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DESKBY 030800Z
FROM ROME 031040Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 361 OF 3 JULY
AND TO IMMEDIATE DOI (AIRCRAFT DIVISION), MODUK PE,
INFO IMMEDIATE Paris
INFO SAVING MILAN

YOUR TELEGRAM NUMBER 177:

AIRBUS A320 AND EH 101

SUMMARY

1. FRENCH PRESSURE ON THE ITALIANS TO PARTICIPATE IN THE A320 COULD JEOPARDISE FUTURE ANGLO/ITALIAN COLLABORATION ON EH101. ITALIANS SAY THEY DO NOT HAVE FUNDS TO FINANCE BOTH, SO THAT THERE IS REAL DANGER THAT THE MONEY WHICH WOULD HAVE BEEN ALLOCATED FOR DEVELOPMENT OF EH101 WILL BE SPENT ON ITALIAN SHARE OF A320. THE PICTURE IS MUDDIED BY ITALIAN INTERNAL POLITICAL SITUATION. WE RECOMMEND THE PRIME MINISTER SHOULD RAISE EH101 WHEN IN ROME ON 7 JULY.

2. CS CALLED TODAY ON GUZZONI AND CAVANNA, THE DIRECTORS RESPONSIBLE, RESPECTIVELY, TO BARATTIERI FOR MILITARY AND AVIATION PROJECTS IN THE MINISTRY OF INDUSTRY. THEY SPOKE VERY FRANKLY SEMI COLON THEIR CONFIDENCES MUST BE RESPECTED. WHAT HAD APPEARED TO BE TWO SEPARATE ISSUES, A320 AND EH101, ARE EVIDENTLY CLOSELY LINKED AS A RESULT OF AN INDECENT DEGREE OF FRENCH PRESSURE ON THE ITALIAN GOVERNMENT TO COME IN ON THE A320 AS AN ADDITIONAL PARTNER IN AIRBUS INDUSTRIE WHILST AT THE SAME TIME DROPPING EH101 IN FAVOUR OF THE PROJECTED FRENCH SUPER PUMA HELICOPTER. THE FRENCH HAVE BEEN EXTREMELY ACTIVE AT ALL LEVELS AND THE ITALIANS FACE A SERIES OF COMPLEX DECISIONS. THIS REQUIRES SOME EXPLANATION.

A320.

3. THE FRENCH HAVE APPARENTLY LINKED THIS WITH THE FUTURE OF THE FRANCO/ITALIAN ATR 42 LIGHT COMMERCIAL AIRCRAFT PROJECT ON WHICH A BILATERAL AGREEMENT ALREADY EXISTS. MORRICE WAS SHOWN A STATEMENT OF INTENT SIGNED ON 6 OCTOBER 1981 BY THE ITALIAN DIRECTOR GENERAL OF INDUSTRIAL PRODUCTION IN THE MINISTRY OF INDUSTRY, BARATTIERI, AND THE FRENCH DIRECTOR OF CIVIL AIR PROGRAMMES, TENNENBAUM, IN WHICH THE ITALIAN GOVERNMENT DECLARES ITS INTEREST IN PARTICIPATING IN THE A320, THE MODALITIES

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TO BE THE SUBJECT OF MORE IN DEPTH DISCUSSIONS BOTH AT INDUSTRIAL AND GOVERNMENT LEVEL. THE FRENCH CLEARLY SEE A320 AND ATR 42 AS AN INTEGRAL PACKAGE AND WILL TRY TO HOLD THE ITALIANS TO THIS. THE LATTER SEE THEM AS TWO SEPARATE ELEMENTS IN A PACKAGE AND DO NOT CONSIDER THEY CAN BE HELD TO THE STATEMENT OF INTENT, ALTHOUGH ITS EXISTENCE COULD CLEARLY BE AN EMBARRASSMENT. (IT IS NOT, OF COURSE, A PUBLIC DOCUMENT).

4. THE ITALIAN OFFICIALS SAID THAT THEY HAD REACHED NO CONCLUSION WHATSOEVER ON THE COMMERCIAL VALUE OF THE A320 OR ITS ADVANTAGE OVER ALTERNATIVES, ALTHOUGH THEY AVOIDED SAYING WHAT THESE ALTERNATIVES MIGHT BE. THEY WOULD, THEREFORE, GO TO THE MEETING WITH AIRBUS INDUSTRIE PARTNERS IN PARIS ON 5 JULY TO LISTEN RATHER THAN TAKE A POSITION, ALTHOUGH THEY WOULD FIELD A STRONG DELEGATION (BARATTIERI, CASTELLARI, DIRECTOR GENERAL IN THE MINISTRY OF STATE PARTICIPATION, GUZZONI AND CAVANNA). MORRICE SAID THAT THE UK HAD NOT HERSELF TAKEN ANY DECISIONS ON THE A320.

EH101.

