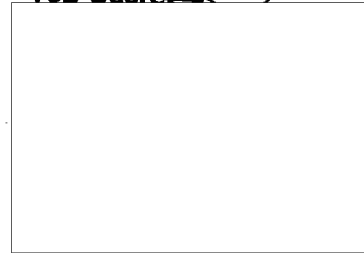




Director of
Central
Intelligence

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DC/LDSO RB
Secretary 10/23/85
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[Redacted]

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Special Analysis

ITALY-US:

Prospects for Relations

Italian-US relations appear to be on the mend, but the Achille Lauro incident may have altered Rome's view of the US. [Redacted]

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The public debate in Italy over the Achille Lauro affair has centered so far primarily on Middle East policy, but there are signs that the hijacking is raising questions among Italian officials about the quality of Italy's ties to NATO and the US. These relations have been the keystone of postwar Italian foreign policy. The aftermath of the hijacking appears to have demonstrated clearly to Italian leaders that Italian interests may not always coincide with those of their allies.

[Redacted]

(b)(3)

Prime Minister Craxi, Foreign Minister Andreotti, and Defense Minister Spadolini are all determined to maintain Italy's close relations with NATO and the US, but Craxi and Andreotti will continue to break with the US on some specific issues, including the Middle East. Italy has economic interests in maintaining close ties to the Arab world, and many Italian leaders believe PLO chief Arafat must play a key role in the peace process there.

[Redacted]

(b)(3)

Craxi, although highly astute in domestic policies, is less skilled in foreign policy. In fact, domestic reaction tends to be his primary consideration on any given foreign policy matter. He almost certainly hopes to use the meeting tomorrow of the leaders of industrialized nations with President Reagan to reinforce his position with the voters and to gain leverage in negotiations to form the new government.

[Redacted]

(b)(3)

Craxi probably [Redacted]

[Redacted]

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(b)(3)

[Redacted] will also continue to seek occasions to demonstrate that Italy can take positions independent from the US.

[Redacted]

(b)(3)

Craxi's attitude probably is reflected by officials in the Italian bureaucracy and especially by the military, which was angered by US assertiveness at Sigonella and by US surveillance of the Egyptian airliner during its flight to Rome. Italy is almost certain to be more wary of US requests and more determined to safeguard its prerogatives. Over the short term, the Italians are likely to slow the pace of official dealings with the US—by going by the book

[Redacted]

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