



Foreign and Commonwealth Office

London SW1A 2AH

3 June 1982

Dear John,

Versailles Economic Summit: Bilateral Meetings

Following your letter of 28 May about bilateral meetings for the Prime Minister, we received a request from Sr Spadolini for a meeting, to which the Prime Minister agreed. Bilateral meetings have therefore been provisionally arranged as follows:

President Reagan at 1500 hours on Friday, 4 June.

Chancellor Schmidt at 1830 hours on Saturday, 5 June.

Mr Trudeau immediately prior to dinner on Saturday, 5 June.

Sr Spadolini at 1515 hours on Sunday 6 June.

The timing for the bilateral meetings with Chancellor Schmidt, Mr Trudeau and Sr Spadolini are provisional, and will need to be confirmed on the spot.

I enclose briefs for the meetings with Chancellor Schmidt, Mr Trudeau and Sr Spadolini. Briefing for the meeting with President Reagan is being arranged separately.

The briefs do not cover Falkland Islands questions, since all material on the Falkland Islands is being brought together separately, as confirmed in the letter of 2 June from David Goodall to Andrew Burns (which was copied to you).

The early bilateral with President Reagan on Friday, 4 June necessitates an earlier departure time for the Prime Minister. Departure has now been arranged from Northolt Airport at 1125 hours. Estimated time of arrival at Orly Airport is 1400 hours.

/The Prime Minister



The Prime Minister will be met on arrival at Orly by M. Jean-Pierre Chevenement, Minister of State, Minister for Research and Technology. He leads the CERES (left-wing) faction of the French Socialist Party. The Prime Minister met M. Chevenement at the last Anglo-French Summit in London in September 1981. He was due to attend the Franco-British Council Conference in Edinburgh last month but withdrew at the last minute.

The Prime Minister may wish to express to M. Chevenement the government's satisfaction at enhanced Anglo-French collaboration in space (stretched European Communications Satellite and Ariane IV); to note the successful talks between UK and French scientists in Paris last February (follow-up meetings have been arranged); and express the hope that the UK will continue to participate in the European transonic wind tunnel (final details are being discussed with the Treasury).

The Prime Minister is to leave Versailles immediately after the Gala Dinner on Sunday 6 June, but the Chancellor and Sir R Armstrong will stay for the opera performance and the firework display. Separate arrangements are therefore being made for the Chancellor and Sir R Armstrong to return to London. Details of these arrangements will be confirmed at Versailles.

I am copying this to the Private Secretaries to the Chancellor of the Exchequer and to Sir R Armstrong.

Yours ever.

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street



VERSAILLES ECONOMIC SUMMIT: PRIME MINISTER'S MEETING WITH
CHANCELLOR SCHMIDT

Points to Make

1. Glad that 1982 EC Budget refunds agreed, though longer-term problem remains. Essential to get this settled by November as Council agreed. Overriding of Luxembourg Compromise raises very serious issues. Important for Foreign Ministers to clarify this situation at their next meeting.
2. Looking forward to the NATO Summit in Bonn next week. Main aim must be to reaffirm unity of Alliance. Need to remind own peoples of values on which it is based. Soviet Union must understand our determination to maintain deterrence and the framework within which we believe constructive East/West relations possible.
3. Also need firm statement at Bonn on conventional defences and importance of making better use of existing defence resources. Summit unique opportunity to draw attention to West's commitment to disarmament (START, INF, MBFR initiatives).

