

DWF F 026

LHC 624:27

ADVANCE COPY

1310/27

~~DD FCO (DESKBY 271230Z MAR 85)~~

DD UKREP BRUSSELS (DESKBY 271230Z MAR 85)

PP PP ATHENS

PP BONN

PP BRUSSELS

PP COPENHAGEN

PP DUBLIN

PP THE HAGUE

PP LUXEMBOURG

PP PARIS

GRS 850

WALL (EOC1)

EVANS (EOC2)

WILLIAMS CAROLINE

UNWIN HMTSY

ANDREWS MALF

POWELL NORO DST.

Mr EGWICK



CONFIDENTIAL

DESKBY 271230Z MAR 85

FM ROME 271122Z MAR 85

TO IMMEDIATE FCO DESKBY 271230Z MAR 85

TELNO 311 OF 27 MARCH 85

INFO IMMEDIATE UKREP BRUSSELS DESKBY 271230Z MAR 85

INFO PRIORITY ALL EC POSTS

EUROPEAN COUNCIL: ITALIAN PRESIDENCY VIEWS

SUMMARY

1. IN THE EXPECTATION THAT OUTSTANDING ENLARGEMENT ISSUES WILL BE RESOLVED AT THE EXTRA FAC ON 27 MARCH, THE ITALIANS SEE IMPS DOMINATING THE EUROPEAN COUNCIL, AND THE PROSPECT OF A LOW KEY PROCEDURAL DEBATE ON THE FUTURE OF THE DOOGIE COMMITTEE. CRAXI'S PRIORITIES ARE UNEMPLOYMENT AND THE MIDDLE EAST. HE IS A POOR CHAIRMAN AND WILL NOT RELISH A DIFFICULT COUNCIL.

DETAIL

2. WE HAVE DISCUSSED THE PROSPECTS FOR THE EUROPEAN COUNCIL WITH FONTANA-GIUSTI (MFA), RANUZZI (TREASURY) AND BADINI (PRIME MINISTER'S OFFICE).

ENLARGEMENT

3. THE ITALIANS HOPE THAT OUTSTANDING FRENCH RESERVES ARE LARGELY TACTICAL AND THAT SOLUTIONS WILL EMERGE AT THE 27 MARCH FAC.

3. THE ITALIANS HOPE THAT OUTSTANDING FRENCH RESERVES ARE LARGELY TACTICAL AND THAT SOLUTIONS WILL EMERGE AT THE 27 MARCH FAC. THEY ARE, HOWEVER, CONCERNED ABOUT THE STRENGTH OF PORTUGUESE DEMANDS FOR A DIFFERENTIATED APPROACH TO OWN RESOURCES OVER THEIR TRANSITION PERIOD (THE SAME AS SPAIN INSTEAD OF 1 YEAR'S ~~UN-ADJ~~ ADJUSTMENT AS PROPOSED BY THE COMMISSION).

HMPs

4. IF THEY ARE RIGHT ABOUT FRENCH WILLINGNESS TO SETTLE, THE ITALIANS BELIEVE THAT HMPs WILL DOMINATE THE EUROPEAN COUNCIL. THEY FEAR THE WORST. THEY PREFER TO BELIEVE THAT PANANDREOU HAS VERY LIMITED ROOM FOR MANOEUVRE IN DOMESTIC POLITICAL TERMS. BADINII TOLD US THAT CRAXII, FOR REASONS OF SOLIDARITY, WOULD BE UNWILLING TO FORCE THE GREEKS AGAINST A WALL SO UNLESS THE COMMUNITY CAN MAKE AN OFFER ACCEPTABLE TO THE GREEKS, CRAXII WILL PREFER TO SUSPEND DISCUSSION RATHER THAN FORCE A CONFRONTATION. WE MADE OUR POSITION CLEAR.

FUTURE OF EUROPE

5. THE ITALIANS (ESPECIALLY ANDREOTTI) CLEARLY HANKER AFTER KEEPING THE DOGGE COMMITTEE IN BEING, WITH A NEW MANDATE TO ASSIST THE PRESIDENCY IN PREPARING FOR DECISIONS AT MILAN. THERE IS NO QUESTION AT THIS COUNCIL OF FORCING THE PACE ON A FINAL DECISION ON AN INTERGOVERNMENTAL CONFERENCE. OTHER IDEAS WHICH CRAXII MAY FALL BACK ON ARE FOR THE PRESIDENCY TO CARRY WORK FORWARD THROUGH FERRI, OR FERRI AND FIORET. WE ENCOURAGED THEM TO THINK IN TERMS OF MORE STRAIGHT FORWARD GOVERNMENT-TO-GOVERNMENT CONTACTS, BETWEEN MARCH AND JUNE. THIS IS UNLIKELY TO BE A STICKING POINT FOR THE ITALIANS AND WE THINK THEY WILL BE INFLUENCED BY THEIR PARTNERS VIEWS.

