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FM ROME  
TO IMMEDIATE FCO  
TELNO 036  
OF 201530Z JANUARY 1984

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*R. J.*

INFO PRIORITY UKREP BRUSSELS

INF SAVING PARIS, BONN

YRTELNO 2 TO ATHENS AND MY IPT: ANGLO-ITALIAN SUMMIT:  
ITALIAN POLICY TOWARDS THE EC.

SUMMARY

1. NO FURTHER THOUGHT GIVEN TO POST STUTTGART NEGOTIATION ISSUES SINCE ATHENS BY ITALIAN MINISTERS OF OFFICIALS. PRE-OCCUPATION WITH CAP PRICE FIXING PROPOSALS AND STEEL BEACUSE MORE IMMEDIATE. FAITH IN FRENCH PRESIDENCY. PRIME MINISTER WILL WISH TO MAKE OUR MINIMUM CONDITIONS FOR OVERALL AGREEMENT CLEAR, BUT WILL NOT FIND ITALIAN MINISTERS WELL PREPARED FOR A DETAILED DISCUSSION OF SUBSTANCE. MILK AND MCA'S REMAIN CHIEF ITALIAN CONCERNS. CONTINUED OBJECTIONS OF PRINCIPLE TO SAFETY NET LIKELY TO BE REINFORCED WHEN RUGGIERO RETURNS AS ECONOMIC DIRECTOR IN FEBRUARY.

DETAIL

2. IN THE ABSENCE OF ANDREOTTI (CONSTANTLY TRAVELLING FOR LAST TWO WEEKS) I HAVE DISCUSSED THE OUTLOOK AFTER ATHENS WITH OTHER MINISTERS MOST CLOSELY CONCERNED, GORIA (TREASURY), FORTE (COMMUNITY POLICIES) AND FIORET (UNDER SECRETARY MFA). MY STAFF HAVE DONE THE SAME WITH OTHER OFFICIALS INVOLVED, ALSO SPEAKING TO YOUR TELNO 2 TO ATHENS. IN GENERAL, DOMESTIC CONCERNS (PASSAGE OF THE BUDGET THROUGH PARLIAMENT IN DECEMBER, AND THE NEGOTIATIONS ON A NEW PAY AGREEMENT IN JANUARY) HAVE PREVENTED ITALIAN MINISTERS FROM GIVING ANY ATTENTION TO THE EC. IT WOULD ANYWAY BE UNCHARACTERISTIC FOR THEM TO FOCUS AGAIN UNTIL JUST BEFORE THE MARCH EUROPEAN COUNCIL. WORK BY OFFICIALS IS SUSPENDED UNTIL RUGGIERO TAKES UP HIS POST IN EARLY FEBRUARY, EXCEPT FOR THE IMMEDIATE ISSUES OF STEEL AND CAP PRICE PROPOSALS.

PROCEDURE

3. ON PROCEDURE THE ITALIANS HAVE CONFIDENCE IN FRENCH HANDLING THEY HAVE NO DIFFICULTY WITH DISCUSSION IN AGRICULTURE, FOREIGN AFFAIRS AND OTHER SPECIALIST COUNCILS AS APPROPRIATE, AS WELL AS THE PROPOSED BILATERALS. ALL HOPE FOR DECISIONS IN MARCH, RATHER THAN JUNE.

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4. FIORET REMINDED ME OF THE STRENGTH OF ITALY'S DETERMINATION ON MILK AND POSITIVE MCA'S . FORTE HOPES THAT THE ATHENS PRESIDENCY COMPROMISE DOCUMENT COULD BE A POINT OF DEPARTURE. HE GAVE AN EXPOSITION OF ITALIAN IDEAS (LIKELY TO BECOME A FORMAL PROPOSAL) FOR VOLUNTARY "TOPPING UP" CONTRIBUTIONS FROM MEMBER STATES, IN PROPORTION TO THEIR EC EXPENDITURE SHARE, TO ALLOW HIGHT PAYMENTS TO FARMERS THAN THE COMMISSION'S CURRENT PRICE PROPOSALS. THE ITALIANS HAVE BEEN DISCUSSING THIS IDEA WITH THE FRENCH.

