

Reference ID	Created	Released	Classification	Origin
<u>09ROME649</u>	<u>2009-06-09 08:08</u>	<u>2010-12-02 14:02</u>	<u>CONFIDENTIAL//NOFORN</u>	<u>Embassy Rome</u>

VZCZCXRO9038

OO RUEHBC RUEHDBU RUEHDE RUEHDIR RUEHFL RUEHKUK RUEHKW RUEHLA RUEHNP

RUEHROV RUEHSR RUEHTRO

DE RUEHRO #0649/01 1600811

ZNY CCCCC ZZH

O 090811Z JUN 09 ZFD

FM AMEMBASSY ROME

TO RUEHC/SECSTATE WASHDC IMMEDIATE 2186

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE IMMEDIATE

RUCNIRA/IRAN COLLECTIVE IMMEDIATE

RUEHFL/AMCONSUL FLORENCE IMMEDIATE 3651

RUEHMIL/AMCONSUL MILAN IMMEDIATE 0060

RUEHNP/AMCONSUL NAPLES IMMEDIATE 3837

RUEKJCS/SECDEF WASHDC IMMEDIATE

RHEHNSC/WHITE HOUSE NSC WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 04 ROME 000649

NOFORN

SIPDIS

TO THE PRESIDENT FROM THE CHARGE D'AFFAIRES

EO 12958 DECL: 05/31/2019

TAGS PREL, PGOV, IT

SUBJECT: SCENESETTER FOR ITALIAN PM BERLUSCONI'S JUNE 15

VISIT TO WASHINGTON

REF: A) ROME 97 B) MOSCOW 1273

ROME 00000649 001.6 OF 004

Classified By: Elizabeth L. Dibble, Charge d'Affaires, for reasons 1.4 (b) and (d).

Summary

¶1. (C/NF) Mr. President, your meeting with Italian PM Silvio Berlusconi comes at a time when his closest advisors fear Italy is losing the credibility and influence that it enjoyed in Washington under the previous U.S. administration. In fact, while Italy has been a stalwart partner and participant in nearly every U.S.-led security operation around the world since the end of the Cold War, domestic political foibles and economic malaise are diluting its international influence. Italy continues to support our efforts in Afghanistan, Lebanon, Iraq, and the Balkans, but its diplomatic, economic and military institutions, which the Berlusconi government and its predecessors have starved for resources, are sorely stretched. Berlusconi and his government have tried to compensate for Italy's failure to invest in its instruments of national power by presenting Italy as a mediator and interlocutor with difficult actors on major international issues. This self-appointed role has sometimes complicated international efforts. On Iran, for example, Italy's role under the previous government gave Tehran the impression that the international community was divided. More recently, GOI actions have provided a European platform for Russia's efforts to challenge NATO security interests in Europe. Berlusconi will certainly present himself as the best hope for moderating Russian behavior and will seek a signal from you that he has a mandate to speak on the West's behalf. He will also seek to use Italy's G8 presidency to address issues far beyond the scope and effectiveness of the organization. We should discourage both instincts. Italy has an important voice in the Euro-Atlantic community, but its efforts have proven constructive only when undertaken in coordination with the U.S. and other key allies.

Berlusconi the Politician

¶2. (C/NF) Our relationship with Berlusconi is complex. He is vocally pro-American and has helped address our interests on many levels in a manner and to a degree that the previous government was unwilling or unable to do, since his return to power last spring as well as in his previous turns in government. In his first 90 days in office, he approved a controversial U.S. base expansion that had been halted by bureaucratic inaction and anti-American political opposition; eliminated caveats on Italian troops in Afghanistan; and allowed us to base two of three AFRICOM component commands in Italy. At the same time, he has criticized Missile Defense, NATO enlargement and support for Kosovo's independence as American provocations of Russia. He claimed Russian PM Putin's military push into Georgia in August 2008 was necessary to end the bloodshed of innocents caused by Georgian President Saakashvili. He displays an overweening self-confidence born of stable and strong political popularity that has made him deaf to dissenting opinion. The strict control he exercises over his government and party inhibits his staff from giving him unpleasant messages. His unorthodox governing style, coupled with his frequent verbal gaffes and high-profile scandals (including public bickering with his wife about his alleged philandering), have caused many, including some inside the U.S. government, to dismiss him as feckless, vain, and ineffective as a modern European leader.

¶3. (C/NF) His shortcomings notwithstanding, marginalizing Berlusconi would limit important cooperation with a key ally. Berlusconi is one of Europe's most enduring politicians whose popularity in Italy will guarantee that he will influence Italian politics for many years still to come. He has arrested the trend of weak, short-lived Italian governments that has plagued this country since the end of the Second World War. When successfully engaged, he has shown

the willingness to adopt policies, however unpopular, in line with ours -- including support for an expanded NATO role in Afghanistan and Turkey's membership in the EU. When ignored, he seeks to carve out a visible, international, and

ROME 00000649 002.6 OF 004

frequently unhelpful role for himself. Dealing with Berlusconi, therefore, requires a careful balance of close coordination with him and his key advisors while avoiding giving the impression that he can speak on our behalf with many of the world's difficult actors.

