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1970/06/11

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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June 11, 1970

MEMORANDUM FOR

Office of the Vice President
Office of the Secretary of State
Office of the Secretary of Defense
Office of the Director, Emergency Preparedness

SUBJECT: U.S. Policy Toward Italy (NSSM 88)

Attached is a revised version of the paper on U.S. Policy Toward Italy which was prepared in response to NSSM 88 and distributed on April 1.

This paper, along with revised papers on Greece and on the Mediterranean (NSSM 90) which will be distributed tomorrow, will form the basis for discussion at the NSC meeting on the Mediterranean scheduled for Wednesday, June 17, at 9:30 a.m.



Jeanne W. Davis
Director
Secretariat

Attachment

cc: Office of the Attorney General
Office of the Under Secretary of State
Office of the Chairman, Joint Chiefs of Staff
Office of the Director of Central Intelligence

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Declassified/Released on 9/6/96
under provisions of E.O. 12958
by J. Saunders, National Security Council

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PREAMBLE

This paper concentrates on the problems of Italy. These are largely internal, but are importantly affected by international events. The broad implications to U.S. policy resulting from political developments in the area as a whole are being incorporated in NSSM-90.

The Italian domestic situation can only be resolved in the context of a broader evolution, involving not only the Mediterranean but Europe as a whole. If the Italians are to summon the resources of political will required to overcome their domestic weaknesses, it will be necessary for them to consider themselves secure from external threats. If they are to develop the self-confidence required to build a more stable democratic society over the long term, it will be necessary for them to have confidence in the potential of their own role in a more cohesive enhanced European system.

This paper includes an analysis of the situation, outlines the issues and options, and recommends certain courses of action. It should be considered in conjunction with NSSM-90, but is written to be a self-contained examination of the Italian scene.

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I. Goals

Italy is a key to the area as a whole and to the United States position. Basically our goals are:

a) a stable and prosperous Italy willing and able to meet its NATO Alliance responsibilities (including real estate for U.S. military facilities) and to play a constructive and cooperative role in Europe and the world scene.

b) a democratic Italy without either Communist or neo-Fascist participation in the government.

II. What is Wrong

Over the last decade the country has achieved economic growth greater than that of any other developed country in Europe and yet the democratic political process is in a state approaching paralysis. Prosperity has seemed to compound the political difficulties. Aspirations rise faster than living standards and impatience with bureaucratic inadequacy grows. Meanwhile the hard core of Communist and fellow-traveling support representing approximately 30 percent of the electorate provides an outlet for increasing unproductive criticism.

Italian political life is dominated by a constant struggle for position within and between the parties. There is little discipline and alliances shift constantly. The two most able Christian Democratic leaders, Fanfani and Moro, are locked in a struggle to succeed President Saragat in December 1971 which inhibits their exercising leadership. None of the other major parties is in much better shape.

Patronage and a long tradition of indifference to the public have created bureaucratic stagnation -- it often takes approximately two years to begin to spend an appropriation -- and an unwillingness to innovate.

As a result there is danger to the democratic process in Italy with the government unable to cope with its internal problems and the Communists criticizing and obstructing.

III. The Soviets and Italy

In considering the crucial issues of Italian society today, the questions of international security, defense, and relations with the Soviet Union are essentially secondary. The threat to Italy is not military nor is it subversion. On the other hand, a reduction in the capability of NATO sufficiently serious to degrade the deterrent could easily tip the balance in Italy toward an accommodation with internal Communism which could ultimately prove fatal to the forces of democracy.

Russian relations with Italy have shown modest success at the diplomatic and commercial levels. Soviet policy has attempted to wean Italy from close association with NATO and the EC. The Russians have also sought to engage Italian self-interest by means of spectacular deals with Fiat and ENI (the state oil company). The Soviets view political instability in Italy as favorable to their long-term objectives. (Despite publicized criticism by the Italian Communists of the Soviets, there is evidence that the Russians acquiesce in this tactic whereby the Italian Communist Party achieves "respectability" within Italy. The policies advocated by the Italian Communists, if achieved, would weaken Italy's pro-Western stance.)

U.S. defense policy toward Italy exists as part of our defense policy toward NATO. While the Italians would react to actions taken to reduce U.S. forces within Italy, the overriding consideration will be the U.S. stance toward the Alliance as a whole. Our options are limited. We must retain the psychological conviction among Europeans that the U.S. presence and deterrence are valid in Europe. If Europeans, including the Russians, come to doubt our will and our capability, the deterrent would be undermined. In Italy, this could have the serious consequence of impelling even the non-Communist forces toward neutralism.

