MEMORANDUM

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

PARTICIPANTS:
President Ford
Giulio Andreotti, Prime Minister of Italy
Dr. Henry A. Kissinger, Secretary of State
Brent Scowcroft, Assistant to the President for
National Security Affairs
Mario Mondello, Director General, Ministry of
Foreign Affairs
Amb. John A. Volpe, U.S. Ambassador to Italy
Amb. Roberto Gaja, Italian Ambassador

DATE AND TIME:
Monday, December 6, 1976
11:13 - 12:39 p.m.

PLACE:
The Oval Office

President:
First of all, Mr. Prime Minister, let me report the warm
feeling that the American people have toward you and your people. We
are very pleased to have you here. Please give my regards to
President Leone.

Andreotti:
Thank you very much, Mr. President. President Leone
asked me to convey his warm greeting. We would very much welcome
you in Italy. We honor not only the President, but Mrs. Ford also,
and we would like very much to offer you our hospitality.

President:
We would like to do some traveling.

Let me congratulate you on the job you have been doing since
last summer. You have had some difficult problems to deal with and
you have done an outstanding job.

Andreotti:
Thank you very much for your kind words. At the time we
are facing problems, but the Italian people are willing to do what is
necessary. Since we don't have a parliamentary majority, we must
work even harder to preserve democracy.
It is the most difficult time, because now the other democratic parties would not cooperate. I even offered to give up premiership for a coalition. They wouldn't join, and the only other option was to hand the government to the Socialists and Communists. We are unwilling to do that, so we formed a minority government. We put together a program to deal both with foreign policy and the domestic economic problems. The government now has the votes of the Christian Democrats and the abstention of all others but two small parties on the left and on the right.

As I mentioned before, on foreign policy we reaffirmed our allegiance to NATO and the EC. On the other hand, the Communist Party for the first time said that both of these institutions constituted objective reality for Italy. It is the first time ever that they acknowledged this. I am aware this is only a tactical expedience, but it is good to be in a position to tell the Italian people we have been right over the years and the others wrong.

Our objective is to get credentials with the people and present the image that we can govern with skill and objectivity. I have been on television refurbishing the image of the party. One think we have worked hard on is combatting tax evasion and the misuse of government revenues. We have increased revenues 48% in one year, which is real progress. We have even submitted a special program to increase revenues by another 34%, for a total of 75% for two years -- which was unimaginable in our country. We also got legislation to jail people who are sending currency out of the country. We have saved $1 billion through this. We have also eliminated seven holidays and made them work days, five religious and two secular. This represents a pattern of legislation which has gotten broad acceptance in Parliament.

President: I am aware of your attempts to strengthen your participation in NATO. Do the Communists support that in the Parliament, or how does that work?

Andreotti: What has happened is there are three pieces of legislation. The Navy part has passed, with the Communists abstaining. The other two (Army and Air Force) will also pass. The significant aspect is that we are able to get the votes for these special programs.

I don't want to give the impression all is rosy or that we have an easy life. Last September when our reserves were vanishing, I about resigned. But now we have this program in and we hope to get IMF
financing and a bit of help from our friends. It just may be that we can get the necessary spirit in the people and acquiescence of the Parliament. But if unemployment goes up and our balance of payments worsens, no IMF will be able to govern Italy. For every one percent increase in the price of oil, it costs us 70 million. We don't know how to cope with that.

I will also tell you about the EC meeting last week.

**President:** Let me tell you what we have done to convey our feelings on the oil price. I have written letters to the King of Saudi Arabia, to the Shah, and to the President of Venezuela. Secretary Kissinger has communicated with the other OPEC governments. I have called in selected OPEC Ambassadors. We have said it is not in the interest of OPEC to have an increase which would put the economic pause into a decline. It also would affect our ability to help the developing countries. If there is a downturn, we won't be able to buy the oil in the amounts they are talking about.

Have you communications with any OPEC nations? I know you have closer relations with Iraq than we.

**Andreotti:** Italy, both by diplomatic representations to OPEC and at the time of the Venezuelan visit, has expressed itself strongly on this. At the EC meeting we urged a joint action on this, but it wasn't possible. We pressed Libya (I can talk about their 10% purchase of Fiat) but I fear that Iran and others will press for an increase and I am worried. How do you see it?

**President:** I can't say there will not be one, despite our strong efforts, but I would hope it would not be an extreme one. It just isn't possible to forecast right now. What do you think?

