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YOUR TELEGRAMS NOS. 122-3 TO ATHENS: FALKLANDS: EC IMPORT BAN

1. THE AMBASSADOR HANDED THE PRIME MINISTER'S MESSAGE TO SERGIO/BERLINGUER YESTERDAY EVENING. BERLINGUER UNDERTOOK TO GIVE IT AT ONCE TO SPADOLINI AND TO SEND A COPY TO COLOMBO, WHO LEAVES TODAY FOR ISRAEL. BERLINGUER SAID THAT SO FAR THERE HAD BEEN NO CHANGE IN THE ITALIAN POSITION. SPADOLINI HAD REAFFIRMED HIS UNEQUIVOCAL SUPPORT FOR US AT THE ITALIAN/GERMAN BILATERAL IN HAMBURG LAST WEEK. NEVERTHELESS, THE CHAMBER'S DEBATE ON THE FALKLANDS YESTERDAY (PARAS 3-4 BELOW) ILLUSTRATED THE GOVERNMENT'S DIFFICULTIES. SOCIALIST SPOKESMAN HAD ECHOED CRAXI'S VIEW THAT SANCTIONS SHOULD NOT BE RENEWED, AND CRAXI HAD SINCE CLAIMED THAT THE GOVERNMENT WAS GETTING READY TO ACCEPT SOCIALIST ADVICE. THERE WERE EVEN SOME DOUBTERS IN THE DC, LIKE PICCOLI (ROME TELEGRAM NO. 229). SPADOLINI HAD FOUND THAT THE GERMANS TOO HAD DOUBTS AND SO, BERLINGUER SAID, DID THE FRENCH. COLOMBO MADE THIS SAME POINT IN THE CHAMBER DEBATE.

2. THE AMBASSADOR REPLIED FIRMLY THAT HE THOUGHT THE FRENCH AND GERMANS WOULD COME INTO LINE. HE SAID HE HAD DONE HIS BEST WITH CRAXI (PARA 3 BELOW), AND HE DID NOT BELIEVE THAT CRAXI'S VIEW WAS WIDELY SHARED IN THE PSI, FOR EXAMPLE BY SOCIALIST MINISTERS LIKE LAGORIO (DEFENCE). BERLINGUER THOUGHT CRAXI WOULD NOT CHANGE HIS MIND. HE SAID IT WAS ALL DIFFICULT BUT SPADOLINI WOULD NO DOUBT CONSIDER THE PRIME MINISTER'S MESSAGE CAREFULLY. THE BEST HOPE WAS PROGRESS IN NEW YORK. BUT THE GOVERNMENT'S DECISION WOULD HAVE TO REFLECT COALITION PARTY AND PARLIAMENTARY VIEWS.

3. CRAXI'S OPPOSITION TO RENEWAL HAS BEEN WIDELY PUBLICISED, AND SUPPORTED BY THE PARTY NEWSPAPER. HIS SPOKESMAN IN THE CHAMBER REPEATED EARLIER PSI COMPLAINTS THAT THEY HAD NOT BEEN CONSULTED OVER THE ORIGINAL DECISION. THE AMBASSADOR HAS WRITTEN TO CRAXI, COPYING TO THE 4 SOCIALIST MINISTERS IN THE GOVERNMENT, SAYING THAT A DECISION TO RENEW IS VITAL FOR THE BRITISH GOVERNMENT AND PEOPLE. WE SHALL PRESS THE SOCIALISTS HARD OVER THE NEXT FEW DAYS.

4. WHEN COLOMBO SPOKE IN THE CHAMBER YESTERDAY, HE WAS CAREFUL TO LEAVE THE DOOR OPEN. HE SAID THE QUESTION OF RENEWAL HAD NOT YET BEEN FORMALLY PUT TO MINISTERS WITHIN THE COMMUNITY FRAMEWORK, AND THE ITALIAN GOVERNMENT HAD TAKEN NO DECISION NOR MADE ANY COMMITMENT. THE GOVERNMENT WOULD TAKE ACCOUNT OF THE DIFFERING VIEWS EXPRESSED IN THE DEBATE AND OF DEVELOPMENTS IN THE SOUTH ATLANTIC AND NEW YORK OVER THE NEXT FEW DAYS. COLOMBO EXPRESSED SOLIDARITY

