Christian Democrats and the lay parties.

Craxi tried futilely to engineer an election twice in the last six months, and now we expect him to proceed carefully. It is our judgment that if Craxi is prepared to create a government crisis and see it through to an election, his chances of emerging as prime minister are slightly better than even. Even without a spring election, we do not rule out the possibility that the Christian Democrats might attempt to resolve the next crisis by inviting Craxi to become prime minister.

A Craxi government's prospects would hinge largely on its composition. While a score of variations are possible, we believe that a center-left coalition with the Christian Democrats and at least two of the smaller parties is Craxi's most likely choice, given his fear of domination in any alliance with the much larger Communist Party and given the dim prospects for cooperation among the intensely competitive smaller parties.

Although Craxi would exert considerable influence as the leader of a center-left coalition, we doubt that he could dominate such a government the way he has dominated his party. He nonetheless would stand a good chance of altering some traditional patterns of domestic and foreign policy.

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Institutional reform has figured prominently in the Socialist platform, and Craxi would probably work to strengthen the office of prime minister, press for measures to streamline the legislative process, and promote direct election of the president. There probably would be few major changes in the economic sphere. Under Craxi, the Socialists have renounced their past espousal of state-controlled economic planning and now base their hopes for an economic renaissance on private enterprise.

Although we would not expect major shifts in the main lines of Italian foreign policy, Rome would probably be a more prickly ally under Craxi, particularly on matters involving the Middle East, North Africa, Latin America, and the Third World. On the other hand, the Socialists have abandoned their traditional ambivalence toward NATO and have become strong advocates of Alliance policy. Craxi mistrusts the Soviets and almost certainly would give the United States strong support on East-West relations. We think Craxi could be counted on to keep Italy's commitment to base cruise missiles (INF) next year, provided there is no dramatic upsurge in Italian peace movement activity

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Italy's Socialists: The Major Role of a Minor Party

The Biggest 9.8 Percent in Europe

The election of 1979 divided Italy's Parliament into three blocs: the Christian Democrats, the Communists, and the Socialists and smaller lay parties. The parliamentary arithmetic dictates that no one bloc can form a government without the support or abstention of one other. With the Christian Democrats and the Communists unwilling and/or unable to come to terms with each other, governments have consisted of fragile coalitions linking the Christian Democrats (DC) with the Socialists (PSI), Social Democrats (PSDI), Republicans (PRI), and Liberals (PLI).

The Socialists' 9.8-percent share of the vote in the parliamentary election of 1979 left them the largest of the small parties and confirmed their pivotal position: it is impossible to form a non-Communist parliamentary majority without them. Although the Socialists lag well behind the DC and PCI—which won respectively 38.4 percent and 30.4 percent of the vote—most of the crises that have rocked the political scene over the past year can be traced, in one form or another, to the ambitious Socialist leader Bettino Craxi.

Since taking over as leader of the Socialist Party in July 1976, Craxi has halted the party's electoral slide and significantly improved its results in a series of local and regional elections. In the process he has moved the party from the margins of politics to center stage. Described by admirers and detractors alike as a ruthless infighter who thrives on the "big gamble"—recent biographies emphasize his love for marathon poker games—we think he is at the same time careful and calculating.

He has strengthened his personal control of the party apparatus through changing party statutes and appointing trusted aides to key posts in the party hierarchy. Most important, Craxi has managed—at least temporarily—to stop the battling between moderate reform-minded Socialists and those with more doctrinaire Marxist views that often rendered the party ineffective in the past.



Bettino Craxi, 49, attended a Catholic boys' school for 13 years and seriously thought of becoming a priest, but his ambitions were redirected after his activist Socialist father was driven underground. That experience transformed Craxi from a potential activist cleric to a militant Socialist. Craxi traces his determination to succeed to his German ancestors who settled first in Campania, then in Sicily, and finally in Milan. Often accused of being authoritarian, Craxi describes himself as a disciplinarian. A family man, Craxi says his wife Anna fully shares his political, social, and humanistic ideals. He favors bringing more women into the PSI and views women as hardworking, determined, and full of intuition and imagination. He has little time for hobbies but relaxes by watching televised soccer games, playing the guitar, and reading. His tastes in reading range from the works of Hemingway, Dostoevsky, and de Maupassant to comic strips.

