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ITALY AND THE MADRID EUROPEAN COUNCIL

SUMMARY

1. DE MITA'S POSITION AS HEAD OF A CARETAKER GOVERNMENT WILL NOT INHIBIT HIS PARTICIPATION AT MADRID. ITALY WILL BACK ENDORSEMENT OF DELORS REPORT AS SIGNIFICANT MOVE TOWARDS EUROPEAN UNION, BUT WILL NOT ACTIVELY SEEK 11 TO 1 SOLUTIONS ON EMU OR SOCIAL DIMENSION.

DETAIL

2. DE MITA WILL COME TO MADRID AS HEAD OF A CARETAKER GOVERNMENT. HE IS ALSO THE MAN CURRENTLY INVITED BY THE PRESIDENT OF THE REPUBLIC TO TRY TO FORM A NEW GOVERNMENT. THE OUTCOME OF THE EUROPEAN ELECTIONS MAKES IT CLEAR THAT THE CHRISTIAN DEMOCRATS AND SOCIALISTS HAVE LITTLE ALTERNATIVE BUT TO FORM ANOTHER COALITION GOVERNMENT TOGETHER (MY TELNO 412). THIS IS LIKELY TO INCLUDE THE SAME 3 SMALLER PARTIES - SOCIAL DEMOCRATS, LIBERALS AND REPUBLICANS - ALTHOUGH ALL EXCEPT THE SOCIALISTS LOST GROUND IN THE ELECTIONS. THE INCLUSION OF SOME GREENS IS AN OUTSIDE POSSIBILITY. NEITHER THE SOCIALIST LEADERSHIP NOR THE CURRENT LEADERSHIP OF HIS OWN CHRISTIAN DEMOCRATS ARE IN FAVOUR OF A FURTHER DE MITA GOVERNMENT. SO IT LOOKS AS THOUGH A NEW COALITION CAN ONLY BE FORMED WITH A DIFFERENT CHRISTIAN DEMOCRAT AT ITS HEAD. BUT DE MITA STILL SEES HIMSELF AS FIRMLY IN CHARGE. THE PREOCCUPATIONS OF DOMESTIC POLITICS WILL NOT THEREFORE AFFECT ITALY'S STANCE AT MADRID EXCEPT TO THE EXTENT THAT DE MITA AND ANDREOTTI WILL BOTH WANT TO USE THE MEETING TO STRENGTHEN THEIR OWN POSITIONS HERE. EUROPEAN POLICY AS SUCH IS NOT AN ISSUE BETWEEN ITALIAN POLITICAL PARTIES.

3. THE POSITIVE ITALIAN ATTITUDE TOWARDS EUROPE IS NOT JUST EURO-RHETORIC. IT IS BASED ON SOLID BENEFITS WHICH HAVE ACCRUED TO ITALY FROM MEMBERSHIP OF THE COMMUNITY. IN PARTICULAR, SUBSIDIARITY EARNS NO APPLAUSE HERE. MOVING DECISION-MAKING FROM NATIONAL CAPITALS TO BRUSSELS IS WELCOMED, BOTH AS A STEP TOWARDS EUROPEAN INTEGRATION, AND BECAUSE MOST ITALIANS THINK IT WILL

PRODUCE BETTER RESULTS. IT IS WIDELY BELIEVED HERE THAT JUST AS ERM MEMBERSHIP HAS ENABLED THE AUTHORITIES TO BRING DOWN INFLATION, ONLY THE IMPERATIVES OF EMU WILL FORCE THE POLITICIANS TO ACT ON THE PUBLIC DEBT.

4. ITALY'S PRIORITY AT MADRID IS DEMONSTRABLE PROGRESS TOWARDS THE GOAL OF EUROPEAN UNION THROUGH WHOLEHEARTED ENDORSEMENT OF THE DELORS REPORT. DE MITA WILL HOPE THAT THE UK WILL BACK DOWN IF, OR WHEN, ISOLATED. HE WILL TRY TO AVOID AN ELEVEN AGAINST ONE OUTCOME WHICH HE THINKS WOULD BE DAMAGING NOT JUST FOR BRITAIN, BUT FOR EUROPE SINCE IT WOULD MEAN BEING LEFT UNDER THE INCREASING DOMINATION ECONOMICALLY OF THE DEUTSCHMARK AND POLITICALLY OF THE GERMANS. THAT IS A PROSPECT WHICH LEAVES SOME ITALIANS NERVOUS THOUGH THEY DO NOT SPEAK ABOUT IT OPENLY. DE MITA WILL THEREFORE TRY TO CONCERT A POSITION WITH THE FRENCH, GERMANS AND SPANISH THAT WELCOMES THE DELORS REPORT, LOOKS FORWARD TO FULL EVENTUAL REALISATION OF EMU, INDICATES A STARTING DATE FOR STAGE ONE OF THE DELORS REPORT, AND MAKES A CLEAR COMMITMENT TO STARTING TO THINK ABOUT STAGES TWO AND THREE, AND PREPARING FOR AN IGC. HE HOPES THAT ON THAT SORT OF BASIS IT WILL BE POSSIBLE TO FIND WORDS THAT PROVIDE FOR A FULL CONSENSUS OF ALL TWELVE, LEAVING ROOM FOR THOSE WHO PREFER A STEP BY STEP APPROACH TO IMMEDIATE ENDORSEMENT OF THE WHOLE DELORS PROGRAMME. BUT IF THIS DOES NOT PROVE POSSIBLE, DE MITA WILL BE CONSCIOUS THAT HE WOULD LOSE NO CREDIT IN ITALY BY GOING AHEAD ZIIHBA MAJORITY THAT LEFT BRITAIN ISOLATED.

