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SOME IMPRESSIONS ON LEAVING ITALY

SUMMARY

HM Ambassador offers observations on the Italian scene after serving in Rome in the fifties and late seventies.

2. Between 1955 and 1979 the gap in economic performance between Britain and Italy was considerably narrowed. If present trends continue Italy will have overtaken us economically before long.
3. But Italian political and administrative structures are weak and Italy has suffered from severe social strains, industrial disputes and violence of all kinds. Above all, the 30% of the electorate voting for the Communist Party is a source of anxiety to Italy's friends.
4. The Italian brand of communism. Its special characteristics do not make it less dangerous to Italy or to her allies.
5. The recent Communist setback. The question whether anti-Communist forces can build upon their successful rearguard action.
6. The Christian Democrats. The strangeness of their leaders.
7. Other democratic parties win too few votes to be able to assert effective influence. But Italian political scene with its important factor of patronage more nearly resembles eighteenth century England than contemporary Western democracies.



8. Essential continuity and consistency of Italian policies must not be overlooked.
9. The presence in Italy of the Pope a powerful special feature in the political scene.
10. The generally optimistic view usually formed by foreigners about Italy. HM Ambassador thinks that this is justified but is sceptical how well Italy will succeed in keeping up with the leading European nations.
11. The importance to us of Italy. The present state of our relations is very good.
12. HM Ambassador expresses appreciation on leaving the Service.



BRITISH EMBASSY,
ROME.

28 June 1979

(014/5)

The Rt Hon the Lord Carrington KCMG MC
etc etc etc
Foreign and Commonwealth Office
LONDON S W 1.

My Lord,

SOME IMPRESSIONS ON LEAVING ITALY

1. Since I have been lucky enough to serve in Italy for some six years, as First Secretary in the fifties and recently as Ambassador, I think I should offer some observations on the Italian scene and on the bearing of Italy on our own interests. I shall try to avoid discussing current issues or immediate prospects.

2. In terms of economic performance Italy has considerably narrowed the gap between us over the years 1955-1979. In 1955 GDP per head in Italy was less than half that of the United Kingdom. In 1978 it was within 15% of the UK figure. Between 1955 and 1978 the Italian share of world exports doubled, from 2.2% to 4.4%, while Britain's declined from 10.3% to 5.3%. Productivity in Italy grew by an average 5.2% between 1950 and 1977, while the figure for the United Kingdom was 2.6%, exactly half. These figures serve to show that Italy will probably overtake us economically within the next few years unless we soon begin to do much better.

/3.



3. I do not mean to say that everything in Italy is going well. Clearly it is not. Italian political and administrative structures are weak and the very speed of her economic development in the sixties brought about severe social strains, not to speak of environmental damage. Italy suffers more than her fair share of disputes and strikes which afflict all industrial countries. Besides, criminality and violence of all kinds are unacceptably widespread. In any case, even if all else seemed to be favourable, a country in which 30% of the electorate vote for the Communist party must be considered to be vulnerable to attack from within by undemocratic forces. It is this above all other things that makes Italian prospects such a puzzle to Italy's friends.

4. The Italian brand of Communism is clearly very special. I am constantly struck by the markedly (upper) bourgeois attitude of most of their leaders. Berlinguer, for instance, comes from a 'county' family in Sardinia. Lama, the Communist trade union leader, is of working class origin but even he has acquired upper class tastes such as a cigar after luncheon. Communist mayors in the provinces are the sort of people one would expect to meet in a Rotary Club - but more intelligent and interesting. Without exception they and their wives are well-mannered and well dressed. But there is no doubt about their communist faith even if it is very Italian. I daresay that the Russians find them difficult to deal with, somewhat wanting in respect or obedience to the doctrine laid down in Moscow. Maybe there have been, or still are,

/circumstances



circumstances in which they can be brought to play at least for a limited period a constructive role within the environment of Italian democracy. But let us be in no doubt about the advantage to Russia and the disadvantage to the West if the communists were actually to enter an Italian Government. The implications both for NATO and for the EEC could be very serious; even if the communists did not do much themselves to harm our interests, the strains which their very presence would set up among their partners would be damaging. Even then, such is the agility of Italian politicians, all would not be irretrievably lost; but the communists would have obtained a lodgment from which they could be expelled only with the greatest difficulty.

5. Fortunately there is no prospect at present of communist participation in Government. After thirty years of steadily increasing votes the Communists have just suffered a sharp rebuff at the hands of the electorate. It is impossible to say whether this is only a temporary setback or whether it marks the beginning of a decline. But there must now be some chance that at last Italy may summon up the strength to begin to throw off the poison which has been sapping her political health for so long. The upshot must presumably depend on whether the principal anti-Communist political forces, the Christian Democrats, the Socialists and the minor democratic parties, can build upon the successful rearguard action which has lately discomfited their Communist opponents.