Craxi, one of the most admired and most detested politicians on the Italian scene, plays a major role in shaping opinion and political debate. Yet until July 1976 he was a virtual unknown. When he succeeded

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the leftwing Francesco DeMartino as party leader, Craxi's avowed "supporters" numbered only 10 percent of party members. By the 1981 Party Congress, however, Craxi controlled 70 percent of the delegates and an overwhelming 72 percent of the vote confirmed his leadership. [redacted]

Craxi emphasizes his leftist credentials [redacted]

[redacted] his actions are governed frequently by pragmatism. Italian scholars who have followed his career emphasize that he focuses mainly on results and has little interest in Marx and Lenin. For Craxi, being a leftist means being pragmatic and efficient, as well as concerned about the human condition. [redacted]

increasingly. Craxi has emerged as a master of the unexpected, always on the alert for situations that he can turn to advantage. For him, politics is a war of movement and under his command the Socialists have waged a guerrilla campaign within the governing coalition on a variety of issues. When his stands have threatened to create an irreparable breach in the coalition, however, Craxi has drawn back—a quality for which he is praised by supporters and harshly criticized by detractors. [redacted]

To a greater degree than previous Socialist leaders, Craxi has been able to turn the Christian Democrats' factionalism, which frequently reduces that party to semiparalysis, to his party's advantage, and he has forced the Christian Democrats to deal with the Socialists as an equal despite their disparity in voting strength. We believe, however, that he is not content with the cabinet posts, patronage, and financial influence he has extracted from the Christian Democrats; his ultimate aim is to lead a government as prime minister. [redacted]

Only one non-Christian Democrat has held the office in the postwar period. The Socialists and the small parties forced the Christian Democrats to agree in principle in 1981 that the premiership should alternate between a Christian Democrat and a candidate from their ranks. Craxi was unable to secure the office for himself and eventually agreed to support Giovanni Spadolini, whose small Republican Party represented only 3 percent of the vote. [redacted]

Press reports lead us to conclude that the Socialists expected the Spadolini government to be short lived, but hoped the precedent of a non-Christian Democratic prime minister would clear the way for Craxi. Once it became clear, however, that despite misgivings about Spadolini the other parties would support him in order to block a Socialist-led government, Craxi fixed on an early national election as his path to power. He has contributed to the fall of two governments since August in futile efforts to force such a national election. [redacted]

[redacted] Craxi is convinced that increasing the number of the 14 to 15 percent garnered in some local elections would vastly improve his chances of getting the prime-ministry. [redacted] Craxi has received contradictory advice, however, on timing a national election. Some Socialist leaders argue that the party can afford to bide its time, others that they must move as quickly as possible. In any event, Craxi must be careful not to topple the government on too flimsy a pretext because Italian voters traditionally punish a party that initiates political instability. [redacted]

This concern over a voter backlash accounts for only some of the "stop" in the "stop/go" tactics followed by the Socialists. President Pertini has been another important restraining factor. We believe that at 86, Pertini, a lifelong Socialist, is less motivated by partisan ambitions than his junior colleagues. Rather, we believe that he has come to view the preservation of the stability and health of Italian institutions as his personal legacy. [redacted]

[redacted] Pertini was instrumental at least twice last year in forcing the Socialists to abandon plans to trigger an election by forcing a government crisis. [redacted]

The "go" side of the equation can be attributed in part to Craxi's penchant for the political offensive and his tactical interest in keeping the DC off balance. We believe it is also attributable, however, to Craxi's need to demonstrate continued political success in order to maintain his control of the party. [redacted]

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That Craxi decided so quickly to change course and support a second Spadolini government can be attributed first to Pertini's warning and, second, to press rumors that the Christian Democrats and Communists had begun to discuss the possibility of forming a Christian Democratic-Republican-Social Democratic-Liberal government, supported from outside by the Communists. We believe that nothing is more alarming to Craxi than the prospect of a Christian Democratic/Communist rapprochement, which would cut the ground out from under the Socialists and leave them once again on the margins of the Italian political game [redacted]

Problems in the Ranks?

