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ACTION SS-01

INFO LOG-00 ADS-00 /001W
-----6E28DA 151424Z /38
P 151418Z OCT 92
FM AMEMBASSY ROME
TO SECSTATE WASHDC PRIORITY 4156
INFO AMCONSUL MILAN
AMCONSUL NAPLES

C O N F I D E N T I A L SECTION 01 OF 02 ROME 18650

DECAPTIONED

RELEASED IN FULL

EXDIS

E.O. 12356:DECL: OADR
TAGS: PGOV, PINR, PREL, IT
SUBJECT: ITALIAN SELF-DOUBTS -- A NEW POLITICAL
PARTY THE SOLUTION?

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY. IN AN OCTOBER 11 CONVERSATION WITH THE
AMBASSADOR, A WELL-CONNECTED CONTACT PAINTED A DARK
PICTURE OF POLITICAL AND SOCIAL CONDITIONS IN ITALY.
HE DESCRIBED A "SECRET" WORKING DINNER, OCTOBER 12
ORGANIZED BY LIBERAL PARTY SECRETARY ALTISSIMO, AT
WHICH LEADING POLITICAL AND INDUSTRIAL LEADERS
DISCUSSED THE FORMATION OF A NEW POLITICAL PARTY TO
LEAD ITALY OUT OF ITS "CRISIS." END SUMMARY.

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3. IN HIS CONVERSATION WITH THE AMBASSADOR, OUR
SOURCE (WHO ASKED THAT HIS IDENTITY NOT BE REVEALED),
NOTED THAT THE DC HAD LOST ITS MANDATE AS ITALY'S
ANTI-COMMUNIST BASTION AND SAID THAT THE "TANGENTI"
KICK-BACK SCANDALS WERE DISCREDITING THE BUSINESS
SECTOR. THE SOCIALISTS, HE SAID, WERE RAPIDLY LOSING
STRENGTH AND PRIME MINISTER AMATO, HOBBLING BY A WEAK
CABINET, WAS HANGING ON BY A THIN MAJORITY. AS THE
LEADERS OF THE SMALL PARTIES FRETTE ABOUT THEIR
POSSIBLE EXTINCTION, THE "SEPARATIST" NORTHERN LEAGUE
MOVEMENT HEADED BY UMBERTO BOSSI WAS GAINING
RAPIDLY. IN SHORT, THE POST-WAR ITALIAN POLITICAL
SYSTEM WAS CRUMBLING. COMPLEMENTING THIS DREARY
POLITICAL PICTURE, OUR SOURCE CONTINUED, WAS A VERY
BAD ECONOMIC SITUATION -- THE STOCK MARKET WAS NOT
FUNCTIONING, BUSINESSES WERE CLOSING DAILY, THE DEBT

REVIEW AUTHORITY: Martin McLean, Senior Reviewer

WAS GREATER THAN ITALY'S GNP AND THE LIRA WAS UNDER ATTACK.

4. ITALIANS, OUR SOURCE CONTINUED, ARE CONFUSED AND LOOKING FOR CHANGE. HOWEVER, NO CLEAR SOLUTION IS IN SIGHT. PSI PARTY SECRETARY CRAXI, INCREASINGLY UNDER ATTACK, IS LOOKING FOR SCAPEGOATS -- TRYING TO BLAME HIS PROBLEMS ON THE U.S., WHICH HE SEES AS OPERATING BEHIND THE SCENES AND AS THE REAL FORCE BEHIND THE CONTINUING CORRUPTION INVESTIGATION OF SPECIAL PROSECUTOR DI PIETRO. (AMBASSADOR'S COMMENT: A USIS INVITATION TO DI PIETRO MAY HAVE UNINTENTIONALLY ENCOURAGED THIS VIEW. AGAINST OUR ADVICE, DI PIETRO HAS TALKED PUBLICLY OF HIS INVITATION AND HIS ENEMIES

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ARE USING THIS TO DEMONSTRATE OUR COLLUSION). PEOPLE LIKE ROSSI AND DC REFORMER MARIO SEGNI HAVE CAPTURED THE IMAGINATION OF A LARGE GROUP OF VOTERS, HOWEVER, IN THE VIEW OF OUR SOURCE, THEY ARE NOT REALLY UP TO THE TASK.

5. LIBERAL PARTY (PLI) SECRETARY ALTISSIMO FEELS THE SOLUTION LIES IN THE FORMATION OF A NEW POLITICAL GROUP BY A RESPECTED LEADER WHO WOULD LEAD ITALY OUT OF ITS "CRISIS". TO THIS END, OUR SOURCE REVEALED, ALTISSIMO WAS HOSTING A "SECRET" HIGH-LEVEL DINNER MEETING OCTOBER 12 TO PROPOSE THE FORMATION OF A NEW PARTY WHICH WOULD BE LAUNCHED LATER THIS YEAR IN TIME TO DEAL WITH THE VARIOUS REFORM REFERENDA WHICH THEN-PRESIDENT COSSIGA HAD PROPOSED.

6. THE AMBASSADOR LEARNED OCTOBER 13 THAT THE "SECRET" DINNER TOOK PLACE AT THE GRAND HOTEL. THE GROUP, WHICH INCLUDED MEDIA MAGNATE BERLUSCONI AND PUBLISHER MONTADORI AS WELL AS COSSIGA, REPORTEDLY DECIDED TO ASK COSSIGA TO FORM A NEW PARTY. (OTHERS AT THE DINNER WERE OILMAN GIAN MARCO MORATTI, INDUSTRIALIST GIOVANNI ROSSIGNOLO AND "LA STAMPA" SPECIAL CORRESPONDENT PAOLO GUZZANTI.) THE PLI WOULD JOIN THIS GROUP AND BERLUSCONI WOULD PRESENT HIMSELF AS A CANDIDATE. A FOLLOW UP MEETING IS TO BE HELD NOVEMBER 4.

7. COMMENT. AS THE LEADERS OF THE OLD ORDER SEE THE IMMINENT COLLAPSE, IN THE FACE OF NEW CONDITIONS IN ITALY AND OUTSIDE IT, OF THE SYSTEM WHICH THEY ESTABLISHED AND HAVE RUN FOR DECADES, THEY ARE

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DESPERATELY GROPING FOR WAYS TO RETAIN CONTROL AND
WARD OFF EFFORTS BY NEWCOMERS REACHING FOR POWER.
THE HOPE OF THOSE THINKING ABOUT THIS NEW PARTY IS
THAT IT WILL DEFLECT THE CHALLENGES OF NOT ONLY BOSSI
AND SEGNI, BUT OF PSI CHALLENGERS SUCH AS JUSTICE
MINISTER MARTELLI. BERLUSCONI'S PARTICIPATION IS OF

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SPECIAL SIGNIFICANCE GIVEN HIS CLOSENESS TO CRAXI.
HIS EMERGENCE AS A NEW POLITICAL LEADER COULD HAVE
CRAXI'S BLESSING. HOWEVER, IT ALSO IS AN
ACKNOWLEDGEMENT THAT CRAXI, WHO HAS BEEN HARD HIT BY
THE KICK-BACK SCANDALS, CONTINUES TO DECLINE AS A
MAJOR NATIONAL POWERBROKER.
SECCHIA

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