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FOLLOWING FROM WED

EUROPEAN COUNCIL: ROME: 27/28 OCTOBER: SECRETARY OF STATE'S  
BILATERAL WITH DE MICHELIS ON 25 OCTOBER

SUMMARY

1. DE MICHELIS AGREES ON NEED FOR TOUGH STATEMENT ON GULF AND NO SPECIFIC AID PLEDGE FOR SOVIET UNION (THOUGH WORRIED ABOUT WINTER DIFFICULTIES). THE SECRETARY OF STATE STRESSES NEED FOR COUNCIL TO DISCUSS GATT (UNLESS AGREEMENT ON 26 OCTOBER): DE MICHELIS SUGGESTS LETTING COMMISSION NEGOTIATE WITHOUT POLITICAL MANDATE.

DETAIL

2. THE SECRETARY OF STATE HAD FORTY MINUTES' TALKS WITH DE MICHELIS THIS AFTERNOON. HE WAS IN LONDON FOR THE ITALIAN STATE VISIT. HE OUTLINED HIS VIEWS ON THE MAIN SUBJECTS FOR DISCUSSION AT THE SPECIAL COUNCIL.

GULF

3. DE MICHELIS STRESSED HIS CONCERN TO KEEP THE TWELVE TOGETHER AND HIS WISH TO START THINKING ABOUT POST-CRISIS POLICY. THE SECRETARY OF STATE AGREED THAT OUR REMAINING CLEAR AND FIRM ON THE UN SECURITY COUNCIL RESOLUTIONS WOULD HELP AVOID CONFLICT. THE SECRETARY OF STATE CAUTIONED READING TOO MUCH INTO RECENT SAUDI REMARKS: HE SAW NO SERIOUS ARAB TENDENCY TO ABANDON ANY PART OF KUWAITI TERRITORY. WE WOULD NEED TO CONSIDER OUR POLICY IF IRAQ WITHDREW BUT RETAINED ITS PRESENT DANGEROUS CAPABILITIES, BUT THIS WAS NOT NECESSARILY FOR ROME.

4. DE MICHELIS SAID THAT HE WOULD SUPPORT A TOUGH, CLEAR-CUT DECLARATION FROM THE ROME COUNCIL. HE STRESSED THE NEED FOR COMMON FIRMNESS ON HOSTAGES AND WANTED TO DISCOURAGE PARTNERS FROM SENDING EMISSARIES. ON POLITICAL ASPECTS, WE SHOULD DRAW ON PAST STATEMENTS, AVOIDING NEW LANGUAGE.

SOVIET UNION

5. DE MICHELIS THOUGHT DISCUSSION OF THE SOVIET UNION, EASTERN EUROPE AND CSCE WOULD BE EASY. THE TWELVE COULD SAY THAT THEY WERE LOOKING CAREFULLY AT THE SOVIET SITUATION AND WOULD TRY TO

CONTRIBUTE TO POSITIVE DEVELOPMENTS, WITHOUT GOING INTO SPECIFICS. THE SECRETARY OF STATE AGREED. ON BILATERAL RELATIONS WITH THE SOVIET UNION, DE MICHELIS SAID THAT THE ITALIAN PARLIAMENT WOULD SOON APPROVE SHORT-TERM LOANS OF 2,200 BILLION LIRA. ITALY WOULD EXTEND EXPORT INSURANCE OF 1,000 BILLION LIRA P.A. FOR THE NEXT FOUR YEARS. VICE-FOREIGN MINISTER VITALONE WOULD VISIT MOSCOW ON 12 NOVEMBER TO NEGOTIATE A TREATY ON THE MODEL OF THE FRANCO-SOVIET TREATY (DUMAS HAD CHANGED HIS MIND AND NOW WANTED SUCH A TREATY). THE ITALIANS HAD NOT BEEN KEEN ON A TREATY, BUT THE RUSSIANS WERE. THEY WOULD AVOID OLD-STYLE LANGUAGE. GORBACHEV WOULD VISIT ROME AFTER THE CSCE SUMMIT OR EARLY IN DECEMBER TO SIGN THE TREATY.