Craxi's control of the party rests more on tangible accomplishments than on personal standing. This record was blemished by his flip-flops during the cabinet crises of last August and October, when he twice insisted that a national election was the only solution to the political impasse, but then gave way and supported new center-left governments. [redacted]

[redacted] senior Socialist leaders [redacted] were highly critical of his handling of the party during the crises. We suspect that these sentiments are widely shared within the party and could ultimately weaken his hold unless he does something to reverse the impression of indecisiveness [redacted]

Nonetheless, despite the criticism of Craxi from within the party, we believe his position remains reasonably solid primarily because of the change in party statutes he engineered two years ago. The provision for direct election of the secretary by the party congress rather than the Central Committee has given Craxi unprecedented authority. The new statute requires convening an extraordinary congress in the event the Central Committee votes no confidence in the secretary. In effect, only a party congress can remove a secretary [redacted]

Craxi to date has dealt effectively with his internal opposition. He has moved against those who failed to rally to his side after his election to the secretaryship or bow to inducements later on. He has also isolated

at least three important members of the Socialist left without whose help he could not have been secretary. [redacted]

Meanwhile, the once dominant left faction of the party has been seriously curtailed. But leftist sentiments are deeply rooted, and we believe Craxi continues to formulate most party policies with one eye over his left shoulder [redacted]

Craxi's approach has been criticized by more tradition-minded party members both on practical and ideological grounds. Statements to the press by several prominent party dissidents throughout Craxi's tenure as Secretary suggest that while they are pleased by the party's successes in local elections they worry that he has shifted the party so far from its ideological moorings that it will not be able to consolidate these gains at the national level. Some Italian observers argue that Craxi's pragmatic approach may even be counterproductive among some groups traditionally favoring the Socialists, particularly union members, young people, and women [redacted]

Many of the same critics also are uncomfortable with Craxi's interest in modern campaign techniques, particularly his fascination with the media. This has led to charges both from within and outside the party that he is overly preoccupied with introducing American-style politics in Italy. [redacted]

Finally, we believe Craxi's practice of immersing himself in all aspects of party life has been yet another unwelcome reminder of his personal dominance. Socialist Party secretaries have traditionally concentrated their energies on directing the party's political line and left the day-to-day running of the party to others. [redacted]

Routes to Power

Craxi knows that the premiership is a precarious perch and that if and when he obtains it, he will face a host of adversaries anxious to see him falter. One

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leading US observer of the Italian scene has suggested that because other politicians react so strongly to Craxi—either positively or negatively—his time at Palazzo Chigi could become the least stable period of postwar Italian politics. A Craxi government's prospects will turn in great part on its composition, and Craxi will be especially careful in choosing allies. While a score of variations are possible, we believe they derive from three basic options: the leftist alternative, a lay party bloc/Christian Democratic arrangement, and a continuation of the neo-center left.¹

The Communist Option

The leftist alternative, or a government based on Socialist/Communist cooperation with the possible participation of the Republicans and Social Democrats, continues to be the preferred choice of the Socialist Party's left wing. Although Craxi has stripped the leftists of most of their influence, some, including Craxi's most formidable potential challenger Minister for Southern Development Claudio Signorile, have maintained sporadic contacts with the Communists in anticipation of better days.

For his part, Craxi has a deep-rooted distrust of the Communists and the Communist Party apparatus that dates back to his formative political years. His biographers note his vivid recollections of the national election of 1948, when the Communists were able to use their alliance with the Socialists to decimate them at the polls. They contend that these misgivings were later reinforced by Soviet action in Poland, Hungary, and Czechoslovakia.

Craxi almost certainly worries that the Communists' size, discipline, and well-developed apparatus would relegate his party to the role of permanent junior

¹ Center-left coalitions of Christian Democrats, Socialists, Republicans, and Social Democrats governed Italy from 1962 to 1974. The mid-1970s saw experimentation with different formulas, including one involving Communist parliamentary support for a Christian Democratic-led government. Following the parliamentary election of 1979, the Christian Democrats and Socialists renewed their collaboration, leading journalists to dub the arrangement the "neo-center left." (U)

partner in any alliance. He has probably also concluded that such an arrangement would offer far more opportunity for the Communists to siphon off Socialist support than for the Socialists to make significant inroads into the Communists' camp.

Still, Craxi has avoided ruling out a leftist alternative—a tactic we believe is designed to assuage his internal party critics, shore up his own leftist credentials, and increase his leverage in bargaining with the DC.

Craxi informed leftwing Socialist leaders in February 1982 that he would begin "programmatic" discussions with the Communists. He said that an agreement on a joint approach to key policy issues was possible, even though such an agreement would not be a prelude to a leftist coalition government.