VERSAILLES ECONOMIC SUMMIT: PRIME MINISTER'S MEETING WITH
CHANCELLOR SCHMIDTBackground

1. Chancellor Schmidt comes to Versailles with domestic political worries on his mind. Elections are being held in his home city of Hamburg on 6 June, the results of which may have major repercussions on the Federal political scene.
2. Nationally, both Coalition partners are in poor shape. Schmidt's SPD, whose fortunes have declined steadily since it was returned to power in 1980, now has little more than 30% support in the opinion polls. And Genscher's FDP seems at last to have been infected - in the last 3 months its support has dropped by almost half to 6.6%. The main problem of the Coalition remains its failure to come to grips with economic problems, particularly rising unemployment (which now stands close to 2 million), and the financing of the 1982 supplementary budget and the 1983 budget. Differences between the FDP and SPD over economic policy are acute.
3. In Hamburg, the SPD got 51.5% of the vote last time and at present govern alone. This time the election will be much more closely fought. Latest forecasts show the SPD and the CDU running neck and neck at around 42/43%, with the Greens getting 8/9% and the FDP lucky to clear the 5% hurdle which would get them back into the Land Parliament.
4. At a Federal level, the possible consequences of what happens in Hamburg are far reaching. A poor result there for FDP and SPD might be the final straw leading the FDP to switch Coalition partners in Bonn, which would bring down the Federal Government. But this seems an unlikely scenario for the immediate future. The CDU/CSU opposition who currently enjoy around 52% support nationally, look confidently forward to recovering power in 1984 but do not expect a change of Government before then, despite possible gains in Hamburg and again in Hessen in September.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 503 OF C2 JUNE

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VERSAILLES SUMMIT: THE FEDERAL COALITION AND THE HAMBURG ELECTION.

1. WHEN YOU AND THE PRIME MINISTER MEET THEM AT VERSAILLES, HERR SCHMIDT AND HERR GENSCHER WILL ONCE AGAIN HAVE DOMESTIC POLITICAL WORRIES ON THEIR MINDS. THIS TIME THE IMMEDIATE OCCASION IS THE ELECTION IN SCHMIDT'S HOME CITY OF HAMBURG, WHICH TAKES PLACE ON 6 JUNE. THE RESULT (FIRST INDICATIONS OF WHICH MAY BE COMING THROUGH AS THE SUMMIT BREAKS UP) MAY HAVE MAJOR REPERCUSSIONS ON THE FEDERAL POLITICAL SCENE. BOTH THE CHANCELLOR AND HERR GENSCHER ARE WORRIED, AND HAVE DEVOTED MUCH MORE TIME THAN USUAL TO THE ELECTION CAMPAIGN.

2. NATIONALLY, BOTH COALITION PARTIES ARE IN POOR SHAPE. SCHMIDT'S SPD, WHOSE FORTUNES HAVE DECLINED STEADILY SINCE IT WAS RETURNED TO POWER IN 1980, NOW HAS LITTLE MORE THAN 30PER CENT SUPPORT IN THE OPINION POLLS. AND GENSCHER'S FDP SEEMS AT LAST TO HAVE BEEN INFECTED - IN THE LAST 3 MONTHS ITS SUPPORT HAS DROPPED BY ALMOST HALF TO 6.6PER CENT.

3. THE MAIN PROBLEM OF THE COALITION REMAINS ITS FAILURE TO COME TO GRIPS WITH ECONOMIC PROBLEMS, PARTICULARLY RISING UNEMPLOYMENT WHICH NOW STANDS CLOSE TO 2 MILLION. DIFFERENCES BETWEEN THE FDP AND SPD OVER ECONOMIC POLICY ARE ACUTE. THE GOVERNMENT'S EMPLOYMENT CREATION SCHEME HAS NOW BEEN APPROVED BY THE BUNDESTAG BUT THE KEY PROBLEM OF HOW TO FINANCE IT REMAINS UNRESOLVED. MEANWHILE, OTHER DIFFICULT DECISIONS IN THE OFFING ARE HOW TO FINANCE THE 1982 SUPPLEMENTARY BUDGET AND, EVEN MORE DIFFICULT, HOW TO BRIDGE THE DM30 BILLION FINANCIAL GAP IN THE 1983 FEDERAL BUDGET. AS A CONTRIBUTION TO BRIDGING THIS GAP THE FDP ARE INSISTING ON SAVINGS BY FURTHER CUTS IN SOCIAL SECURITY, WHILE THE SPD AGREED AT THEIR PARTY CONFERENCE IN APRIL ON MEASURES TO INCREASE TAXATION ON THE HIGHER PAID. IN THE ECONOMIC FIELD, THE OVERALL IMPRESSION IS OF A COALITION INCREASINGLY IN TROUBLE.

