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FROM ROME 261730Z MAY 81
TO IMMEDIATE FCO
TELEGRAM NUMBER 196 OF 26 MAY 1981
INFO ROUTINE WASHINGTON, UKDEL NATO, MILAN, BONN, COPENHAGEN,
THE HAGUE, PARIS, BRUSSELS, DUBLIN, LUXEMBOURG, ATHENS,
UKREP BRUSSELS
INFO SAVING HOLY SEE (ACTIONED)

see 13

WRJ 0142	
23 MAY 1981	
OFFICER	
PA	
To Mr. 1/1	

Subsequently reported in memo to
to Myrins for PS

(11)

MY TELNO 193 (NOT TO ALL): ITALIAN POLITICAL SITUATION

1. FORLANI HAS TODAY TENDERED HIS GOVERNMENT'S RESIGNATION AND PRESIDENT PERTINI HAS STARTED CONSULTATIONS AIMED AT THE FORMATION OF A NEW GOVERNMENT. THE SCANDAL OVER THE MASONIC LODGE P2 BUILT UP OVER THE WEEKEND, FOLLOWING THE PUBLICATION OF THE LIST OF 953 NAMES FEATURING MANY MEMBERS OF THE ESTABLISHMENT. SARTI, THE CHRISTIAN DEMOCRAT (DC) MINISTER OF JUSTICE, RESIGNED ON 23 MAY, BUT IT BECAME APPARENT THAT A GOVERNMENT RESHUFFLE, INCLUDING THE REPLACEMENT OF MINISTERS INVOLVED, WOULD NOT SUFFICE. THE LAST STRAW CAME WHEN CRAXI, THE PSI LEADER, REFUSED TO ATTEND A MEETING OF THE SECRETARIES OF THE 4 COALITION PARTIES WITH FORLANI ON 25 MAY TO PATCH UP A COMPROMISE SOLUTION.

2. IT IS NOT CLEAR WHOSE INTERESTS ARE BEST SERVED BY A CRISIS NOW. THE PCI ALONE SHOULD HAVE NOTHING TO FEAR FROM THE SCANDAL SINCE NONE OF THEIR MEMBERS ARE INVOLVED, BUT THEY HAVE BEEN CONTENT TO WAIT FORLANI'S DOWNFALL RATHER THAN TAKE ACTIVE STEPS TO HASTEN IT (CONTRAST COSSIGA LAST AUTUMN). THE DC WOULD HAVE PREFERRED THE MATTER BURIED, SINCE ANY "ESTABLISHMENT" SCANDAL OF THIS KIND MUST DAMAGE THEM IN THE RUN-UP TO LOCAL ELECTIONS ON 21 JUNE: THERE IS NO HARD EVIDENCE THAT THESE REVELATIONS ARE PROMPTED FACTIONAL INFIGHTING WITHIN THE PARTY. THE PSI SEEMED SET TO WAIT THE JUNE ELECTIONS, IN WHICH THEY EXPECT AN INCREASED PERCENTAGE OF THE VOTE, BEFORE INSISTING ON A REDISTRIBUTION OF MINISTERIAL POSTS IN THEIR FAVOUR. A PLAUSIBLE EXPLANATION IS THAT THIS SCANDAL, WITH ITS SIDE-EFFECTS IN POLITICAL, FINANCIAL AND MILITARY CIRCLES, DEVELOPED A MOMENTUM OF ITS OWN. CRAXI'S FINAL DECISION WAS PROBABLY BASED ON THE CALCULATION THAT EVEN CONFUSION IN THE PRE-ELECTION PERIOD WOULD SERVE HIS PARTY BETTER THAN AN APPARENT COVER-UP INVOLVING THE PSI, NOT LEAST BECAUSE THERE ARE STRONG HISTORICAL LINKS BETWEEN ITALIAN SOCIALISM AND MASONRY.