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WITH BRITAIN AND CONDEMNED THE "OUTRAGE" SUFFERED BY A EUROPEAN ALLY. AFTER REAFFIRMING SUPPORT FOR PEREZ DE CUELLAR'S EFFORTS, COLOMBO SET OUT HIS PREFERRED FRAMEWORK FOR A SETTLEMENT. FREEZING OF THE SOVEREIGNTY QUESTION, WITHDRAWAL OF BOTH SIDES' FORCES AND NEGOTIATIONS WITHOUT PRECONDITIONS. HE DESCRIBED THE EXISTING SANCTIONS AS AN ACT OF SOLIDARITY TOWARDS A EUROPEAN PARTNER, AND AS URGENT PRESSURE IN FAVOUR OF THE RAPID ACHIEVEMENT OF A PEACEFUL SETTLEMENT.

5. PRESIDENT PERTINI WAS VERY ROBUST AT HIS PRIVATE LUNCHEON FOR THE DUKE OF EDINBURGH LAST WEEKEND, AT WHICH THE AMBASSADOR WAS PRESENT. PERTINI REFERRED SCATHINGLY TO THE ARGENTINE DICTATORSHIP AND SAID THAT THE FALKLANDS WERE A CLASSIC DIVERSION TO ATTRACT ATTENTION FROM DOMESTIC DIFFICULTIES. BUT PERTINI, THOUGH A SOCIALIST HIMSELF, HAS ONLY LIMITED INFLUENCE OVER CRAXI.

6. ONE FACTOR IN THE ITALIAN DECISION WILL UNDOUBTEDLY BE THEIR COMMERCIAL INTERESTS IN ARGENTINA. AS WE HAVE REPORTED SEPARATELY (LETTER FROM RICHARDSON TO OSBORNE WED OF 11 MAY), THE ARGENTINES HAVE TOLD THE MFA INFORMALLY THAT THEY HAVE SO FAR (AND DESPITE PRESS REPORTS) TAKEN NO CONCRETE MEASURES OF RETALIATION AGAINST EC COUNTRIES APPLYING SANCTIONS, BUT THAT IF ITALY AND OTHERS RENEWED THEY WOULD CONSIDER RETALIATING IN THREE WAYS: EXCLUSION OF FIRMS FROM TENDERS, BLOCKING PAYMENTS TO FIRMS FOR CONTRACT WORK, AND SEQUESTRATION OF FIRMS' ASSETS IN ARGENTINA.

7. MFA OPINION IS THAT THE DECISION IS FINELY BALANCED. AT PRESENT THEY ARE MILDLY PESSIMISTIC, THOUGH THEY THINK THAT THE DEBATE COULD HAVE GONE WORSE AND THAT MANY SPEAKERS WERE CONFUSED. ALL OUR SOURCES CONFIRM THAT MUCH WILL DEPEND ON FRENCH AND GERMAN ATTITUDES AND ON HOW FAR CRAXI WILL DECIDE TO PRESS HIS OPPOSITION. HE CRAXI DOES NOT APPEAR TO BE SEEKING AN IMMEDIATE GOVERNMENT CRISIS, AND ONE DC CONTACT HAS TOLD US WE SHOULD NOT BE TOO DISCOURAGED BY THE CHAMBER DEBATE. BUT HE MAY DEMAND HIS POUND OF FLESH, PERHAPS ONLY A TWO WEEK EXTENSION OF SANCTIONS (AN IDEA WE HAVE JUST HEARD THE GERMAN AND ITALIAN MFA'S ARE MULLING OVER, ON THE ASSUMPTION THAT UN NEGOTIATIONS ARE STILL CONTINUING). THE BEST COLOMBO CAN HOPE FOR IS AGREEMENT IN THE COUNCIL OF MINISTERS THAT ITALY CAN RELUCTANTLY RALLY TO AN EC CONSENSUS, CONCEIVABLY EXCLUDING IRELAND. HE WILL HAVE A STRONGER HAND IF FRANCE AND THE FRG HAVE ALREADY DECIDED TO RENEW. IF EITHER WOBBLER, ITALY WILL, AS OF TODAY, ALMOST CERTAINLY FOLLOW.

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