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4. IN HAMBURG, THE SPD GOT 51.5PER CENT OF THE VOTE LAST TIME AND AT PRESENT GOVERN ALONE (UNDER KLAUS VON DOHNANYI, WHO AS NO 2 IN THE AUSWAERTIGES AMT MADE THE VITAL CONCESSION WHICH PRODUCED THE EUROPEAN BUDGET SETTLEMENT ON 30 MAY 1980 - ALLEGEDLY TO GENSCHER'S CHAGRIN, AS HE TOLD YOU RECENTLY). THIS TIME THE ELECTION WILL BE MUCH MORE CLOSELY FOUGHT. LATEST FORECASTS SHOW THE SPD AND THE CDU (WHO HAVE IN WALTHER LEISSLER KIEP A CANDIDATE TO EQUAL DOHNANYI IN STATURE) RUNNING NECK AND NECK AT AROUND 42/43PER CENT, WITH THE GREENS GETTING 8/9PER CENT AND THE FDP LUCKY TO CLEAR THE 5PER CENT HURDLE WHICH WOULD GET THEM BACK INTO THE SENAT. SINCE COALITION, OR EVEN COOPERATION, BETWEEN ANY TWO OF SPD, CDU AND GREENS IS EXTREMELY DIFFICULT, HAMBURG COULD BE IN FOR A PERIOD OF MINORITY GOVERNMENT MORE DIFFICULT THAN THAT IN BERLIN.

5. AT A FEDERAL LEVEL, THE POSSIBLE CONSEQUENCES OF WHAT HAPPENS IN HAMBURG ARE FAR REACHING. THE FDP HAVE TOLD US THAT A POOR RESULT THERE FOR FDP AND SPD, CONFIRMING THAT ASSOCIATION WITH THE SPD WAS BAD FOR THE HEALTH OF THE FDP, COULD BE THE FINAL STRAW LEADING THEM TO SWITCH COALITION PARTNERS IN BONN. SINCE THEY HOLD THE BALANCE OF POWER, THIS WOULD BRING DOWN THE FEDERAL GOVERNMENT. IN MY VIEW THE FDP WOULD FIND IT VERY HARD TO JUSTIFY SUCH A STEP TO THEIR PARTY MEMBERSHIP AND TO THE ELECTORATE AND IT THEREFORE SEEMS AN UNLIKELY SCENARIO FOR THE IMMEDIATE FUTURE. BUT THE FDP'S DIFFERENCES WITH THE SPD OVER THE 1983 BUDGET COULD PROVIDE THEM WITH AN OPPORTUNITY TO BAIL OUT.

6. THE CDU/CSU OPPOSITION, WHO CURRENTLY ENJOY AROUND 52PER CENT SUPPORT NATIONALLY, LOOK CONFIDENTLY FORWARD TO RECOVERING POWER IN 1984 BUT DO NOT EXPECT A CHANGE OF GOVERNMENT BEFORE THEN. THEY BELIEVE THE FDP WILL FIND IT DIFFICULT TO CHANGE SIDES IN MID-TERM. AND THOUGH THE NEXT LAND ELECTION, IN HESSEN IN SEPTEMBER, IS LIKELY TO GIVE THE CDU THEMSELVES A TWO-THIRDS BLOCKING MAJORITY IN THE BUNDESRAT (FEDERAL UPPER HOUSE) THEY SEEM AT PRESENT TO HAVE NO INTENTION OF USING IT TO BRING THE GOVERNMENT DOWN. NEVERTHELESS, HAMBURG COULD CHANGE EVERYONE'S PERSPECTIVES, AND GERMAN POLITICIANS OF ALL PARTIES WILL BE WAITING TENSELY FOR THE RESULT.

