

Italy

- Rabb says Fanfani has put forward a tough, well conceived program. Republican; liberal parties have given good reaction. Socialists; SD's trying to get Craxi still has control over these in his party wanting immediate elections. Organized labor very upset with "truce" in collective bargaining, but has little maneuvering room. workers not staying out on strike

- Italy: Republican want commitments to budget cuts; long term mandate (hoping to scuttle in interest of Spadolini?) PSDI (socialists) want protection of their commitment pensioners.

Some fear deal between Fanfani & Soc. Craxi (PSI) for the former to succeed Pertini at the end of his term, for Craxi, spring elections and another crack at PM's job

What do Socialists get?

- Italy - De Rita of CD distrusts PST - avoid work with communists. spoke of historically "completing" Italian democracy. Deal in which PST gets larger voice on social issues, Berlusconi cautious.

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BY LOJ NARA, DATE 12/12/06

Germany

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Italy: nuclear fuel dropper to Iraq, presumably w/o
govt's knowledge.

Notes Re Spadolini Visit

- Spadolini - 3% center left / middle class Republican Party
- 1st PM since 45 end of CD
- weak coalition (force between Socialists / CDD) lasted 16 mos. PSI pulled out of coalition in August 82
- working on terrorism - not underlying causes but getting at safehouses, weapons storage, etc. (are we helping? French attitude? structural / organizational change?)
- economic problems: large public sector deficit; inflation; unemployment; high labor costs.
- impossible position because he must impose an austerity budget.
- to want to attribute Italian basically solid attitude?
- de on PLO essential - in recognition
- our bus => French applying strong political pressure (we want it decided on technical / commercial ground.)
- access issue: no real 4 power commitments -
- stress the needs for coordination GATT / Communism Nov 24)
- have problem with application of Article 3C
- Iranian helicopters?
- Italian worry about "stagnancy" in US position
- CSCE?

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- Spadolini survived not only because DC/PCI didn't want elections now.

> DC favors austerity program (16% inflation rate); Socialists on 10% unemployment. Craxi hopes to reap significant votes on the left at expense of Communists.

- PCI moving toward alliance with Messeri, Bellignese seems in control; PCI may lose fewer votes than previously believed. If PCI; DC hold present support, post-election coalition building could be even more difficult.

[with Italy vitally imp. to retain ties to all groups in rapidly shifting political constellation]

- CD's seem to be opposing start in opposition in principle to PCI governing arrangement. They hope PCI evolving into more conventional party. On other hand, signals that PCI would accept Craxi PM, and that he might find this irresistible.

- PCI looking for a move to get votes to polls early. CD believes early elections work against them, and hence see Spadolini as a way to keep Socialists at bay.

- will he take position that ^(pipeline) enterprise is key to his survival?

- expect weak export led recovery

Italian "pains" on gas contracts (culled allia) attributable in large part to domestic political concerns and negotiations for Algerian gas and Spadolini is expected to allow contract to be signed after his return from Washington (despite internal problems?)

will their helplessness would it they don't make breakthrough in private big 4 dialogue?

- Presidential talks not focused enough, e.g. GATT need for movement on safeguards; agricultural subsidies. news doesn't warn Pres. Italians are EC hardliners on most issues.
- Italy a big part of the success / given largely enthusiasm by UK, FRG
- Craxi socialist overcoming a different tradition.
- save big son for last -
Dennis JF sequenters,

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