**Andreotti:** Based on my conversations and reports, there is a fear of a 10% increase. Other leaders -- especially Giscard -- think this much is unacceptable for their countries. Others -- I am guessing -- like Britain may not be unhappy at this because of the North Sea. Also Holland which has gas. I was hoping the North South Conference could work out, with the developing countries, a formula.

**President:** The United States is spending $30 billion a year for oil imports. A 10% increase would take it to 35 billion. Any such increase would adversely affect our coming out of the recession and moving to
prosperity. If so, that would affect our ability to help the developing countries. When is the North-South meeting?

Kissinger: It was planned for the 15th of December but it was postponed, both because the EC didn't have a position, we didn't want to tie Carter's hands, and we didn't want it to serve as an excuse for raising prices right after it.

Andreotti: What is delicate is their proposal for indexation. OPEC says industrial imports are up and they need indexation to balance it out. Maybe we should try some kind of formula of a different kind to deal with it.

Kissinger: But they haven't proposed country-by-country indexation. That would be clever, but they haven't asked.

President: What was your reaction to Perez's view?

Andreotti: Perez has a moderate position. For example, he went along with a delay for some months for a study of how to deal with the developing countries and other issues. This would give the United States time to send some kind of signal. But Perez can't come out against an increase. He thinks it is justified, though he will listen to reason.

Kissinger: He will listen but it does no good.

Andreotti: We have made efforts with other countries, like Libya, to promote Italian exports. It was not government, but private. Like Fiat, which sold 10% to Libya to help its exports. Then if the price of oil goes up, so would the price of our exports. But some countries, like Iran, have undertaken development programs exceeding their capability.

President: But somehow we have got to get the OPEC countries to recognize the seriousness of the situation both in economic and monetary terms.

Andreotti: There was unanimity against a price increase at the EC meeting. What we lacked was the ability to do anything about it. Some more than others -- like Great Britain -- who were not so vociferous. Do you have any advice?
President: We should all work on the OPEC countries. The increase would have an adverse impact on OPEC itself and on the developing world. We will continue our efforts. Henry, do you have any thoughts?

Kissinger: The best thing we can do is to maintain a common front. No one should go off alone trying to get a special deal. The other thing to do is conservation. Otherwise, unless we change the market conditions, we will face this every six months. Those who reject a common approach are being very unhelpful.

Andreotti: The talk at the EC was clear, but it just asserted a position and didn’t come out for a delay. It decided each country would approach it bilaterally, which I am not sure is the best way to do it.

President: How are we coming with our joint energy committee? That offers hope for your country.

Andreotti: With regard to new sources, nuclear aspects are coming well. Many of the other sources are experimental only and will require years of work. We, of course, want to continue to work cooperatively.

President: Nuclear energy has to make a big contribution to our energy independence. On solar energy, though, it is two or three decades away from any serious contribution, our people think.

Andreotti: Some other issues we will take up with Secretary Kissinger and Secretary Simon. I would appeal for you to put in a good word with Secretary Simon.

President: We do hope the IMF negotiations work out. Would you give me an appraisal of how close you are?

Andreotti: All of the requirements of the IMF -- increased taxes, rates on services (electricity, railroad), have been done. The IMF has also asked us to reduce labor costs. We are consulting on that now and we will get some reductions. But we have to step carefully about reducing benefits for labor. The Fund doesn’t necessarily understand that, though Witteveen has been a government minister.

Volpe: The Prime Minister has put a scala mobile through in better shape than anyone imagined. He is too modest.

Andreotti: What we did was for wage earners over about $5,000, we froze wages for 18 months. The Fund wants us to do more. We may be able to but it will have to be gradual.
P Let me suggest a man in Urga. An

A I think you may want to keep your options open and be ready to react if the situation turns. We would approach him without any prior contact. We should make clear that we are interested in discussing any issues that may arise.
P We would like him to be someone who is impartial. We would like him to talk to you about any issues that may arise.
A Thank you very much for your kind words.

DECLASSIFIED
E.O. 12958, SEC. 3.5
NSC MEMO, 11/29/90, STATE DEPT. GUIDELINES (Sin)

[Signature]

[Date]
As I mentioned before on FP, we reaffirmed our allegiance to NATO & EC. Another 1, 2, 3 party for 1st time with both their constituencies participating. Letter starts with the word 'first' suggesting that they were serious about getting involved in the party.

I am aware this only a technical pig-man but it could be in good time to tell ST. people we don't have eight even some extraordinary. Their objective is to get both inside & outside views that they can somehow still get it.