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3. THE WIDER IMPLICATIONS OF THE SCANDAL ARE HARDER TO ASSESS. FOR THE DC, PICCOLI HAS REAFFIRMED THE INCOMPATIBILITY BETWEEN MEMBERSHIP OF THE PARTY AND MASONRY, AND SOME EXPULSIONS ARE THEREFORE EXPECTED. FOR OTHERS ON THE LIST, MUCH WILL DEPEND ON WHETHER ANY BREACH OF OFFICIAL SECRECY CAN BE PROVED AGAINST THEM, OR WHETHER THEY WERE INVOLVED IN ANY OF THE APPARENT BLACKMAIL PERPETRATED BY GELLI, THE LODGE MASTER (MANY ARE DISCLAIMING ANY CONNEXION WITH HIM). FULL INVESTIGATIONS WILL TAKE TIME AND THE ITALIAN CAPACITY TO BURY SUCH SCANDALS SHOULD NOT BE UNDERESTIMATED; BUT THE DEPTH OF SUSPICION IS SHOWN BY THE FACT THAT THE (PSI) MINISTER OF DEFENCE IS SAID ALREADY TO HAVE WITHDRAWN AUTOMATIC NATO SECURITY CLEARANCE FROM ALL MILITARY COMMANDERS WHO WERE ON THE LIST OF P2 MEMBERS (WE ARE CHECKING WHAT THIS WILL MEAN IN PRACTICE).

4. IT WOULD ACCORD WITH TRADITION FOR THE FIRST MANDATE TO FORM A NEW GOVERNMENT TO GO TO FORLANI. THE PROCESS OF CONSULTATION MAY TAKE SOME TIME. WITH THE PRESIDENT'S SUPPORT, FORLANI WOULD HOPE TO PUT TOGETHER AT LEAST A STOP-GAP ADMINISTRATION, PERHAPS INCLUDING THE LIBERALS (PLI). IF THIS FAILS, PERTINI MAY LOOK FIRST TO ANOTHER DC CANDIDATE, PROBABLY FROM THE MAJORITY WING OF THE PARTY WHICH OPPOSES COLLABORATION WITH THE PCI: AS LAST OCTOBER, PICCOLI AND FANFANI ARE BOTH POSSIBLE CHOICES, ALTHOUGH THE LATTER'S REAL AMBITION IS THOUGHT TO BE THE PRESIDENCY ITSELF WHEN PERTINI GOES. CRAXI'S OWN INTENTIONS ARE THE SUBJECT OF INTENSE SPECULATION BUT THIS STILL HARDLY LOOKS THE MOMENT FOR A NON-DC PRIME MINISTER, AT LEAST AT THE PRESENT STAGE.

5. UNTIL A NEW GOVERNMENT IS FORMED, FORLANI REMAINS PRIME MINISTER AND HIS MINISTERS (WITH DARIDA SUBSTITUTING FOR SARTI) RETAIN OFFICE. FORLANI WILL WANT IF POSSIBLE TO ATTEND THE ANGLO/ITALIAN SUMMIT AS PLANNED (MY TELNO 195, NOT TO ALL); WE SHALL TRY TOMORROW TO GET DEFINITE CONFIRMATION OF HIS INTENTIONS. PAST EXPERIENCE SUGGESTS THAT, ALTHOUGH DOMESTIC LEGISLATION IS USUALLY POSTPONED IN A CRISIS, EC COMMITMENTS ARE USUALLY KEPT; FOR EXAMPLE, COSSIGA ATTENDED A EUROPEAN COUNCIL LAST APRIL IN THE CARETAKER PERIOD BEFORE HIS SECOND GOVERNMENT WAS FORMED. UNLESS CONSULTATIONS ARE AT A CRUCIAL STAGE AND GOING BADLY FOR FORLANI, THEREFORE, HE MIGHT STILL BE ABLE TO COME, IF NECESSARY SHORTENING THE PROGRAMME.

ARCULUS

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