

3. ALDO MORO'S SUMMITS, 1975-76

A. Rambouillet, 15-17 November 1975

The emergence of the economic summit in 1975 posed an immediate challenge to Italy: procuring an invitation to attend and establishing itself as a legitimate participant of what would be a very powerful grouping of leaders of the world's most important economic actors. When French President Giscard d'Estaing initiated the original meeting of the summit leaders, he had not intended to include Japan, Italy, Canada or the European Community in the list of participants. While he was successful in barring Canada from entry into the group until the following year when he surrendered control of the invitations, he was unsuccessful in excluding Japan, Italy, and indirectly, by virtue of the latter's occupying the presidency of the EC, a representative of the European Community as a whole.

Drawing on Italy's position atop the European Community at the time, and exploiting the fears of other western leaders of the vulnerability of the Italian government to the power of its communist opposition, Prime Minister Moro successfully pressed for an invitation to Rambouillet following the July 1975 Helsinki meeting of the USA, France, Britain and West Germany. While Moro's efforts were closely linked to his efforts to strengthen the domestic stability of his coalition of Christian Democrats and Republicans, he was also concerned with what would become a lasting priority for Italy at the summits, sheer membership. As a result, regardless of the substantive discussions and outcomes of the summit proceedings, the primary Italian objective was achieved when President d'Estaing, however reluctantly, made Italy a late addition to the invitation list.⁷

At Rambouillet the discussions centred on macroeconomic policy coordination, especially the priority placed on international monetary issues by the United States and France. Italy supported Giscard in his unsuccessful effort to convince the Americans that exchange rate stability, or at a minimum "viscosity", was needed to render more controllable the effects of a more volatile international marketplace, in opposition to the American preference for a floating exchange rate regime. A bilateral compromise reached between French and American officials prior to the summit and effectively legitimizing a floating system of exchange rates was eventually endorsed at Rambouillet, was articulated in the communique issued at the end of the summit, and ultimately became incorporated into the Articles of Agreement of the IMF.

While joining in the consensus which emerged at Rambouillet for encouraging the completion of the ongoing discussions in the Tokyo Round of GATT negotiations, Italy also aligned itself with France and Japan in emphasizing a preference for government intervention through public spending as the best means to stimulate growth and help western economies recover from the recession which had resulted from the first oil shock. Italy, heavily dependent upon oil imports, had been hit very hard by the escalation of energy prices, experiencing its first negative GNP growth rate in over two and a half decades, a sharp decline in capital formation, and a tripling of the inflation rate to over 17%. While Italy's balance of payments position nevertheless improved, the threats to

economic stability of rising inflation and stagnated growth made more problematic the already precarious position of the Moro coalition. In addition, like his British counterpart, Moro was facing pressure for protectionist measures on the trade front at home as a result of the downturn which had occurred in international trade, and the summit's embracing of open trade as central to renewed growth, which was endorsed at Rambouillet, would help strengthen his ability to deal with domestic challenges on that issue.

The only other specifically Italian contribution to the Rambouillet summit was the responsibility Moro undertook to lead off the discussion of East-West relations, his formal contribution to a process in which each leader introduced one of the issue-areas discussed. Nothing of significance emerged from this discussion, as political issues were consciously subordinated to economic ones from the outset of the summits.

Thus for Italy, the key achievements of the Rambouillet gathering were establishing a place for Italy at subsequent summits. The recognition of Italy's rightful place at the summit table, and the ability it offered to participate in key policy discussions relevant for all members of the international political economy -- and certain to affect Italy both economically and politically -- was the major success of Italy's experience at the original meeting of the Seven Power Summit.

B. Puerto Rico, 27-8 June 1976

When American President Ford decided in March of 1976 that another summit would be beneficial, one of the most important considerations he had in mind was the political situation in Italy. The Moro government had fallen in January when the Italian Socialist Party (PSI) withdrew its support from the intricate coalition constructed by the talented Prime Minister to keep the PCI out of the government. In an unprecedented move designed to stave off economic collapse, Moro reached an interim agreement by which the PCI would gain a formal consultative role within the governing process while remaining outside the coalition itself. Termed the *compromesso storico*, the arrangement provided for PCI chairmanship of seven parliamentary committees in return for no formal cabinet membership. With an election scheduled in Italy on June 21 in which the PCI was expected to continue its increasing popularity and thereby position itself to be part of a new coalition, Ford set the summit for the following week in Puerto Rico. Ford was similarly concerned with the heavy pressure being experienced by the lira as the inflationary effects of a too rapid recovery in the West began to be felt. The Puerto Rico summit was thus called to address both the financial and political dilemmas facing Italy, to coordinate a slow-down in the rate of western economic recovery for fear of its inflationary potential, and in addition to enhance the President's own electoral prospects at home.

When the summit leaders gathered in the El Dorado Beach Hotel they were joined once again by Aldo Moro, who would not be replaced by the new Italian Prime Minister, Giulio Andreotti, until July. The Christian Democrats (DC) had won the Italian election in which they had taken a strong anti-communist stand, led by their Party Secretary Arnaldo Fanfani. During a campaign which centred on the issue of the role of the PCI in the government,

the DC opposed the PSI's support for PCI participation in a new coalition, accepting only an issue-specific cooperation with the communists. Bolstered by vigorous Vatican opposition to the PCI and American warnings of the possible economic consequences of PCI participation in the government, the DC retained its dominant position at the polls, gaining regional support at the expense of the PSI which enabled it to again shut the PCI out of the new coalition. Despite having won all of the major municipal elections, six of twenty regional contests, and 49 of 94 provincial and local elections during 1976, and thereby governing more than half of the Italian population, the PCI remained outside the national coalition as the second summit began.⁸

The brief one-day summit did not produce any major initiatives, but did renew the consensus led by the USA, West Germany and Japan that a revival in inflation should be prevented by a cautious approach to monetary policies. Italy found itself in a minority of two with Britain on this issue, arguing for a less restrictive approach to permit renewed growth to occur. But together they formed too weak a front, especially given their problematic public sector debts and monetary difficulties, to alter the dominant consensus. Moreover, both Italy and the U.K. were pressed to bring their public finances and monetary growth rates under control, especially if they were to qualify for IMF balance of payments supports in the future, which was anticipated for both of them. In the end, the U.S.-led consensus endorsed a strong anti-inflation statement, which was reflected in the summit communique.

More important for Italy at the Puerto Rico summit was a less well-documented secret meeting between France, the USA, Britain and West Germany to discuss Italy's economic vulnerability, a meeting only revealed to the press by Helmut Schmidt three weeks following the summit. The four powers discussed the offering of future guarantees of balance of payments credits as a trade-off for the continued exclusion of the PCI from the governing coalition in Rome. They decided to "...make concession of a large loan to Italy conditional upon exclusion of the Communist Party from government responsibility....", and subsequently offered direct advice to Prime Minister Moro on how to manage the new coalition situation. It is likely that Moro was able to use his counterparts' fear of communist participation in the coalition to elicit the credit guarantees Italy was seeking at the summit, although the fear of communist involvement had been somewhat assuaged by their receiving fewer seats than anticipated in the June elections. In any case, the trade-off of credit guarantees for exclusion of the PCI was achieved to the satisfaction of all concerned. And the place of Italy at the summit, linked closely to its internal political configuration, was once again secured, if only out of a central concern for the political future of the country and the potential for the summit to affect it.⁹