IV. Factors in the Situation

The Italian people are energetic, intelligent, productive. The gross national product has risen from \$16.8 billion in 1961 to an estimated \$80 billion (in current prices) in 1969. Real growth has been in the 5.5 per cent to 6 per cent range the past four years. Through migration out and from south to north the unemployment problem has largely disappeared. Monetary reserves are still among the highest in the world at over \$4 billion. Italian industry is a strong competitor in world trade. Yet with all this achievement, Italians have an inferiority complex about their economy. Investment within Italy is inadequate. Those with sufficient resources hedge their bets by investing abroad. Growth of inflation in the last six months has created uncertainty about the future of the economy.

Organized labor is split between Communist-Socialist, Socialist-Social Democrat, and Christian unions. Throughout the months-long renegotiation of labor contracts in late 1969, the three unions worked in harmony to obtain wage and fringe benefit increases. They ignored political issues in concentrating on pocketbook issues. There is some evidence that the unions may be beginning to usurp the political function at the grass roots from the parties, but this is not yet conclusive. The willingness of the Communist unions to cooperate has strengthened the argument within Italy that Italian Communists are "mature" and prepared to work within the system. This attitude has its counterpart at the political level and has been responsible for much of the political controversy since mid-1969.

The Communists (PCI) and the Socialists of Proletarian Unity (PSIUP) on the left, the Monarchists (PDIUM) and the Fascists (MSI) on the right do not believe in democratic government. The Socialists, the Unitary Socialists, the Republicans, and the Liberals are all committed to the democratic process, but at least some of the Socialists are prepared to edge up to the Communists; the conservative Liberals and the Unitary Socialists are completely opposed to any such arrangements, either explicit or implicit. The Communists boast a membership of 1.5 million, but collected 8

million votes in the national elections of 1968. There are Communist factions, but apparently under better control than those of the democratic parties.

The Christian Democrats, who traditionally have had about 40 per cent of the votes, have dominated the country since the end of World War II. The factional strife which has demoralized them since the demise of the Moro government in May 1968 is an important debilitating factor in Italian politics. A Church-oriented party, the Christian Democrats have suffered from the withdrawal of the Vatican and some of the Italian hierarchy from day-to-day political concerns. The Church apparently no longer worries as it once did about the growth of Communist influence. In a more visible crisis, the Church might rally to the Christian Democrats, but at present is an uncertain political factor.

The Christian Democratic left has moved to the point that in rhetoric, at least, it is to the left of the Socialists and would even make some accommodation with the Communists. The size of the Christian left is undetermined, but may be up to 20 per cent of the Party. The most active spokesman, Donat Cattin, Minister of Labor, is a young leader of promise. He is tough, articulate, honest. He is the type which we should cultivate as a man who may become a stronger force in the Christian Democratic Party.

Social problems--lack of housing, overcrowded universities, inadequate schools--have produced a situation which cannot be ignored. One reason why the Communists remain a major threat is the common belief that they are efficient administrators; the Italians are tempted to believe the Communists might make the system work.

Even in a period of disarray, it is apparent that Italy's participation in Western Europe is an important element of strength. In the last analysis, it may be a major factor in leading to the modernization of the Italian political process just as it has been fundamental in bringing the Italian economy into the 20th century.

If the democratic forces pull themselves together, they can frustrate adventurers to the left. There is a clear majority against bringing the Communists into the government. Somehow, Italian politicians must liberate themselves from sterile political gamesmanship and revitalize the Christian Democratic Party to believe that the best politics is the achievement of good government.

V. What Will Happen Next?

After initial failures by Prime Minister Rumor, Foreign Minister Moro, and former Prime Minister Fanfani to reconstitute a four-party center-left coalition in February and March; President Saragat asked Rumor to try again and he succeeded on March 27.

The new government may be only temporary. Regional and local elections will probably be held in May, although there could be further delays. These elections will provide the first clarification of voter sentiment since the last national elections held in May 1968. If the elections should reflect appreciable changes in public attitudes, further cabinet shuffling could result--either a re-edition of the center-left or a return to a minority government. Any major shift of public sentiment farther left or back to the center could set in motion political events eventually requiring early national elections for a new Parliament. The likelihood of such elections, which appeared increasingly strong as the 47 day cabinet crisis wore on, has receded for the present.

The prolonged political crisis has been accompanied by a new factor: the economy may be headed for trouble--in part as a result of political instability. The lira has been under pressure--losses averaged \$100 million per week through the end of February. Inflationary trends--possibly accelerated by the wage settlements after the strikes--have been cited as cause for concern. A serious economic crisis could adversely influence the political picture.

It is increasingly conceded that the center-left has failed to mobilize its forces behind necessary reforms. It is agreed that the Communists will not enter the government during the next two or three years. It is believed unlikely that there will be a coup from the right. Observers are puzzled as to which formula may emerge to replace the center-left. The young able element among the Christian Democrats is largely in the left wing of the Party. It is not clear how they can be joined with those in the center who would push for administrative reform to make the existing legislation work.

