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C O N F I D E N T I A L SECTION 01 OF 03 ROME 003585

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TAGS: PREL PGOV CVIS IT ITALY NATIONAL ELECTIONS ITALIAN POLITICS IRAQI FREEDOM

SUBJECT: SCENESETTER FOR PM BERLUSCONI'S OCTOBER 31 MEETING

WITH THE PRESIDENT

Classified By: Ambassador Spogli, for reasons 1.4 (b) (d).

¶1. (C) Summary. PM Berlusconi specifically requested this meeting, and a spring address to a joint session of Congress, to bolster his prospects in Italy's April elections. Behind in the polls and facing his toughest campaign, Berlusconi will juxtapose his proactive and pro-U.S.foreign policy with that of his likely center-left opponent, Romano Prodi, who prefers to follow an EU foreign policy lead and has called for a timetable to withdraw Italian troops from Iraq. GOI officials are concerned about a potential terrorist attack, either during the Turin Winter Olympics or the spring elections.

¶2. (C) Berlusconi will seek: (a) presidential statements of support on shared values; (b) support for extending in 2005 the UN mandate on Iraq; (c) tangible progress on a plan to enhance Iraqi security capabilities and allow a coordinated drawdown of Italian forces; and (d) the President's possible intervention to waive or delay new passport requirements for continued Italian participation in the Visa Waiver Program. We should: (a) offer appropriate praise for Italy's foreign

policy support without jeopardizing our relationship with Prodi; and (b) engage Berlusconi on Russia and Iran. End
Summary

Italian Elections

¶3. (C) PM Silvio Berlusconi prides himself on his warm relationship with the President and has carefully planned this meeting and a spring address to a joint session of Congress (he meets Speaker Hastert before going to the White House) to bolster his prospects in Italy's national elections, tentatively scheduled for April 9. Berlusconi's center-right coalition is down eight points in the polls, undermined by internal leadership spats and continued economic stagnation. The center-left also is plagued by internal disputes but former European Commission President Romano Prodi just won a triumphant electoral victory in the primaries. Pending electoral law changes may slightly increase the odds for the center-right, and it is too early to deal Berlusconi out. However, most political observers predict Prodi's center-left coalition will win in April.

Iraq: Seeking a Way Forward

¶4. (C) We expect Berlusconi will juxtapose his proactive, pro-U.S. foreign policy with that of Prodi, who prefers to follow an EU foreign policy lead and has publicly called for a timetable to withdraw Italian troops from Iraq. Berlusconi has remained adamant that Italian troops will stay in Iraq until the security situation warrants, and the Iraqi government requests, a drawdown of Italian troops. The center-right has already accused Prodi of encouraging terrorist attacks on Italy through reckless calls for withdrawal. However, Italian public opinion remains overwhelmingly opposed to the war in Iraq and Berlusconi will

be under increasing pressure to make public statements about plans to withdraw troops. He will be reassured by commitments of continued high-level consultations but would better appreciate progress in enhancing Iraqi security capabilities in a way that allows measured Italian drawdowns by April. Italy is also seeking an extension of the UN Iraq mandate by the end of the year; the Italian presence is premised on the UN mandate, and Parliament will vote in January on the next six-months of funding for thier troops. Italy also feels that the mandate extension should specifically reference political progress in Iraq.

¶5. (C) We can and will work with a Prodi-led government should the center-left win next year. Despite Prodi's calls for a withdrawal timetable, other elements of his center-left coalition have assured us that Italy will not make any dramatic Zapatero-style actions and will coordinate changes in troop levels with both us and the Iraqi government. Prodi himself has hinted at a compromise formula involving continued Italian involvement in Iraq for reconstruction initiatives.

Strongest Ally in Continental Europe

¶6. (C) Berlusconi will be seeking Presidential statements of support on shared values for our freedom agenda and praise for Italy's substantial commitment of resources overseas. In addition to being the third largest contributor of troops to MFN-I, Italy also funds reconstruction and justice projects in Iraq, leads ISAF, a PRT and a justice initiative in Afghanistan, just took over KFOR command, pledged \$3 million to the UN Fund for Democracy, indicated it will fund the new Foundation for the Future, co-hosts Democracy Assistance Dialogue initiatives with Turkey and Yemen, and provided earthquake and hurricane relief for Pakistan and New Orleans. We want to provide appropriate praise without jeopardizing a

potential future relationship with a center-left government.

