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FM ROME 210300Z NOV 81

TO IMMEDIATE FCO
TELEGRAM NO. 485 OF 21 NOV 81
AND TO IMMEDIATE UKREP BRUSSELS AND PARIS PRIORITY TO OTHER EC
POSTS.

YOUR TELEGRAM NO. 266 OF 20 NOVEMBER:
EUROPEAN COUNCIL: 26/27 NOVEMBER.

1. I HANDED THE PRIME MINISTER'S MESSAGE TO BERLINGUER (DIPLOMATIC ADVISER TO SPADOLINI) YESTERDAY EVENING. HE READ IT WITH APPROVAL.
2. BERLINGUER TOOK THE OPPORTUNITY OF GIVING ME AN ACCOUNT OF SPADOLINI'S VISIT TO PARIS. SPADOLINI AND MITTERRAND CLEARLY GOT ON WELL TOGETHER (AND THIS MAY ENABLE SPADOLINI TO EXERCISE A USEFUL INFLUENCE ON MITTERRAND AT THE EUROPEAN COUNCIL). MITTERRAND MADE IT CLEAR THAT HE WAS DETERMINED TO SEE EUROPEAN DEVELOPMENT MOVING FORWARD, MAINLY ON THE ECONOMIC FRONT. THEREFORE HE WANTED RESULTS FROM THE COUNCIL FOR THE COMMUNITY - AND OF COURSE FOR ITS MEMBERS. BECAUSE OF THE DEADLINES AHEAD (EG CAP PRICE FIXING) DECISIONS COULD NOT BE POSTPONED. THE FRENCH ACCEPTED THAT PROGRESS MUST BE MADE ON ALL THREE CHAPTERS.
3. THIS GENERAL ATTITUDE WAS REASSURING BUT OF COURSE THE FRENCH WERE TOUGH ON THE PARTICULAR, NOTABLY ON CHAPTERS 2 AND 3 OF THE MANDATE. ON CHAPTER 2 THEY WANT TO MAINTAIN THE SACRED PRINCIPLES, AND TO AVOID INDISCRIMINATE CUTS IN SPENDING; THEY GAVE NO INKLING OF HOW THE PROBLEM OF AVOIDING SURPLUSES MIGHT BE DEALT WITH. BUT THEY DID WANT TO SEE OPERATIONAL GUIDELINES REACHED IN ORDER TO PREVENT A CRISIS WHEN THE NEXT PRICE FIXING COMES ROUND.
4. THEY WERE ALSO RIGID ON CHAPTER 3, WANTING ONLY A TEMPORARY, LIMITED AND DEGRESSIVE MECHANISM FOR US, AND NOTHING FOR THE GERMANS, ALTHOUGH THEY MAY BE INFLUENCED BY HOW FAR THE GERMANS ARE PREPARED TO GO ON CHAPTER 1.
5. ON THESE POINTS AND PARTICULARLY ON THE BRITISH BUDGET PROBLEM, SPADOLINI SPOKE TO MITTERRAND AS HE HAD UNDERTAKEN TO DO IN LONDON. HE HAD THE IMPRESSION THAT THE FRENCH DID NOT FULLY UNDERSTAND OUR POSITION. HIS STAFF SUGGESTED THAT IT WOULD BE WORTH WHILE OUR HAVING ANOTHER GO ON AT THEM PRIVATELY BETWEEN NOW AND THE COUNCIL.
6. BERLINGUER SAID THAT THORN WILL BE IN ROME ON 23 NOVEMBER. (ON 24 NOVEMBER I AM GIVING A PRESIDENCY LUNCHEON IN HONOUR OF COLOMBO, WHICH MAY GIVE A FURTHER OPPORTUNITY TO PUT OVER MESSAGES TO THE ITALIANS).

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7. BERLINGUER SUMMED UP BY SAYING THAT ITALY WOULD AS USUAL PUT COMMUNITY INTERESTS ABOVE HER OWN, THOUGH HOPING TO GET SOMETHING OUT OF THE PACKAGE. THEY RECOGNISED THE DIFFICULTY ABOUT BREACHING THE 1 PER CENT LIMIT AND THIS WAS THE REASON WHY THEY WERE PRESSING FOR THE EXPANSION OF COMMUNITY LENDING CEILINGS. OF COURSE THEY WANTED TO SEE THE SOCIAL/REGIONAL FUNDS EXPANDED AND MORE MONEY AVAILABLE FOR RESEARCH. THE FRENCH SHARED THEIR INTEREST IN MEDITERRANEAN PRODUCE.

8. SPADOLINI'S INTEREST IN AVOIDING A FAILURE AT THE EUROPEAN COUNCIL MAY BE TURNED TO OUR ACCOUNT. HIS POLITICAL REPUTATION IS FOUNDED ON HIS ABILITY TO FIND SOLUTIONS AND HE WILL ALSO BE ABLE TO USE THE SKILLS OF COLOMBO AND RUGGIERO. GIVEN THE USUAL ITALIAN SENSITIVITIES, IT WILL BE DESIRABLE TO GIVE HIM THE IMPRESSION THAT HE IS BEING KEPT FULLY INFORMED AS THINGS DEVELOP. AS I UNDERSTAND IT, YOU DO NOT INTEND TO UNDERTAKE ANY BILATERALS BETWEEN NOW AND THE COUNCIL ITSELF. SHOULD YOU DECIDE TO DO SO, AND TO OMIT ITALY, I HOPE THAT YOU WILL SEND A MESSAGE TO COLOMBO OR AUTHORISE ME TO SPEAK TO HIM. YOU MIGHT LIKE IN ANY CASE TO CONSIDER OUR SHOWING THE ITALIANS, AS WELL AS THE FRENCH AND GERMANS, OUR DRAFT GUIDELINES FOR THE BUDGET PROBLEM (SEPARATE MESSAGES TO SCHMIDT AND MITTERRAND IN YOUR TUR).

ARCULUS

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