

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

9th January, 1986

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Handwritten: *Alfredo*
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Dear Charles,

I take pleasure in enclosing herewith Signor Craxi's letter to the Prime Minister, the text of which, together with a rough translation, was sent to you on December 30 last.

amane *Yours etc,*
Umberto

Umberto Vattani,
Minister-Counsellor.

Enc.

Mr. Charles Powell
Private Secretary to the Prime Minister
(Overseas Affairs)
10 Downing Street,
London S W 1



*Al Presidente
del Consiglio dei Ministri*

Roma, 20 dicembre 1985

Signora Primo Ministro,

è da tempo che nei nostri incontri ed in particolare in occasione dei Vertici economici - recentemente al Vertice di Bonn - discutiamo il problema di come migliorare il funzionamento del sistema monetario internazionale. E' un'esigenza da tutti sentita ed in particolare dai maggiori Paesi industrializzati cui spetta l'onerosa responsabilità di assicurare un ordinato funzionamento del mercato dei cambi.

E' quindi con stupore che il Governo italiano ha accolto la notizia della riunione di New York dei cinque Ministri del Tesoro degli Stati Uniti, del Giappone, della Francia, della Repubblica Federale Tedesca e del Regno Unito. In quell'occasione furono infatti adottate decisioni importanti relative agli interventi

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S.E. la Signora Margaret THATCHER
Primo Ministro del Regno Unito di
Gran Bretagna e Irlanda del Nord
L O N D R A



*Al Presidente
del Consiglio dei Ministri*

sui mercati dei cambi, e definiti impegni per gli indirizzi di politica economica. Si è trattato certamente di decisioni che vanno nella giusta direzione e che il Governo italiano ha da tempo sostenuto.

Ciò non toglie, a parere del Governo italiano, che le decisioni di tale natura non dovrebbero essere prese senza la partecipazione dei Paesi destinati a subirne gli effetti e quindi l'Italia. In primo luogo, perchè l'Italia è uno dei Paesi industrializzati che partecipa nei Vertici economici delle Sette grandi democrazie più industrializzate alla formulazione degli orientamenti monetari ed economici per contribuire allo sviluppo dell'economia mondiale. Non vediamo quindi il motivo di una nostra esclusione da decisioni che ci concernono direttamente, e che sono della stessa natura di quelle che assumiamo nei Vertici economici.

In secondo luogo, perchè la nostra appartenenza al sistema monetario europeo ci vincola a mantenere l'allineamento con il marco tedesco, la cui posizione nei confronti del dollaro verrebbe ad essere determinata in un foro, quale è quello del Gruppo dei Cinque, al quale non apparteniamo. Le conseguenze sono per noi pesanti. Di fatto, siamo stati il Paese europeo che ha dovuto sopportare l'onere più gravoso degli interventi sul mercato dei cambi, a seguito delle deci-



*Al Presidente
del Consiglio dei Ministri*

sioni prese il 22 settembre u.s. a New York.

In terzo luogo, perchè nessuno ha mai discusso la possibilità di conferire un tale mandato al Gruppo dei Cinque, che è un gruppo informale, che non è stato creato per adottare decisioni, tanto più quando esse hanno notevoli ripercussioni sulle economie degli altri principali partners.

Il Governo italiano è a conoscenza che una seconda riunione del Gruppo dei Cinque dovrebbe aver luogo a gennaio, sulla scia delle decisioni prese il 22 settembre.

La nostra esclusione rischierebbe di svuotare, nella sostanza, gli stessi lavori preparatori del prossimo Vertice economico di Tokyo. Abbiamo dato già un nostro rilevante contributo, ad un miglior funzionamento del sistema monetario internazionale dopo le decisioni del 22 settembre. Sarebbe per noi difficile ed ingiustificato continuare a dare questo contributo in assenza di una nostra diretta partecipazione a decisioni che, ripeto, ci coinvolgono in modo diretto.

Resto in attesa, Signora Primo Ministro, di una Sua assicurazione al riguardo.

Con stima ed amicizia

ECON POL PT2

EXCHANGE RATE

Ref. A086/49

MR POWELL

The Italian Charge d'affaires ai., Signor Vattani, called yesterday on Sir Robert Armstrong (in the latter's capacity as the Prime Minister's Personal Representative for the purposes of preparing for economic Summits). Signor Vattani passed him a copy of a message from Signor Craxi which he said had been delivered to the Prime Minister on 30 December. He had discussed the matter that day with Mr Rifkind, with whom he had also left a copy of the message.