¶4. (C/NF) Italy held elections for the European Parliament on June 6 and 7, which reaffirmed Berlusconi's People of Liberty (PDL) party as Italy's largest party, reaching 35 percent, well ahead of the main opposition Democratic Party's 26 percent. While Berlusconi does not have a competitive rival in the center left, his party missed the 40 percent mark that it was aiming for, and witnessed the growth of xenophobic coalition ally Northern League (LN). PDL is a personality-driven party, whose members tell us that the ideology is little more than "Berlusconismo." The missed target of 40 percent can be attributed to an over-ambitious Berlusconi, as well as the turnout-depressing effects of weeks of personal attacks by the center left in the runup to the election that included allegations of fiscal and sexual impropriety. An enduring result of the election will be the heightened competition between PDL and LN, who now dominate Italian politics. LN's tough stands on security and against immigration have won broad approval, even as Berlusconi has tried to stem the flow of PDL voters to LN by descending to the anti-immigrant rhetoric usually favored by the Northern League. Additionally, after this mild electoral setback, we can expect Berlusconi to use his White House meeting and his hosting of the G8 to underscore to Italians the important figure he cuts on the world stage.

Economic Crisis

¶5. (C) Prudent (some would say stodgy) banking practices allowed Italy to avoid the global financial sector meltdown. Italy's banks simply did not engage in sub-prime lending, and they did not buy the toxic assets that caused so much trouble in the U.S. and elsewhere. But Italy has not been able to avoid the pain of the worldwide recession that has followed the financial crisis. Italy's economic growth rate -- which was relatively low even before the crisis -- has dropped precipitously owing to sharp contractions in its export markets and falling domestic demand. Unemployment is expected to exceed eight percent this year and to rise further in 2010. Government tax revenues are, not unexpectedly, off sharply. Italy's already high level of government debt and the debt ceilings that come with EU membership significantly limit the government's ability to provide fiscal stimulus for the economy.

G8

--

¶6. (C/NF) Berlusconi's stewardship of his G8 Presidency has been marked by a proliferation of Ministerial and sub-ministerial meetings coupled with a last-minute change of summit venue from Sardinia to the earthquake-stricken city of L'Aquila that took even his Sherpa by surprise. He and his cabinet tend to regard Italy's G8 year more as an opportunity to curry favor with G8 outsiders

such as Egypt, Spain, and Libya than as a tool to address the world's problems. However, his desire to prevent the G8 from taking a back seat to the G20 on his watch has driven an ambitious agenda that may make useful contributions on climate change, Africa, development, and food security. He will be eager to work with you to build a legacy of G8 deliverables that will bear the Italian label. The Major Economies Forum meeting during the G8 summit, which will include the leaders of 17-plus countries that emit over 80 percent of global emissions, will be an important chance to mobilize high-level consensus in the run-up to the December UN climate change talks in Copenhagen.

Guantanamo Detainees

¶7. (C/NF) Berlusconi welcomed your decision to close Guantanamo, and has publicly and repeatedly underscored Italy's desire to support the move by taking detainees. FM Frattini recently outlined for AG Holder the efforts Italian officials have been making within the EU to negotiate a

ROME 00000649 003.6 OF 004

common EU framework that will open the door to individual country agreements with the U.S. While the junior partner in Berlusconi's coalition opposes taking any detainees, Berlusconi has made it clear that he views this as a moral commitment to support the U.S.

Russia

¶8. (C/NF) Dependence on Russian energy, lucrative and frequently nontransparent business dealings between Italy and Russia, and a close, personal relationship between Berlusconi and Putin have distorted the PM's view to the point that he believes much of the friction between the West and Russia has been caused by the U.S. and NATO. Berlusconi believes he, acting as a mediator, can restore a spirit of dialogue and cooperation between Europe, the U.S. and Russia, but largely on Russia's terms, through indefinitely postponing NATO's outreach to Ukraine and Georgia, diluting the EU's efforts to promote democracy in Belarus, and undermining OSCE's important role in promoting human and democratic values across the whole of Europe. Berlusconi has publicly proposed to mediate your relationship with Russian President Medvedev and is hoping you will give him a signal, however small, that he has your blessing to do so. Instead, you can let him know that we believe that issues of security that affect the transatlantic community should be addressed by the Alliance at large, and that the U.S. is not prepared to sacrifice values in exchange for short-term stability predicated on Russian promises of good behavior. And we will react -- and expect others who share these values to do so as well -- when Russia crosses a red-line, for instance in threatening the sovereignty of neighboring states.

