

ITALY - START OF THE 'DOMINO EFFECT'

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Italy's President Carlo Azeglio CIAMPI dissolved the Italian parliament on 08/03, formally opening an election campaign which has in reality dominated politics for months. The opinion polls suggest a handsome victory for the centre-right coalition led by Forza Italia chairman Silvio BERLUSCONI. In France the second round of municipal elections on Sunday 18/03 sees the centre-right in a stronger position than is at first obvious - if it can unite. "Our hope," says EPP Secretary-General Alejandro AGAG, "is that Italy will be the first domino to fall. It needs only unity and determination to win the few percent of the vote which will bring Europe back into the hands of the moderate centre-right."

HELP FROM THE OTHER SIDE

Of all Europe's political landscapes in Europe, Italy's is perhaps the most perplexing. Where else, with elections only weeks away - on May 13 - would the outgoing centre-left prime minister heap praise on the head of the centre-right opposition, Silvio BERLUSCONI, already running ahead in the opinion polls?



"They have a boss... There is no boss over here," the Giuliano AMATO (*below right*) said in a curious interview with the *Financial Times* on 13/03. "They have a hierarchy with this unique kind of leader." Within the limits of political decency, Amato exposed the divisions among the eight parties in the centre-left alliance and acknowledged that Berlusconi's "rightly-recognised mastery of communication" had delivered a coherent message. He went so far as to concede that there was "a desire for freedom" in the country: "It's not a time for readjustment and sacrifices but for running ahead. Therefore the country needs a change. And that plays to the right."

The Freedom Alliance's commitment to tax cuts has raised concerns about breaching the rules of the euro's stability pact. But on this too Amato was equable: "They might be bolder in reducing taxes than our financial equilibrium might require." But the readjustment [of public finances] is there, it's really there, that's why I feel confident." There might be "divergences" from the path of virtue, he said, but whatever happened these would be "limited".



The Italian Prime Minister's moderation is in sharp contrast to the lurid accusations of fascism and counter-accusations of neo-Stalinism which have characterised a pre-election campaign which has already been bubbling for months, with posters on every hoarding. (*Left: Berlusconi*)

But as in most modern elections the essential battle is for the middle ground, and about who is most competent to manage a difficult economic transition. Threats by Belgian Foreign Minister Louis MICHEL (Belgium holds the EU presidency from June) of an 'Austria II' campaign if Umberto BOSSI's Northern League forms part of a centre-

right coalition government with Berlusconi's Forza Italia have provoked rage in Italy, and a firm rejection from European Commission President Romano PRODI - for whom memories of the bruising (and eventually pointless) *jihad* against Austria are still fresh.

The threats, he said, sounded like "no-one I know or who really believes what he is saying." As far as EU sanctions were concerned, it was necessary to be inflexible where there were any infractions of democratic principles - "but only if there is a violation." Or in the po-faced language of Prodi's spokesman in Brussels: "We have no reason to believe that Italy - whichever government comes to power there - will fail to respect its obligations to the EU and to common European values."

There is certainly no reason to suppose that Berlusconi's Freedom Alliance with actual or former Christian Democrats, the maverick Lega Nord, and the right-wing Alleanza Nazionale, will be anything but the centrist, economically liberal administration Berlusconi - and Amato - say it will be.

Berlusconi's Freedom Alliance, like the rival Olive Tree alliance of no less than eight parties, is the product of Italy's numerous bickering factions, and of the country's complex voting arrangements.

- Italy's Chamber of Deputies or *Camera dei Deputati* has 630 seats; 475 directly elected, 155 by regional proportional representation.
- Senate has 315 seats; 232 directly-elected and 83 elected by regional proportional representation. Small number of senators-for-life includes former presidents of the republic.

The opinion polls give Forza Italia around 28% of the vote; Berlusconi predicts a landslide 127-seat majority for his future government. The 63-year-old media magnate is pitted against Francesco RUTELLI, 45, former mayor of Rome, whose main disadvantage is lack of a power-base in the old Italian Communist Party - its heirs, the PDS, lead the Olive Tree coalition.

Both are skilled communicators, and need to convince a record number of undecided voters who will decide the outcome in 123 marginal seats: one poll puts the figure as high as 23%.

For Berlusconi, the election is about stopping the country from falling back into the hands of the bureaucrats, who, he says, have killed Italy's competitiveness, watched its infrastructure crumble, and whose moderation is a mask: "The Centre-Left is becoming ever more Left and always less Centre." He is on firm ground when criticizing the current government's handling of the economy. Despite the bonanza of selling off cellphone licences last year, the budget deficit for 2000 was still 1.5% of GDP, and other key indicators were worse than any since 1961.

Whoever wins power faces a number of urgent, and problematic, issues. Pensions reform in a fast-ageing country (the issue which brought down the first Berlusconi government), unemployment, and immigration all loom large, along with a painful structural reform of the economy. This is not just a matter of more deregulation. What had been the strength of the Italian economy, a disproportionate large number of SMEs, is now a weakness: such companies find it increasingly difficult to compete in a globalised economy.

FRANCE - THE NEED FOR UNITY

If, as seems likely, Italy swings back to the political centre-ground, there is a good chance that France will follow. The key to this is that the far-Right, which secured more than 10% of the poll in the 1994 European elections - and 15% in the 1998 regional elections - has now split acrimoniously, and all but collapsed. The breakaway wing of the Front National has become embroiled in court action over crass attempts to give "birth allowances" to "real French" or "real European" mothers. Corruption in Toulon, in the south, has sullied its image - it was roundly defeated there in last Sunday's first round of the municipal elections, and did badly in all major cities.



Great play has been made of the likelihood that the Socialists will take control of Paris for the first time in 130 years. But this is on the basis of the Socialists Bertrand DELANOË winning just 34% of the vote, against the Centre-Right's 41%. The Left's success is due above all to the split between the official Gaullist (RPR) candidate, Philippe SÉGUIN (*above right*) and Jean TIBERI. Abandoned by his party over corruption allegations, Tiberi stood as an independent, and did unexpectedly well. They have now reached a partial deal to withdraw candidates in certain *arrondissements*. But there will still be split centre-right votes in six *arrondissements*.



But what is clear is that the much-heralded "red wave" did not sweep the rest of France. No fewer than four senior Cabinet ministers were humiliated against Gaullist rivals, including the European Affairs Minister, Pierre MOSCOVICI, and Labour Minister Elisabeth GUIGOU. Nationwide, the moderate right won 47.8% of the vote while parties supporting the Socialist-led government had 45.6%.

The weakness of the opposition was above all division, as in the key city of Lyon, a traditional stronghold of the moderate right, where half the vote was split between the UDF candidate and an independent; the Socialists won only 33%. "The lesson is clear," said EPP Secretary-General Alejandro AGAG. "The centrists need to bury their differences, and then they will win. I am convinced that if we can achieve that we will dislodge the Left in France as well as in Italy - and the dominos will start to fall."