NEW POLICIES

5. EARLY PROGRESS IN SOME EYECATCHING FIELD, EG ESPRIT, REMAINS A MAJOR ITALIAN OBJECTIVE.

BUDGETARY IMBALANCES

6. IN THE ABSENCE OF ANY FURTHER WORK ON THE DOSSIERS, ITALIAN POSITIONS REMAIN STUCK AT WHERE THEY WERE BEFORE ATHENS. FONTANA-GIUSTI (MFA) HAS TOLD US THAT HE HAS IT IN MIND TO PUT TO RUGGIERO SOME THOUGHTS ON METHODS OF MEASURING. THE SAFETY NET IS LIKELY TO REMAIN UNATTRACTIVE TO THE ITALIANS FOR THEOLOGICAL REASONS , AND BECAUSE THE FRG ARE LIKELY TO BENEFIT.

UK 1983 REFUNDS

7. OUR INTERLOCUTORS NOTED OUR CONCERN: BUT FORTE COMMENTED UNHELPFULLY THAT IT MIGHT BE DIFFICULT TO PAY US IN FULL WHEN OTHER PARTS OF THE BUDGET WERE BEING SQUEEZED.

OTHER EC ISSUES

8. FORTE TOLD ME THAT HE HOPED THERE WOULD BE DISCUSSION OF THE COMMON FORMAT PASSPORT AND DRIVING LICENCE, TALKS ON WHICH HAD GOT BOGGED DOWN. I UNDERTOOK TO REPORT. ( I RECOMMEND THAT YOU BRING A DEFENSIVE BRIEF).

CONCLUSION

9. IT HAS BEEN DIFFICULT TO GET ANYONE, MINISTER OR OFFICIAL, TO FOCUS ON THE ATHENS DOSSIERS, STILL LESS ON THE FUTURE. THERE HAS BEEN NO HINT OF RECRIMINATION FOR THE ATHENS OUT-COME THOUGH WE KNOW THAT CRAXI WAS PRIVATELY INCLINED TO BLAME US PRINCIPALLY FOR THE BREAKDOWN. THE ITALIANS ARE AS ANXIOUS AS EVER FOR EARLY AGREEMENT ON NEW OWN RESOURCES. IT WILL

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BE NECESSARY TO REMIND THEM PATIENTLY BUT FIRMLY THAT THERE IS NO QUESTION OF OUR AGREEMENT WITHOUT A SATISFACTORY SOLUTION OF BOTH BUDGETARY IMBALANCES AND CONTROL OF CAP SPENDING, AND THAT IT MIGHT WELL BE WORTH THEIR REEXAMINING THE CASE FOR A SAFETY NET APPROACH, WITH ITS ADVANTAGES OF SIMPLICITY AND AUTOMATICITY, IF THEY WANT TO UNBLOCK THE ISSUE OF NEW OWN RESOURCES.

10. WE MUSTH MAKE A SERIOUS ATTEMPT TO CONVINCED PANDOLFI THAT AGRICULTURAL SURPLUSES CANNOT BE ALLOWED TO GO ON RISING, AND THAT NATIONAL EXEMPTIONS WILL ROB POLICIES OF RESTRAINT OF ANY TEETH. HE IS ANGLOPHILE AND SENSIBLE: THE PRESSURES ON HIM ARE STRONG, AND HE HIMSELF HAS MADE SOME UNHELPFUL REMARKS RECENTLY, BUT HE DOES RESPECT FACTS.

11. FCO PLEASE PASS ASAVING ADDRESSEES.

BRIDGES

[REPEATED AS REQUESTED]

FRAME ECONOMIC

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