ECONOMIC AND SOCIAL SITUATION

6. BADINII (CRAXII'S DIPLOMATIC ADVISOR) EXPRESSED APPRECIATION FOR THE PRIME MINISTER'S INITIATIVE (YOUR TELNOS 139 AND 140 TO BONN) AND SAID THAT IT CHIMED WELL WITH CRAXII'S CONCERN THAT UNEMPLOYMENT SHOULD BE A MAIN PRIORITY FOR THE COUNCIL. THE TEXT WILL BE CONSIDERED AT CRAXII'S BRIEFING MEETING THIS AFTERNOON AT WHICH BOTH RUGGIERO AND BADINII WILL BE PRESENT (WE HAVE GIVEN RUGGIERO A COPY).

POLITICAL COOPERATION

7. THE PRESIDENCY EXPECT DISCUSSION TO FOCUS ON TEXTS ON

- A) EAST/WEST
- B) MIDDLE EAST
- C) LATIN AMERICA (ESPECIALLY CHILE)
- D) IRAN/IRAQ
- E) LEBANON
- F) CENTRAL AMERICA

THE FIRST THREE ARE FOR THEM, THE MOST IMPORTANT. THEMES SHOULD BE: ON EAST/WEST, SUPPORT FOR GENEVA. ON THE MIDDLE EAST, SUPPORT FOR THE HUSSEIN AND THE AMMAN AGREEMENT (BUT CRAXII WILL ALSO

THE FIRST THREE ARE FOR THEM, THE MOST IMPORTANT. THEMES SHOULD BE: ON EAST/WEST, SUPPORT FOR GENEVA. ON THE MIDDLE EAST, SUPPORT FOR THE HUSSEIN AND THE AMMAN AGREEMENT (BUT CRAXI WILL ALSO INITIATE ORAL DISCUSSION OF THE QUESTION OF INTENSIFYING CONTACTS BETWEEN PRESIDENCY/TROIKA AND JORDANIANS/PALESTINIANS). ON IRAN/IRAQ AND LEBANON, ALL THAT COULD BE SAID WAS A PRAYER FOR PEACE. ON LATIN AMERICA, SUPPORT FOR THE SPREAD OF DEMOCRACY ESPECIALLY IN CHILE (SEE MY TELNO 267 AND 270). CRAXI HAS TAKEN HIS TREASURY MINISTER TO TASK IN PUBLIC FOR AN ITALIAN VOTE IN THE IMF IN FAVOUR OF A LOAN FOR CHILE). ON CENTRAL AMERICA, SUPPORT FOR THE CONTADORA EFFORT. SOME OF THESE TEXTS MAY FALL AWAY.

CRAXI'S POLITICAL POSITION

8. CRAXI'S GOVERNMENT IS UNDER NO IMMEDIATE THREAT. BUT THE ADMINISTRATIVE ELECTIONS ON 12 MAY AND THE ELECTIONS FOR THE PRESIDENCY OF THE REPUBLIC IN JUNE WILL BE CRITICAL FOR THE FUTURE OF HIS GOVERNMENT. HE WILL THEREFORE BE KEEN TO SECURE WHAT DOMESTIC POLITICAL CAPITAL HE CAN FROM HIS FIRST PRESIDENCY OF AN EUROPEAN COUNCIL. HE WILL BE LOOKING FOR A SUCCESS AT BRUSSELS, AND MUST BE Hoping THAT TODAY'S FAC WILL YIELD AGREEMENT ON THE ENLARGEMENT TEXT: UNLIKE ANDREOTTI, HE IS BAD AT ABSORBING DETAIL AND A POOR CHAIRMAN. THE MIDDLE EAST CAN BE A CONTROVERSIAL ISSUE IN DOMESTIC POLITICS HERE, AND MUCH AS CRAXI (AND ANDREOTTI) MAY WANT TO GIVE ARAFAT A HELPING HAND THEY WILL KNOW THAT THIS WILL INVITE CRITICISM FROM THE REPUBLICANS, SOCIAL DEMOCRATS AND OTHERS. IN DOMESTIC TERMS, AND WITH THE IMPORTANT LOCAL ELECTIONS IN MAY LOOMING NEAR, CRAXI WILL BE MOST CONCERNED TO SECURE AN ACCEPTABLE TEXT ON UNEMPLOYMENT, AND IT WAS USEFUL THAT THE PRIME MINISTER'S PAPER ARRIVED WHILE THE ITALIANS ARE STILL MAKING UP THEIR MIND WHAT TO SAY ON THE SUBJECT. ON EMPS IT IS DISCOURAGING THAT CRAXI FEELS OBLIGED TO HELP PAPANDREOU, BUT WE MUST HOPE THAT EQUAL PRESSURE WILL BE PUT UPON HIM BY HIS FELLOW SOCIALISTS IN SPAIN AND PORTUGAL.

FCO ADVANCE TO:

RENWICK - AUSS
WALL - ECD(H)
EVANS - ECD(E)
WILLIAMSON - CABINET OFFICE
POWELL - NO 10 D/ST
UNWIN - TSY
ANDREWS - MAFF

BRIDGES

NNNN