

4



10 DOWNING STREET

PRIME MINISTER

You might like to glance  
at this Despatch from Sir  
Ronald Arculus, commenting  
on the Italian Presidency of  
the European Community.

*MA*

8 August, 1980



ROME DESPATCH (012/593/3) OF 7 JULY 1980

THE ITALIAN PRESIDENCY OF THE EUROPEAN COMMUNITY:  
JANUARY-JUNE 1980.

SUMMARY.

1. The Italians were well pleased with the achievements of their Presidency, especially the solution of our budget problem. (Paragraph 1).
2. The European Community has an important place in Italian politics, and gives their Ministers a role on the world stage. (Paragraphs 2-3).
3. After a bad start the Presidency improved when Signor Colombo became Foreign Minister. Some Ministers were very good though not all the business was conducted efficiently. (Paragraphs 4-6).
4. Success in Europe does not give Signor Cossiga an assured period as Prime Minister. He remains vulnerable to a Parliamentary enquiry and to economic pressures. (Paragraphs 7-8).
5. Italy is important for us, inside and outside the European Community context. The close links developed with Italian Ministers during the Presidency are a valuable asset, worth maintaining by bilateral efforts. (Paragraphs 9-12).

mwe ou/b
11 JUL 1980



BRITISH EMBASSY,

ROME.

7 July 1980

(013/598/3

The Rt Hon The Lord Carrington KCMG MC  
Foreign and Commonwealth Office  
LONDON S W 1.

My Lord,

THE ITALIAN PRESIDENCY OF THE EUROPEAN COMMUNITY:  
JANUARY-JUNE, 1980.

1. The Italian Presidency which ended on the 30th of June was dominated for us by the budget problem. The Italians also, as Foreign Minister Colombo told the European Parliament on the 13th of June, gave absolute priority to its solution, even above some of their own interests. He told me in Venice he was well pleased with the results of the Presidency, particularly because he thought the European Council meeting there had proved that the relations of the members were back to normal. He had a long memory of Community history. The atmosphere after the failure to agree on the British budget reduction was very bad. Indeed, he went so far as to compare it with the two worst periods of Community history, that following the de Gaulle veto of British entry and when France pursued the empty chair policy. The final settlement of the British problem had been accepted with good grace all round, and normal relations were restored. Italy thought this a considerable achievement and was glad to have made a contribution to it.

/2.



2. The European Community holds an important place in Italian politics despite the perennial preoccupation with party and personal manoeuvres. Unified Italy is little more than a century old. It is nearly a quarter of a century since the Treaty of Rome set the Italian state on what was seen to be the path to wider integration. Italians in general despise their domestic politics. They tend therefore to look to the Community. There is the hope that Europe can be invoked to resolve nationally insoluble problems such as that of the South or to assure democratic political stability in a nation of which 30% of the population vote Communist. NATO and the close relationship with the United States afford similar, complementary props.

3. Moreover, perhaps because of the lack of confidence or conviction in the State there remains a conviction that European integration is a great ambition to be pursued even at the cost of setting aside some Italian regional or economic advantages. There is also a desire to see the Italian leadership play a substantial role on the world stage. The achievements of Signor Cossiga and his Ministers during the past six months may not guarantee his survival. But at least the Presidency has shown the Italian Government playing with some distinction a role among the great powers of the industrialised West, and winning some acclaim for the determined pursuit of a reasonable compromise in the face of a major Community crisis. Only Europe gives them the chance to cut such a figure. Italy is the country of "la bella figura".

/4



4. The Italian Presidency started badly. In Political Cooperation the response of the Nine to the Afghanistan crisis was lamentably slow, and the Italians must take some of the blame. There were the changes of Foreign Minister. Signor Malfatti's illness and subsequent resignation on the 15th of January led to the appointment of Signor Ruffini, who proved quite unsuitable. Only with the advent of Signor Cossiga's second government and the appointment of Signor Emilio Colombo on the 5th of April was there the assurance of adequate skill and experience in the Foreign Affairs Council; and although the Government crisis was resolved quickly by Italian standards, the fact that it led to the postponement of the European Council created a deeply unfavourable impression. (Though, with hindsight, it may have been a good thing for us.) But from April onwards, with the successful outcome to the budget negotiations, the European Council in Venice and immediately thereafter the Economic Summit, the reputation of the Presidency was transformed.

5. The Italian gift for improvisation stood them in good stead. The wily Renato Ruggiero (Chef de Cabinet to the Foreign Minister) somehow managed to carry all the burdens and the changes of master. Signor Colombo was quick off the mark. Signor Cossiga, beset with crises, somehow found time to cope.

