

CONFIDENTIAL

Reference

Missbidney

Minister
H of W 1/4/12
Mr Pellew
Mr Sullivan
Mr Beattie

Pl. copy of this under my conf. slip to Mr Gladstone Wed. 1/4/12
Mannbach to Gov commat of R

missile
Income Dept
POSD

27/12
JK
Ad. Beattie

14/12

NOTE OF A MEETING WITH DOTT. LUCIANO LAMA ON 14 DECEMBER

1. Dott. Lama was friendly and loquacious this morning. I had difficulty in getting him to focus on detailed questions because he was concerned to put over his thesis that there was a crisis in Italy which could only be solved by the entry of Communists into government.

2. He said the present government was so unsatisfactory that it could not last. It was simply reacting to situations e.g. missiles, ENI. It has no positive programme. The underlying situation of the economy was strong enough (reserves, exports) but there was no programme and no attempt to deal with the Unions' problems. There was no dialogue whatever. The Unions could not stand idly by. On the other hand he denied that the objective of the current wave of strikes was to bring down the government. But if the government refused to deal with problems raised by the Unions it would fall.

3. Most Parties were in a bad state. The DC was rent with divisions, the Socialists divided, the Republicans likewise. The Social Democrats were on the verge of a split. The Communists would not split unless they were faced with difficult choices i.e. on coming into government, when they would split over the programme of such a government. There was a danger of a constitutional crisis. He harked back to 1944 when there had been a concerted campaign to liberate the country from fascism and to set it up again on democratic lines. This had been successful and there had been 30 years of democracy but under one Party. It was time for a change. There was an alternation in the other democratic countries, notably Britain, but not in Italy. This was his main theme which he continued to pursue throughout our discussion.

4. He referred at some length to the missile problem and to the moderate attitude of the PCI. He drew a contrast between the PCI and the Communist Party in

An interesting point. Do we believe that democratic centralism could not survive the shock of office? I believe it could

France. The PCI, because of the history of fascism in Italy, has supported Italy's membership of Western institutions, including NATO, and could therefore afford a less hostile line to the Soviet Union. While he acknowledged that he himself represented a very moderate current in the Communist Party, he claimed that the Party as a whole did not have any dangerous ambitions for participation in the government. For example, they would not seek the portfolios of Foreign Affairs, Defence or Interior.

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5. On the internal situation in Italy he did not see the current wave of terrorism as a proletarian war against capitalism, but rather as an anarchic movement directed at various targets. It was true that in Turin it was against the bosses, but in Padua it had been against the professorial class and against the police in Rome. He claimed that the Unions had been very robust in condemning terrorism, more so than e.g. in Germany.

6. I asked what were Dr Lama's main desiderata from the government, as I had seen his comparatively long shopping list. He said the main requirement was to correct the situation in which factory workers were the only people who paid their taxes, together with their capitalist employers. Professional men, small businessmen, farmers and many independent workers were able to avoid taxes, and there was insufficient control in the case of people working at home. He had little faith in clamping down on tax evasion and therefore wanted the burden of taxation on factory workers alleviated. He was also concerned about family allowances and pension reform (as mentioned in Mr Sullivan's brief). This was on the income side. There were other problems under the heading of investments i.e. housing, crisis sectors of industry (he mentioned chemicals) and the state-controlled industries. The worst danger was inflation. He resisted my suggestion that this was mainly due to the scala mobile. He seemed rather less concerned with the energy crisis than I would have expected and thought that Italy would "manage", mainly on the grounds that the productivity per unit of energy consumed was very much higher in Italy compared with other countries.

7. With the problems of Coats in Lucca in mind I asked him about absenteeism, particularly the problem of bogus medical certificates. He admitted the existence of the problem though he denied that workers paid the doctors for these certificates. Doctors did not want to make enemies and gave workers whatever certificates they asked for. The remedy was a thorough-going reform of the whole Health Service in the country. I said that this was all very well but in crisis sectors continued absenteeism and lack of productivity might mean the closure of factories which otherwise might be saved.

8. We also talked about the problem of lack of mobility of labour, on which he could only say that this was a phenomenon shared with other European countries and workers would simply not put up with long journeys for which they were not paid. In general he was relatively optimistic about the industrial scene because of its underlying strength. Only a good level of productivity overall could explain Italy's export performance. There had been a good deal of plant renewal and Italian industry was in a basically good state. Italy would therefore emerge from the crisis. He was vague about the contribution of the "economia sommersa" except to say that he was not in favour of curtailing it nor of curtailing work at home, which had a contribution to make, but merely of ensuring that there was better control of conditions and of payment of taxes.

