

CONFIDENTIAL

FM ROME

TO IMMEDIATE FCO

TELNO 436

OF 040906Z JULY 89

INFO PRIORITY PARIS, TOKYO, BONN, UKREP BRUSSELS, OTTAWA

INFO PRIORITY WASHINGTON

YOUR TELNO 1209 TO WASHINGTON : PROSPECTS FOR THE PARIS ECONOMIC SUMMIT

1. THE ITALIANS ARE AT A CONSIDERABLE DISADVANTAGE IN PREPARING FOR THE PARIS SUMMIT. THEY ARE INTO THE 45TH DAY OF A GOVERNMENT CRISIS WITH STILL NO SIGN OF AN EARLY SOLUTION. BY NEXT WEEK, DE MITA MAY HAVE FAILED TO FORM A NEW GOVERNMENT BUT THE LIKELIHOOD IS THAT HE WILL STILL BE IN CHARGE OF A CARETAKER GOVERNMENT. HE IS THEREFORE LIKELY TO BE LEADING THE ITALIAN TEAM AND ANDREOTTI WILL ALMOST CERTAINLY BE THERE TOO. BUT AS OF YESTERDAY EVENING, DE MITA'S STAFF WERE NOT PREPARED TO MAKE ANY PREDICTIONS, EITHER ABOUT THIS OR ABOUT ITALIAN OBJECTIVES AT THE SUMMIT.

2. IN THIS SITUATION, ITALIAN MINISTERS, UNCERTAIN OF HOW MUCH LONGER THEY MAY BE IN THEIR PRESENT JOBS, HAVE SIMPLY NOT ADDRESSED THE ISSUES. WE CAN THEREFORE BE REASONABLY SURE THAT THEY WILL NOT BE TAKING A MAJOR LEAD ON ANY SUBJECT, WITH THE POSSIBLE EXCEPTION OF DRUGS (SEE BELOW). NOR ARE THEY LIKELY TO BE SPRINGING ANY SURPRISES.

MACRO ECONOMIC ISSUES

3. AT OFFICIAL LEVEL, THE ITALIANS ARE VERY PLEASED WITH THE THEMATIC PAPER (AND HAVE WARMLY PRAISED WICKS' CONTRIBUTIONS TO IT). THEY DO NOT FORESEE ANY GREAT DIFFICULTY IN GETTING RID OF THE PRESENT SQUARE BRACKETS. THE ITALIANS THEMSELVES WILL WANT TO SEE THE EMPHASIS ON BALANCE OF PAYMENTS ADJUSTMENTS PRESERVED, BUT OTHERWISE HAVE NO DECLARED PRIORITIES.

DEBT

4. ON DEBT, ANDREOTTI, WHEN I SAW HIM YESTERDAY, APPEARED TO SUPPORT OUR VIEW THAT NOTHING SHOULD BE DONE AT THE PARIS SUMMIT TO UPSET THE DELICATE BALANCE OF THE WORK DONE BY THE INTERIM COMMITTEE AND AT THE IMF/IBRD ANNUAL MEETINGS. HE COMMENTED THAT IT WOULD BE IMPORTANT ABOVE ALL TO AVOID RAISING EXPECTATIONS AMONG THE DEVELOPING COUNTRIES THAT WENT BEYOND WHAT COULD REALISTICALLY BE

ACHIEVED.

ENVIRONMENT

5. THE ITALIANS WELCOME THE EMPHASIS WHICH WILL BE GIVEN TO THE ENVIRONMENT AT THE PARIS SUMMIT. BUT ANDREOTTI EXPRESSED SCEPTICISM TO ME ABOUT IDEAS FOR NEW INSTITUTIONS. DE MITA'S OFFICE SAID THAT HIS PRIORITY WOULD BE TO GO BEYOND STATEMENTS THAT THERE WERE PROBLEMS TO BE SOLVED AND MAKE SURE THAT WE HAD A METHOD FOR SOLVING THEM, PARTICULARLY ON PROBLEMS SUCH AS POLLUTION OF THE SEAS. (COMMENT: PERHAPS A HINT OF PRESSURE FOR A MENTION OF THE MEDITERRANEAN HERE).

DRUGS

6. ANDREOTTI TOLD ME THAT HE WOULD LIKE TO SEE PRACTICAL RESULTS ACHIEVED ON COOPERATION AMONG THE SUMMIT 7 COUNTRIES AGAINST DRUG TRAFFICKING. HE EXPRESSED REGRET THAT THE GROUP OF EXPERTS WHICH HAD MET TO DO SOME WORK ON THIS HAD NOT CONTINUED ITS WORK. MY IMPRESSION FROM THIS WAS THAT HE HIMSELF WOULD LIKE TO PROPOSE THAT IT SHOULD DO SO BUT IT WAS CLEAR FROM WHAT HE SAID THAT THE SUBJECT HAD NOT YET BEEN DISCUSSED AT CABINET LEVEL.

EAST/WEST RELATIONS

7. ANDREOTTI SAW NOTHING VERY NEW TO BE DONE AT THE PARIS SUMMIT ON EAST/WEST RELATIONS, SINCE THE NATO SUMMIT AND THE MADRID EUROPEAN COUNCIL HAD SO RECENTLY SET OUT SATISFACTORY GUIDELINES. GORBACHEV'S VISIT TO PARIS MIGHT INTRODUCE SOME NEW FACTOR BUT ANDREOTTI WAS HIMSELF EXPECTING TO SEE ENDORSEMENT OF EXISTING POLICIES WITH CONTINUED EMPHASIS ON THE NEED FOR INVESTMENT TO HELP RAISE THE STANDARD OF LIVING IN EASTERN EUROPE AND THE SOVIET UNION AND THUS GIVE THE BEST CHANCE FOR POLICIES OF PERESTROIKA TO SUCCEED.

CHINA

8. THE ITALIANS ARE NOT LIKELY TO STICK THEIR NECKS OUT ON CHINA BUT CAN BE EXPECTED TO GO ALONG WITH WHATEVER CONSENSUS EMERGES.

THOMAS

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