FCO PASS SAVING ABOVE EXCEPT C-GS IN FRG BMG BERLIN AND CICC(G)

TAYLOR

(REPEATED AS REQUESTED)

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VERSAILLES ECONOMIC SUMMIT
BILATERAL MEETING WITH MR TRUDEAU

Points to Make

MINISTERIAL VISIT TO CANADA

1. Sorry unable to accept invitation to attend the Proclamation of the new Constitution in April. Lord Hailsham has given a vivid report of the ceremonies. Congratulations on achievement.
2. Looking forward to visiting Canada in response to invitation as soon as possible. Still have it in mind to aim for the turn of the year or later in 1983.

ANGLO-CANADIAN RELATIONS

3. Now free of constitutional irritant we can concentrate on developing the vast range of mutual interests we share both bilaterally and internationally. We in Britain are anxious that the closeness of our relationship will not result in our taking each other for granted, but that we can work together in pursuit of the many matters of common concern.

Foreign and Commonwealth Office

2 June 1982



VERSAILLES ECONOMIC SUMMIT: PRIME MINISTER'S MEETING WITH
SIGNOR SPADOLINI

Points to Make

1. Looking forward to Anglo-Italian Summit in Rome on 7 July.
2. Interested to hear views on future of Coalition Government.
3. Glad that 1982 EC Budget refunds agreed, though longer-term problem remains. Essential to get this settled by November as Council agreed. Overriding of Luxembourg Compromise raises very serious issues. Important for Foreign Ministers to clarify this situation at their next meeting.

Background

1. Italy's turn to host Anglo-Italian Summit. Last one held in London on 9 November 1981.
2. Spadolini's Coalition Government soldiers on. Christian Democrat Party Congress ended 6 May with elections of De Mita as new Party Secretary. First test likely to come at meeting with Party Secretaries of other Coalition partners to discuss Government programme. Apart from EC sanctions against Argentina (see separate briefing), the main problems facing the Coalition relate to domestic economic issues, namely inflation, unemployment, interest rates (now 15%) and public expenditure.
3. Not certain whether the Coalition can hold together. Some realignment of Ministerial responsibilities possible in June. Prospects remain bleak.

Foreign and Commonwealth Office

3 June 1982

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TO IMMEDIATE FCO
TELEGRAM NO. 297 OF 03 JUN 82
INFO ROUTINE PARIS

MY TELEGRAM NO. 290: VERSAILLES: ANGLO-ITALIAN BILATERAL
FROM ORLEBAR

1. WE UNDERSTAND SPADOLINI'S OFFICE HAVE NOW MADE CONTACT WITH NO. 10 AND THEY HOPE THAT A MEETING BETWEEN HIM AND THE PRIME MINISTER MAY BE POSSIBLE ON SUNDAY.
2. THE AMBASSADOR (WHO WAS SEEING PERTINI AND SPADOLINI AGAIN AT YESTERDAY'S GARIBALDI CELEBRATIONS IN SARDINIA) SAID IN TUR THAT HE EXPECTED SPADOLINI WOULD WANT IN PARTICULAR TO EXPRESS HIS REGRETS TO THE PRIME MINISTER FOR THE ITALIAN FAILURE TO RENEW SANCTIONS AGAINST ARGENTINA AND EXPLAIN THE POLITICAL DIFFICULTIES HE AND COLOMBO HAD FACED. SPADOLINI WILL NO DOUBT HOPE THIS CAN BE REGARDED AS A CLOSED CHAPTER. HE CAN BE RELIED ON TO EXPRESS ITALY'S RENEWED POLITICAL SOLIDARITY WITH THE UK, BUT MAY SHOW SOME ANXIETY ABOUT THE EFFECTS OF THE CONFLICT ON EUROPE'S LONG TERM RELATIONS WITH LATIN AMERICA. GIVEN THEIR CONSIDERABLE INTERESTS IN AND KNOWLEDGE OF THE CONTINENT, THE ITALIANS COULD PROVE USEFUL ALLIES IN THE TASK OF REPAIRING ANY BREACHES.
3. AS REGARDS OTHER SUBJECTS, ROME TELEGRAM NO. 295 SET OUT LIKELY ITALIAN OBJECTIVES FOR THE ANGLO-ITALIAN SUMMIT HERE ON 7 JULY AND ROME TELEGRAM NO. 291 SUMMARISED CURRENT ITALIAN THINKING ON COMMUNITY ISSUES. BUT SPADOLINI HAS MORE IMMEDIATE WORRIES. THE EMPLOYERS' ORGANISATION, CONFINDUSTRIA, HAS ANNOUNCED ITS DECISION TO WITHDRAW FROM THE 1975 AGREEMENT WITH THE THREE NATIONAL UNION CONFEDERATIONS WHEREBY EMPLOYEES' SALARIES HAVE BEEN INDEXED AGAINST INFLATION (THE "SCALA MOBILE"). AT THE LEAST, THIS WILL WIDEN RIFTS WITHIN THE COALITION. THE MONETARISTS, LED BY ANDREATTA (DC TREASURY MINISTER), WILL WELCOME CONFINDUSTRIA'S MOVE: ITALY IS NOW THE ONLY EC COUNTRY WHERE SALARIES ARE INDEXED, AND INFLATION AND THE PSBR REMAIN FRIGHTENINGLY HIGH. ALTHOUGH THE SOCIALIST REACTION