Energy

¶9. (C/NF) Berlusconi's close personal ties with Putin and the very strong corporate ties between Italian energy parastatal ENI and Russia's Gazprom often put Italy squarely at odds with USG efforts to reduce Europe's dependence on

Russian energy. For example, the Italian government is deeply ambivalent about energy projects that would help Europe diversify its energy imports, while at the same time it is supportive of other projects that would increase Europe's Russian energy dependency. ENI, 30-percent owned by the Italian Government, often dictates GOI energy policy and uses its influence, through the GOI, to block EU energy market liberalization plans. Italy is taking some steps, however, in the right direction, by supporting energy projects that will diversify its own energy sources. It would be helpful if you could raise with Berlusconi long-standing USG concerns about European energy security, emphasizing that increasing the flow of Russian gas around Ukraine is not the same as a policy seeking a true diversity of energy sources, routes and technologies.

¶10. (C) The Berlusconi Government is pursuing plans to bring back nuclear power to Italy. U.S.-based companies Westinghouse and GE face stiff competition from foreign rivals, particularly France, whose governments are heavily lobbying the GOI. A word to Berlusconi that the U.S. expects this to be a fair and transparent competition is critical if U.S. firms are to have a fair chance to bid for Italian nuclear energy projects.

Iran

¶11. (C/NF) With Italy frustrated by its exclusion from the P5-plus-1 negotiating circle, Berlusconi will highlight Italy's would-be role as an interlocutor between the West, Israel and Iran, claiming excellent relations with all parties involved. He may also push for the U.S. to drop the P5+1 framework altogether. Italian officials were thrilled by your commitment to embark upon direct diplomatic engagement with Iran, but cannot resist the impulse to try to be "present at the creation." FM Frattini has worked strenuously to lock in high-level Iranian attendance at the June 26-27 Afghanistan-Pakistan Outreach meeting, hoping thereby to play host to the first U.S.-Iranian ministerial encounter in decades.

ROME 00000649 004.7 OF 004

Libya

¶12. (C/NF) Berlusconi has continued Italy's policy of developing an expanded relationship with Libya, largely in order to stem the tide of irregular migration from Libyan shores, but also to gain advantageous access to Libya's oil reserves for Italian firms, mainly ENI. As follow-up to the 2008 Libya-Italy Friendship Treaty -- which committed Libya to sterner measures to deter irregular migrants from entering Italy from its shores, but also offered 5 billion USD in development assistance -- Libyan leader Qadhafi will pay an historic first official visit to Rome June 10-12, just before Berlusconi's Washington visit. As the current African Union President, Qadhafi will be at the G8 Summit in L'Aquila and we anticipate Berlusconi may lobby you to meet with the Libyan leader during your visit.

A Partner in Security

¶13. (C/NF) Berlusconi has maintained a significant military commitment in Afghanistan (2,600 troops, mostly in Italy's Regional-Command West), but has dropped from fourth- to sixth-largest ISAF contributor as other countries like France and Canada have augmented their troop levels. At Stasbourg-Kehl, his government pledged modest increases to cover election security which, if made permanent, would put Italy back in the top tier of ISAF contributors. He has also supported the creation of the NATO Training Mission in Afghanistan, doubling the number of Carabinieri police trainers to over 100. Italy has been an anemic contributor to international aid efforts in Afghanistan and Pakistan and has cut overall foreign assistance by more than 60 percent in this year's budget. However, Berlusconi knows this is a priority area for the U.S. and will likely respond positively if you press him to do more in the region.

¶14. (C) Our shared security interests with Italy go beyond Afghanistan. U.S. facilities in Italy provide unmatched freedom of action and are critical to our ability to project stability into the Mediterranean, Middle East and North Africa. We have 15,000 U.S. military on six Italian bases and these installations host some of our most advanced capabilities deployed outside the U.S. Our bases and activities out of Italy are not uniformly popular, but PM Berlusconi, in this government as in his last, has made preserving this security relationship a priority, and the GOI has invariably come through on our top requests, despite domestic political risks. The GOI has approved the expansion of our base at Vicenza to consolidate the 173rd Airborne Brigade, the deployment of the USAF Global Hawk UAV in Sicily, and the establishment of AFRICOM Army and Navy Component Commands on Italian soil. Italy's leadership in other overseas missions helps us concentrate our forces on our top priorities. In addition to its troops in Afghanistan, Italy currently has 2,300 in the Balkans, 2,400 in Lebanon, and is the leading contributor to the NATO Training Mission in Iraq.

Conclusion

¶15. (C/NF) The robust U.S.-Italian relationship provides us with major national security benefits in our military missions overseas, our own power projection, and on a broad law enforcement agenda, but the Prime Minister is an erratic steward. It might be tempting to dismiss Berlusconi as a frivolous interlocutor, with his personal foibles, public gaffes and sometimes unpredictable policy judgment, but we believe this would be a mistake. Despite his faults, Berlusconi has been the touchstone of Italian politics for the last 15 years, and every indication is that he will be around for years to come. When we are able to successfully engage him in pursuit of our common objectives, he has proved an ally and friend to the United States. He respects and admires the U.S., and is eager to build a strong and successful relationship with you. DIBBLE