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FM WASHINGTON

TO DESKBY 060900Z F C O

TELNO 524

OF 052100Z MARCH 86

ITALY AND THE G5

1. WE UNDERSTAND THAT CRAXI IS LIKELY TO RAISE THE QUESTION OF ITALY JOINING THE G5 WHEN HE SEES THE PRIME MINISTER NEXT WEEK. MINISTER (ECONOMIC) HAS TAKEN SOUNDINGS WITH US TREASURY, STATE AND THE WHITE HOUSE ON LATEST US POSITION.

2. SECRETARY BAKER HELD AN INTERNAL TREASURY MEETING YESTERDAY (MARCH 4) AND CONCLUDED THAT THERE WILL HAVE TO BE MEETINGS OF G7 FINANCE MINISTERS BUT THAT THE G5 SHOULD CONTINUE AS WELL, BUT THAT SUCH MEETINGS WILL HAVE TO BE HELD IN SECRET. HOWEVER, BAKER IS INSISTENT THAT THE EC COMMISSION BE KEPT OUT OF G7 MEETINGS. BAKER THINKS IT IS UP TO THE UK, GERMANY AND FRANCE TO MINIMISE ITALY'S INVOLVEMENT SINCE HE REGARDS THIS AS ESSENTIALLY A EUROPEAN PROBLEM. (COMMENT: THIS IS A BIT DISINGENUOUS SINCE IT WAS THE AMERICANS WHO WERE THE FIRST TO REPLY -- IN FAIRLY FORTHCOMING TERMS -- TO CRAXI'S REQUEST TO JOIN.)

3. STATE ARE HAPPY TO GO ALONG WITH THIS. THE ECONOMIC SIDE AT STATE ORIGINALLY OPPOSED ANY EXPANSION OF THE G5 TO INCLUDE ITALY BUT THEY WERE OVERRULED BY SHULTZ. STATE TOLD US THAT CRAXI HAS WRITTEN SAYING THAT HE IS UNHAPPY WITH WHAT THE AMERICANS HAVE PROPOSED ON FUTURE HANDLING OF THIS ISSUE -- PRESUMABLY REFERRING TO THE DIPLOMATIC NOTE WHICH FOLLOWED THE PRESIDENT'S LETTER (SEE ROME TELEGRAM 081). THE AMERICANS HAVE NOT WRITTEN AGAIN.

4. WE HAVE ALSO SPOKEN TO BERYL SPRINKEL WHO SEEMED UNSIGHTED ON THE LATEST STATE OF PLAY BUT HE CONFIRMED THAT THE PRESIDENT HAD WRITTEN IN THE WAY HE HAD MAINLY ON THE ADVICE OF SHULTZ. SPRINKEL OFFERED THE THOUGHT THAT 'IT WOULD BE A TRAGEDY IF THE G5 WERE TO GO'.

5. FCO PLEASE ADVANCE TO LITTLER AND FITCHEW (TREASURY) AND TAIT (ERD).

JENKINS

MONETARY

ERD

WED

NAD

(ADVANCED AS REQUESTED)

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