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HAS SO FAR BEEN EQUIVOCAL, THE OTHER MINOR PARTIES IN THE COALITION - AND OF COURSE THE UNIONS - HAVE DENOUNCED THE MOVE AS CONFRONTATIONAL. LIGHTNING STRIKES HAVE ALREADY TAKEN PLACE.

4. WHILE THERE IS SCOPE FOR COMPROMISE, THE EMPLOYERS' DECISION COMES AT A DIFFICULT TIME FOR A GOVERNMENT ALREADY BESET BY OTHER DISPUTES AND HAMPERED BY POLITICAL UNCERTAINTY FROM TAKING THE HARSH DECISIONS NECESSARY, EG. TO CONTAIN PUBLIC SPENDING. ANY LANGUAGE IN THE VERSAILLES COMMUNIQUE CONFIRMING THE SUPREMACY OF THE FIGHT AGAINST INFLATION WILL THUS HAVE DOMESTIC REPERCUSSIONS HERE.

5. HAVING MADE THE RESTORATION OF A HEALTHY ECONOMY ONE OF HIS MAIN POLICY OBJECTIVES, SPADOLINI MAY BE EXPECTED TO PRESS FOR AGREEMENT TO TOUGHER ECONOMIC MEASURES WHEN THE PARTY SECRETARIES MEET LATER THIS MONTH. A KEY FIGURE WILL AGAIN BE THE SOCIALIST LEADER, CRAXI, WHO HAS LOST NO RECENT OPPORTUNITY (AS OVER SANCTIONS AGAINST ARGENTINA) TO CAUSE TROUBLE WITHIN THE COALITION. HIS INTRANSIGENCE WOULD BE ENCOURAGED BY A GOOD RESULT FOR THE SOCIALISTS IN THE ADMINISTRATIVE ELECTIONS BEING HELD IN PARTS OF ITALY THIS WEEKEND. IF THE SOCIALISTS FAIL TO IMPROVE THEIR POSITION, ON THE OTHER HAND, THIS WILL STRENGTHEN SPADOLINI'S HAND AS PRIME MINISTER, THOUGH THEN COULD STILL BE SOME RESHUFFLING OF THE CABINET.

