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C O N F I D E N T I A L SECTION 01 OF 03 ROME 001187

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SUBJECT: ITALY: SCANDALS TAKING TOLL ON BERLUSCONI'S

PERSONAL AND POLITICAL HEALTH

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Classified By: Ambassador David H. Thorne for reasons 1.4 (b) and (d).

¶1. (C/NF) SUMMARY. Though PM Berlusconi's parliamentary majority is strong, and nobody is yet willing to predict his political demise, a growing list of scandals, adverse court decisions and health issues have weakened him and led some erstwhile Berlusconi allies to begin hedging their bets on his political longevity. In a souring political environment, talk of conspiracy theories often trumps real political debate and distracts the Berlusconi government from pursuing, or even developing, a coherent political agenda. END SUMMARY.

PRIVATE MATTERS WEIGHING ON BERLUSCONI

¶2. (SBU) After a long hot spring and summer of personal and professional scandals, PM Berlusconi, returning from the August recess appeared briefly rejuvenated by a successful G8 summit and continued popularity with his base. However, the first of several blows fell on October 7 when a civil court ruled that the Berlusconi family's flagship business, Fininvest, must pay a rival company Euro 750 million for damages occurred as a result of a Fininvest lawyer bribing a judge in a decision involving both companies. Two days later, the Italian Constitutional Court concluded that one of the Berlusconi government's first pieces of legislation, a 2008 law postponing criminal investigations against Berlusconi and other senior officials, was unconstitutional (REFTEL). As a result, Italian magistrates have, once again, taken up several long-standing criminal cases against Berlusconi, with one case due to resume as early as November.

¶3. (C/NF) Two officials XXXXXXXXXXXX in separate conversations with the Embassy, recently described the Prime Minister in strikingly similar terms. XXXXXXXXXXXX told the Ambassador October 23 that Berlusconi is "physically and politically weak," describing the normally hyperactive Berlusconi as "not energetic." XXXXXXXXXXXX told an Embassy political officer October 22 that, "we are all worried about his health," noting that Berlusconi has fainted three times in public in recent years and that his medical tests have come back "a complete mess." XXXXXXXXXXXX said Berlusconi's frequent late nights and penchant for partying hard mean he does not get sufficient rest. The Italian press reported October 27 that Berlusconi has a mild case of scarlet fever, which he reportedly contracted from his grandchild. (Note: Berlusconi dozed off briefly during the Ambassador's initial courtesy call in September, and looked distracted and tired at an October 19 event attended by the Ambassador. End note.)

¶4. (C/NF) XXXXXXXXXXXX termed Berlusconi overwhelmed with private concerns. He noted that Berlusconi has felt alienated from his family since his wife, Veronica Lario, set off a public uproar by publishing an open letter last spring asking for a divorce and accusing the 74-year old PM of consorting with minors. Lario is reportedly asking for fifty percent of Berlusconi's personal assets plus Euro 100 million in yearly support. At the same time, according to XXXXXXXXXXXX, Berlusconi is afraid he will need to liquidate important business assets to make the Euro 750 million payment ordered by a civil court. XXXXXXXXXXXX added that a Palermo-based mafia investigation involving XXXXXXXXXXXX Berlusconi ally and confidant already convicted of ties to organized crime could turn into a damaging public spectacle.

LEADING TO CONSPIRACY THEORIES

¶5. (C/NF) A number of Embassy contacts have described a political environment dominated by conspiracy theories. In the wake of the two court rulings, Berlusconi accused President of the Republic Napolitano of working against him and lashed out emotionally against the judicial system, in general. XXXXXXXXXXXX told the Ambassador that Berlusconi's outburst had led to "frosty" relations with Napolitano and said the episode has made him appear weak. Several PdL officials have hinted darkly to us that "institutional forces" are trying to unseat Berlusconi. (Note: In Italian political parlance, "institutional forces" can serve to mean one of many groups operating and wielding influence behind the scenes: business groups, intelligence services, freemasons, the Vatican, the magistracy, the United States, etc. While Italians are notably conspiracy-minded, their paranoia -- at least as far as Italian domestic politics go -- has historically been well-founded. End note.)