We believe, on balance, that Craxi is prepared to flirt with the Communists but would consider a formal partnership only under extraordinary circumstances. For example, a serious revolt by leftwing elements of the Socialist Party leadership that is widely supported by the rank and file and threatens his authority coinciding with clear evidence that the Christian Democrats and the small parties are determined to block his path to the prime-ministry, might cause him to move toward the Communists. One longtime observer of Italian affairs who is well acquainted with Craxi insists, however, that he would abandon the secretaryship rather than formally ally his party with the Communists. Speculation by the press that Craxi would launch such an initiative at the PCI's March congress fell short. While Craxi endorsed leftist unity in principle, he refused to yield on any of the issues that divide the two parties.

The Lay Center/DC Option

We believe that Craxi would ideally prefer to enter negotiations with the Christian Democrats over the premiership at the head of a solidly united bloc of small parties. The Socialists have long been the dominant force among the lay parties, and Craxi's

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publicly avowed goal is to bind these parties to the Socialists with some formal agreements on policies and election tactics. This would increase his leverage with the Christian Democrats and the Communists and, over the longer term, might put the Socialists in a better position to siphon off votes from their allies.

[redacted] There have been some moves toward closer coordination and cooperation among the small parties, but the Socialists have been generally unable to take advantage of these developments. The small parties' determination to maintain their individual identities and traditions, along with the personal power and prestige of their leaders, shows no signs of abating. These motives are reinforced by personal animosity between Craxi and a number of small party leaders [redacted]

Craxi, nonetheless, may propose that the Socialists and the small parties enter the next election campaign with a joint program. If one or more of the small parties agreed, he could claim, during postelection negotiations to represent a block of votes that exceeded his own party's score by perhaps as much as 10 percentage points. Assuming the small parties could be persuaded to agree to such an arrangement—and at this point the chances appear slim—they would almost certainly demand in advance specific guarantees of power and patronage. Looking ahead to future elections, Craxi might next try to persuade them that the center parties as a group could be strengthened by not competing against each other in selected districts. We believe that he would view such a move as an interim step toward joint lists at some later date. [redacted]

The Neo-Center Left

With the Communist option unacceptable and the prospects for coming to terms with the small parties still dim, Craxi has set out to achieve the premiership through the neo-center-left formula. He has been disappointed several times by openings in this direction that looked promising but later evaporated. His one attempt to form such a government in July 1979 failed miserably [redacted]

We suspect Craxi has concluded that supporting the current Fanfani government for the time being can ultimately strengthen his bid for the prime-ministry. Because of the precedent set by the Spadolini government, the small parties will argue that Christian Democrat Fanfani should be replaced by a prime minister from their ranks. With the Republicans having had their first turn with Spadolini, Craxi should have a strong claim to the premiership the next time the post is vacant [redacted]

[redacted] Craxi has struck a deal with Fanfani under which the Prime Minister has agreed to acquiesce in an election this spring in return for Socialist backing for his candidacy for the presidency when Pertini dies or his mandate ends in 1985. Fanfani's promise "not to oppose" an election was deliberately vague, and there is no guarantee that he can bring along the rest of his party. DC leaders have been determined that the new government should last until the end of the current legislature in spring 1984, and [redacted] the DC hierarchy was initially furious over reports of the Fanfani/Craxi deal. [redacted]

On the other hand, political commentators in Italy believe that DC Secretary Ciriaco DeMita—who is slowly becoming more confident in his post—is now more upbeat about the Christian Democrats' chances in an early election. We believe that if he concludes a spring election will show the DC regaining its electoral momentum and the Socialists falling short of the 13 to 14.5 percent attributed to them in public opinion polls earlier this year, he may accept an early dissolution of Parliament. If projected election numbers are unattractive, DeMita could opt to allow Craxi to become prime minister without an election, but with an eye to making his tenure so difficult that Craxi's public image and his standing within his party would be damaged beyond repair. [redacted]

If Craxi does challenge Fanfani this spring and press for an election, we think he has a slightly better than even chance of becoming prime minister. Most Italian

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journalists and politicians assume that—as in the past—an early election will yield only a modest shift of seats among the parties in parliament. We believe, however, that so long as the Christian Democrats gain less percentage wise than the Socialists, or do not gain at all, a modest Socialist increase, say to 11 percent, should give Craxi the leverage he needs

