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D Gladstone Esq
WED
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Mr. Carter
Mr. Osborne
20/5
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Our reference

Date 14 May 1981

Interesting
Suggestions for further
discussion

cc Churches at
Madrid, Lisbon,
Gene, Vienna, Bonn,
Athens, The Hague,
Brussels, Luxembourg,
Copenhagen, Dublin.

Dear David,

THE ITALIAN SOCIALIST PARTY

1. I enclose a report prepared by Robert Culshaw on the recent PSI Congress in Palermo which Robert attended.

Pe 21/5

2. The report was written before Mitterand's victory in France which has focussed attention here even more closely on the possibility of the Italian socialists providing a genuine alternanza to continuous Christian Democrat rule. These are still early days to judge precisely what the effect of the French developments will be on the PSI but there is no doubt that Mitterand's success will have given Cmaxi further encouragement. We shall let you have more on this subject as the picture becomes clearer.

3. Many European and other Socialist Parties sent delegates to the Congress but the Labour Party did not. Their absence was commented upon several times in Robert Culshaw's hearing.

4. May I leave it to you to decide whether other Western European Posts would be interested to see the report and to copy as necessary?

Yours etc,
Roger.

W R TOMKYS

cc: Research Department
Chancery, Paris

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THE ITALIAN SOCIALIST PARTY (PSI)

1. The PSI held their 42nd Congress in Palermo from 22-26 April. The choice of Palermo was interesting: no major party had held its Congress in Sicily before. It had the desired effect of putting the PSI at the centre of attention in Sicily just two months before the Regional elections due there on 21 June. But local people were displeased that the setting did not prompt the PSI to launch any initiative towards the south, and that Sicily's special problems were hardly touched.
2. The 350 delegates, representing almost 300,000 party members, had been selected as usual by the party sections and then at regional level. These 'pre-congresses' had shown that Craxi's supporters, the 'reformists', had a clear majority. The balance of factions was as follows:
 - "Reformists" (Craxi, Formica, Lagorio) 70-72%
 - "Lombardiani" (Lombardi, Signorile, Cicchitto) 19-21%
 - "United Left Alternative" (De Martino, Achilli) 7%
 - "Socialist Presence" (Mancini) 2%
3. This unusual dominance of one faction, the Reformists, ruled out any possibility of an internal upset at the Congress, and Craxi's position as leader was never in doubt. He was re-elected for three years as Secretary by direct vote from the floor of the Congress (a procedural innovation not to the taste of Craxi's opponents) and Formica, the Minister of Transport, was designated Vice Secretary (but not yet confirmed).
4. All parties had awaited this Congress as an important development in Italian politics, because they thought it might resolve important questions concerning the party's domestic strategy: the strength of its support for the present government, its attitude to the PCI (all three of the other groups opposed to Craxi want closer links), and its keenness to wrest the Prime Ministership away from the Christian Democrats. For the first time in years, a PSI leader seemed to have a power base secure enough to carry the party with him towards specific objectives. But Craxi's opening speech, which in three hours covered the whole range of domestic and foreign policy, showed that he preferred to keep all his options open; it was on this speech, rather than the lengthy 'theses' prepared by each faction, that all subsequent speakers concentrated. The main points were:

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a) Foreign Policy: On missiles, the NATO double decision of December 1979 was recalled, with emphasis on the need for arms control negotiations and support for CDE. On the Middle East, mutual recognition by Israel and the PLO had to be the starting point of a dialogue. On East/West relations, the US must recognise the complexity of inner European links, such as Italy's with Yugoslavia, Hungary, Romania and Poland. On Poland, support for Solidarnosc and their just demands was coupled with belief that the USSR would not intervene militarily.

b) The Economy: Familiar diagnosis of Italy's problems, with particular stress on the need to reduce inflation. Indexation was seen as a contributory factor (there was here a clear hint that the system of wage indexing might have to be modified). The concept of economic planning, embodied in the present 3 year plan, was supported. A preliminary balance sheet to show the effectiveness of earthquake relief was due. The rate of growth in public spending must be reduced, partly by improving efficiency in the fields of health and social security. The housing programme must have first priority. The problem of limiting strikes had to be faced, especially in the public sector. A general strike for political ends was only justifiable in extremis.

c) Terrorism: The PSI did not favour deals with terrorists, but wished to avoid useless sacrifices. The battle against terrorism was being won, at the psychological as well as the operational level. Judicial procedures and prison conditions had to be improved.

d) Institutional Reform: Changes in the workings of Parliament were needed, touching even the bicameral system itself. Electoral laws should be "perfected" to remove anomalies. The secret vote in Parliament should not be allowed to impede the passage of legislation agreed by the parties of the majority.

e) Political Alliances: Loyalty to the Forlani government was reaffirmed as signifying the party's renewed collaboration with the Christian Democrats (DC): a government crisis 'in the dark' would serve no purpose. But this was not an immutable alliance, and did not exclude

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maintenance of left-wing coalitions with the Communists (PCI) at local level. The PSI hoped for renewal of the DC after its thirty years of identification with the state. As for the PCI, ideological revision, a clear decision in favour of Western socialism, and independence of the USSR, were prerequisites for that unified strategy of the left which the PSI desired. With the Social Democrats (PSDI), collaboration was very close but unification not in prospect. Hopes of better agreement with the Radicals had been over-optimistic. With the Republicans (PRI) too there had been difficulties, not least because of the unrealistic Visentini proposal for a government of "technicians" less tied to parties. With the Liberals (PLI, not now in Government), dialogue remained open.

