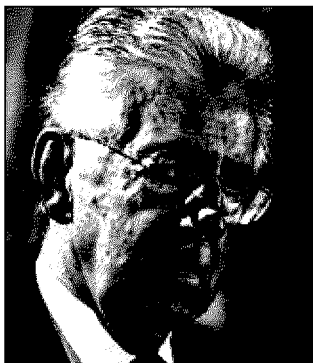


Monti signal



Mario Monti, Italy's prime minister, has signalled his readiness to enter politics to defend his reform agenda by running in elections next year leading an alliance of centrist pro-EU parties. He indicated his intention in a meeting with Pier Ferdinando Casini, head of the UDC party, and Luca Cordero di Montezemolo, who has launched a civic movement in support of Mr Monti.

Report, Page 4

Monti signals readiness to fight

Sources say he aims to defend reforms

Technocrat cannot stand as candidate

By Guy Dinmore in Rome and James Fontanella-Khan in Brussels

Mario Monti, Italy's unelected prime minister, has signalled his readiness to plunge into politics to defend his reform agenda by running in elections early next year leading an alliance of centrist pro-European parties.

Mr Monti, who heads a technocratic cabinet, indicated his intention in a meeting yesterday with Pier Ferdinando Casini, head of the small UDC party, and Luca Cordero di Montezemolo, the head of Ferrari who has launched his own civic movement in support of the prime minister, according to three sources close to the talks.

"Monti would be the political chief of the operation," one source said. However, Mr Monti had not made a final commitment and he was only expected to make

a formal declaration, possibly this weekend, after the 2013 budget law was approved and parliament dissolved.

Whether the unelected Mr Monti will enter politics has been the issue dominating Italy since he announced on December 8 that he would resign early. His unexpected move followed the decision by Silvio Berlusconi, the former prime minister, to withdraw his centre-right party's support for the government in parliament. Elections are expected in late February, about a month ahead of schedule.

The formalities of how Mr Monti would run for office have yet to be worked out. Already guaranteed a place in parliament as a senator for life, the former economics professor cannot stand as a candidate, but he could lend his name to an alliance of separate groups or head his own list.

Opinion polls indicate that such an alliance would have little chance of winning the elections, but it could emerge in a strong position to negotiate a significant role in a coalition

government with the centre-left Democratic party.

Most polls give the Democrats more than 30 per cent of the vote, with a hypothetical Monti-led centrist alliance vying for second place with the People of Liberty and the anti-establishment Five Star Alliance led by Beppe Grillo, an activist comedian.

The prospect of Mr Monti entering the campaign has rattled both Pier Luigi Bersani, leader of the Democrats, and Mr Berlusconi who both fear losing the middle ground of undecided "moderate" voters. The outcome could also lead to a further fragmentation of parliament.

Under Italy's electoral system, a victory for the Democrats and their leftwing allies would guarantee them a majority in the lower house.

However, Mr Berlusconi, taking a populist tax-cutting and anti-Germany tack, could deny the Democrats a majority in the Senate where bonus seats for the winners are allocated on a regional rather than national basis.

Mr Bersani, a pragmatic

former communist, has previously made clear he would prefer Mr Monti not to enter the race, but he has started to soften his opposition.

"What ever decision Monti takes we will respect it," Mr Bersani told the Financial Times after meeting senior EU officials in Brussels.

"I'm not worried. We have a very serious and honest relationship. Obviously I don't know what his final decision will be and to what extent he wants to get involved in the race, but we are serene whatever he decides to do."

Mr Bersani indicated he would not want to direct his election campaign



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against Mr Monti, and that he wanted to maintain close ties after the race.

EU leaders put Italian reform on their list for Santa Claus

GLOBAL INSIGHT



Tony Barber
in London

If Europe's leaders were to ask Santa Claus for a set of Italian Christmas presents, they would be four in number.

First, a government after next year's election that maintains the reform path of Mario Monti, the outgoing prime minister.

Second, the continuing involvement in policy making of Mr Monti, whether as premier, finance minister, state president or another influential role.

Third, an absence of social unrest in response to Italy's deep, austerity-enhanced recession.

Fourth, the removal of the coiled spring that causes Silvio Berlusconi, the ex-premier, to bounce in and out of politics like a jack-in-the-box past its sell-by date.

In large part, the last three of these four items may be delivered. The real question mark hangs over the first item. It matters greatly, because the progress of Italian economic reform will be one yardstick by which to measure the eurozone's efforts in 2013 to emerge from its debt and banking sector crisis. The prospects for reform rest partly on the outcome of the election, expected in February or March, and partly on wider developments in Europe and financial markets.

Latest opinion polls give an insight into why Italian politics is unlikely to supply renewed

impetus for reform.

On the traditional and populist right, the forces of Mr Berlusconi, the regionalist Northern League and Beppe Grillo, the anti-establishment Genoese comic, account for almost 40 per cent of the vote. None of these three agrees with the austerity and reform policy mix of Mr Monti's technocratic government.

On the left, the Democratic party with 33 to 37 per cent, and the radical Left Ecology Freedom party with 5 per cent, account for another 40 per cent. About 10 per cent of voters are undecided.

That leaves a mere 10 per cent for the parties of the pro-reform centre that are Mr Monti's natural allies. True, if the prime minister were to join them in a formal coalition, the centre's potential vote might double to 20 per cent. But the fact remains that the centrists will neither come close to a majority nor garner enough votes to be the senior partner in a government with the centre-left Democrats.

The centre is weak for several historical reasons. After the experience of fascism, a lost war and foreign occupation, the political battle lines in post-1945 Italy were drawn principally between communism and Catholic, conservative Christian Democracy.

Both left and right developed deep social and cultural roots in Italian life that left little space for the centre. Today, no group that defines itself as centrist and pro-Monti has roots to match those of the post-communist left and conservative right.

The Union of the Centre, led by Pier

Ferdinando Casini, is a runt born of Christian Democracy's collapse in the early 1990s. Future and Liberty is led by Gianfranco Fini, a former post-fascist who successfully reinvented himself in personal

Silvio Berlusconi bounces in and out of politics like a jack-in-the-box past a sell-by date political terms, but who lost his electorate along the way. Towards the Third Republic was launched last month by Luca Cordero di Montezemolo, a brilliant businessman but not an experienced politician.

All this dims the outlook for economic reform. As a result of the centre's weakness, the election is most likely to produce a coalition government led by the Democratic party, itself a collection of disparate interest groups, some less inclined to reform than others.

Outside parliament, the massed ranks of anti-reform lobbies such as the professional orders and trade unions will remain potent.

The momentum of Mr Monti's reforms has, in any case, been slowing down for at least five months. The government moved mountains in July to pass a labour market reform that ultimately resembled a mouse.

Even if it has the inclination, the next government will need skill to balance reforms with an effort at restoring economic growth and controlling the fiscal deficit. It looks difficult. For inspiration, however,

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there are the words of
Virgil, the ancient Roman
poet: "Fortune favours
the brave."

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