In short, Craxi must at least demonstrate momentum in the election. Thereafter, it is a question of parliamentary arithmetic and his willingness to stand firm in rejecting all other outcomes. If the arithmetic is roughly equal to the present situation, Craxi can theoretically block every arrangement short of a deal between the Christian Democrats and the Communists—and both DC and PCI internal politics seem to rule out this possibility for the time being. In addition, he has the newly founded principle of “alternation” on his side. If the DC were to lay claim to the premiership after Fanfani, it would risk antagonizing not only the Socialists but also the other small parties whose cooperation the DC needs

**A Craxi Premiership:
A Commitment to Change**

As prime minister, Craxi would attempt to put his stamp on the Italian political scene. His vision for Italy, as described by a Socialist jurist, is to create a social democracy “midway between Stockholm and Vienna.” He favors strong national leadership but also favors balancing a strengthened national government with a devolution of civil power to local and regional authorities

**Domestic Policy—
Emphasis on Reform**

The broad outlines of Craxi’s domestic program have been published. The program, broken down into four broad categories—the four “great reforms”—encompasses Italian politics, institutions, the economy, and the unions. The Socialists have returned to this material regularly, placing a special emphasis on institutional reform.

The Socialists put direct election of the president at the top of their agenda. They favor an election with two rounds, with the winner serving a five-year term. Under present rules, the president is elected to a seven-year term by the combined houses of Parliament and three delegates from each region

The Socialists do not propose to alter the president’s constitutional powers, but proponents of the plan insist that direct election will enhance his moral authority and strengthen his role as a stabilizing force. Those who oppose the measure argue that the change is part of a broader plan of Craxi’s to move the country from parliamentary to presidential government.

The PSI also advocates reducing the number of parliamentary deputies, modifying the rules governing their election, and limiting consideration of most legislation to one house of parliament. The Socialists argue that the lower house, in particular, is too unwieldy as currently organized. They attribute this in great part to the number of parties in Parliament. To remedy the situation, they have proposed that parties be required to win at least 5 percent of the vote in a general election to qualify for representation. If such a rule had existed during the parliamentary election of 1979, five parties—the Republicans, Social Democrats, Liberals, Radicals, and the far left Democratic Party of Proletarian Unity—would have been excluded. Under those circumstances the Socialists almost certainly would have emerged from the election with a strengthened claim to hold the balance between the Christian Democrats and the Communists.

The Socialists would like to see the lower house elected on the basis of single-member districts and the Senate chosen by proportional voting based on regional lists. They also favor functional specialization between the two chambers, with economic and financial matters relegated to the Senate.

Craxi and his colleagues have devoted considerable attention to ways of strengthening the office of prime minister. One proposal put forward by the Socialists

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would have the prime minister designated for the length of the legislature. Another calls for the introduction of the German method of "constructive no-confidence voting" under which a government cannot be forced from office until a successor government has been formed.

The Socialists also want to give the prime minister more authority over his cabinet. They favor allowing him to choose and replace his ministers at will. The Socialists would reduce the size of the cabinet and streamline cabinet meetings by limiting attendance to ministers with major portfolios.

The PSI also wants to revise Parliament's rules and place restrictions on the use of secret votes. The present secret ballot allows dissident members of Parliament to bolt party ranks with impunity. As a result, on several occasions prime ministers have suddenly found themselves without a majority. More importantly, legislation much desired by the Socialists has often failed to pass because Christian Democrats have broken with the government and voted against it in secret ballots.

The Socialists have also highlighted the need to reform the judiciary, to limit the discretionary powers of the magistrates, and to allow the communes and regions to raise their own revenues.

Reform probably would figure prominently in Craxi's discussions with potential coalition partners. We believe, though, that Craxi at the beginning of his tenure would try to choose issues on which he thinks he has broad public support. At the start of negotiations during his only previous attempt to put together a cabinet, Craxi presented his colleagues with a 10-point program which, among other things, called for new initiatives in the areas of public order, civil rights, and the administration of justice. In addition to these subjects, we suspect that changes in the penal code and an overhaul of the magistrate system would also figure prominently on his initial agenda. We believe that only later, after establishing some kind of a track record for reform, would Craxi be prepared to move on to more controversial issues, such as limiting the secret parliamentary vote, applying more restrictive criteria for party representation in Parliament, and changing the presidential election rules.

The Socialists candidly admit that the reform process is likely to be infinitely slow. The Fanfani government is committed in principle to some institutional reforms, but even if it lasts to the end of the legislature in spring 1984, it is likely to have made only a start. We suspect that if Craxi gains office he will try to capture the public's imagination by some early dramatic step, such as appointment of a special minister without portfolio for institutional reform. Craxi would likely discover quickly, however, that his ability to promote reform hinges on his coalition partners' willingness to put national interests ahead of party concerns—a tradition that has never taken root in Italian politics.