6. The overall performance was predictably patchy. Some Ministers and officials were outstanding, including Signor Colombo, Signor Marcora in the

/Agricultural



Agricultural Council, and the Finance Minister Signor Pandolfi. Signor Cossiga himself, though desperately tired at Venice, was unfailingly helpful. Signor Signorello did his best on the delicate subject of fisheries. On the other hand, there was an unnecessary meeting of Ministers of Justice in Rome, and a rather insubstantial one of Ministers of Industry in Venice. And Ambassador Gardini's Chairmanship of the Political Committee was inexpert. But on balance the Italians feel they did pretty well and that we in particular are in their debt.

7. So how far will the comparatively successful Presidency help Signor Cossiga to stay in office and increase his control of the Italian political scene? The answer, I fear, is not all that much. Although virtually all Italian party politicians are declared supporters of the Community and of European integration, Europe is not the stuff of which Italian governments are made. The Community was not a major topic in the June regional and local elections, dominated by national issues, during which the opposition made vicious (but unsuccessful) attempts to discredit the Christian Democrats and undermine Cossiga's personal position. Nor did Italy's European responsibility prevent (as some outsiders supposed that it might) the government crisis of March and April.

8. Whilst, therefore, conspicuous failure in the European Presidency might have damaged Signor Cossiga's government, relative success does not give him assured tenure of office. He still faces a full parliamentary enquiry into allegations that he helped protect the

/terrorist



terrorist son of one of his associates, Donat Cattin. The present expectation is that the storm will break later this month and that he will weather it, but the result is not assured. The lira has been under pressure during the summer with the Bank of Italy calling for tough financial measures, and devaluation canvassed as the likely result of protracted delay. On the 2nd of July the measures were announced, and should see the lira through the summer, perhaps better. But the industrial scene is worsening and there are signs of a swift deepening of the recession. Political terrorism continues, despite many more arrests than hitherto. In a country with ramshackle, if resilient, political institutions and support for the Communist Party from about 30% of the population, the prospect is not encouraging. But the flexibility of the system is remarkable and neither Signor Cossiga nor his government can yet be written off as many Italian commentators sought to do a month ago. Certainly his survival is in our interest.

9. This interest and the importance of Italy for us did not come to an end with the first of July. Despite the Communists, Signor Cossiga was robust on TNF. Despite the farmers, he works for the enlargement of the European Community. Albeit with different objectives from ours, he seeks restructuring and convergence. He fears Franco-German hegemony and wants to see Britain play a larger role. He is prepared to oppose the French when necessary. In Political Cooperation, Italy's contribution can be helpful. We shall need a change of approach now,



as the Italians will be less inhibited than they were in their Presidency in furthering their own interests. But they will side with us when they can.

10. We have all gone to considerable lengths during the Italian Presidency to cultivate Signor Cossiga and his government. We have reaped a worthwhile benefit. There is a very good working relationship and understanding at Prime Minister level, between yourself and Signor Colombo, and between Signor Pandolfi and the Chancellor, as well as with other pairs of Ministers. There are close links between our senior officials, particularly with Signor Ruggiero, who is likely to become Italian Permanent Representative in Brussels this autumn. These are assets not to be devalued. Her Majesty's State Visit in October, when you will have bilateral talks in Rome, and the Prime Ministers' next bilateral exchange in Rome, should be useful for continuity. But because the Italians are boringly verbose and sometimes incompetent, we may tend to underrate the need to take them seriously. This would be a mistake, as our work with them during the last six months has shown. In the Community we have some, though not all, interests in common. We need to keep the Italians up to the mark in NATO and encourage a greater defence effort. They have interests in Africa which may be useful, as was the case over Rhodesia. They may count more as the Community looks more Mediterranean in aspect.





11. I recommend therefore that we keep our relationships with Italian Ministers and senior officials close and warm, for they respond to being valued and counted upon. And that, where they are inevitably left out of restricted big-power consultations, we should compensate by bilateral means. In this way we can serve our purposes by working with them when our interests coincide and limit the damage where they may conflict.

12. I am grateful for the messages of thanks which have been passed to the Italians from Her Majesty's Government at various levels at the end of June. Such courtesies are particularly valued here. Their party is over now, but it will pay us, I believe, not to forget the Italians.

I am copying this despatch to Her Majesty's Representatives at Washington, UKREP Brussels, and all EC Posts.

I have the honour to be

Your Lordship's obedient Servant,

A handwritten signature in cursive script, appearing to read 'R. Arculus', with a horizontal line underneath.

(R. Arculus)

CONFIDENTIAL

Mr Hannay  
Lord Bridges

THE ITALIAN PRESIDENCY

1. I submit Sir R Arculus's despatch on the Italian Presidency. It is not established procedure to send despatches on Presidencies; Heads of Mission have discretion. But the Italian Presidency covered a very important period for us in the Community and their role on the budget settlement was crucial.
2. Sir R Arculus stresses that over the budget negotiations we have built up relationships with Italian Ministers which we should keep 'close and warm'. Though he does not make specific recommendations he is clearly anxious that the Italians should not be seen to be excluded from consultations among their friends and allies, particularly now they no longer have the Presidency. The further consolidation of the Franco/German axis that we saw last week will make the Italians even more anxious to keep close to us.
3. I attach a draft acknowledgement which we will send from the Department and we are giving the despatch a limited distribution in the departmental series.
- 4. WED agree.