2. Signor Vattani said that his Government had been upset and surprised that the "Plaza meeting" in New York had taken decisions which had directly affected foreign exchange markets, and had caused Italy to bear burdens in support of the Deutschmark in furtherance of her EMS commitments; but these decisions were taken without consultation with the other Economic Summit participants. The Italian Government felt strongly about this. In Rome it was recalled that President Giscard had originally committed to invite Italy to the Rambouillet meeting, but with the support of Her Majesty's Government this had been corrected and Signor Manzini had participated. The Italian Government hoped for similar support to ensure that no further meetings should be held between Finance Ministers of a limited group of Economic Summit countries at which decisions were taken, without a proper mandate. In answer to a question, Signor Vattani said that his Government were making similar representations in Washington, Paris, Bonn and Tokyo; and that the Canadians would also be making representations.

3. Sir Robert Armstrong said that he took note of Signor Vattani's comments and of the strength of Italian feelings on this matter. He was sure that the Prime Minister would wish to respond quickly to Signor Craxi's message.



4. I am copying this minute, and Signor Craxi's message to Len Appleyard (FCO) and Rachel Lomax (Treasury).

MS

M C STARK

3 January 1985

TEXT OF MESSAGE ADDRESSED TO THE RT. HON. MARGARET THATCHER, MP
BY THE PRESIDENT OF THE ITALIAN COUNCIL OF MINISTERS, SIGNOR
BETTINO CRAXI

ROUGH TRANSLATION

Dear Prime Minister,

It has been some time now, that in our meetings and especially at the economic summits (lately at the Bonn Summit) we discussed ways to improve the international monetary system. It is a need felt by everybody and particularly by the most industrialized countries to which befalls the difficult task of insuring an orderly functioning of the exchange markets.

It was therefore with astonishment that the Italian Government learnt of the meeting in New York of the five Finance Ministers of the United States, Japan, France, Federal Republic of Germany and United Kingdom. On that occasion important decisions were taken with regard to interventions on the exchange markets and commitments were made with regard to the definition of economic policies. Such decisions certainly went in the right direction and had been advocated for some time by the Italian Government.

That does not alter the fact that it is the opinion of the Italian Government that decisions of such nature should not be reached without the participation of the countries called to share the resulting burden and hence Italy. And this for the following three reasons:

First, because Italy is one of the industrialized countries which, within the economic summits of the seven largest industrialized democracies, takes part in the drawing up of the monetary and economic policies designed to contribute to the development of the world economy. We do not therefore understand our exclusion from decisions which will directly bear effect upon

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us and which are of the same nature as the ones taken at the economic summits.

Second, because our participation to the European Monetary System binds us to keep in line with the Deutsche Mark, whose position in relation to the US Dollar would be determined by a Forum such as the one of the Group of Five, to which we do not belong. The consequences are for us very serious, since we are the European Country which has had to bear the heaviest burden of the interventions in the exchange market, following the decisions taken in New York on September 22nd.

Third, because the possibility of granting such a mandate to the Group of Five has never been discussed, since it is an informal group and as such not meant to take decisions, especially if they were to have an extensive impact on the economies of other principal partners.

The Italian Government are aware that a second meeting of the Group of Five could take place in January, following the decisions taken on the 22nd of September.

Our exclusion entails the risk of emptying of substance the preparatory works of the next economic summit in Tokyo. We have already given a considerable contribution to the improvement of the international monetary system, after the decisions of the 22nd of September. It would be for us difficult and unjustifiable to continue to do so, if we are excluded from a direct participation to decisions, which, I would like to stress, bear directly upon us.

I look forward, Dear Prime Minister, to an assurance from your part on this matter.

With the expression of my esteem and friendship,

Bettino Craxi

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10 DOWNING STREET

Prime Minister

A message from

Signor Craxi protesting

at Italy's exclusion

from G5 meetings.

A fairly routine

complaint.

CDP
31/12.

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Foreign and Commonwealth Office

London SW1A 2AH

30 December 1985

all

Dear Charles,

CDP
31/12

Letter to the Prime Minister from the Italian Prime Minister

The Prime Minister will wish to be aware that the Italians have today made a demarche over their exclusion from G5 meetings. I enclose a copy of Craxi's message to her, together with the Italian Embassy's rough translation.

The Italian Charge was under instructions to speak to a Minister about this. He therefore contacted Mr Rifkind (in Edinburgh), but in speaking to him did not add any points of substance to those in the message. Mr Rifkind merely took note.

We shall consider this demarche and write again with advice on how best the Prime Minister might reply to it.

Yours ever,

(R N Culshaw)
Private Secretary

C D Powell Esq
10 Downing Street

SUBJECT
cc ops
master

TEXT OF MESSAGE ADDRESSED TO THE RT. HON. MARGARET THATCHER, MP
BY THE PRESIDENT OF THE ITALIAN COUNCIL OF MINISTERS, SIGNOR
BETTINO CRAXI 30/12

ROUGH TRANSLATION

PRIME MINISTER'S
PERSONAL MESSAGE

SERIAL No. T 242A/85

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