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FM ROME 071415Z APR 82

(Factual)
TO IMMEDIATE FCO

TELEGRAM NO. 153 OF 07 APR 82.

INFO IMMEDIATE UKREP BRUSSELS PRIORITY OTHER EC POSTS, WASHINGTON,
UKMIS NEW YORK, UKDEL NATOYOUR TELEGRAM NO. 129 TO BONN AND TELEGRAM NOS. 71-2 TO BRUSSELS
FALKLAND ISLANDS

1. YESTERDAY MORNING MINISTER CALLED AGAIN ON POLITICAL DIRECTOR AND LAST NIGHT ON PRIME MINISTER'S DIPLOMATIC ADVISER. BOTTAI HAD ALREADY BEEN IN TOUCH WITH THE ITALIAN DELEGATION IN COREPER: HE REPEATED ITALY'S FULL SUPPORT FOR THE UK BUT BEFORE DECIDING ON CONCRETE MEASURES THEY WOULD WISH TO SEE THE OUTCOME OF DISCUSSION IN BRUSSELS.
2. BERLINGUER GAVE ORLEBAR AN EXTRACT FROM THE COMMUNIQUE ISSUED AFTER PRESIDENT KARAMANLIS'S MEETING WITH SPADOLINI YESTERDAY AFTERNOON, IN WHICH THE LATTER REAFFIRMED ITALY'S SOLIDARITY WITH THE UK (TEXT IN MIFT). HE SAID SPADOLINI HAD THUS WISHED TO COMPLEMENT, AT HEAD OF GOVERNMENT LEVEL, ITALIAN ASSOCIATION WITH THE WEEKEND DECLARATION OF THE TEN FOREIGN MINISTERS. BERLINGUER WAS SURE WE WERE RIGHT TO BE ASKING FOR ACTION IN THE COMMUNITY FRAMEWORK: COLLECTIVE ACTION WOULD BE FAR MORE EFFECTIVE. ITALY HAD ITS PARTICULAR PROBLEMS, GIVEN THE NUMBER OF ARGENTINES OF ITALIAN DESCENT. (HE DID NOT DISPUTE ORLEBAR'S COMMENT THAT, FOR THAT VERY REASON, ARGENTINA WOULD BE THE MORE LIKELY TO HEED PRESSURE FROM A COUNTRY LIKE ITALY.) BUT THE VITAL POINT WAS TO RESIST THE USE OF FORCE: HOW COULD THE WEST EXPECT THE RUSSIANS TO REFRAIN FROM THIS IF THEY CONDONED IT THEMSELVES? PENDING FURTHER NEWS FROM BRUSSELS, HOWEVER, NEITHER BERLINGUER NOR BOTTAI WERE READY TO COMMENT ON THE PARTICULAR POINTS ON WHICH WE ARE ASKING FOR ACTION FROM PARTNERS.
3. THE PRIME MINISTER'S MESSAGE TO SPADOLINI, RECEIVED AFTER MINISTER'S CALL ON BERLINGUER, HAS BEEN DELIVERED THIS MORNING AND WE HAVE REITERATED TO BERLINGUER OUR WISH FOR A VERY EARLY RESPONSE. I SHALL BE IN TOUCH WITH BERLINGUER TOMORROW AFTERNOON TO OBTAIN ITALIAN REACTIONS.
4. MEANWHILE HEAD OF CHANCERY SAW BARBARANI (LATIN AMERICAN AFFAIRS) AND MUZI-FALCONI (EC AFFAIRS). HE STRESSED THE IMPORTANCE TO US OF AN IMMEDIATE ARMS EMBARGO. ANY SUPPLY OF ITALIAN ARMS TO ARGENTINA WITHIN THE NEXT FEW WEEKS, HOWEVER LONG AGO THE ORDER HAD BEEN PLACED, WOULD HAVE THE MOST SERIOUS EFFECT ON UK PUBLIC OPINION AND ANGLO/ITALIAN RELATIONS. BARBARANI SAID FIRMLY THAT "NOT A CARTRIDGE" WOULD REACH ARGENTINA (NOR HAD IT, HE ADDED, DURING THE GUATEMALA/BELIZE DISPUTE BEFORE THE LATTER'S INDEPENDENCE). HOWEVER, MUZI-FALCONI HAD JUST HEARD FROM THE ITALIAN DELEGATION IN BRUSSELS THAT ITALY AND FRANCE WERE THE ONLY TWO COMMUNITY COUNTRIES WHO HAD RESERVED THEIR POSITION IN COREPER THIS MORNING ON AN ARMS EMBARGO.

