file

de

10 DOWNING STREET

From the Private Secretary

4 May 1983

Italy

I enclose a copy of a letter to the Prime Minister from Mr. Fanfani and a copy of the English version of the speech to which he refers. I further enclose a copy of the reply which the Prime Minister has sent to Mr. Fanfani.

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

(3)

10 DOWNING STREET

Prime Minister

Mr. Fanfani's speech is, in translation, terrible – and I suspect not much better in Italian but you may care to quit your teeth and sign this letter.

A.J.C.

8

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T 56/83

cc MASTER
OPS

file

WPO

cc FCO

10 DOWNING STREET

THE PRIME MINISTER

4 May 1983

My dear Prime Minister,

Thank you so much for your letter of 21 April enclosing the text of your speech at the Final Session of the Trilateral Commission in Rome. I have read it with much interest. I look forward to seeing you at the Williamsburg Economic Summit.

Every good wish

Yours sincerely

Margaret Thatcher

His Excellency Senator Amintore Fanfani.

File Kb

10 DOWNING STREET

From the Private Secretary

3 May 1983

Thank you for your letter of 29 April, enclosing a letter to the Prime Minister from the President of the Italian Council of Ministers, together with Senator Fanfani's speech on the occasion of the recent Final Session of the Trilateral Commission. I have placed these papers before the Prime Minister.

A. J. COLES

His Excellency Signor Andrea Cagiati, G.C.V.O.

Brc

G10

Italian Embassy,
14, Three Kings Yard,
London, W.1.

3586

29 April 1983

Dear Mr. Coles

I take pleasure in enclosing herewith, a letter addressed to the Prime Minister, Mrs. Margaret Thatcher, from the President of the Italian Council of Ministers, Senator Amintore Fanfani.

Attached to the letter, a rough translation of which is also included, is the text of the speech, in its English version, made by Senator Fanfani on the occasion of the recent final session of the Trilateral Commission.

Sincerely yours

Andrea Cagiati

Mr. A.J. Coles,
Private Secretary to the Prime Minister,
10, Downing Street,
LONDON SW1

encl.

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. TSI^A/83

cc MASTER
OPS

Il Presidente
del Consiglio dei Ministri

Roma, 21 Aprile 1983.

Gentile Signora,

date le notizie sullo svolgimento della politica economica da me promossa, penso che potrebbe interessarLe il testo del discorso da me pronunciato ieri in occasione della sessione conclusiva della Commissione Trilaterale (America, Europa, Giappone) tenutasi a Roma in questi ultimi giorni.

Nel trasmetterLe il testo del discorso in questione nella sua versione inglese, mi è gradito inviarLe l'espressione del mio saluto più cordiale.

Bettino Craxi

S.E. Margaret Thatcher
Primo Ministro del Regno Unito di
Gran Bretagna e Irlanda del Nord
Londra

ROUGH TRANSLATION

FROM: Signor Amintore Fanfani, President of the Italian Council of Ministers

TO: The Rt. Hon. Margaret Thatcher, MP

Date: 21st April, 1983

"Dear Madam,

In view of the news on the development of the economic policy promoted by me, I think that the text of the speech I made yesterday on the occasion of the final session of the Trilateral Commission (America, Europe, Japan) held in Rome in these last days would be of interest to you.

In enclosing the text of the speech in its English version, I take pleasure in sending you my most cordial regards.

Amintore Fanfani."

SPEECH BY THE PRESIDENT OF THE COUNCIL OF MINISTERS OF THE ITALIAN REPUBLIC, SEN. AMINTORE FANFANI, AT THE CONCLUSION OF THE ROME SESSION OF THE TRILATERAL COMMISSION (PALAZZO BARBERINI, APRIL 19th 1983)

Distinguished gentlemen and friends:

I very much appreciated the attention given, when your meetings opened, to Italy's situation in its three social, economic, and political aspects.

Our difficulties have not tempted you to ask yourselves whether it were worthwhile concerning oneself with a political society so difficult to be understood, as Mr. Kissinger said some years ago, during a meeting with our government's leaders at Villa Madama.

Your attention has shown that you at least think it worthwhile to find out how things are in those sectors that have become difficult ones for every country in the world.

I am speaking just to display to you how much I appreciate your very great courtesy, and I should like to supplement the remarks that some experts have made. I shall refer to a number of pieces of information that, just as they encourage me to pursue the difficult task set before me five months ago, so they may encourage you too to a renewed confidence in the Italians' capacity to overcome complicated situations, as, after all, over the past forty years they have shown they know how to do.

Arduous problems and special parliamentary-political situations emerging over the past few years have not always permitted the governments that preceded us to carry to a conclusion many of the meritorious initiatives they undertook. Hence, the intensified effect of the world crisis's repercussions on an Italy already in a delicate situation owing to internal events.

The government formed in December has committedly held to carrying out to a conclusion what had remained incomplete. In the legislative field alone a good sixty bills have been brought to the final vote: bills that had been lying in parliament for years or for months, thus bringing controversial political issues to an end, with beneficial effects on the

economy. As an example, I might mention the law concerning the re-evaluation of company income items (the so-called "Visentini 2 law"), or the law regulating the common funds of investment the law setting up the basic framework regulating state employment, or the one concerning the voluntary continuation of INPS pension fund insurance.

In order to limit the ill effects of the serious and persistent problems caused by the public deficit and by the social imbalance due to attempts to slow down inflation, right from December we started up a complex maneuver that has achieved the following results:

64 bills have been approved (of which 12 have already become law), and 20 laws-by-decree have been made (of which 10 have already been converted into law), the net effect of these being that expenditures have been contained and income has been increased, the figures being 4,632 billion and 20,820 billion liras respectively, to give an overall total of 25,452 billion liras.