Budget Woes

¶7. (C) High public debt, rising social welfare costs and a stagnant economy are limiting Berlusconi's ability to maneuver in the face of growing domestic economic discontent. Pocketbook issues will drive the campaign and be Berlusconi's biggest challenge, although Prodi has yet to offer any credible alternative economic policy. The draft budget now being debated by the Italian Parliament must be approved by the end of the year, and it appears it will include painful cuts in many sectors. This includes potentially dramatic (to about .85% of GDP) cuts in the defense budget and a 20% reduction in the overseas deployment budget that could undermined Italy's ability to sustain its overseas commitments.

Terrorist Threat Looms Large

¶8. (C) Following the London bombings, the GOI approved a strong anti-terrorism law and began a crackdown of arrests and deportations of illegal immigrants and suspected terrorists. However, Italy continues to be targeted in fundamentalist websites, and many Italian officials expect Italy will be attacked in the near future. They are worried specifically about a potential attack during either the February Turin Olympics or the spring elections. We continue to work closely with the GOI on security preparations and intelligence sharing for the Olympics as well as on increasing readiness for possible attacks on USG facilities or London/Madrid scenarios.

UN Reform/Iran/Russia/Balkans

¶9. (C) Berlusconi is likely to thank you for U.S. support in opposing the G-4 plan for UNSC reform; while Italy's specific concern is blocking Germany from obtaining a seat, they support our view that any changes to the Security Council should be based on a wide consensus of support within the UN. As Iran's largest European trading partner, Italy remains concerned that it has been excluded from the EU-3 negotiations and complains that the EU-3 has not sufficiently consulted other EU member states. Italy shares our concern about proliferation and supports moving the issue to the UNSC. Overall, however, Italy favors engagement over confrontation and will be concerned about the economic losses associated with potential sanctions. Berlusconi and Putin remain good friends, and Berlusconi continues to insist he has delivered our messages of concern about Putin's increasingly anti-democratic actions. Another nudge from the President would strengthen our message. Italy remains fully engaged on the Balkans and supports a continued international presence in Bosnia and Kosovo until there is international consensus that both entities have made sufficient progress on democratic reforms. The candidacy of Amb. Laura Mirachian for the post of the High Representative in Bosnia is of key interest to the Italians. They have lobbied strongly for USG support, arguing that Italy's high military profile deserves an equally strong policy voice. Department and Embassy officers who have met with Mirachian believe she shares our outlook for the future of the region. While she has not received official USG support at this point, the USG does not want to be seen as opposing her candidacy, since she could emerge as the front-runner.

Visa Waiver Program

¶10. (SBU) DHS has confirmed that there will be no blanket waiver, no official policy favoring parole, and no exceptions to the October 26, 2005 requirement for digitized photos in

passports for any beneficiary of the Visa Waiver Program (VWP). The GOI plans to issue machine readable passports with digitized photographs in five Italian Prefectures: Rome, Milan, Naples, Palermo and Cagliari, with the possibility of successive extension to other Prefectures. Italians who obtain passports after October 26 from Prefectures other than these five offices, or who obtain passports from an Italian Consulate abroad, will require a U.S. visa. U.S. consular sections in Italy are working with airlines and travel agencies to ensure that Italian passengers caught unaware of the change in visa requirements are directed to the closest Embassy or Consulate for expeditious visa processing.

¶11. (C) President Ciampi, FM Fini and senior aides to PM Berlusconi have all raised the VWP issue with the Ambassador, insisting that the new requirements will be a major embarrassment to Berlusconi just when he is trying to use his U.S. connections to improve his election prospects. Berlusconi may ask the President to intervene to fix the problem, arguing that Italy is a staunch partner in the war on terror and is in the process of implementing previously announced U.S. requirements for biometric passports.

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