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TO IMMEDIATE FCO
TELEGRAM NO. 295 OF 02 JUN 82MIPT: ANGLO-ITALIAN SUMMIT
FROM ORLEBAR

1. OUR CURRENT BEST ESTIMATE OF LIKELY ITALIAN OBJECTIVES FOR THE SUMMIT IS AS FOLLOWS:
 1. TO ALLOW SPADOLINI TO DEMONSTRATE THAT ANGLO-ITALIAN RELATIONS REMAIN HEALTHY DESPITE SOME RECENT DIFFERENCES, E.G. ARGENTINE SANCTIONS AND COMMUNITY QUESTIONS, AND TO RECONFIRM ITALY'S CLAIM TO BE A TOP-TABLE PARTNER.
 2. TO UNDERLINE ITALY'S COMMITMENT TO GREATER EUROPEAN INTEGRATION AND TO PROBE UK THINKING ON THE COMMUNITY'S FUTURE.
 3. WITHIN THIS FRAMEWORK, TO EXPRESS CONCERN AT THE GROWING THREATS TO THE COMMUNITY'S COHESION AND TO PUT FORWARD IDEAS FOR STRENGTHENING THE COMMUNITY, INCLUDING GREATER CONCENTRATION AND EXPENDITURE ON NEW COMMUNITY POLICIES.
 4. TO PRESS FOR EARLY AGREEMENT ON THE GENSCHER/COLOMBO PROPOSALS ON EUROPEAN UNION.
 5. TO COMPARE NOTES ON INTERNATIONAL AND DOMESTIC ECONOMIC ISSUES, ESPECIALLY INFLATION, UNEMPLOYMENT, INTEREST RATES AND PUBLIC EXPENDITURE.
 6. TO REVIEW THE PROGRESS OF THE NATO DOUBLE DECISION, INCLUDING THE SITING OF INF BASES AND THE PROGRESS OF DISARMAMENT NEGOTIATIONS (START WILL BE TOPICAL).
 7. TO DISCUSS EAST-WEST RELATIONS, INCLUDING POLAND, CREDITS FOR THE SOVIET UNION AND MORE GENERALLY THE FUTURE DIRECTION OF SOVIET POLICIES.
 8. TO STRESS THE IMPORTANCE WHICH ITALY ATTACHES TO CLOSE EUROPEAN/LATIN AMERICAN RELATIONS AND THE DANGER THAT ITALY SEES OF SOVIET GAINS IN THE REGIONS AT U S EXPENSE.
2. WE SHOULD BE ABLE TO PUT MORE FLESH ON THESE OBJECTIVES ONCE THE ITALIANS START TO FOCUS ON THE SUMMIT, AND MAY THEREFORE NEED TO COMMENT FURTHER

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FROM ROME 011300Z JUN 82
TO PRIORITY FCO [FRAME INSTITUTIONAL]
TELNO 291 OF 01 JUN 82
INFO PRIORITY ATHENS, BONN, COPENHAGEN
THE HAGUE, PARIS, BRUSSELS, DUBLIN, LUXEMBOURG, UKREP BRUSSELS

YOUR TELNO 155 TO ATHENS: LUXEMBOURG COMPROMISE

1. WE DISCUSSED THIS QUESTION WITH IANNI ON 28 MAY. HE WENT OFF AT A LENGTHY TANGENT ON THE INADEQUACIES AND STAGNATION OF THE COMMUNITY, THE NEED FOR COMMON INDUSTRIAL AND ENERGY POLICIES, THE THREAT TO THE COMMUNITY FROM PROTECTIONISM AND ITALIAN DISSATISFACTION WITH THE MANDATE NEGOTIATIONS. THIS WAS BY WAY OF SAYING THAT THE FUTURE OF THE LUXEMBOURG COMPROMISE, ALTHOUGH IMPORTANT, WAS NOT COLOMBO'S MAIN PREOCCUPATION. COLOMBO WAS UPSET ABOUT EUROPE AND DID NOT SEE WHERE IT WAS GOING. WE NOW HAD A BRIEF TRUCE, BUT NONE OF THE UNDERLYING PROBLEMS HAD BEEN SATISFACTORILY RESOLVED. FOR THE ITALIANS, THE ONLY ANSWER WAS TO INCREASE THE VAT TAKE BEYOND ITS PRESENT 1% LIMIT AND TO DEVELOP NEW POLICIES.

