

MEMORANDUM

THE WHITE HOUSE

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WASHINGTON

E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines (Subser)
By KBH, NARA, Date 6/29/99

MEMORANDUM OF CONVERSATION:

PARTICIPANTS: President Ford
Arnaldo Forlani, Minister of Foreign Affairs of Italy
Amb. Roberto Gaja, Italian Ambassador to the U. S.
Raimondo Manzini, Secretary General of the
Italian Foreign Ministry
Brent Scowcroft, Assistant to the President
for National Security Affairs
Charles W. Robinson, Acting Secretary of State
Neil Seidenman, [Interpreter].

DATE AND TIME: Wednesday, September 29, 1976
10:30 a. m.

PLACE: The Oval Office
The White House

Forlani: Will you be campaigning during your debate?

The President: I will probably go out Monday, do a couple of minor things on Tuesday, and prepare on Wednesday. Then on Thursday I have a fund-raising dinner.

[Callaghan call comes in].

I am very sorry. I was about to say I am delighted to have you here and make your acquaintance. I think we have no big bilateral problems. I would like to hear how you see the situation in your country and any other items of interest to you.

Forlani: Thank you very much for seeing me. I know your many commitments, especially at this time and I greatly appreciate your kindness.

On the Italian political situation, my government is fulfilling its international commitments, including NATO, despite all the press insinuation to the contrary. The fact that it hasn't been possible to set up a coalition government and that we are a minority government doesn't

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CLASSIFIED BY Henry A. Kissinger
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affect the integrity of our government. Among the many abstainees is the Communist party. We have made clear this different Communist attitude makes no difference to our policy and relations with the world. If some factor should arise on the international scene, my government would not hesitate to precipitate a domestic crisis if needed to deal with the situation.

The first enactment of the new government was to add almost \$3 billion to the defense budget. That is one of the most significant actions taken in recent years in support of NATO. These bills provide for modernization of the Air Force and Army and are in addition to earlier bills by previous governments for the Navy and Marines. What I think is of interest is that the restructuring of our Army is getting strong parliamentary support.

The President: Including the Communists?

Forlani: They are not condemning it. They have a cautious, but responsible attitude. I believe it is interesting that the Communists are adopting a flexible stand concerning NATO. Personally, I am not sure the Italian Communists would like to see the present international equilibrium upset. On the other hand, when I was Minister of Defense I could see this attitude on the part of other Communists, especially Yugoslavia, and to some extent, Romania. The wish they seem to have is that even though they are linked through the Warsaw Pact they don't want the equilibrium upset.

Of course one cannot trust what seems to be. We must be cautious, but we do need to observe these trends. Even if within NATO we sometimes have differences -- like between Greece and Turkey or with France -- we see the same differences exist within the Communist bloc; it is not the monolith it used to be.

As for our complex internal situation, our comment is to NATO and to overcome our economic difficulties. I think we can overcome our present difficulties. But to do so we need the support of our European allies and most especially of the United States. The Italian people will also perceive this.

The President: I am very pleased to hear this and especially your report on your armed forces. For years we have had declining investment in our military. I turned that around. [He described what he has done.] We intend to be a firm and strong partner. Our public's attitude has

changed. The pressures for unilateral reduction of forces in Europe are lessening, though there are some who want to pull out everywhere. It is very helpful to be able to show that we are not the only ones increasing our contribution. We will be strong in the alliance, and must be, because there is no diminution of the threat, even though we see some signs of cracks in the bloc.

I am encouraged to hear your report on the Italian economic scene. As I recall, at Puerto Rico, there was less optimism.

Forlani: There has been a good business recovery in production and improvement in the financial situation -- in the balance of payments -- since Puerto Rico. Yesterday the Cabinet adopted a severe program to fight inflation -- to increase production and control expenditures and internal consumption. Of course, to control public expenditures and internal consumption, it is necessary to hold wages down, and that takes cooperation with the unions.

