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TO PRIORITY FCO

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INFO PRIORITY UKDEL NATO

INFO SAVING WASHINGTON, UKREP BRUSSELS AND OTHER EEC POSTS

NIR.

 MY TELNO 433 (NOT TO ALL) ITALIAN POLITICAL SITUATION

1. YOU MAY LIKE AN ACCOUNT OF CURRENT ITALIAN DOMESTIC PREOCCUPATIONS BEFORE YOUR MEETINGS WITH FOREIGN MINISTER MALFATTI IN IRELAND OVER THE WEEKEND AND IN LONDON ON 22 OCTOBER.
2. THE ANNOUNCEMENT BY FIAT ON 9 OCTOBER OF ITS INTENTION TO SACK 61 EMPLOYEES ACCUSED OF ORGANISED VIOLENCE AND INTIMIDATION HAS CAUSED A RUMPUS WHICH COULD PROVE EMBARRASSING TO SIGNOR COSSIGA'S GOVERNMENT. FIAT HAS NOT MADE PUBLIC EVIDENCE TO SUPPORT ITS ACCUSATIONS, BUT SOME OF THE EMPLOYEES CONCERNED ARE SAID TO HAVE LINKS WITH TERRORIST ACTIVITIES. FOLLOWING THE MURDER OF YET ANOTHER OF THEIR EXECUTIVES LAST MONTH FIAT WERE NO DOUBT UNDER STRONG PRESSURE FROM THEIR SENIOR MANAGERS TO TAKE THIS SORT OF ACTION. NEVERTHELESS THE WAY IN WHICH THE SACKINGS WERE ANNOUNCED HAS PROVOKED A STRONG REACTION FROM THE UNIONS (WHO HAVE, HOWEVER, BEEN CAREFUL TO AVOID GIVING THE APPEARANCE OF CONDONING TERRORISM). AFTER A FRUITLESS SERIES OF MEETINGS BETWEEN AGNELLI AND THE UNIONS ON THE ONE HAND, AND THE UNIONS AND SIGNOR COSSIGA (AS POTENTIAL MEDIATOR) ON THE OTHER DISMISSAL NOTICES HAVE NOW BEEN SENT TO ALL 61 EMPLOYEES CONCERNED, AND THE UNIONS HAVE RESPONDED BY ANNOUNCING A SHORT GENERAL STRIKE OF ENGINEERING WORKERS ON 23 OCTOBER WITH THE POSSIBILITY OF FURTHER STRIKE ACTION TO FOLLOW. THE POTENTIALLY EMBARRASSING POINT FOR THE GOVERNMENT IS THE EXTENT TO WHICH COSSIGA HAS ALLOWED HIMSELF TO BECOME PERSONALLY INVOLVED IN WHAT IS NOW A STRAIGHT TRIAL OF STRENGTH BETWEEN FIAT AND THE UNIONS.

3. MEANWHILE THE POLITICAL PARTIES ARE NO NEARER CLARIFYING THEIR POLITICAL RELATIONSHIPS. AFTER APPARENTLY MOVING TOWARDS THE COMMUNISTS LAST MONTH (IN HIS MEETING WITH BERLINGUER ON 20 SEPTEMBER) THE SOCIALIST SECRETARY, CRAXI, HAS THROWN A SMOKESCREEN OVER THE POLITICAL SITUATION BY PUTTING FORWARD SOME VAGUELY FORMULATED PROPOSALS FOR CONSTITUTIONAL REFORM WHICH WILL KEEP EVERYBODY TALKING BUT SEEM UNLIKELY TO PRODUCE ANY CONCRETE RESULTS. THE CHRISTIAN DEMOCRATS AT THE SAME TIME, IN A SERIES OF PRE-CONGRESS MEETINGS OF THEIR VARIOUS FACTIONS, SEEM IF ANYTHING TO BE BACKING AWAY FROM THE SOCIALISTS AND MOVING MORE TOWARDS THE ZACCAGNINI/ANDREOTTI IDEA OF RECREATING A BROAD UNDERSTANDING WITH THE COMMUNISTS WITHOUT LETTING THEM INTO GOVERNMENT. BUT THESE ARE ONLY STRAWS IN THE WIND AT THIS STAGE.
4. TO ADD TO HIS PROBLEMS COSSIGA NOW FACES AN AWKWARD SITUATION WITH THE COMMUNISTS OVER THE TNF ISSUE. HE HAD FORESEEN THIS, BUT BREZHNEV'S DIPLOMATIC OFFENSIVE HAS BROUGHT THE ISSUE OUT INTO THE OPEN EARLIER THAN EXPECTED.
5. FOR THE TIME BEING, EVEN IF THE COMMUNISTS MAKE DIFFICULTIES AND THE ECONOMIC AND INDUSTRIAL SITUATION TURNS NASTY, THERE IS STILL NO ALTERNATIVE IN SIGHT TO THE PRESENT COSSIGA GOVERNMENT.

FCO PLEASE ALL SAVING ADDRESSEES.

ARCULUS

FCO/WHITEHALL DISTN.

[REPEATED AS REQUESTED]

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