5. For the first time ever at a party congress, the secretaries of all other parties (except the Liberal Zanone, away in Romania) spoke. Berlinguer expressed a wish for better relations with the PSI and relaunched his appeal for an 'alternative, democratic government' of the left: other PCI comments, especially to the media, were more sharply critical of Craxi's line. Berlinguer, flanked always by Cossutta, listened with close attention to all the sessions on the first three days. For the DC, Piccoli expressed appreciation of Craxi's role in ensuring the 'governability' of Italy and said that the differences between the two parties, eg. over the imminent abortion referendum, need not prevent collaboration "in the interests of democracy" (ie. against the PCI).

6. The other PSI speeches which followed added little, although Craxi's specific remarks about strikes and wage indexation were picked up, not least by Benvenuto, the Socialist Union leader. The leaders of the opposing factions were given a rousing welcome and argued energetically for a break with the DC and better relations with the PCI; but the majority of the party know too well that despite its emotional appeal this is not practical politics at present. The heart of the party base remains very much on the left. Every time the DC were mentioned there was an adverse reaction from the delegates, and Piccoli in particular had difficulty in starting his speech; by contrast Berlinguer was given an ovation and his speech was listened to with rapt attention. The base of the party know that Craxi's present tactics make sense, but they do not respond emotionally to them. On the other hand phrases about social commitment and the need to oppose the establishment were always warmly applauded. Lombardi,

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although old and said by his critics to be making the same speech on economics as in 1962, had a standing ovation lasting four minutes when he began. De Martino, speaking brilliantly without notes, similarly attracted the sympathy of the delegates. But Craxi was clever enough to make Martelli, his right hand man, speak immediately after Signorile, his main rival on the left of the party: Martelli was tough on the PCI ("what divides our two parties is Moscow") and urged the need for a Socialist Prime Minister. He was the only Craxiano to generate real enthusiasm among the mass of the delegates. This paved the way for Craxi's final speech, which was more explicit about the need for 'alternation' at the level of Prime Minister, but otherwise restated his original argument.

7. The numerous foreign observers at the Congress included representatives of many Eastern bloc and African parties as well as the major Western European Socialist parties. The absence of anyone from the British Labour Party did not go unnoticed, and twice in speeches Craxi referred to the present split in British socialism.

8. To judge from the delegates, the PSI looks a very bourgeois party. There were few from working class or trade union backgrounds. The emphasis on youth was not very marked either. And the role of the delegates was little more than to listen and applaud; all the real decisions were taken by the leaders in the corridors.

9. A new Central Committee, enlarged to 297 members, was elected; it reflects the relative weight of the factions, as well as the new commitment made at the Congress to give 15% of party posts to women, and is in theory responsible for party policy until the next Congress. In practice, the new Directorate elected on 8 May is more important: its 42 members are

"Reformists" (28): Craxi, Acquaviva, Ando, Amato, Babbini, Balzamo, Boniver, Cassola, Conte, Coen, De Carli, Dell'Unto, Fincato, Ferrarini, Formica (subject to confirmation as Vice Secretary), Forte, Gangi, La Ganga, Martelli, Marinucci, Marzo, Monesi, Principe, Signori, Spano, Reina, Tamburrano and Tempestini.

"Lombardiani" (9): Lombardi, Signorile, Cicchitto, Covatta, Ruffolo, Spini, Guarraci, Borgoglio and Di Donato.

"United Left Alternative" (3): Achilli, De Martino and Querci.

/Socialist

"Socialist Presence" (2): Mancini and Landolfi.

9. Craxi thus has at present a clear majority for his line of collaboration with the DC rather than the PCI. It is based more on the attraction of exercising power and on the electoral success he has brought to the party than on any great personal popularity of Craxi's. Despite careful stage management which assured him of the necessary applause, he did not present an attractive or genuinely "reformist" image, despite the blue jeans which he wore throughout. His opening speech showed him to be a party manager in the classic mould of trasformismo, justifying support for the present Government formula for the time being but maintaining the argument for coalitions at local level with the PCI. If success deserted him, Craxi's support could fade away rapidly, like De Martino's in 1976, and there were signs at the Congress that he knows this. He is therefore likely to keep raising the price of continuing PSI alliance in Government with the DC. The referenda on 17 May should give all the lay parties a boost, but more important will be the outcome of the extensive local elections on 21 June. If these showed substantial PSI gains, Craxi might be encouraged to provoke a crisis at national level, as he has already hinted. With Forlani out of steam and the PCI in internal disarray, the initiative rests with Craxi and he has little to lose from exploiting it; even anticipated general elections, although not welcome to anyone at present, would do the PSI less harm than their major rivals.

10. The greatest uncertainty remains whether he can yet make a serious bid for the Prime Ministership. The fact of a Socialist President makes this harder (but not impossible), and the capacity of the DC to close ranks as in 1979 to prevent the job being lost to their party should not be underestimated. Craxi can expect no support from the PCI, especially after Palermo. So, unless the June results show an enormous wave of popular support for the PSI, he may well judge it better to wait. Nevertheless, on the evidence of their Congress, and after a year back in Government, the Socialists look the most dynamic force in Italian politics, with an aggressive leader and a sense of purpose not matched at present by the other parties; sooner or later they will demand, and get, a better reward for ensuring what Craxi calls Italy's "governability".

R N Culshaw
ROME