The President: Do you have wage and price controls?

Forlani: We have a cost of living escalator clause. It is a policy we inherited from the past -- when prices go up, wages must rise. For the current government this is the way to make it or break it. Either we get things under control or we'll have another crisis.

In yesterday's program, we reduced the size of the deposit fund, starting with 5% and going to abolition in 6 months.

The President: I certainly applaud the decisions taken by the Cabinet. I know it was difficult politically. It strikes a responsive chord here and we will be very supportive.

Forlani: This for us is decisive. Alone we cannot make it. We must have solidarity with Europe and especially the United States. For the Mediterranean area -- Spain, France, Portugal, etc. -- it is essential to keep the democratic forces alive and have our economic recovery. Only in this way can we keep the Communists under control. The gain in Communist strength in Italy has been directly related to the economic difficulties, the rise in oil price and prices in general. For 30 years

we have warded off the Communists, but we were always having economic expansion, but when this crisis came up we almost lost it, but things went better than we had foreseen. As you know, the party in power always has the advantage when there is economic progress.

Your growing success in your campaign is due not only to you, but what your Administration has achieved. I have spoken to many Italian friends in New York who see Democrats who will vote for you because you have brought about economic recovery. I hope we can do the same in Italy.

The President: I think we have done well and I think our economic progress will continue at a steady pace if we don't succumb to the temptation to make quick fixes. I agree with your comments on the political implications of economic developments.

[He described the current economic situation].

Forlani: I followed your debate with Carter. As a whole, while there are differences between you, I wish we had all our parties within the same political range.

The President: Please give the Prime Minister my warm regards.

Forlani: President Leone sends his very warm regards.

The President: Please give him and Mrs. Leone my very best wishes. We are very appreciative of your bicentennial gift of La Scala. It was a magnanimous gesture.

Forlani: May I say with extreme frankness and sincerity, for me and the government, we are following your campaign and wish you all the best in the election and for your family.

May I express thanks for your help also in the earthquake.

One last thing I should mention. After your elections, we must think about Malta. We will have Mintoff with us for a long time now and we should consider how to deal with him.

P/Furlani

✓

27 Sept 76

F Will you be comparing during your visit
P I will not go out Monday, do a couple of
minor things Tues, prepare on Wed. There
are things I have a fond raising dinner.
(Callaghan calls comes in)

I am very sorry. I was about to say I
delighted to have you here & make you
a promise. I think we have no big
bilateral probs. I would like to hear
how you see the situation in your
country and any other issues of interest to you

F Thank you very much for seeing me. I
know you may be busy, but at this
time I gently oppose your handling
of the Station political set, my part
is faithfully its with contracts, and NATO,
despite all press intimation to contrary.
The fact it hasn't been possible to set up
a coalition gov't & that we are a minority
gov't doesn't affect the integrity of our gov't.
Among a many abstainers is a Communist party.
We have made clear this diff. Communist
makes no bid to our policy & relations
w/ the world. If ~~some~~ factors
should arise on a world scene, my gov't
would not hesitate to preside a domestic
crisis if needed & deal w/ it.

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AUTHORITY per NSL memo 1/19/98, 5010 Dept. guidelines (Bulson)

BY ll NLF, DATE 2/2/09



~~I think~~ The first instruments of a new great
and add almost \$3 bil to a dry budget.
That is one of a most sig actions taken
in recent years in support of Nato.
These bills provide for modernization of AF
& Army & are in addition to earlier bills
by previous govt for Army & Marines.
What I think is of interest is that whereas
restructuring of our Army is getting strong
partial support

P

(incl. Crosts)

F

They are not endorsing it. They have a
cautious but resp. attitude.

I believe it is interesting that Crosts are adopting
a flex stand concerning Nato. Personally
I don't sense a St. Crosts would like to see
a protest with equilibrium upset.