I have an EC referendum among the party. One thing we have worked hard on is the European & monetary part where we have a turn 48% in yr. which is not, I guess. We have some potential they give it 45% maximum by another 34% for a total of 79% for 2 yrs. - approximately 90% now. We also got trying to get people make sense of the event. We have found if the European thing is not

This up to the time they will have the broad respect, in Paris.

P: Someone of your stature to address your own party, in North D.C. I would suggest that in a Paris, a similar situation work? A: Either there has been a few more pending days. The heavy part has passed, Abroad...
obtaining the loan is very difficult. We just cannot help but concern ourselves with scenarios and situations as best as possible.

But now, we have this opportunity at E.C. and it looks promising.

If I am not mistaken, it will be a great opportunity for us. We will be able to secure funds for our projects.

I am very happy with the situation. We have a chance to move forward.

P.S. I will tell you what we have done to maintain our spirits up. I have been writing to SA, Shoh, and Ros. We are doing our best to keep ourselves busy.

I am also keeping busy with my work. We have a lot to do and we are making progress.

I hope we will be able to overcome this challenge.

I am also thinking about our plans for the future.

Our situation is very promising. We have a chance to make a comeback.
A. Study both my history of Japan & China.

You have close relations with China.

B. Study both my history of Japan & China.

If Japan unit has figured itself strongly in this, at E & W we urged caution on this, but it was not practical. We pressed

hedge (I guess talk about this 1/2 day of Fud) but I fear there are others will press

for not fish out. How do you react?

P. I can't say there will not be objections to any efforts, but I would hope it would not be an extreme one. It just
doesn't seem possible to prevent & yet more. What do you think?

A. Based on my conversations w/ just a few of our leaders - esp. General - think this much is unreasonable for

those countries. Others - 1/2 - generally - felt it may not be unhappy at this
class of M. Screws.. etc. But what do you

think? Are they going to improve R-S relations?

P. The US is ???? 30 lb. for 1st 10.000

would take 12 to 35 lb. Any much it

would only make effect on our export

of wheat & moving to prosperity. Of 20,

that would offset our ability to help 10c.

When in R-S unit.
K. If planned for TV, but it progressed with the more EC didn't have funding, we didn't want to put extra burden on the children and it's to lowering belief for for raising purposes right after it.

A. What's obvious is then proposed for India, but the more we understand more are they used in Judaism before it out. Maybe, one should try some kind of formula to slip through to deal with.

K. But they haven't proposed county by county, Judaism. That would be easier, but they haven't asked.

P. What was your reaction to George view?

A. Picking the same one in their chain, for example, they went along with adding the same words for a study of dealing with ROC, etc. Therefore if any US time to send some kind of signal, but they can't come out against one.

K. Do you feel it is justified, the way he will listen here.

K. He said he tells about it, but it does not sound.

A. He some much effort as other countries, like, he was, to promote that, he had, it wasn't good at first, which took OK, to help to help. Then if it was any, as you, to give Y, but some countries like Iran, have undertaken efficient programs, expanding their capacities.
1. But somehow we've got to get a few more of us at the meetings. I see too many of us sit back in our seats, wait for it to happen.

2. There's a community against us. Fcc itself, what we think is a majority. Is doing everything about it. What more than others. The US, who isn't too friendly.

3. Do you have any advice?

4. We should all work on each other's.

5. The worst would have an address in the Open itself. Your Open itself can do a lot. We will continue our efforts. How on Earth?

6. The first thing we need to do is with a community's community. Do one thing off the list. Try to get a special deal. The other thing is to do conservation. Otherwise, we always want to continue.

7. We will face this every 6 mos. Those who reject a change of approach are doing their work enough.

8. The talk at FCC was clear, but it just amended a point. It didn't come out fast enough. It should never have to change. It should just be simple, which I don't agree.

9. How can we change all our joint efforts? That effort today for joint efforts.
A. We need to have some mutual support and work well. They often seem to
agree and as a result, we will seem superior.

P. We are always here to make a big impact.

A. Sometimes we will take up all the work.

P. We are here to be creative and work.

A. I would approve of you to put in a good word of Session.

P. We see here a big impact and work. Would
you give a review of personal know-how else
for us?

A. All of requirements for TMR in Alaska, ratio
on sizes (size, R) have been lost. TMR
has also doubled its value data costs, as
ease capacity control now and will
get some reductions. But we have
deep worry about reducing benefits
for labor. The final decision was under-
stood that, the William has been
a good position.

P. Mr. has put in some simple then
in better shape than anyone imagined.
As in the moderate.

A. What we did was for unique because ours
About 5000, we froze wages for 1 1/2 months. Final wrote us to slow down. We may be able to keep it steady, but it will have to be gradual.