5. THE ITALIAN GOVERNMENT CANNOT EARMARK SUFFICIENT INDUSTRIAL DEVELOPMENT FUNDS TO PARTICIPATE IN BOTH PROJECTS. PRESENT PLANS ARE TO ALLOCATE LIRE 180 MILLIARD OVER THE PERIOD 1983 TO 1991 TO EH101. THIS DEPENDS ON A DECISION BY THE ECONOMIC COMMITTEE OF THE ITALIAN CABINET (C.I.P.E.) . THE FRENCH, AND THEIR SUPPORTERS HERE , WOULD LIKE TO SEE THIS MONEY USED TO FINANCE AN ITALIAN SHARE IN THE A320, THUS DITCHING THE EH101. MORRICE WAS TOLD THAT THE MINISTER OF INDUSTRY, MARCORA, AND HIS OFFICIALS ARE RESISTING THIS BUT ARE COMING UNDER PRESSURE FROM DE MICHELIS, THE SOCIALIST MINISTER FOR STATE PARTICIPATION, WHO HAS STRONG LINKS WITH THE FRENCH SOCIALISTS. MARCORA IS THE LEAD MINISTER ON THE CIVIL VERSION OF THE EH101 BUT MINISTRY OF INDUSTRY OFFICIALS SPECULATED THAT ONE RESULT OF AN IMMINENT GOVERNMENT RESHUFFLE (WHICH AS WE HAVE REPORETED ELSEWHERE IS A POSSIBILITY) MIGHT BE A MOVE BY MARCORA TO THE MINISTRY OF THE TREASURY AND HIS REPLACEMENT IN INDUSTRY BY DE MICHELIS. IN ORDER TO PROTECT THE EH101, MINISTRY OF INDUSTRY OFFICIALS SUBMITTED ON 1 JULY TO MARCORA A DRAFT LETTER FROM HIM TO THE FOREIGN MINISTER AND SPADOLINI SEEKING THEIR ENDORSEMENT OF AN ANGLO/ITALIAN AGREEMENT ON A CIVIL VERSION OF THE EH101. THEY HOPE THAT THE LETTER WILL ISSUE TODAY AND THAT THE PROPOSAL WILL BE APPROVED IN CABINET NEXT WEEK, BEFORE ANY CHANGES IN THE PRESENT COMPOSITION OF THE GOVERNMENT, AND THAT, SHOULD DE MICHELIS LATER BECOME MINISTER FOR INDUSTRY, HE WOULD BE PRESENTED WITH A FAIT ACCOMPLI.

6. TO SUSTAIN PRESSURE ON THOSE MINISTERS IN FAVOUR OF THE EH101, ITALIAN OFFICIALS HAVE PROPOSED TO THEM THE FOLLOWING TIMETABLE:-

A) EARLY VISIT, IE IN MID-JULY, BY BARATTIERI TO SIGN A STATEMENT OF INTENT WITH HIS OPPOSITE NUMBER (IE THE APPROPRIATE DEPUTY SECRETARY IN DOI) SEMI COLON

B) EXCHANGE OF LETTERS ON FUNDING BETWEEN MINISTERS FOR INDUSTRY BEFORE, AT OR JUST AFTER, FARNBOROUGH, TO BE ANNOUNCED AT THE SHOW SEMI COLON AND

C) A FORMAL AGREEMENT BETWEEN THESE MINISTERS TO BE SIGNED IN NOVEMBER, IF POSSIBLE, BUT CERTAINLY BEFORE THE END OF THE YEAR.

7. THE MINISTRY OF INDUSTRY BELIEVE THAT, UNLESS IMMEDIATE STEPS ARE TAKEN TO FORMALISE ANGLO/ITALIAN COOPERATION ON EH101 (CIVIL VERSION), THE A320 SUPPORTERS WILL GAIN THE UPPER HAND.

8. WHEN MITTERAND VISITED ITALY LAST MARCH, HE APPARANTLY MADE ITALIAN PARTICIPATION IN THE A320 A MAJOR FRENCH OBJECTIVE IN RELATIONS BETWEEN THE TWO COUNTRIES, AND PRESENTED IT AS BEING, ABOVE ALL, A FRANCO/ITALIAN PROJECT. PRESIDENT PERTINI WILL, IN FACT, BE IN PARIS AT THE BEGINNING OF THE WEEK, ACCOMPANIED BY COLOMBO. THEY WILL INEVITABLY COME UNDER FURTHER PRESSURE.. SINCE MARCORA'S LETTER ON THE EH101, ASSUMING IT ISSUES, WILL BE FRESH IN SPADOLINI'S MIND WHEN HE SEES THE PRIME MINISTER, WE STRONGLY RECOMMEND THAT MRS THATCHER SHOULD (WITHOUT GOING INTO THE DETAILS) UNDERLINE TO HIM THE IMPORTANCE WE ATTACH TO THE EH101 PROGRAMME AS THE CORNER-STONE OF FUTURE ANGLO/ITALIAN INDUSTRIAL COLLABORATION. YOU MIGHT ALSO DO SO WITH COLOMBO, WHO WILL HAVE JUST RETURNED FROM PARIS, AT BREAKFAST ON 7 JULY.

9. MIFT CONTAINS OUTLINE OF ITALIAN FINANCIAL ARRANGEMENTS FOR THE CIVIL VERSION OF EH 101. MY SECOND IFT CONCERNS POSSIBLE ROLLS ROYCE ANGLE.

FCO PLEASE PASS SAVING.

[REPEATED AS REQUESTED]

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