

MEMORANDUM

THE WHITE HOUSE

SECRET/NODIS/XGDS

WASHINGTON

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E.O. 12958, Sec. 3.5

NSC Memo, 11/24/98, State Dept. Guidelines (Sulzer)  
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

EXEMPT FROM GENERAL DECLASSIFICATION

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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/Farlane

✓  
27 Sept 76

F Will you be coming during your Mkt  
P I will PNR go out Monday, do a couple of  
minor things Tues, prepare on Wed. Then  
as I have I have a final raising dinner.  
(Callaghan comes in)

I am very sorry. I was about to say I  
designed to have you here & make you  
a present. I think we have no big  
bilateral prob. I would like to have  
had you see the situation in your  
country and any other events of interest to you.

F Thank you very much for seeing me. I

know your many constraints, esp at this  
time & I greatly appreciate your kindness.

On a bilateral political jet, my goal  
is to fulfill it with constraints, and Mkt,  
despite all press intimation to contrary.

The fact it hasn't been possible to get up  
a coalition govt & that we are a minority  
govt doesn't affect the integrity of our govt.

Among a very abstinent is a 3rd party.

We have made clear this diff. Constituencies  
involves no big to our policy & situation.

If a ~~world~~ of ~~several~~ factor  
should arise on a world scene, my govt  
would not hesitate to precipitate a domestic  
crisis if needed & deal w/c crst.

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AUTHORITY for NSI memo 11/1/93; b6/b7c DOD guidelines (Bulson)

BY h NLF, DATE 9/2/01

FORD

~~I think~~ The first movements of a new govt  
would almost 3 bil to a dy budget.  
That is one of the most sig actions taken  
in recent years in support of Nato.

These bills provide for mobilization of AF  
& Army & are in addition to earlier bills  
by previous govt for Navy & Marines.

What I think is of interest is that re-both  
mobilizing of our Army is getting strong  
public support

P And c Crants?

F They are not condoning it. They have a  
cautious but resp. attitude.

I believe it is likely that c Crants are adopting  
a flex stand toward Nato. Presently  
I don't see c St. Crants would like to see  
a present with equilibrium upset.

On other hand, when I was in Def. I  
could see this attitude on part of other Crants,  
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 are  
cannot trust what seems to be. We  
must be cautious but we do need to  
observe these trends. Even if w/in limits  
we countries have diff - like G-T  
or Fr, we see a same diff exist b/wt

When I last wrote, it was - much  
it used to be.

Concerning our employes internal sit,  
our intent is to Nato + to increase our  
own dep. I think we can overcome  
our present dep. but to do so will c  
support of our Eng allies + most of  
c U.S. The St. people will also share this

I am very pleased to hear this + esp your  
report on your diverse forces. I've yours  
as home had declining interest in  
our mil. I turned that around (described  
what he has done). We intend to be  
a firm + strong partner. Our politi  
attitudes has changed. The reasons for  
unilateral domination of forces in Eng are  
leaving, the ones are gone who want  
to pull out every where. It is my  
hopeful to be able to show that we  
are not only onto increasing our  
enthusiasm. We will be strong -  
Altho' must be honest there is  
an element of a threat, more tho'  
we see some signs of cracks in a  
bit.

I encouraged to have your report  
on a St. own sense. Recall at  
Pentagons there was less optim



F There has been a good workin' recovery  
in production + improvement in + financial  
sit (B & P) since P.R. Yesterday I think  
adopted a severe prop to fight inflation,  
increase prod., + control expenditures. If the  
course to control fed. expenditures + internal  
consumption, it is nowes. to hold wages  
down + that is the very w/c unions

P Do you have wage + price controls

F No, so far as it relates to management  
w/ trade unions. We have a cog h  
labor law. It is a dangerous policy  
we inherited from past — when passed  
up, wages cannot rise. For evident  
fact this is where it + breaks it. Either  
we get this under control or will have  
another crisis.

In yesterday's prop, we introduced a size  
of deposit fund, starting w/ 5% +  
going up about 6 mos.

P I certainly applaud a decision taken by  
cabinet. I know it was diff. politically.  
It shd be a rep. choice + we ~~are~~ well  
be very suggestive

F This proposal is decisive. Once we cannot  
make it. We must have solidarity  
w/ Euro + dep. U.S.

For a ~~underdeveloped~~ area - Sp, Fe, Pat, etc. It  
is essential to help & derive funds above +  
below our economy. Only in this way  
can we hope to curb inflation. The  
gain in lost strength in ft. has been  
directly related to economic dif. - rise  
in oil prices + prices in genl. For  
30 yrs we have avoided a Crolt, but  
we were always having imp expansion, but  
when this crisis comes by are about lost  
it, but things went better than we had  
fear. As you know a party ~~and~~<sup>of</sup>  
fearer always has advantage when there  
~~is~~<sup>is</sup> progress.  
~~and no progress~~: pts. Your growing  
success in your campaign is due  
entirely to you but what your  
administration has achieved. I have  
spoken to many ft. friends in NY  
who are dear who will work for  
you because you have brought  
about some money. I have come to  
conclusion in ft.

P I think we have done well & I think <sup>our</sup> it  
was even progress will continue at a  
steady pace if we don't succumb to a  
quick fix. I agree w/ your comments  
on a pol. emphasis from different  
(Devoid of current issues)



We think our em pup has been good & faithfully -

F I forward your M with w/ Carter. As a whole, while there are b/w w/ far but you, I wish we had all our parties w/m a more full range.

P Please give c P.M. + others my warm regards.

F Perhence sends his very warm regards.

P Please give him & Mrs. here my very best wishes & we very approve of your bicentennial gift of the Sorella. It was a very creative

F May I say w/ ~~sincere~~ extreme frankness & frankness, ~~wish~~ I permit & goth not following your suggestion with you at least in a electric & per

some period  
(Thanks for enthusiastic help)

~~me~~ One last thing I should mention. After your electric are most think about Malta. We will have Minitop w/us for a long time now & we should consider how to do it w/ him.