6. DE MICHELIS SAID THAT THE RUSSIANS DESPERATELY NEEDED SHORT-TERM MONEY TO GET OVER THE COMING WINTER. THE SECRETARY OF STATE QUOTED DELORS' VIEWS (MY TELNO 318 TO UKREP BRUSSELS) ON THE IMPROVING SOVIET BALANCE OF PAYMENTS BECAUSE OF THE OIL PRICE RISES. DE MICHELIS SAID THAT THE MONEY MIGHT NOT COME THOUGH IN TIME. THE FINNISH FOREIGN MINISTER HAD POINTED OUT TO HIM THE ADVANTAGES OF USING FINNISH RAILWAYS TO SEND SUPPLIES DEEP INTO THE SOVIET UNION, RATHER THAN RISK THEIR MISAPPROPRIATION IN LENINGRAD AND OTHER PORTS.

IGCS

7. DE MICHELIS FORESAW NO DIFFICULTY IN ROUND TABLE DISCUSSION OF POLITICAL UNION IN ROME: HEADS OF STATE WOULD GIVE THEIR FIRST REACTIONS. ON EMU, THE SECRETARY OF STATE SAID THAT HE SAW SOME ADVANTAGE IN A FURTHER MEETING OF FINANCE MINISTERS. IT WOULD BE A MISTAKE NOW OR AT THE DECEMBER COUNCIL TO IMPOSE A MANDATE ON TOP OF THE CARLI REPORT. DE MICHELIS SAID THAT NOBODY WANTED A MANDATE. IN VIEW OF KOHL'S RECENT COMMITMENT, IT MIGHT BE POSSIBLE TO TAKE ACCOUNT OF A BROAD CONVERGENCE ON FIXING A STARTING DATE FOR STAGE 2. THERE WAS MORE OR LESS AGREEMENT ON CONDITIONS FOR PASSING TO STAGE 2. BUT HE RECOGNISED THAT THERE WERE LIMITS BEYOND WHICH BRITAIN WOULD NOT BE PUSHED: BRITAIN HAD A DIFFERENT PHILOSOPHY ON A SINGLE CURRENCY. BRITAIN HAD BEEN SUCCESSFUL IN GETTING HER VOICE HEARD OVER RECENT MONTHS: THE CHANCELLOR'S HARD ECU PROPOSALS HAD BEEN TAKEN INTO ACCOUNT.

GATT

8. THE SECRETARY OF STATE SAID THAT ANDREOTTI'S LETTER ON THE AGENDA FOR THE COUNCIL MADE NO REFERENCE TO GATT. HE EXPECTED THE PRIME MINISTER TO REPLY SAYING THAT SHE HOPED THIS WOULD BE SETTLED TOMORROW BUT THAT, IF NOT, IT MUST BE DISCUSSED IN ROME.

9. DE MICHELIS SPOKE OF THE PRESIDENCY'S DELICATE POSITION, GIVEN GERMAN REQUESTS TO AVOID CAUSING THEM PROBLEMS BEFORE THE

DECEMBER ELECTIONS. HE THOUGHT WE SHOULD TRY TO FIND A WAY TO GIVE THE COMMISSION FREEDOM OF MANOEUVRE: FORMALLY, THEY DID NOT REQUIRE COUNCIL APPROVAL TO NEGOTIATE. THE FRENCH AND DELORS WERE READY TO GO ALONG WITH THIS: THE OUTCOME COULD BE TO HAVE THE RESULTS OF NEGOTIATIONS ON THE TABLE SHOWING BOTH ADVANTAGES AND COSTS FOR ALL PARTICIPANTS. TRYING TO FORCE THE GERMANS TOO FAR NOW COULD LEAD TO EUROPE'S COLLAPSE. HE HAD MADE NO HEADWAY WITH GENSCHER. THE FRENCH WERE MORE READY FOR COMPROMISE. HE WAS READY TO CONVENE A NEW GENERAL AFFAIRS COUNCIL AFTER THE SUMMIT. THE SECRETARY OF STATE SAID THAT WE MUST KEEP UP THE PRESSURE ON THE GERMANS. IF THE COMMISSION WERE TO NEGOTIATE ON ITS OWN AUTHORITY, IT WOULD LACK CREDIBILITY WITH OTHER GATT PARTNERS. DE MICHELIS UNDERLINED HIS GENERAL CONCERN TO AVOID SPLITS WITHIN EUROPE OVER GATT, THE GULF, OR OTHER ISSUES.  
10. BRIEF DISCUSSION OF SYRIA AND LIBYA IS REPORTED SEPARATELY (NOT TO ALL).

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