Economic Policy

The economic line adopted by the Socialists at their 1981 Congress reflects Craxi's pragmatic temperament. Under his leadership the PSI has attempted to disassociate itself from its past espousal of state-controlled economic planning. Today, PSI hopes for an Italian economic renaissance rest with private enterprise.

Socialist economic policy during the past year has been muddied, however, by electoral considerations. To realize a sizable increase in its vote, the party must attract new support from the center and the left. The Socialists are trying to tailor their economic positions to appeal to both camps at the same time. Thus, when called upon in Parliament to take a definitive stand, they have dutifully voted for government-sponsored austerity measures. However, in debate they have geared their rhetoric to voters on the left, voicing opposition to measures that would inhibit job creation or growth.

The PSI has often supported budget austerity in practice while rejecting it in principle. To minimize these conflicting signals, the Socialists have increasingly embraced a less vigorous version of austerity emphasizing crackdowns on tax evaders. This has allowed them to claim they are factoring considerations of social justice into economic policy.

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Successive statements to the press demonstrate that Socialist Minister of Finance Francesco Forte supports the Christian Democratic goal of scaling down the public sector. He has, however, disagreed with them in the past over short-term fiscal policy. He espouses policies—"supply-side" tax cuts, additional funds for technological innovation, and restructuring—which would stimulate investment, even at the expense of a large budget deficit []

Socialist labor policy has appeared contradictory during the past year. On the one hand, the head of the Socialist-affiliated union prevented a full-fledged general strike against the Spadolini government in April 1982. At that point the Socialists gave the appearance of being more concerned about their reputation for responsibility than about their appeal to labor. Their emphasis shifted with the highly controversial abrogation of the *scala mobile* agreement by private employers last June.² According to the US Embassy in Rome, the PSI saw the abrogation as an effort by the Christian Democrats—using their influence with Confindustria, the Italian manufacturer's association—to undermine the Spadolini government's, and, by inference, the lay parties' ability to tackle the country's fundamental economic problems. PSI State Participations Minister DeMichelis instructed the public employers' group not to follow the lead of the private employers. His attempt to divide and conquer management failed, however, and since June, the Socialists again have been less assertive in their support for labor. []

Foreign Policy: A More Prickly Ally?

How far and how fast Craxi would be able to bring Italian foreign policy into line with his thinking would likely depend on the relative strengths and weaknesses of his coalition partners. We doubt that he could dominate the policies of a coalition cabinet the same

² The *scala mobile* is a nationwide wage indexation scheme agreed to by labor and management in 1975. It allows wages to be aligned with changes in the cost of living on a quarterly basis. Management has become increasingly uncomfortable with the agreement and opted last June to provide the mandatory six months' notice required to abrogate it. An agreement just concluded will reduce the amount of the automatic cost-of-living wage increase by 15 to 18 percent. (U)

way that he has dominated his party. We expect, in fact, that circumstances might require Craxi to give the foreign affairs portfolio to one of several strong Christian Democratic personalities, or to a Republican. Either outcome should work against an abrupt policy shift but would not prevent Craxi from putting his own stamp on Italian foreign policy. []

Under Craxi, the Socialists have abandoned their traditional ambivalence toward NATO and have become strong advocates of alliance policy. Craxi mistrusts the Soviets and, with him as prime minister, the United States could continue to expect strong support on East/West issues. He sees NATO, however, as an alliance limited to Europe. While he probably will advocate consultations among the allies on non-European problems, we believe that under his leadership the United States would find Italy a more prickly partner on matters involving the Middle East, North Africa, the Horn, Latin America, and the Third World []

Craxi strikes us as particularly critical of US policy in Latin America. The Socialists have supported Guillermo Ungo, president of the Revolutionary Front, in El Salvador and the Sandinistas in Nicaragua and have had a strong voice in influencing Italy's policies toward the region. Similarly, the US Embassy in Rome credits Craxi with shifting the Italian Government away from supporting the EC's sanctions against Argentina during the Falkland war. We thus believe that with Craxi as prime minister, US efforts in Latin America would be subject to more frequent Italian criticism []

