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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

3 DEC 1976

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Visit of Italian Prime Minister, Giulio Andreotti

There are several defense-related points which I believe may be worth making during your meeting with Prime Minister Andreotti.

1. Overall U.S.-Italian Relations. The Italians have been sensitive to U.S. concerns about the undesirable consequences of increased Communist influence in the national government. They feel that, because of the recent Communist gains, there may have been a cooling of U.S. desire to maintain the past level of cooperation with Italy. They have complained of a seeming lack of U.S. cooperation in facilitating Italian third-country exports of military equipment manufactured under U.S. license. They have also noted some reluctance in the U.S. to move forward on a proposed U.S.-Italian program of cooperation for Atomic Demolition Munitions. We believe that, despite the gains the Italian Communist Party has made in Parliament, Andreotti's Christian Democratic government is holding firm to its commitment to the U.S. and NATO, and that we should reassure him of our continuing support and our interest in moving forward with pending and new programs of defense cooperation.

- We are pleased to note your government is taking the necessary **measures** to withstand Communist Party influence and is maintaining Italy's firm commitments to goals it shares with NATO and the U.S.
- We would like to maintain close defense cooperation with Italy, and hope events will allow us to continue to move forward on cooperative programs currently under discussion.
- We would also like to encourage increased contacts between U.S. and Italian defense personnel, such as visits, exchanges, exercises, and joint training.

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SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DOWNGRADED AT TWO YEAR
INTERVALS DECLASSIFIED ON
DECEMBER 31, 82

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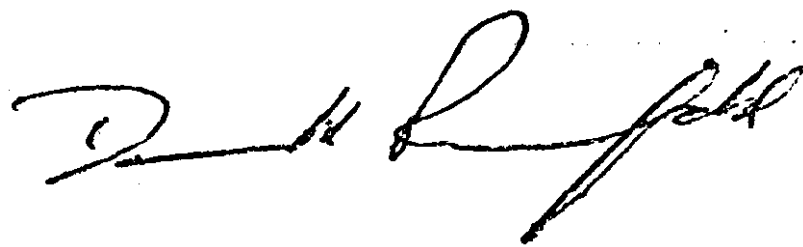
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2. Italy's Defense Budget. The Italians have undertaken to reduce the size of their armed forces while improving the quality of their military equipment. In doing so, the government has **proposed** to Parliament three "promotional laws" **which** would have the effect of modernizing the equipment of the Italian Army, Navy and Air Force over the next ten years. Parliament passed the Navy program last year; the Army and Air Force programs should pass before the end of this year. Even the Communist Parliamentarians are not expected to object too strenuously to the **re-**equipment of the armed forces, since the "promotional laws" are also designed to reinvigorate domestic production. We believe it is **important** to emphasize to Andreotti that passage of the "promotional laws" is necessary to compensate for Italy's reduced armed forces; that Italy's defense budget must have high priority among the calls on Italy's financial resources; and that Italy should financially support key NATO programs such as AWACS and increased infrastructure spending, which promise major improvements in NATO early warning and other defense capabilities.

- We hope the government will press for early Parliamentary passage of the Army and Air Force promotional laws for equipment modernization.
- We hope Italy's defense budget, like that of the U.S., can show real annual increases so that the Alliance can counter recent trends which favor the Soviet Union and Warsaw Pact.
- Italy should also make the extra effort to financially support such NATO programs as AWACS **and** increased infrastructure spending.



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I-NATIONAL
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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

In reply refer to:
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2 DEC 1976

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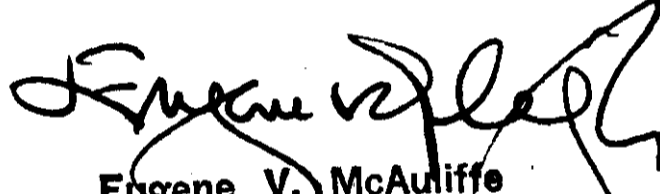
MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: The President's Meeting with Italian Prime Minister Andreotti-
ACTION MEMORANDUM

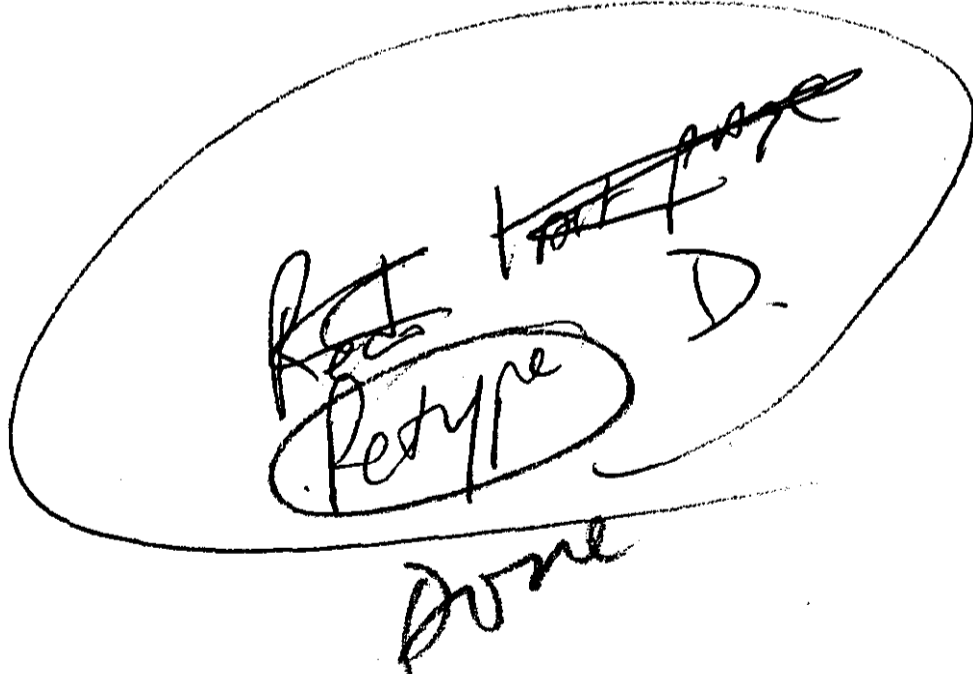
The attached memorandum for the President, for your signature, suggests a number of issues the President may wish to discuss with Prime Minister Andreotti when the latter pays an official call on the President on 6 December.

Recommendation:

That you sign the attached memorandum,


Eugene V. McAuliffe
Assistant Secretary of Defense
International Security Affairs

Attachment
a/s



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SUBJECT TO GENERAL DECLASSIFICATION SCHEDULE OF
EXECUTIVE ORDER 11652. DECLASSIFIED ON 12/31/82
AT TWO YEAR INTERVALS.



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