2. ON THE LUXEMBOURG COMPROMISE ITSELF, HE CLAIMED THAT THE ITALIANS HAD NEVER AVAILED THEMSELVES OF IT. WHEN WE EXPRESSED AMAZEMENT, HE SAID THAT HE WAS TALKING ABOUT ITS FORMAL INVOCATION, AND ACCEPTED THAT IF ITALY'S PARTNERS KNEW IN ADVANCE THAT ITALY WOULD NOT AGREE TO A PARTICULAR PROPOSAL MATTERS WOULD SELDOM GET SO FAR AS TO BRING THE COMPROMISE DIRECTLY INTO PLAY. HE CLAIMED THAT MR WALKER HAD NEVER RAISED SUBSTANTIVE OBJECTIONS TO THE AGRICULTURAL PRICE PACKAGE BECAUSE HE HAD EXPECTED DECISIONS ON THE BUDGET WHICH IN THE EVENT WERE NOT FORTHCOMING WHEN THE AGRICULTURE COUNCIL MET ON 18 MAY. WE CONTESTED THIS ARGUMENT. OUR OWN ASSESSMENT IS THAT, OF THE ARGUMENTS YOU SUGGEST IN YOUR PARA 3, THE MOST IMPORTANT HERE WERE (B) AND (D). THEY WOULD CERTAINLY ACCEPT THAT THE BUDGET WAS AN IMPORTANT NATIONAL INTEREST FOR US (YOUR 3 (C)), AND ARE NOT OPPOSED TO THE LUXEMBOURG COMPROMISE AS SUCH (YOUR PARA 3(E)).

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3. ON THE FUTURE OF THE COMPROMISE, IANNI MADE IT CLEAR THAT THE EFFECT OF SPANISH AND PORTUGUESE ACCESSION TO THE COMMUNITY WAS MUCH ON ITALIAN MINDS. HE ARGUED THAT THE LUXEMBOURG COMPROMISE HAD WORKED WELL ENOUGH WITH A COMMUNITY OF 6 REASONABLY LIKE-MINDED STATES, WAS ONLY JUST WORKING IN A COMMUNITY OF 10 AND WOULD NOT WORK AT ALL IN A COMMUNITY OF 12. MAINTENANCE OF THE COMPROMISE, WITHOUT QUALIFICATIONS, WOULD SIMPLY BE A RECIPE FOR THE COMMUNITY'S STAGNATION. HE SPECULATED ABOUT TIME LIMITS ON VETOS, AND THE INTRODUCTION OF A SECOND AND THIRD READING PROCEDURE WITH AN INITIAL, HEAVILY WEIGHTED MAJORITY TAPERING OFF IN SUCCESSIVE STAGES SO THAT NO ONE MEMBER STATE ALONE COULD FINALLY VETO A DECISION. WE DID NOT GET THE IMPRESSION, HOWEVER, THAT ANY OF THIS WAS FIRM ITALIAN POLICY. WHEN E ASKED WHETHER ANY SUCH AGREEMENT COULD BE REACHED WITHIN THE FRAMEWORK OF THE GENSCHER/COLOMBO PROPOSALS, IANNI COMMENTED THAT HE THOUGHT IT WOULD TAKE MUCH LONGER TO ARRIVE AT A WORKABLE DEFINITION OF HOW AND WHEN THE COMPROMISE SHOULD BE USED.

4. WE CONCLUDE THAT THE ITALIANS WILL PROBABLY BE READY TO WORK FOR SOME REDEFINITION OF PROCEDURES FOR INVOKING THE LUXEMBOURG COMPROMISE, NOT LEAST BECAUSE OF THEIR FEARS OF PARALYSIS WITHIN THE COMMUNITY AFTER FURTHER ENLARGEMENT. WE DOUBT, HOWEVER, WHETHER THE MFA HAS BEGUN TO CONSIDER CAREFULLY THE ADVANTAGES AND DISADVANTAGES OF DEPARTING FROM THE PREVIOUS INTERPRETATION OF THE 1976 AGREEMENT.

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