In the Middle East, Italy under Craxi would continue to provide manpower and diplomatic support for the Sinai and Lebanese peacekeeping forces. On the other hand, he believes that Rome should recognize the Palestine Liberation Organization. According to a source who is believed to report accurately, Craxi sees recognition of the PLO as a means of mollifying the Arab states after the PLO's military defeat in Beirut and a way to stay in step with Italian public opinion which has favored the Palestinians in the wake of the massacres at Shatila and Sabra. []

The Italian Government's decision to adhere to the 1979 INF basing decision turned in large part on Socialist support for the project. Craxi, with an eye to the left wing of his party, has attributed great importance to the arms control aspect of the decision. He has enthusiastically endorsed the "zero option" and even claimed credit for the idea. We believe that Craxi and those Socialist leaders close to him see support for the zero option as a means both to reinforce their leftist credentials and compete with the Communists by emphasizing the disarmament side of NATO's dual-track decision. He has been equally outspoken in favor of Pershing and cruise missile basing. A decision by the United States to withdraw from the INF negotiations with the Soviets might complicate matters for Craxi, but barring that or a sudden, unlikely upsurge of peace movement activity in Italy, we believe he could be counted on to see the basing project through [redacted]

The Socialists have also been instrumental in prolonging the Italian Government's "pause for reflection" on the Siberian gas pipeline deal. That stand, however, has been dictated only partly by concern over Western dependence on Eastern energy supplies. The Socialists believe that Italy's future commercial interests lie in the Mediterranean generally and North Africa in particular. A number of Socialist leaders have ties to North Africa—and [redacted] some of these leaders, or the party as a whole, stand to benefit financially from the gas deal that Italy is negotiating with Algeria. [redacted]

Craxi's biographers have noted that strong influence of French thinking in the formation of his world view. This may account in part for the appeal that a more independent Italian foreign policy holds for Craxi and his inner circle. Lacking any real command of English or German but able to read French, he draws much of his information from the French press and from contacts made through the Socialist International. He is attracted to the argument that Western Europe must maintain a dialogue with the Soviets during periods of Soviet/US diplomatic strain. While he advocates cooperation among the West Europeans and supports the European Community, we believe he would pursue Italian national interests more aggressively than his Christian Democratic predecessors [redacted]

Outlook

We believe that Craxi will continue to search for a way to trigger an election and gain an advantage over the Christian Democrats, but his two abortive attempts of last fall will cause him to weigh his next moves with special care. Although Craxi is a seasoned poker player, his decision on whether to try forcing a national election this spring will be his biggest gamble to date. [redacted]

Criticism of Craxi within his party and the press is on the rise. [redacted] Communist officials believe Craxi's sudden reverses during recent political crises have steadily undermined his personal appeal. The past several weeks have also witnessed the first serious stirrings of the traditional Socialist left since the Palermo Congress. In late December 200 members of the party's left wing met to consider alternative party policies. [redacted]

Past performance suggests that Craxi will move quickly to squelch any incipient threat to his power. According to the press, Craxi and his inner circle are weighing the possibility of convening an extraordinary congress in early spring. Craxi probably calculates that such a gathering will provide an opportunity to undermine his strongest potential opponents and reassert his authority over the party's lower ranks. If circumstances allow, we believe that Craxi will also try to use such a congress as a launching pad for a spring election campaign. [redacted]

At this stage we believe the chances that Craxi will seek to precipitate an election are about even. However, [redacted]

Communist leaders think Craxi might decide to let the current Parliament serve its full term in hopes of regaining whatever support he may have lost since August and underscoring the Christian Democrats' inability to come to terms with the country's economic problems. While the possibility of Craxi withdrawing support from Fanfani as late as next summer or fall cannot be ruled out, we believe

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that his enthusiasm for an early election will diminish with the approach of the presidential "white" period—the last six months of a legislature during which the president is prohibited by the constitution from dissolving Parliament early. [redacted]

Craxi appears better placed than ever before to become prime minister whether elections take place early or on schedule, but whether he succeeds will turn to a large degree on whether he can improve the Socialists' electoral standing. Moreover, even if Craxi emerges at the head of a government, we believe that relations with his coalition partners are likely to be rocky from the start. Given the particularly strong reactions—both positive and negative—that Craxi arouses, his selection as prime minister could usher in a still more difficult period on the domestic political front. [redacted]

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**Socialist Party Communal Election Results
in Selected Major Population Centers, 1975-81^a**