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14 December 1979

Jana seems mainly to have spoken as a member of the PCI. As an intelligent man, he must see that iflavoro nero makes an important contribution to the economy it can only do so as long as it remains nero; taxes would kill it. But I suppose such a frank thought is more than one can demand either of a Unionist or a Communist.

(Signature) 14
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YOUR CALL ON DOTT. LUCIANO LAMA, SECRETARY-GENERAL OF CGIL:- BRIEFING NOTE.

1. I understand that you are to call on Dott. Lama on Friday 14 December. You will recall that CGIL is the largest of the three principal union confederations which in Italy make up the Federation CGIL-CISL-UIL. It is Communist-dominated but has a significant proportion of Socialists.
2. Lama's major preoccupation at the present time will be the relationship between the trade unions and the government. The unions are asking the government to take action on a wide range of issues, viz:
 - (a) Pensions:- the unions want the government to enact the pension reform that they agreed with Scotti (Minister of Labour) at the end of 1978. But they additionally want minimum and "social" pensions increased; a 6-monthly followed by a 3-monthly "scala mobile" for pensioners; and a higher than minimum pension for those with more than 15 years' contributions. There are disagreements on the method of financing the "scala mobile" (for pensions). Lama has talked of using part of the termination of employment indemnity (liquidazione) to do this.
 - (b) Tax relief:- want higher relief than conceded for 1980 and relief for 1979 to prevent great inroads into "13th month" end of year payment out of which large amounts of tax are taken to equalise the year's overall tax charge.
 - (c) Public utility tariffs:- unions want planned increases with consultation and maintenance of preferential social "bands" for low consumers.
 - (d) Family allowances:- unions want these at least doubled. They disagree among themselves on financing: there is talk of using elements of the "scala mobile" for this purpose.
 - (e) Housing:- more positive measures to provide economy housing (eg house-saving scheme, and revision of 10-year building plan) and homes for those evicted as a result of the "Equo Canone" law.

The government has avoided the agreed consultations on these issues with the unions for nearly two months and the latter are very bitter about this. They called a general strike of four hours on 21 November and organised subsequent sectoral action to protest at the government attitude. Coordinated union action on this situation could topple the government and while Lama has said that the unions are not in the government-toppling business, the Federation's recent decision to hold another general strike, this time of 8 hours, in January, indicates that the pressure is being put on. Even UIL and CISL seem to be toughening their attitude. Benvenuto (UIL) has said that the government's approach means that it has opted for confrontation with the unions while Bentivogli (CISL metalworkers) has said that the government cannot last and that a political crisis, even with unknown consequences, is better than the progressive deterioration of the social situation

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3. It may be useful to broach the question of wage claims with Lama. The Federation's decision on wage moderation taken at the beginning of 1978 (the so-called EUR line) did not come to much in the industrial sector national bargaining round because of inter-union differences and government prevarication. The next important hurdle is that of plant bargaining and FIM (the Metalworkers' union grouping) is talking of similar levels of pay settlements at plant level as those achieved in national negotiations (about 30,000 lire per month) because of the continued increase in inflation. It might be worth asking Lama what levels he has in mind.

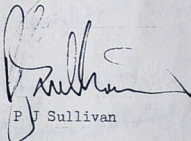
4. The issues raised by Amendola will also be on Lama's mind. The current situation with regard to the Fiat 61 and the union attitude to violence in the factories would be a useful line of questioning.

5. There is much debate at the moment on the issue of strike control. The PSDI has proposed legal regulation on strikes and ten DC deputies have tried to introduce a bill on the issue. The government draft law on demilitarisation of the air traffic controllers contains proposals for strike limitation. These are the most recent in a series of moves over the last few years to introduce legal regulation. The unions are totally opposed and have promised a code of "autoregolamentazione". CGIL and UIL are ready to press on with this but CISL is hesitant (it fears that such a code could become the basis for a subsequent law and feels it is better to leave it up to the individual federations). Lama may have views on how he sees this developing.

6. I think the issues outlined above are the major ones of current interest but if there is time or opportunity it might be appropriate to ask about police unionisation and the threat of the autonomous unions.

7. Lama is usually pretty frank and is unlikely to be put out by any questions he may be asked.

11 December 1979



P J Sullivan