On other hand, when I was Union Def. I
could see this attitude on part of other Crosts,
esp. Yugo & to some extent Romanians.

The wish they seem to have is that even tho
they hated their Warsaw pact they don't
want a equilibrium upset. Of course we
cannot trust what seems to be. We

must be cautious but we do need to
observe these trends. Even if we in Nato
are sometimes have diff - like G-T
or F-r, we still see some diff exist that



W/fin - cost b/c; it not - inevitable
it need to be.

Concerning our everyday internal sit,
our contract is to Nato + to increase our
own def. I think we can overcome
our present def. but to do so we need a
support of our Eur allies + most esp of
C U S. The It. people will also perceive this

P I am very pleased to hear this + esp your
reputation your drove press. For years
we have had declining investment in
our mil. I turned that around (described
what to be done). We intend to be
a firm + strong partner. Our public
attitude has changed. The pressures for
immediate reduction of forces in Eur are
decreasing, the there are some who want
to ~~pull~~ pull out everywhere. It is very
helpful to be able to show that we
are not only not increasing our
contribution. We will be strong - a
alliance must be based there is
no alternative of a threat, even tho
we all have signs of cracks in a
dike.

I am delighted to hear your report
on a It. Eur. summit. I recall at
Pentagon there was less optimism



F There has been a good credit recovery
in production + improvement in financial
sit (B of P) since P.R. yesterday cabinet
adopted a three prong to pay off inflation,
increase prod., + control expenditures. ^{of the} ~~of the~~
course to control prod. expenditures + internal
consumption, it is necessary to hold wages
down + that takes care w/c unions

P Do you have wage price controls

F No, for as it relates to management
w/ trade unions. We have a catch
all clause. It is a dangerous policy
we submitted from - part - when prices go
up, wages cannot rise. For example
you this is make it or break it. Either
we get things under control or we'll have
another rise.

In yesterday's prog, we introduced a size
of deposit fund, starting w/ 5% +
going to abolition in 6 mos.

P I certainly applaud decisions taken by
cabinet. I know it was diff. politically.
It strikes a very chord here + we ~~are~~ will
be very supportive

F This program is desirable. There was cannot
make it. We must have solidarity
w/ France + help U.S.

For a ~~Western~~ area - Sp, Fr, Port, etc. It
is essential to keep a close focus on
how our own money. Only in this way
can we keep Europe under control. The
gain in bond strength in it, has been
directly related to a economic def. - rise
in oil prices & prices in gold. For
30 years we have worked off a credit, but
we were always having an expansion, but
when this crisis came we are almost lost
it, but things went better than we had
feared. As you know a party ⁱⁿ of
peace always has advantage when there
is ~~and in~~ ^{progress} ~~part~~. Your growing
success in your campaign is due
not only to you but what your
administration has achieved. I have
spoken to many of friends in NY
who are dems who will vote for
you because you have brought
about our recovery. I have seen to
a sum in Italy

P I think we have done well & I think ^{and} it
we even people will return at a
steady pace if we don't succumb to
quick fixes. I agree w/ your comments
on a pol. explanation for our delays.
(Detailed comment on it)



We think our own prop has been good particularly -
F I followed your advice w/ Carter. As a whole,
while there are a lot of ~~of the~~ but you,
I wish we had all our parties w/in
a ~~some~~ pol. range

P Please give a PM + ~~for~~ my warm
regards.

F Please have Steve his very warm regards.

P Please give him + his love my very
best wishes as we very appreciate of your
billionaire gift of the Sealed. It
was a mag. gesture

F May I say w/ ~~some~~ extreme thanks
& sincerity, ~~and~~ I am not a goat
am following you engaged with you
all the best in a election & pe

your family
(Thanks for enthusiastic help)

One last thing I should mention. After
your election we must think about
Thatta. We will have ~~Wintoff~~ w/ us
for a long time now & we should
consider how to deal w/ him.

~~Wintoff~~