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THE FRENCH HAD APPARENTLY SAID THAT THIS WAS A BILATERAL NON-EC MATTER ALREADY UNDER DISCUSSION WITH US, AND HEAD OF CHANCERY DREW ON PARIS TELEGRAM NO. 319 TO ILLUSTRATE THAT THE FRENCH HAD IN FACT IMPOSED A TOTAL BAN. MUZI-FALCONI THEN SAID THAT, SUBJECT TO FINAL CONFIRMATION LATER TODAY, WE COULD REST ASSURED THAT NO (NO) LICENCES WOULD HENCEFORTH BE GRANTED FOR ARMS SUPPLIES. INDEED, TWO APPLICATIONS HAD BEEN TURNED DOWN TODAY. THE PROBLEM WAS LICENCES ALREADY GRANTED IN RESPECT OF FUTURE DELIVERIES, SINCE THE COMPANIES AFFECTED MIGHT SUE THE ITALIAN GOVERNMENT. THAT WAS WHY IN BRUSSELS THE ITALIANS HAD SAID THE QUESTION WAS "UNDER STUDY". HEAD OF CHANCERY REPEATED THAT IT WAS VITAL THAT NO ITALIAN ARMS SUPPLIES SHOULD REACH ARGENTINA WITHIN THE NEXT FEW WEEKS, HOWEVER THIS WAS DONE. MUZI-FALCONI THEN SAID THAT, AS WITH IRAN, HE WAS SURE THAT "PRAGMATIC ADMINISTRATIVE MEASURES" COULD BE FOUND TO BLOCK SUPPLIES. HE ADDED THAT OUTSTANDING ORDERS INVOLVED MACCHI AIRCRAFT, HELICOPTERS, MUNITIONS AND GROUND TO AIR MISSILES WITH SOLID PROPELLANTS.

5. ON TRADE MEASURES, THE ITALIANS ARE ALSO INCLINING TOWARDS THE USE OF ARTICLE 113. WE THEREFORE DREW ON THE ARGUMENTS SET OUT IN THAT PARAGRAPH OF THE PRIME MINISTER'S MESSAGE ADDRESSED TO THE BELGIAN AND LUXEMBOURG PRIME MINISTERS. WE WERE ASSURED THAT THE ITALIANS WANTED TO HELP US. ITALY IS HOWEVER, THE SECOND LARGEST IMPORTER OF ARGENTINE GOODS IN THE COMMUNITY, AFTER THE FRG (MOSTLY MEAT AND CEREALS), AND MUZI-FALCONI SAID HE WAS WORRIED THAT ITALIAN EXPORTS MIGHT SUFFER. WE ARGUED THAT A COMMON COMMUNITY APPROACH SHOULD AVOID THAT DIFFICULTY.

6. ON EXPORT CREDITS, MUZI-FALCONI CONFIRMED THAT VERY FEW PRIVATE CREDITS WERE BEING MADE AVAILABLE TO ARGENTINA WITHOUT OFFICIAL GUARANTEES. HEAD OF CHANCERY COMMENTED THAT THIS WOULD MAKE IT EASIER FOR THE ITALIAN GOVERNMENT TO TAKE EFFECTIVE ACTION. MUZI-FALCONI SAID THAT THAT WAS THE MFA'S POSITION, BUT THAT THE MINISTRY OF FOREIGN TRADE WAS ALREADY ASKING ABOUT "WAYS AROUND" ANY RESTRICTIONS. HE BELIEVED THAT BANK LOANS HAD ALREADY SLOWED TO A TRICKLE; ARGENTINA WAS NOW IN TECHNICAL DEFAULT TO ITALIAN BANKS AND WAS PATENTLY A BAD CREDIT RISK.

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