VI. What Can We Do?

There is very little which the United States can do to solve Italian problems. We can take some useful actions as indicated below. Perhaps of more importance, there are possible actions of our part which would make the situation more difficult. If we permit the impression to develop that the United States is "disengaging" from Italy and Europe, if we ignore Italian sensibilities, and if we follow policy in nearby areas such as Greece, and to a lesser extent in Spain, which run counter to Italian public attitudes, then we can undermine our friends in Italy. (The present regime in Greece is highly unpopular with the Italian public and Parliament; the Franco Government in Spain is also traditionally held at a distance. This attitude is not limited solely to the left, but includes all democratic forces. It should not be forgotten that Italy has had a recent disastrous experience with Fascism and the regimes in Spain and Greece are considered Fascist by Italians. The question of Greece could become particularly emotional because of Greek membership in NATO, if heavy arms shipments from the United States should be resumed.

We must try to restore confidence among the moderate leaders, support them, seek out younger political figures, urge modernization, and assist by providing training and exchange ideas and advice. We must remain faithful--and be seen to remain faithful-- to the concept of Alliance solidarity so that the Italian efforts to reform can be carried out without the conflicting complications arising from an upsurge of fear of an intensified Soviet military threat.

VII. Issues and Options

The Issue: To determine the extent to which we can influence developments in Italy in a positive direction. There are two basic postures open to us:

(a) Adopt an active interventionist role which seeks to reverse the drift to the left in Italian politics and to spur the center elements to the performance necessary to reduce political discontent.

(b) Adopt a modest profile while attempting to influence democratic political forces in Italy to withstand the temptation to include the Communists in the central government; to assist as feasible in building the confidence of Italy's leadership in its ability to meet the problems facing the country.

Options for the United States:

(a) Adopt an active interventionist role which seeks to reverse the drift to the left in Italian politics and to spur the center elements to the performance necessary to reduce political discontent.

Illustrative Courses of Action

1. Through public statements leave no doubt in the minds of the Italian (and European) public of our political preferences within Italy and our determination to see that Italy remains firmly aligned with the West.
2. Approach the Church to see whether it would be willing to work with us actively on behalf of the Christian Democrats.
3. Provide covert assistance to Italian organizations and individuals working for political stability.
4. Consult urgently with the UK, France, and Germany to make sure they appreciate the seriousness of the situation and urge them to take steps with Italy to prevent a further deterioration in the position of the democratic forces.

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5. Move additional U.S. combat forces into Italy, making clear U.S. willingness to support Italy's continued alignment with the West.

PROS:

An interventionist course would provide visible evidence of U.S. leadership in the decade of the 70s; it would underscore the American commitment to defend Italy and would perhaps frustrate tendencies toward neutralism.

CONS:

Intervention would expand U.S. commitments to support specific parties and individual politicians within Italy (with attendant risks). It would cast doubt on our public assertions that the shape of Europe is for Europeans to decide. It would cost appreciable sums of money. There would be little likelihood that our discreet activities, including approaches to the UK, France, and Germany, would remain secret. It would alienate other European allies (not to mention many Italians) who would resent U.S. meddling in domestic politics and, finally, it would very probably not succeed in achieving the desired results.

(b) Adopt a modest profile while attempting to influence democratic political forces in Italy to withstand the temptation to include the Communists in the central government; assist as feasible in building the confidence of Italy's leadership in its ability to meet the problems facing the country.

Illustrative Courses of Action

1. Maintain the psychological underpinning provided by our military presence. (A) We should avoid

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further cuts of our small (10,000 men) military forces in Italy;* and (B) give careful consideration to locating in Italy symbolic military facilities transferred from other areas.**

2. Consult publicly with the Italians at high political levels on a broad range of international issues on the same basis that we do with the British, French, and Germans.

3. Intensify the frequency of high-level visits to Italy by American officials.

4. Increase the number of Italian visitors to this country as a means of (A) influencing the younger generation of political and trade union leaders, and (B) supporting the Italian efforts to modernize their institutions.

PROS:

This option has the advantage of building on current policies and programs and avoiding the charge of interference. It would require additional money to expand exchanges, but no new institutional framework. Given the long-term relationship between the U.S. Government and the leaders of the Italian democratic parties, we have understanding and knowledge available to intensify and expand rapidly relationships designed to bolster the confidence of the experienced leadership in Italy. This approach can reassert U.S. interest and influence without inviting charges of meddling. The mere avoidance of certain actions, such as further reduction of U.S. presence in Italy, can achieve a beneficial effect.

*DOD language: We could try to avoid additional programs involving cuts in our military forces in Italy.

**DOD notes that further adjustments in U.S. force levels in Europe may occur, dependent on Presidential decisions flowing from NSSM 84 on alternative U.S. strategies and forces.