Of special importance from the viewpoint of the objectives pursued are to be considered both the Government-Union-Management agreement of January 22nd 1983, with its resulting slowing down of the automatic salary-increase mechanisms and thus a slowing down of the cost-of-living indexation , and the upgrading of tariff structures in the energy, communications and transport sectors, so as to improve management and support investment for special purposes.

Complex investment programs in the various public-initiative sectors have been redefined and coordinated. Those standing out because of their size and because of the positive effect they will exert in bringing down unemployment are the 1,750 billion liras ANAS roadway program and the Motorway program, which commits 14,000 billion liras over a period of ten years.

Regarding residential construction, a plan is being made up now for the building of around 200,000 houses during the next four years.

In telecommunications, the investment of 660 billion liras is underway by the State Telephone Services company. There are also operations carried out by SIP, by ITALCABLE and by Telespazio, which will employ 3,750 billion liras in 1983, the budgets for the two-year period 84-85 being for at least another 8,000 billion liras.

In the railway sector, operations amounting to 6,400 billion are already underway for railway works, and this quite beyond the commitments already made for new rolling stock and train ferries.

By measures taken last month, the government, in updating the provisions of the Fund for the Italian South, has appropriated another 3,260 billion liras for operations whose aims are to sustain and to stimulate private enterprise.

In the steel sector, faced as it is by an excess of production capacity — a common problem throughout the world — measures aimed at facilitating the dismantling of the less rentable plants and at making the remaining plants more efficient have been arranged for.

The Financing Act of 1983 added 250 billion liras to the Investments and Employment Fund, over the 300 billion already provided by law no. 46 of 1982.

Another two sectors currently in crisis — chemicals and aluminum — are provided for in the intervention programs, the total expenditures on these sectors being more than 2,500 billion liras, this being under study now by government agencies.

Other carefully-thought-out measures have been taken to cope with the complex problems raised by inflation. In January the three-way agreement between the government, the unions and management was signed, the results being a reduction in social tensions, a slowing down of indexation system and a rebalancing of the relationship between costs and social charges. At the end of March we came to an agreement on the adjustments in the exchange rates of the currencies belonging to the EMS.

Nor has any attempt been made to ignore the braking effect that high interest rates exert on economic recovery. Open signs of this were provided, with the progressive reduction of the interest paid on public debt securities, and with the recent one-point reductio of the discount rate. The banking system then breathed a limited warning, but the maneuver put into operation by the government will continue, though with the expectation that by their own spontaneous decisions the banks will do more than what they have said they will try to do. Doing so, they will demonstrate how much attention they have paid to the demands of businessmen and of attentive observers of the political and financial scene. And they will bring forward with an understanding that otherwise should be sought for by the government in the field of rate of interest just as it was in January, in the field of labor costs. Then, a — surely beneficial — understanding was reached between the workers, the government and management; now, it would be possible to pursue an equally beneficial understanding between the government, the Bank of Italy, and the banking institutions. And this second three-way agreement would surely contribute in other ways to the success of the maneuver against inflation and to the sucess of the economic recovery, bearing with it other benefits, added to those achieved through the agreement in the labor-management field.

To the dual benefit noted above, a third one could be added, if another agreement could be reached: this time, between the government, homeowners and renters, and those who contract to build them. With this, a new cut, one less arbitrary and more organically conceived, would be given to that affair of the "Equitable Rents Law" that has dragged on for years, that has seen a very few new houses built — though a great many houses left unrented — that has caused an impenetrable forest of construction abuses to spring up, and that, in so important a social question, has contributed little to its fair solution.

From everything that has been started up, so far no fruit has appeared as corrisponding to the commitments and to the expectations. But some signs that existing ills are being braked and some indications that things are moving can be seen.

As to the cost of money the prime rate came down from the 21.75% of March 31st '82 to its 19.50% of last March 31st. he yields of state treasuries and of credit certificates have also come down by about 1.5% for the three-month securities, and by 0.50% for the two-year certificates. The discount rate too has descended from 18% to 17%.

During the first months of the year the balance of payments, according to provisional data, has recorded reduced imbalances relative to the corresponding periods for preceding years. Wholesale prices are sensibly slowing down — their rates of increase are less than the present rate of inflation. Retail prices, however, are displaying a much more limited tendency to slow down.

These facts invite us to continue the action that has been undertaken, but intensifying it. And an aid to this will be the ever solider cooperation between the political forces making up the government's majority, who have a mandate to promote it. An aid will come by the cooperation of the opposition, who has the right to verify the action of the majority and the duty to help improving its work. And a further aid will come from the economic and social forces, whom it is not enough only to offer the prospects of their being the beneficiaries of the useful effects of work done by others : to them must also be acknowledged the right to contribute, by being wise counsellors in seeking out the best solutions.

Eminent gentlemen and friends, I have not sketched out this picture just to ask acknowledgement for the current government. I have set forth a few elements that may help to give substance to the expect-

ations, that you have evidenced, of seeing Italy among the protagonists of two decisive events: in Williamsburg, at the end of May, we shall wish to see the reaffirmed, effective, hope that there will be a recovery of the economies of the advanced countries, and a recovery of the economies of the advanced countries, and a recovery of cooperation in assisting the emerging countries; and then, in Geneva, we shall wish to see the hope of containing the numbers of missiles deployed realized, and as a consequence that a general understanding will be reached on both arms expenditures and on respect for human rights.

The reaffirmation of these hopes is a very important preliminary act, under every aspect, but their substantiation by clear decisions and and solid proposals will be the guarantee of economic recovery and of a secure peace.

For the realization of these hopes, for the necessary guarantees to be created, I ask you all to join with me in a sincere expression of our common will to bring them about.