5. THE SOCIAL DIMENSION IS ASSOCIATED IN THE ITALIAN MIND WITH COHESION (AS IN EMU). THE POLITICAL IMPERATIVES AND INTERESTS OF THE POOR SOUTH OF ITALY MEAN THAT ITALY, DESPITE BECOMING A MUCH LARGER CONTRIBUTOR TO THE COMMUNITY BUDGET, REMAINS A STRONG PROponent OF COHESION. DE MITA WILL BE ABLE TO SUPPORT ANY LIKELY OUTCOME TO THE DEBATE ON THE SOCIAL DIMENSION. HE HIMSELF MAY REGARD THE CHARTER WITH RESERVE. CERTAINLY, THE ITALIAN EMPLOYERS' FEDERATION HAS RESERVATIONS ON A LEGALLY BINDING CHARTER, AND WOULD PREFER A DECLARATORY AND EXHORTATORY DOCUMENT. HOWEVER THERE IS WIDESPREAD SUPPORT IN ITALY FOR MAKING IT CLEAR TO THE PUBLIC THAT EUROPE IS NOT JUST ABOUT PROFITS BUT IS ALSO ABOUT PEOPLE, AND DE MITA IS UNLIKELY TO OPPOSE MORE VISIONARY SOLUTIONS WHICH ENJOY COMMISSION SUPPORT. THE ITALIANS THINK THAT ON THIS TOO THE SPANIARDS MAY IN THE END IF NECESSARY FGO FOR AN 11 TO 1 SOLUTION AND ALTHOUGH DE MITA WILL WANT TO RESIST THIS HE WILL BE ILL-PLACED TO DO SO.

6. ON THE SPANISH INITIATIVE ON DEBT, CONTACTS AT OFFICIAL LEVEL HERE SUGGESTS THAT THE ITALIAN POSITION WILL BE CLOSE TO OURS. THEY WOULD PREFER TO STEER DISCUSSION AT MADRID IN THE DIRECTION OF SUPPORT FOR EXISTING INSTITUTIONS.

7. THE DISCUSSION OF THE SINGLE MARKET SEEMS UNLIKELY TO PROVOKE ANY PARTICULAR ITALIAN REACTIONS BEYOND A GENERAL ENDORSEMENT FOR THE CONTINUATION OF THE PROGRAMME. ITALY REMAINS IN PRINCIPLE KEEN TO ABOLISH FRONTIER CONTROLS. DISCUSSION OF IMMIGRATION MIGHT EXPOSE HER CONCERN ABOUT THE PRESENT AND FUTURE LEVELS OF NORTH AFRICAN IMMIGRATION AND THE SUGGESTION THAT THE COMMUNITY HAS AN INTEREST IN KEEPING SUCH IMMIGRANTS AT HOME BY RAISING SIGNIFICANTLY ITS EFFORTS TO BUILD UP THE ECONOMIES OF THE LITTORAL MEDITERRANEAN STATES.

8. ITALY WILL BE KEEN TO SEE ENVIRONMENTAL ISSUES HIGHLIGHTED IN THE COUNCIL CONCLUSIONS. DE MITA WILL HAVE NO PROBLEM WITH THE IDEA OF A NEW ENVIRONMENTAL AGENCY.

9. ON THE EXTERNAL ASPECTS AND GATT, DE MITA WILL SUPPORT THE CONCEPT OF PRESERVING AN OPEN INTERNATIONAL TRADING SYSTEM BUT WILL WISH TO SEE THE IDEA OF RECIPROCITY PROMINENT IN ANY PUBLIC STATEMENT. HE MAY WELL COMPLAIN ABOUT THE RIGIDITY OF US ATTITUDES. ON EAST/WEST AND EC/EFTA ISSUES DE MITA AND ANDREOTTI WILL WISH THE COMMUNITY TO BE AS FORTHCOMING AS POSSIBLE, CONSISTENT WITH COMMERCIAL INTERESTS.

10. DE MITA MAY REFER TO THE CONCLUSIONS OF THE ITALIAN REFERENDUM ON MAKING THE EUROPEAN PARLIAMENT A CONSTITUENT ASSEMBLY (MY TELNO 417). ALTHOUGH DE MITA PROBABLY SHARES ANDREOTTI'S PRIVATE SCEPTICISM ABOUT IT, HE MAY FEEL UNDER POLITICAL PRESSURE TO DRAW ATTENTION TO THE BELIEF OF THE ITALIAN PARLIAMENT THAT THERE IS A 'DEMOCRATIC DEFICIT' IN THE COMMUNITY STRUCTURES WHICH NEEDS TO BE RECTIFIED.

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