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TO IMMEDIATE F C O

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AND UKREP BRUSSELS.

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YOUR TELNO 208 TO OTTAWA: ECONOMIC SUMMIT.

1. THE NEW ITALIAN PRIME MINISTER, SPADOLINI, WILL HAVE LITTLE TIME FOR A REALLY CONSIDERED STUDY OF THE DOSSIERS BEFORE THE HEADS OF GOVERNMENT AT THE OTTAWA SUMMIT. IT IS EARLY DAYS TO ASSESS WHERE HIS PRIORITIES WILL LIE, THOUGH YOU AND THE PRIME MINISTER MAY HAVE FORMED AN IMPRESSION AT LUXEMBOURG.

2. ACCORDING TO HIS STAFF, HIS BRIEF WILL SET OUT THE PRINCIPAL ITALIAN PREOCCUPATIONS AT THE SUMMIT AS FOLLOWS:

A. THE INTERNATIONAL ECONOMIC SITUATION. ALTHOUGH HIS TREASURY MINISTER, ANDREATTA HAS BEEN MAKING BELLIGERENT NOISES, SPADOLINI HIMSELF WILL BE ANXIOUS NOT TO PROMOTE CONFRONTATION WITH THE US OVER ECONOMIC POLICY WHICH HE REGARDS AS INSEPARABLE FROM EUROPEAN/US RELATIONS ON THE POLITICAL PLANE, AT A TIME WHEN THE POLITICAL DANGERS OF RUSSIAN EXPANSIONISM ARE AT LEAST AS GREAT AS THE TEMPORARY EFFECTS OF CURRENT US ECONOMIC POLICIES ON EUROPE. HE WILL, HOWEVER, REGARD IT AS QUITE LEGITIMATE, IN LINE WITH THE CONCLUSIONS OF THE EUROPEAN SUMMIT AT LUXEMBOURG, TO DRAW ATTENTION, IN THE CONTEXT OF A DISCUSSION OF WORLD ECONOMIC PROBLEMS WITH THE US, TO THE EFFECTS OF US ECONOMIC POLICIES ON THE ECONOMIES OF HER PRINCIPAL PARTNERS.

B. THE NORTH/SOUTH DIALOGUE. THE ITALIAN LINE IS THAT IN THE INTERESTS OF THE FUTURE HEALTH OF THE WORLD ECONOMY THE LDCS SHOULD BEGIN TO SEE THEMSELVES AS AN IMPORTANT ECONOMIC BLOC WHICH WOULD BENEFIT FROM DEVELOPMENT ON THE WESTERN ECONOMIC MODEL, RATHER THAN PLAYING OFF EAST AGAINST WEST IN THE INDUSTRIALISED WORLD. TO ACHIEVE THIS THE INDUSTRIALISED COUNTRIES MUST NOT ONLY GIVE GENEROUS DEVELOPMENT ASSISTANCE BUT MUST ALSO ACCEPT THE COMMERCIAL CONSEQUENCES. (IT REMAINS TO BE SEEN WHETHER THIS RETORICAL LINE WILL BE BACKED BY SUBSTANTIAL ITALIAN POLICIES IN FAVOUR OF THE THIRD WORLD.) ON THE OTHER HAND, THE LDCS SHOULD RECOGNISE WHAT THE INDUSTRIALISED COUNTRIES HAVE DONE ALREADY BY WAY OF CONTRIBUTION TO OPPORTUNITIES FOR GROWTH. THE ITALIANS REGARD THE CANADIAN DOCUMENT ON NORTH/SOUTH AS INSUFFICIENTLY ROBUST ABOUT INDUSTRIALISED COUNTRIES' CONTRIBUTIONS SO FAR.

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- C. INTERNATIONAL TRADE. THE ITALIANS ACCEPT THAT IN PRACTICE THIS MEANS DISCUSSION OF TRADE RELATIONS WITH JAPAN. THEIR OWN VIEW IS NOT VERY COHERENT. THEY WILL NOT TAKE THE LEAD IN CALLING FOR JAPANESE RESTRAINT, SINCE THEIR OWN SYSTEM OF NON-TARIFF BARRIERS AND QUANTITATIVE RESTRICTIONS SHIELDS THEM FROM THE WORST EFFECTS OF JAPANESE COMPETITION. BUT THEY SUPPORT THE PRINCIPLE THAT THE JAPANESE AUTHORITIES SHOULD BRING PRESSURE TO BEAR ON JAPANESE EXPORTERS TO LAY OFF EUROPEAN MARKETS TO GIVE A BREATHING SPACE TO ALLOW THE EUROPEANS TO IMPROVE THEIR OWN SALES TO JAPAN. (THE ALSO FEAR BEING SQUEEZED OUT OF THIRD MARKETS).
- D. ENERGY. THE ITALIANS TAKE THE VIEW THAT THE PRESENT WORLD SUPPLY/DEMAND SITUATION IS BROADLY SATISFACTORY., THE VENICE OBJECTIVES REMAIN ON COURSE., WHAT IS NEEDED IS CONTINUING VIGILANCE., THIS TOPIC SHOULD NOT TAKE UP MUCH TIME AT THE SUMMIT.

3. I WOULD NOT EXPECT SPADOLINI TO PLAY A VERY PROMINENT ROLE WHEN HE IS SO NEW TO THE JOB AND THERE ARE NO SPECIFIC, CLEARLY DIFINED, ITALIAN OBJECTIVES TO SECURE, BUS AS A REPUBLICAN HE MAY BE ANXIOUS TO MAKE HIS MARK WITH THE NEW US ADMINISTRATION.

ARCULUS

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