¶6. (C/NF) XXXXXXXXXXXX confided that Berlusconi believes the Italian intelligence services might have deliberately entrapped him in his alleged affair involving a minor. During XXXXXXXXXXXX's conversation with the Embassy political officer, Berlusconi called XXXXXXXXXXXX to confide that an arrest was imminent of four Italian Carabinieri believed to be blackmailing the Lazio regional governor with a sex-tape. (Note: The story of the Lazio governor and a transsexual prostitute exploded in the press a few days later. End note.) XXXXXXXXXXXX told the Embassy officer that this case has convinced Berlusconi that he cannot trust his own intelligence services. Separately, on October 21, Northern League leader Umberto Bossi, commenting on Berlusconi's troubles, told the Ambassador that organized crime figures had probably set the trap for Berlusconi on some of the sex scandals, but that nobody denies that Berlusconi willingly went for the bait.

¶7. (C/NF) In a replay of the foreign press-induced scandals of last spring and summer, a London Times article accusing Italian troops in Afghanistan of paying off Taliban insurgents sparked speculation in and out of the GoI that the USG might have leaked the information to discredit the Berlusconi government. Moreover, it is not uncommon these days for PdL politicians to speculate-- via the press or even directly to Embassy officers-- that the new U.S. administration would like to see the Berlusconi government fall; some even believe the USG is actively undermining Berlusconi. The Ambassador recently probed XXXXXXXXXXXX and Foreign Minister Franco Frattini to determine whether they shared this belief; both averred that they thought Berlusconi's relationship with the US administration was strong.

AND PALACE INTRIGUE

¶8. (C/NF) One of Berlusconi's would-be heirs, Chamber of Deputies President Gianfranco Fini, picked one of his periodic fights with Berlusconi in September, ostensibly over euthanasia and living wills, but the real issues were Berlusconi's non-democratic leadership style inside the party and the growing weight of the Northern League (LN). More recently, the powerful Minister of Economy, Giulio Tremonti, has openly challenged Berlusconi on fiscal policy, leading to talk simultaneously of his possible resignation as well as the possibility he was seeking to eventually succeed Berlusconi. In response to a direct question from the Ambassador, XXXXXXXXXXXX said there was a small, but unlikely, possibility the government could fall. XXXXXXXXXXXX told us Tremonti, Fini and former Minister of Interior Giuseppe Pisanu are laying the groundwork for a post-Berlusconi succession struggle but felt the government remained stable for the time being.

AS WELL AS ERRATIC DECISIONS

¶9. (C/NF) Media mogul Berlusconi might be gaffe-prone when speaking off the cuff, but he has historically shown himself astute at strategic messaging. Those skills were noticeably absent in a recent incident which provoked both criticism and head-scratching from Berlusconi friend and foe alike. Ahead of a three-day trip to Russia to celebrate Vladimir Putin's birthday in mid-October, Berlusconi put out a press line that the visit was a "strictly private affair." This announcement was met with disbelief and some mockery. Adding to the mystery, however, the day before his departure, Berlusconi canceled his participation in

the state visit of Jordan's King Abdullah of Jordan, staying in Milan with the explanation that he was feeling under the weather. Berlusconi, who prides himself on his personal relationships with key Middle East interlocutors thus, unavoidably, left the impression that, in choosing private fun over statecraft, he was husbanding his flagging energies for a blow-out party at Putin's private dacha. With the further news that Berlusconi was accompanied on the trip solely by Valentino Valentini, an unofficial intermediary/bagman who serves as Berlusconi's interpreter, Italy's political class openly questioned whether Berlusconi was going to Russia principally because the scrutiny of his private time by Italian and foreign photographers had made parties in Italy too risky for the time being.

COMMENT

¶10. (C/NF) Sex scandals, criminal investigations, family problems and financial concerns appear to be weighing heavily on Berlusconi's personal and political health, as well as on

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his decision-making ability. It is too early to begin speculating about Berlusconi's political demise, and Berlusconi has a well-known knack for rebounding. However, though most are trying hard not to be too obvious about it, some of Berlusconi's own lieutenants have apparently decided it is not too early to begin laying the groundwork for "il dopo," as Italians call the potential post-Berlusconi era. In this souring political environment, conspiracy theories have all but supplanted serious political debate. Septel will address the implications of Berlusconi's fortunes on how we do business with the government.
END COMMENT THORNE