

ECFO 001/30

ZZ FCO

ZZ ROME

OO LUXEMBOURG

RR COPENHAGEN

RR THE HAGUE

RR DUBLIN

RR PARIS

RR BONN

RR ATHENS

GRPS 400

CONFIDENTIAL

FM UKREP BRUSSELS 301540Z NOV 80

TO FLASH FCO

TELEGRAM NUMBER 5295 OF 30 NOVEMBER 1980

AND TO FLASH ROME

INFO IMMEDIATE LUXEMBOURG ROUTINE BRUSSELS COPENHAGEN THE HAGUE

DUBLIN PARIS BONN ATHENS

YOUR TELNO 578 TO ROME

ITALIAN EARTHQUAKE: COMMUNITY RELIEF.

SUMMARY.

1. THE COMMISSION LEARNED ON FRIDAY THAT THE ITALIANS ARE NOW THINKING OF A MASSIVE LOAN RATHER THAN OF OTHER IMMEDIATE MEASURES. THE COMMISSION DOES NOT YET HAVE A CUT AND DRIED PLAN FOR HANDLING A BIGGER OPERATION.

2. TENTATIVE ANSWERS TO THE QUESTIONS IN PARA 4 OF TELEGRAM UNDER

M. Alexander
ADVANCE COPY XX

FLASH

Rc

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1609/30

2. TENTATIVE ANSWERS TO THE QUESTIONS IN PARA 4 OF TELEGRAM ONE
REFERENCE ARE

- A. NEW ARTICLE 235 REGULATION
- B. PRESUMABLY
- C. LONG
- D. AS FOR A, AND PROVISION IN BUDGET
- E. FURTHER CUT INTO HEADROOM IN 1981 BUDGET. PRESUMABLY MEMBER STATES WOULD CONSIDER EXPENDITURE OBLIGATORY UNDER THE NEW REGULATION.

DETAIL.

3. THE FOLLOWING RESTS ON A SERIES OF CONVERSATIONS THIS AFTERNOON WITH STRASSER (DIRECTOR GENERAL BUDGET), GALLI (ITALIAN PR) AND MEMBERS OF THE JENKINS AND TUGENDHAT CABINETS.

4. RUGGIERO (ITALIAN PERMANENT REPRESENTATIVE), PRIOR TO LEAVING FOR ROME ON FRIDAY BEGAN TALKING OF A LARGE LOAN. THE ITALIAN COMMISSIONERS BEGAN TALKING ABOUT IT ON FRIDAY, FOLLOWING CONSULTATIONS WITH ROME. IT WAS PARTLY FOR THIS REASON THAT THE CHEFS DE CABINET COMMITTEE MEETING ON FRIDAY AFTERNOON TO CONSIDER THE OPERATION DESCRIBED IN MY TELS NO 5279 AND 5282 ADJOURNED TO AWAIT FURTHER GUIDANCE AT THE START OF THE WEEK.

5. TWO POSSIBILITIES HAVE BEEN LOOKED AT BY OFFICIALS, WITHOUT DIRECTION FROM THE COMMISSION. OTHERS MAY COME INTO PLAY.

6. THE FIRST IS FOR A SUPPLEMENTARY BUDGET FOR 1980, PUTTING ON THE LINE A VERY LARGE SUM FOR DISASTER RELIEF (CHAPTER 59), RAISED BY INCREASING THE VAT RATE. (THIS IS SAID BY STRASSER TO STAND AT 0.7 PERCENT AFTER THE ADOPTION OF LAST WEEK'S SUPPLEMENTARY BUDGET).

7. THE SECOND IS FOR AN INTEREST-FREE LOAN. PRELIMINARY THINKING IN THE JENKINS CABINET IS THAT THIS WOULD REQUIRE A NEW REGULATION UNDER A235 EEC. PARLIAMENT WOULD HAVE TO BE CONSULTED. SINCE TIME WOULD BE NEEDED TO RAISE THE MONEY, THE INTEREST PAYMENTS WOULD BE PROVIDED IN THE NEXT WORD UNDERLINED 1981 BUDGET, BY MEANS OF A RECTIFYING LETTER.

8. THE ALTERNATIVE TO THESE IS THE MORE MODEST OPERATION DESCRIBED IN MY TELS UNDER REFERENCE, PROVIDING CASH, FOOD AID, RELEASE OF INTERVENTION STOCKS HELD IN ITALY AND FRIULI-TYPE GRANTS FROM FECCA AND FROM THE REGIONAL FUND. THIS WOULD, AS SO FAR CONSIDERED, COST ABOUT 200 MEUA, TO BE FOUND BY A SUPPLEMENTARY BUDGET FOR NEXT WORD UNDERLINED 1980.