*W Marsden*

17 July 1980

W Marsden  
European Community Department (Internal)

cc: (with copy despatch)  
Mr Bullard,  
Mr Fergusson  
ECD(E)  
WED  
Research Dept  
Economists  
Defence Dept  
Mr Franklin, Cabinet Office

CONFIDENTIAL

vised)

DRAFT: ~~SECRET~~/letter/SECRET/SECRET/SECRET

TYPE: Draft/Final 1+

FROM:

Reference

J N T Spreckley

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret

Sir R Arculus KCMG  
Rome

Secret

Copies to:

Confidential

Restricted

Unclassified

PRIVACY MARKING

SUBJECT: THE ITALIAN PRESIDENCY OF THE EUROPEAN COMMUNITY

.....In Confidence

Thank you for your despatch of 7 July on the Italian Presidency in the first half of this year which we have submitted within the Office and copied to interested Departments.

CAVEAT.....

The settlement of our Budget problem was indeed a considerable Italian achievement, and I am pleased to note that the various messages of thanks were appreciated.

We must certainly keep our relationships warm and build on the understandings that have developed during the Italian Presidency. We will look for what common <sup>ground</sup> ~~fronts~~ we can with Italy in the forthcoming period of discussions on Community restructuring. The next round of Anglo/Italian consultations later this year should give us an opportunity to emphasise the importance we attach to the bilateral relationship for its own sake. We fully agree with you that the survival of the Cossiga Government is in our interests.

Enclosures—flag(s).....

CONFIDENTIAL

CONFIDENTIAL

S/S

Note for the Record

Copied to:

- Private Secretary ✓
- PS/Lord Privy Seal
- PS/PUS
- Lord Bridges
- ECD(E)
- ECD(I)
- Mr Franklin - Cabinet Office
- Sir R Arculus - Rome
- Sir M Butler - UKREP Brussels
- MR. ALEXANDER No. 10/1

for PUS  
 Pomic Minister  
 MB  
 PUS 8/14

COMMISSION PORTFOLIOS

1. Signor Ruggiero, the Italian Permanent Representative, spoke to me in Luxembourg on 7 October about portfolios in the new Commission. Subject to any upsets arising out of the change of government in Italy, he expected the Italian Commissioners to be Natali and Giolitti again. He assumed that Giolitti would want to continue with regional policy; Natali certainly wanted to continue with enlargement but he wanted to increase his responsibilities to include also the Southern Mediterranean countries which were currently the responsibility of the Commissioner for Development (the attribution of these countries to the development portfolio dates only from 1973; before that they fell under the external relations portfolio).

2. Signor Ruggiero then asked me if we were interested in the development portfolio. The Italians hoped we would be; they were fed up with the French domination of that sector. He made it clear that, if we would help Natali over the Southern Mediterranean, the Italians would support us for development. I said that the choice of our second commissioner had not yet been made; development was one of several portfolios which interested us and our candidate might be well qualified to hold it. Signor Ruggiero concluded by indicating that he was reflecting Signor Colombo's thinking; and that Signor Colombo might well take the matter up with the Secretary of State when they next met.

*D H A Hannay*

D H A Hannay

8 October 1980

CONFIDENTIAL



1950

Eno 101 JJ  
cc/O

APPOINTMENTS IN CONFIDENCE

MR. FRANKLIN

THE NEW EC COMMISSION

The Prime Minister has read your undated minute to me (Qz 01605) on this subject. She has not expressed any preference amongst the various candidates named in your minute but has commented as follows:

"When we paid our first visit to Rome, the Italians wanted the 1% VAT ceiling raised. They were only dissuaded by West Germany. I still feel their conversion is temporary. Keeping to the 1% VAT ceiling is vital to force the reconstruction of the CAP."

I am sending a copy of this minute to David Wright (Cabinet Office).

MA

9 June 1980

278



10 DOWNING STREET

The Principal Private Secretary

29 May 1980

Dear Paul,

PREPARATIONS FOR THE EUROPEAN COUNCIL -

12/13 JUNE 1980

Thank you for your letter of 28 May to Michael Alexander about the subjects which the Italian Presidency envisage the European Council will discuss.

I have shown your letter to the Prime Minister who is content with the line which the Foreign Secretary is proposing to take on the outline agenda at today's meeting of the Foreign Affairs Council. She has also noted that the European Council is likely to choose the next President of the Commission at its meeting next month. The Prime Minister and the Foreign Secretary discussed this matter briefly after last night's dinner for Signor Colombo, and they will clearly need to come back to it again in the next few days.

I am sending a copy of this letter to David Wright (Cabinet Office).

Yours etc,

Alvin White.

P. Lever, Esq.,  
Foreign and Commonwealth Office.