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Italy's Berlusconi Acquitted of Corruption by Court (Update1)

Dec. 10 (Bloomberg) -- Milan judges acquitted Italian Prime Minister Silvio Berlusconi of corruption after reducing the statute of limitations for the charge, ending a decade of legal battles that threatened his leadership.

Berlusconi, 68, was charged with bribing judges between 1986 and 1991 when he was building his media empire that includes Mediaset SpA, Italy's largest private television broadcaster. A conviction may have prompted calls for his resignation and forced early elections.

Francesco Castellano, chairman of the three-judge panel, read out the ruling at Milan's courthouse today. Giving the prime minister "mitigating circumstances" automatically shortened the statute of limitations and forced an acquittal. The newest evidence cited by the prosecution dates back to March 1991.

"For the most part, we're satisfied," Niccolo Ghedini, a defense lawyer for Berlusconi, told reporters. "This ends 10 years of useless trials and proves Berlusconi was telling the truth."

The decision may help Berlusconi, Italy's richest man and its longest-serving prime minister, to build support ahead of 2006 elections. His coalition trails the opposition bloc led by Romano Prodi in opinion polls after three years in which economic growth has lagged the average of the 12 euro countries. The government nearly collapsed last month before Berlusconi convinced his allies to back income taxes next year.

Berlusconi's House of Freedoms coalition would win between 39 and 40 percent of the vote if elections were held today, compared with support of 46.5 to 51.5 percent for the opposition led by Prodi, according to an Ispo Ltd. poll published in *Corriere della Sera* Nov. 22. The survey of 4,012 electors had a margin of error of 2.5 percentage points.

Tax-Cut Boost

Italians' confidence in Berlusconi rose more than six percentage points after the tax cuts were agreed, according to an Ispo poll published in *Corriere della Sera* newspaper Nov. 29.

Berlusconi, who didn't appear in court for the ruling, had always denied any wrongdoing and accused Milan's prosecutors of political bias. The Milan court began investigating Berlusconi only after he entered politics in 1994.

Berlusconi, who took office in June 2001, was convicted by other Milan judges in the late 1990s in three cases of false accounting, bribery and illegal payments for business dealings dating back to the 1980s. He served no jail time after receiving sentences of 16 to 33 months in prison. In one of the cases, he appealed until the statute of limitations ran out, voiding the convictions. In two others, he was absolved on appeal.

Decisions on two separate charges that Berlusconi falsified the books at his Fininvest SpA holding company have been suspended until next year. Europe's highest court is evaluating whether a more lenient law passed by Berlusconi's allies that would require the courts to absolve the prime minister infringes European Union standards.

Even if European court says the Italian law shouldn't be applied, the defense can challenge the decision to the national constitutional court. The statute of limitations may also be invoked for the charges.

Maximum Sentence

Prosecutor Ilda Boccassini a month ago asked the court to give Berlusconi the maximum sentence for allegedly keeping Roman judges on the "payroll" of his family holding company Fininvest SpA.

Boccassini, 54, the state prosecutor who helped convict Sicilian mafia boss Salvatore Riina and 23 other "mafiosi" in 1997 for the murder of prosecutor Giovanni Falcone, says Berlusconi bribed judges in Rome through his personal lawyer and former Defense Minister Cesare Previti.

Previti was convicted and sentenced to five years in prison in November 2003 for the same charges for which Berlusconi was acquitted.

Berlusconi's coalition has passed numerous laws that would have eased the prime minister's legal troubles since taking power in June 2001. An October 2001 law regulating the exchange of evidence between Switzerland and Italy would have forced the prosecutors to throw out all the banking records used in the case. Italian courts ruled that law inapplicable because it was out of line with standard international procedures.

The ruling coalition passed an immunity measure in June of last year protecting the country's highest-ranking politicians, including the prime minister, from criminal prosecution while in office. That led to the suspension of this trial until the Constitutional Court knocked down the immunity law. The trial restarted in April.

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