

CONFIDENTIAL

Reference

- ② M¹³ = Pelleri
③ M = Galworthy
④ Minister or
⑤ Enter for

H of C

① c.c. under
my instructions to
Hendry WED
" FR.D.
" FE.D.
" N.E.NAD

NOTE OF A CONVERSATION WITH MINISTER PANDOLFI ON
12 NOVEMBER 1979.

1. EEC Budget. See telegram to FCO.

2. The Cossiga Government. Signor Pandolfi said the Government was in bad shape. It was by definition very weak and in particular the parliamentary situation was unsatisfactory. The Radicals could hold up anything at any time. This was particularly difficult for the proper control of public expenditure. While it was true that the Government might hang on for some time, it would not be good for it to do so if it were reduced to a very enfeebled state. He himself would not remain in such circumstances. On the other hand it was important that Italy should make good showing during the first half of 1980 in the Presidency. This factor was not always recognised by domestic politicians. The DC, the Socialists and the Communists were all in disarray. He gave me a characteristic lecture on Rome as seen from the north of Italy, i.e. a sort of Rio de Janeiro/Istanbul which unfortunately ruled the affairs of the north. He also gave me some account of the disillusioning process of trying to form a government here and particularly of his crucial talk with Craxi; in an hour they had spent 20 minutes on the actual crisis and 40 minutes on the domestic problems of the Socialist Party - this was typical. He doubted whether the Government was strong enough to do anything decisive about energy policy though it was essential to make economies if only for financial reasons. On the other hand he was somewhat cheered by the latest events in the US Congress. I asked how the Bank of Italy was settling down under the new Governor and the Minister replied that Ciampi was no Baffi but perhaps a period with an inconspicuous Governor might be advantageous. He went on to make the usual appreciative noises about the quality of the Bank of England.

3. International Scene. In addition to his domestic burdens he was now having to spend time on his IMF functions. He would shortly start visiting the Arab

/States

States and begin to tackle the problem of an alternative home for oil wealth. Nothing substantial could be done about the dollar before the American elections but one must give the impression to the oil producers that something was being done, albeit slowly. Indeed something had to be done to stabilise the present situation in which wherever oil funds were invested disequilibrium was created. He said that he was also already involved in preparations for the Economic Summit. The Italians would take it very seriously. The Conference facilities in Venice should be good and they were spending 5 milliards in improving them, because Italy entirely lacked modern conference facilities.

4. The Chinese. The Minister described to me a meeting with Premier Hua together with President Cossiga and Minister Malfatti. Hua had been impressive, not a great statesman but showing considerable knowledge of the world scene. He particularly wanted the Italians to use their influence with the Arabs in order to bring Saudi Arabia and Egypt together again. It was dangerous when they fell out. He was also much concerned to get pressure put on the Israelis to be less intransigent. The Italians hoped for some big contracts with the Chinese of the FIAT type. They hoped to get corresponding benefits including the supply of raw materials. They granted a credit but not an excessive one and there had been no problem of interest rates. Having had over ambitious ideas to begin with the Chinese had re-thought their plans and were now much more realistic. The Italians had not wished to loan more than they thought the Chinese could repay. He observed incidentally that the question of credit terms for the Soviet Union had not come up with Minister Patolichev, but he was conscious of the need not to exceed the consensus.

5. In general I found Minister Pandolfi very friendly and relaxed but depressed somewhat by the cares of office and particularly the need to answer frequently for his department in the Assembly. He could not delegate even trifling questions to his Under Secretaries and was therefore constantly wasting his time

/at

CONFIDENTIAL

Reference _____

at Montecitorio. He was also preoccupied with the feebleness of the present regime. With his EEC and now IMF responsibilities he must indeed be hard pressed. But he was happy to spend a couple of hours over lunch and I think he will do so from time to time.

Arculus

(R Arculus)

12 November 1979

CONFIDENTIAL

Telex 61049; Telephone 1476

J N T Spreckley Esq
EID (I)
FCO

Mr. Vereker
Mr. North
Mr. Laming

Your reference

Our reference

Date

30 October 1979

Have we briefed any Italians?
Not I

Dear Nick,

John
6/11

1. The Italian Treasury Minister, Signor Pandolfi, has accepted an invitation to lunch from my Ambassador on Monday 12 November. Sir Ronald Arculus chose this date as Pandolfi will be attending the Finance Ministers Council in Brussels the following week and this will presumably be the last occasion on which Pandolfi has a direct influence on the Italian preparation for the European Council in Dublin. I am therefore writing to ask that you let us have, by telegram if necessary, any points you wish Sir Ronald Arculus to raise with Signor Pandolfi. May I leave you to copy this letter to the appropriate official in the Treasury as necessary.

2. — You should also know that today's Italian press reports that the expected Franco/Italian bilateral meeting will take place on 12 November when Cossiga will pay an official visit to Paris for talks with Giscard and Barre. When the time comes, we will try to obtain an Italian account of these talks. This leads me to enquire whether the Italian Embassy in London is in fact seeking special briefing from the FCO on the outcome of our own bilaterals (e.g. the Prime Minister's visit to Germany this week). If not, perhaps we could be authorised to say something to the Italians about the outcome of such meetings.

Sig Biando
Rosen not
called on
me, but he
will no doubt
call on Mr.
Frederick if he has not done so
already. Much better done
here. JNT

Yours ever,

James

W J Adams

Mr. Vereker
Mr. Gladstone

Mr. Matuschek told me at lunch today that the Italians had approached the FRG Embassy in London (since their Bonn telegraphic communications are out of order) but that he - Matuschek - had pointed them in another direction because the Auswärtiges Amt had given him precious little briefing. We should expect an Italian approach in that moment.

John
6/11