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February 12, 1969Background on Bilateral Issues - ItalyItalian Recognition of Communist China

In early 1964, Italy and Communist China negotiated an "understanding" for the establishment of Trade Missions in Peking and in Rome. President Saragat, then Foreign Minister, told Parliament that Italian recognition of Communist China was not a question of "whether", but a question of "when". With the appointment of Nenni as Foreign Minister, the recognition of Communist China again came to the fore. Developments in Vietnam, Italian belief that attitudes in the United States toward Communist China were changing, and the flurry of rumors regarding the re-examination of policy toward Communist China by Canada and Belgium undoubtedly contributed to Nenni's announcement on January 24.

Civil Air Negotiations

Italy denounced the Air Transport Services Agreement of 1948 with the United States on June 1, 1966 and the denunciation took effect as of July 1, 1967. Italy denounced the agreement because under the old agreement there was a gap of some \$7 million in favor of the United States (\$10 million in 1967).

Negotiations for a new agreement were held in 1967, but since Italian route demands would have significantly unbalanced the revenue-earning potential in favor of Italy, no agreement was possible and the talks were broken off at the end of May 1967. Throughout 1968, the Italian Ambassador and Assistant Secretary Solomon tried to move the matter forward in informal talks. In December 1968, formal negotiations were renewed. The United States offered Italy important new routes to Los Angeles, Atlanta, and Dallas which would have produced a commercially balanced agreement. The

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Italians also made significant concessions with regard to the Bermuda capacity principles. However, the negotiations were suspended again, this time on the complex issue of multiple designation of carriers. The Department and the Civil Aeronautics Board are now exploring certain compromise arrangements.

Italian Request for Nuclear Fuel

In April 1965, Italy asked to purchase a small amount of low-enriched uranium for use in the experimental stage and in the eventual construction and operation by the Italian Navy of a nuclear-powered auxiliary ship. No U.S. technological assistance or information was requested. The Executive Branch favored the conclusion of a military nuclear agreement with Italy to provide this fuel, but the Joint Committee on Atomic Energy and certain elements in the Executive opposed a military agreement.

In view of our inability to meet the Italian request, Italy turned to France and to Great Britain. The French agreed to provide fuel for the land-based critical experiment. The British offered to provide fuel for the shipboard reactor, but at a high price. So far, Italy has not accepted the UK offer. Italy still seems to want to obtain the fuel from the United States.

Latin America

As Secretary of the Italian Christian Democratic Party, Prime Minister Rumor made a particular effort to establish relationships with the Christian Democratic Parties in Latin America. While Rumor is fully aware of the economic and political limitations on Italian influence in Latin America, he is convinced that Europe, and Italy in particular, can play a useful role in Latin America by the development of what he has referred to as a "triangular relationship" with the United States.

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Malta

After Malta became independent, NATO made an arrangement for consultation with Malta which has been facilitated within NATO by the formation of a special "Malta Group". Malta has a difficult economic problem arising from the withdrawal of British forces and the UK is providing sizeable development aid. Italy has also given some limited assistance to Malta. We are giving limited help in the form of agricultural products, more frequent visits by the Sixth Fleet, and encouragement to American private investment. We would welcome greater assistance to Malta by Italy and others.

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