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Foreign and Commonwealth Office

London SW1A 2AH

24 November 1981

Row Muthand.

EUROPEAN COUNCIL, ITALIAN POSITION

I enclose, in advance of any comment, a copy of an Aide Memoire handed to the Lord Privy Seal by the Italian Ambassador today. I understand it is additional to a reply which the Prime Minister has separately received from Sig Spadolini to her message of 19 November.

I am copying this letter with enclosure to the Private Secretaries to the Chancellor of the Exchequer, the Minister for Agriculture, Fisheries and Food, and Sir Robert Armstrong.

Yours sincerely

Antony Gomersall

pp. S J Gomersall
PS/Lord Privy Seal

M O'D B Alexander Esq
No 10 Downing Street

AIDE MEMOIRE

Italy's position with regards to the problems raised by the implementation of the 30th May mandate is as follows:

1. Italy is well aware of the importance of the problem concerning the financial imbalance, but cannot accept a solution which disregards the other problems still open, nor could she be satisfied with a solution accompanied by merely declaratory - and therefore not resolute - statements with regards to the other two items of the present negotiation (i.e. the development of the common policies different from the Common Agricultural Policy and review of the Common Agricultural Policy).

2. In order to achieve the objective of economic and monetary union, Italy believes that a system of coordination of national economic policies is necessary to bring about a real convergence. It is equally essential that progress is made with regards to energy and research policies, as well as social and regional policies.

Even if definite solutions cannot be put forward in the course of the European Council, precise indications and deadlines should be given to the Commission and the General Affairs Council in order to find short-term solutions.

With further regard to the common policies and in view of the limit imposed to the Community's own resources - due to the present impossibility of increasing them because some Governments are unwilling to accept, for the time being, the lifting of 1% of the VAT ceiling - it is nevertheless important for Italy to emphasize the need to increase the resources of NIC.

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This especially in order to favour the implementation of the energy policy and the introduction of new technologies.

3. Italy is willing to accept a formula of management of the Common Agricultural Policy directed at a careful use of resources and struggle against the formation of surpluses. But cannot accept an aprioristic limitation of agricultural expenses.

With regards to dairy products, the solution Italy put forward, which contemplates a lowering of the guarantee to producers, aims at avoiding surpluses. In any case, it seems abnormal that there are countries which are at the same time producers of dairy surpluses and net beneficiaries and are not prepared in any way to reduce their benefits in order to favour the adjustment of the budget contributions.

4. With regards to the Common Agricultural Policy Italy furthermore believes it necessary that, within such policy, the maximum consideration be given to Mediterranean products. Therefore, and also in the light of the enlargement of the Community, both the Commission's and the British Presidency's documents are not acceptable to Italy.

It must be clear to all that it would not be possible to reach consensus within the European Council on an agreement based on the reduction of agricultural funds to the detriment of no-surplus produce or of those growers located in the poorest regions of the Community.

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5. Italy is willing to look for formulae aiming at correcting the imbalance in the United Kingdom's budget contributions. Such formulae nonetheless must not be of such nature as to represent acceptance by the EEC of the principle of "just return". Italy in fact is not prepared to renounce her fundamental belief, which is at the basis of the 30th May mandate, which maintains that a balance must be reached not by recurring to budget expedients, but by developing the common policies and the convergence of national economic policies.

Although not accepting the principle that the benefits deriving to the member States by belonging to the EEC must be measured only in terms of budget, Italy nevertheless believes that, in the framework of the agreements, more attention must be paid to the political and psychological reasons which are at the basis of Bonn's preoccupations.

24th November, 1981.