9. ACCORDING TO GALLI APPROACHES HAVE BEEN MADE IN ALL CAPITALS

9. ACCORDING TO GALLI, APPROACHES HAVE BEEN MADE IN ALL CAPITALS AS IN PARA 1 OF YOUR TELEGRAM.

FCO ADVANCE TO:-

FCO - PS, PS/LPS, PS/PUS, BRIDGES, HANNAY, SPRECKLEY, MACGREGOR
CAB - FRANKLIN, WENTWORTH, GOODENOUGH
TSY - HANCOCK, ASHFORD, DONOVAN
NO 10 - ALEXANDER

BUTLER

NNNN

ZZ ROME

RR ATHENS

GRS 455

CONFIDENTIAL

FM FCO 311100Z NOV 80

TO FLASH ROME

TELEGRAM NUMBER 578 OF 30 NOVEMBER

AND TO FLASH UKREP BRUSSELS

INFO IMMEDIATE LUXEMBOURG

ROUTINE BRUSSELS, COPENHAGEN, DUBLIN, PARIS, BONN, ATHENS.
UKREP TELEGRAMS NUMBERS 5279 AND 5282: PREPARATION FOR EUROPEAN
COUNCIL: ITALIAN EARTHQUAKE RELIEF

1. ITALIAN EMBASSY LAST NIGHT ASKED RESIDENT CLERK TO CONVEY AN ORAL MESSAGE TO ME FROM SIGNOR COLOMBO. MESSAGE REFERS TO MY CONVERSATION WITH SIGNOR SPERANZA LAST WEEK IN WHICH I EXPRESSED SYMPATHY OVER THE EARTHQUAKE AND SAID WE SHOULD LIKE TO DO WHAT WE COULD TO HELP. SIGNOR COLOMBO WISHES TO RAISE AT THE EUROPEAN COUNCIL THE QUESTION OF A COMMUNITY LOAN TO ITALY OF 1 BILLION EUA, WITH 3 BONIFICATION ON THE INTEREST. HE SEES THREE POSSIBLE WAYS TO RAISE THE QUESTION:

(A) ANOTHER MEMBER STATE FRIENDLY TO ITALY, SUCH AS THE UK, COULD RAISE IT:

(B) THE COMMISSION ITSELF COULD RAISE THE MATTER:

(C) ITALY COULD TABLE A FORMAL REQUEST.

SIGNOR COLOMBO'S PREFERENCE IS FOR COURSE (A): HENCE THE APPROACH TO US.

2. I SHOULD LIKE TO RESPOND TO THIS REQUEST AS QUICKLY AND FAVOURABLY AS POSSIBLE, BEARING IN MIND THE HELP WHICH THE ITALIANS HAVE GIVEN US WITH OUR BUDGET DIFFICULTIES OVER THE PAST YEAR. BUT THE SUM INVOLVED IS VERY LARGE AND BEFORE ANY STEPS ARE TAKEN IN LUXEMBOURG WE NEED TO KNOW URGENTLY HOW THIS SUGGESTION

FITS IN WITH PROPOSALS WE BELIEVE THE COMMISSION HAVE IN MIND (YOUR TURS).

3. PLEASE, THEREFORE, APPROACH ITALIAN MFA AS SOON AS POSSIBLE AND SAY THAT WE ARE SURE THAT THE COMMUNITY AS A WHOLE WILL WISH TO GIVE ITALY PROMPT AND EFFECTIVE SUPPORT IN HER NATIONAL EMERGENCY AND THAT HMG WILL WISH TO PLAY THEIR PART.

4. WE UNDERSTAND, HOWEVER, THAT THE COMMISSION HAVE IT IN MIND TO MAKE A PROPOSAL AND THAT THEY MAY RAISE THE MATTER AT THE EUROPEAN COUNCIL TOMORROW. THEIR PROPOSAL APPEARS TO BE SOMEWHAT DIFFERENT FROM WHAT THE ITALIANS ARE SUGGESTING. WE THEREFORE THINK IT ADVISABLE THAT THE ITALIAN GOVERNMENT SHOULD TALK TO THE COMMISSION AS SOON AS POSSIBLE, AND CERTAINLY BEFORE THE COUNCIL BEGINS, TO ENSURE THAT THERE IS NO INCOMPATIBILITY BETWEEN WHAT THE COMMISSION AT PRESENT HAVE IT IN MIND TO PROPOSE AND WHAT WOULD BEST MEET THE NEEDS OF THE SITUATION. IT WOULD CERTAINLY BE HELPFUL TO ALL MEMBER STATES IF THE COMMISSION COULD GIVE PRECISE INDICATIONS ON THE FOLLOWING POINTS:

- (A) THE LEGISLATIVE AUTHORITY UNDER WHICH THE LOAN WOULD BE RAISED:
- (B) THE USE TO WHICH THE MONEY WOULD BE PUT (PRESUMABLY THE RECONSTRUCTION OF THE DEVASTATED AREAS):
- (C) THE MATURITY OF THE LOAN:
- (D) THE LEGISLATIVE AUTHORITY UNDER WHICH THE COMMUNITY WOULD PAY THE INTEREST RATE SUBSIDY:
- (E) THE IMPLICATIONS OF THE SUBSIDY FOR THE COMMUNITY BUDGET.

CARRINGTON