	1975		1976		1979 National Election (percent)	1980		1981		Comparison: 1975 and 19 Communal I Percent
	Percent	Number of Seats	Percent	Number of Seats		Percent	Number of Seats	Percent	Number of Seats	
Northwest										
Turin	12.8	10			9.9	14.4	12			2
Milan	14.8	12			11.6	19.6	16			4
Genoa			12	10	12.0			16.4	14	
Northeast										
Venezia	16.2	10			11.9	17.2	11			1
Center										
Bologna	9.3	5			7.8	9.4	6			1
Florence	10.4	6			10.1	12.4	8			2
South										
Rome			7.6	3	8.3			10.2	8	
Naples	7.0	5			5.9	7.7	6			1
Catania	8.9	5			6.9	9.2	6			1
Bari			12.6	8	11.2			23.3	15	
Islands										
Palermo	9.4	8			6.9	11.6	9			1

^a See map p. ii.

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ions	1976 and 1981 Communal Elections		1979 National and 1980 Communal Elections (percent)	1979 National and 1981 Communal Elections (percent)
	Percent	Seats		
			4.5	
			8.0	
4	4.0			4.4
			5.3	
			1.6	
			2.3	
5	2.6			1.9
			1.8	
			2.3	
7	10.7		2.3	12.1
			4.7	

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**Socialist Party Regional
Election Results, 1973-81 ***

	1973		1974		1975		1976		1978		1979		Lower House National Electi: (percent)
	Percent	Number of Seats											
Northwest													
Piemonte					12.9	8							11.2
Valle d'Aosta	8.5	3							3.6	1			
Lombardia					14.0	11							11.3
Liguria					13.5	5							11.5
Northeast													
Trentino-Alto Adige	8.3	6							8.3	6			6.6
Veneto					12.8	8							9.5
Friuli-Venezia Giulia	12.2	8							9.4	5			7.7
Center													
Emilia-Romagna					10.2	4							8.6
Toscana					10.7	4							9.8
Umbria					13.9	4							11.2
Marche					9.8	4							7.9
South													
Lazio					9.7	6							8.7
Abruzzi					10.2	4							7.5
Molise					10.1	3							7.4
Compania					10.4	6							9.4
Puglia					11.9	5							10.2
Basilicata					13.2	4							10.9
Calabria					14.7	6							12.8
Islands													
Sicilia							10.2	10					10.5
Sardegna			11.6	10							11.1	9	8.9

* See map p. ii.



1978		1979		1980		1981		Comparison					
Percent	Number of Seats	Percent	Number of Seats	Lower House National Election (percent)	Percent	Number of Seats	Percent	Number of Seats	1973 and 1978 Regional Elections	1978 and 1979 Regional-National Elections	1974 and 1979 Regional Elections	1979 Regional-National Elections	
									Percent	Seats	(percent)	Percent	Seats
				11.2	14.2	9							
3.6	1			11.3	14.5	11			-4.9	-2			
				11.5	13.4	5							
5.3	6			6.6					0	0	-2.3		
				9.5	12.1	7							
9.4	5			7.7					-2.8	-3	-2.2		
				8.6	10.3	4							
				9.8	11.8	5							
				11.2	14.3	4							
				7.9	10.1	4							
				8.7	10.6	6							
				7.5	10.8	4							
				7.4	9.4	3							
				9.4	12.5	7							
				10.2	13.3	6							
				10.9	13.7	4							
				12.8	16.5	7							
				10.5			14.3	14					
	11.1	9		8.9							-0.5	-1	-2.2

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1978 and 1979 Regional- National Elections (percent)	1974 and 1979 Regional Elections		1979 Regional- National Elections (percent)	1975 and 1980 Regional Elections		1979 National and 1980 Regional (percent)	1976 and 1981 Regional Election		1979 National and 1981 Regional (percent)
	Percent	Seats		Percent	Seats		Percent	Seats	
				1.3	1	3.9			
				0.5	0	3.2			
				-0.1	0	1.9			
-23				-0.7	-1	2.6			
-22									
				0.1	0	1.7			
				1.1	1	2.0			
				0.4	0	3.1			
				0.3	0	2.2			
				0.9	.0	1.9			
				0.6	0	3.3			
				-0.7	0	2.0			
				2.1	1	3.1			
				1.4	1	3.1			
				0.5	0	2.8			
				1.8	1	3.7			
							4.1	4	3.2
-0.5	-1	-2.2							

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