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CONS:

The end results of this line of action may be limited and slow in developing. There may be complaints that the United States is not being sufficiently active in assisting Italy to resist Communist pressures.

Action Program

The attached annex contains a review of current U.S. programs in Italy. There are also suggested activities to improve the situation and enhance our influence. These would be executed when funds are available.

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ANNEX

MILITARY MEASURES

Present Activities

In order to meet Prime Minister Rumor's concerns about weakening our military presence in Italy, we delayed beginning implementation of the military cost reductions in Italy from September 1969 until February 1970 and are spinning the reductions out over a longer period of time than originally planned. We are considering the possibility of transferring to Italy some U.S. military facilities from other areas in the Mediterranean as a means of reassuring the Italians of our determination to support the Alliance.

Future Proposal

We counsel against undertaking any further cuts beyond those envisaged in the current cost reduction program.

ITALIAN VISITORS

Present Activities

We are looking to the State Visit of President Saragat in July. We expect to fund visits by 10 Italians in FY 1970. These to be drawn from the political, trade union, press, and economic fields. This is woefully inadequate. We are also exploiting those important Italians who finance their own trips here by arranging special study and visit programs. We are programming the visit of (1) Professor Gaetano Stammati, head of the Italian general account-office, and three assistants, who plan to study modern budgeting methods in this country in a month-long program; (2) a high-level delegation of Italian judges who will study judicial methods here with a view to modernizing the Italian court system. Under the binational cultural program, there are some 98 Italian students studying in American educational institutions, as well as 31 lecturer-researchers and 16 teachers. Some of these are studying U.S. methods as a guide to educational reform in Italy.

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Future Proposals

We propose as a matter of urgency to intensify efforts to increase the number of Italian visitors to this country and expand our cultural-educational exchange. We see these efforts as an effective means of (a) influencing the younger generation of political and trade union leaders, and (b) supporting Italian efforts to modernize their institutions.

Specifically, we plan to seek:

1. A substantial increase in the number of Italian participants in the International Visitors Program. The FY 1971 budget request, drawn up many months ago, provides for a modest increase to 12 or 13 grantees for Italy. A really effective program would call for many more visitors annually (the average unit cost per visitor is \$2,650) and would require increased appropriations.

2. An increase in our contribution to the binational program. The FY 1970 program provides \$160,000 to the U.S.-Italian funded program; the 1971 budget request calls for a U.S. contribution of \$465,000. An expanded program would increase opportunities for the participation of Italian educators in programs which can spur the cause of educational reform in Italy.

In addition to visitors programmed under the International Visitors and Cultural Exchanges Program, we plan to promote the following:

1. A visit to the United States by Italian Parliamentarians active in the Inter-Parliamentary Union group, in return for a U.S. Congressional visit to Italy in 1967.

2. A visit to Washington by the new Italian Defense Chief of Staff, General Marchesi.

3. Visits by Italian cabinet officers and senior civil servants to study budgeting, urban problems, and government management systems. In giving fresh impetus to visit programs in this category, we would hope to open up a broad dialogue with the Italians aimed at encouraging their efforts to reform their administrative structure and bureaucracy.

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VISITS TO ITALY BY AMERICAN OFFICIALS

Present Activities

Since the beginning of 1969, President Nixon, Secretary Rogers, Secretary Volpe, and Secretary Stans have visited Italy. These visits were invaluable in cementing our ties with Italians especially the leadership.

Future Proposals

Increase the frequency of high-level visitors by exploiting the presence of cabinet officers in Europe (Secretaries Rogers and Laird will be in Italy for NATO meetings in late spring, for example) and by promoting other high-level visits (such as Chief Justice Burger, Under Secretary Richardson, and White House Counselor Moynihan).

ENHANCING OUR PRESENCE IN ITALY

Present Activities

The Department of Commerce maintains a U.S. Trade Center in Milan for year-round commercial exhibits. We also participate occasionally in other commercial exhibits and trade fairs, as well as in exhibitions and congresses of an educational, scientific, and cultural nature. Budgetary allocations for these activities have been sharply reduced and our participation has declined.

Future Proposal

Increase the extent and quality of our participation in exhibits, fairs and cultural events. This will require additional money.

IMPROVING THE ECONOMIC CLIMATE

Present Activity

Disagreement over key aspects of a new civil aviation agreement between the United States and Italy and suggested protectionist trade measures are the most sensitive irritants in our economic relations with Italy. We have been dealing with various aspects of both problems over a long period of time. On the other hand, we have helped Italy stem the run on the lira by furnishing swaps and loans of \$1.5 billion since the beginning of 1970.

Future Proposals

We propose to redouble our efforts to work out a compromise solution in forthcoming negotiations in Rome on civil air. On trade, we propose to continue to resist protectionist bills aimed by key Italian exports and emphasize in interagency discussions the availability of remedies other than trade restrictions. We will continue to cooperate in the monetary field.