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14 June 1957

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Reflections on the Italian Political Crisis

1. During the past year this Staff has advanced the following propositions:

A. The Italian Communist Party (PCI) though it has no prospects of coming to power, is a major danger to democratic Italy. As in France, the existence of a large Communist electorate and parliamentary representation imposes a permanent deformation on the body politic and seriously hampers responsible deliberation and decision. By sheer arithmetic, government by simple majority is impossible; in general a coalition is mandatory, which, if it is to avoid immobilism, must command the support of at least 60-70% of the non-extremist deputies. It is clear, in both countries, that this cannot be achieved under existing circumstances, and therefore the Communists are able to vitiate orderly, progressive government. There is no easy way out of this impasse. Hopes that the PCI and PCF would decline in electoral strength as a result of the 1956 crisis have proven illusory, as could have been (and, by SRS) was foreseen.

B. In Italy, the tendency to polarize and immobilize politics between the Christian Democratic Party and the Communists has been growing. The DC is a conglomerate, with a high potential instability, which has been held together largely through the skill of Fanfani as a politician, through US support, and through the relative firmness of the Catholic Church. The present crisis has exposed the precariousness of DC solidarity, at the same time that Zoli's (and presumably Fanfani's) tactics have destroyed whatever prospect for survival the quadripartite coalition may have had. The gratuitous insult to Saragat, amply merited by his own vacillations, has confirmed the suspicion that the DC ultimately is contemptuous of its minor allies and cherishes the illusion that it can "go it alone". That it could win a majority of votes in the next elections is doubtful; that it could govern effectively, even if it did, is even more so.

C. The only effective way to break the debilitating hold of Communism on Italian politics is to create a broad based democratic socialist party by a merger of the PSI and the PSDI. The essential

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weakness of Italian political life, as pointed out in NIE 24-56 and by many competent students of the subject, is the lack of a viable alternative to the DC hegemony. Unless there exists the possibility of a "loyal opposition" within the democratic sector of the Italian Parliament, the polarization, referred to above, can not be avoided.

D. A merger of the two Socialist parties is feasible. There are many obstacles and difficulties confronting Socialist reunification, and since February 1957 these have, at times, seemed insuperable. Nevertheless, as a recent public opinion poll has shown, the majority of the electorate of the two parties favor reunification, even though they are uncertain as to whether and how it can be achieved. It is the contention of this staff that the rank and file aspiration to restore socialism to unity on a democratic base is a healthy force which will grow and flourish if its leaders show willingness to make the necessary personal and political accommodations.

E. Pietro Nenni has shown convincing evidence of a desire to break with Communism, and is sufficiently in control of his Party to do so, if he is met halfway by the PSDI. The internal situation of the PSI leadership is obscure and confusing, owing in part to inadequate political reporting, and to tendentious and provocative efforts by outside interests (to the right and left of Nenni), to intensify the overwhelming pressures with which he has to contend. Nevertheless, we believe that a renewal of the favorable attitude displayed by the PSDI in the Fall of 1956 would enable Nenni eventually to bring all but the crypto-Communist faction of his party (probably not more than 20%) into a democratic merger.

F. The principal force preventing this rapprochement is the determination of Saragat, and those who are backing him, not to accept a merger on any but uncompromising anti-Communist and pro-NATO terms. Concern for these two points is natural, but, in the opinion of this staff, it has been pushed too far. Some compromise on both points can safely be made, counting on a progressive evolution of the PSI in a democratic and pro-Western direction, once it is confronted with the prospect of political responsibility.

G. International Socialism has a strong interest in bringing about a successful merger of the two Italian Parties. Although there is considerable division within the Socialist International on this, as on other issues, there is little doubt that the great majority of Western

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European Socialist leaders would welcome reunification on the basis of detachment of the PSI from the PCI. They would not be so concerned with the adoption of a specifically anti-Communist and pro-NATO position. Their general interest in the merger outcome is heightened by the prospect of a great political struggle for dominance in a United Western Europe which will be fought out between the forces of Social Democracy and Christian Democracy. The role of the Italian Socialists, in confrontation with the Democrazia Cristiana might be decisive in this conflict.

2. The current political crisis has clearly demonstrated that the DC cannot govern alone. It cannot accept the support of the right without danger of internal cleavage and it cannot restore the quadripartite center coalition formula. It apparently cannot successfully enlist the support of the PSI for an opening to the left. Indeed, probably even a "non-political" caretaker government is excluded, in view of the not illogical contention of the PSI and PCI that the issues it would have to face, such as budget and the European integration treaties, are "political".

3. In the light of these stark realities the prospect of elections in the fall seems virtually certain. It is not the purpose of this paper to forecast the election results. It is suggested, however, that a number of unpleasant possibilities lie ahead. The exposure of the internal weakness of the DC, of its hesitation and confusion, of its dependence on clerical and rightist elements, may have weakened it far beyond expectations. There is little prospect that the PSDI will gain strength; rather it is seriously threatened by a split of its left wing, further fragmenting the badly demoralized socialist sector. The PSI is also likely to split, perhaps the larger part reverting officially or de facto to unity of action with the PCI. The PCI, as matters now stand, is the only party which is likely to profit by the crisis. In the event the DC achieves a plurality of the order of 45%, the polarization of the two leading parties will become alarming.

4. There remains the question whether, at this late stage of the crisis, anything would be gained by the US in modifying its attitude toward the Socialist merger. It is the opinion of this staff, that had the US in early 1957 adopted a policy of detachment, coupled with discreet approaches to Nenni, the present crisis might have been averted, or at least assured of a favorable prognosis. This is obviously an undemonstrable contention,

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though certain facts support it. The critical problem remains, as it has been in the past, the extent to which we would be able to influence the course of Saragat and Fanfani. If, as is widely believed in Italy, US influence on these two leaders is not inconsiderable, it might not be too late to bring some of it to bear. While this is a political judgment beyond the ken of SRS, we venture to suggest again that the US adopt a favorable or at least a detached attitude toward Socialist unification. Otherwise, we feel that Italy will face another five years of Communist cancer.

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Chief, SRS/DDI

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Cover Memo

Although this paper must undoubtedly be regarded as the official DDP position, it is worth noting that it does not bear the concurrence of Chief of the PP Staff. It is quite possible that he would, in fact, concur in this paper; nevertheless it remains my personal judgment that the DDP position is ranged essentially on an axis of the CI Staff, WE-4 Division and certain elements (I believe not all) of the Rome station. While the CI Staff, with its primary field of reference being the combatting of Communism, has undoubtedly a major equity in policy determination on the subject of the Italian Socialist merger, it hardly seems to have the desired political detachment with respect to the purely Socialist aspect of this difficult problem. As I have previously indicated to you, I feel strongly that the primary staff responsibility for all matters bearing on Socialism should rest with the PP and not the CI Staff. This is, of course, a DDP matter but I feel that the Director should be aware of the policy implications of this assignment of primary staff responsibility for Socialism, which, I submit, should be regarded essentially as a mutual political matter, ~~x~~ to a staff whose raison d'etre is that of countering the hostile target of International Communism.

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