6. It must be admitted that the Christian Democrats are a rum lot. With very few exceptions they come from narrow provincial backgrounds. Insular, ignorant of anything outside Italy, speaking no foreign language except Church Latin, they resemble minor characters from French 19th century novels. Poor Aldo Moro, greatly admired and loved by his own party, was a man that foreigners found impossible to understand. His tortuous language, his impenetrable silences, his abstinence from food and drink, his habit of falling asleep on social occasions - all these things disconcerted his foreign colleagues who therefore tended to underrate his skill and tenacity. Most of the other leaders, though not at all resembling Moro, are just as difficult for foreigners to get on to terms with. Andreotti is an exception to this general rule but even he is a strange fellow in some ways.

7. As for the Socialists, admirable in some respects, the trouble is that they win too few votes (10% of the electorate). Their lurches to right or to left do not seem to improve their position very significantly and one sometimes despairs of the common sense of their leaders. The smaller parties are even more admirable by objective standards but win even fewer votes (though in the last election they have done better, it is true). All in all, it is hard to take a very sanguine view of the health of Italian democracy if one judges it by the standards of the rest of Western Europe. Perhaps it is better to think of the Italian political scene more in terms of 18th century England when political patronage was



such an important factor.

8. As a matter of fact I think that except in economic performance it is a mistake to judge Italy by reference to other European countries since the resemblances when they exist are so misleading. Compare for example the German Christian Democrat party and the very different Italian one, or the Italian and German Social Democrat parties. A point to remember is the essential continuity of Italian policy, especially foreign policy. In spite of frequent political crises, changes of government and in recent years two "anticipated" elections, the Government of Italy has followed a remarkably consistent course broadly accepted or at any rate not violently opposed by all political parties. I do not recall any occasion when Italian Ministers have been obliged by internal political developments or parliamentary requirements to cancel a Ministerial visit either outward or inward. Signor Andreotti for instance attended the European Council at Copenhagen last summer in the middle of the crisis over the election of the President of the Republic. Numerous important Ministerial visits to Italy have taken place during the period since the fall of the 4th Andreotti Government when in theory the administration was of a temporary or caretaker character. It is worth noting too that throughout the nearly three years that I have been here as Ambassador Andreotti has been President of the Council (Prime Minister) and Forlani Foreign Minister.

/9.



9. Another rather different point is that the Pope lives here. At present we all wonder about the political and psychological effect worldwide of the outstandingly personable Pope elected last September. But even without the Pope being of exceptional personality the indirect influence of the Papacy in Italy itself is considerable. I am not altogether convinced by the assertions made recently to me by several eminent archbishops to the effect that a religious revival is in progress in Italy. But there is no doubt to my mind that the presence of the Pope in Rome constitutes a powerful special factor in the Italian political scene - not always a helpful one - which differentiates Italy from other countries, even those with large Roman Catholic populations. Presumably it is one of the more important considerations which have influenced Italian Communist tactics.

10. Italians are very likeable people on the whole. Foreigners who live in Italy find it, in spite of every kind of frustration, an attractive place. I think that most people, as well as liking the Italians, find them industrious, ingenious and intelligent. Perhaps they are not always reliable and it is indeed rare to find one willing to make a long slog. But their mixture of personal characteristics usually seems to work out well enough. This is what tends to persuade most of us who have known Italy over a long period to take an optimistic view of their political as well as their economic prospects, while remaining sceptical about how well they will succeed in keeping up with the leading European nations.

/11.



11. I ought to say something about Anglo-Italian relations. They were not good at times in the 50's; there were anti-British demonstrations over Trieste caused largely by what the Italians thought the arrogant behaviour of the British Commander there. Our relations are much better now. Partly this may be because of our own relative decline, but mainly because Italian and British interests have converged in several ways. We collaborate very closely in a number of important fields. In my present position I naturally welcome the improvement and I hope that if, as I also hope, we manage to recover our strength and prosperity and national self-confidence we do not also resume our habit of arrogance towards the Italians. I am all the more encouraged to express this hope by the way in which the Prime Minister spoke recently in such a friendly and candid way to the Italian President of the Council on his recent visit to London. I firmly believe that our national interests will be served by making the Italians feel that we regard them as close and important friends.

12. Finally, I should like to say something about HM Diplomatic Service as I leave it. After thirty five years in a service such as ours it is difficult to say anything that does not sound trite or sentimental. But I want nevertheless to say how much I have enjoyed my career. You and your predecessors as far back as Mr Bevin have been invariably kind and considerate and so have those who have served with me in various diplomatic posts or in the Foreign Office itself. It has been a tremendous honour as well as a great

/pleasure



pleasure to serve in such excellent company and I am most grateful for the opportunity of doing so.

13. I am sending copies of this despatch to Her Majesty's Representatives in other EEC capitals, Washington, Moscow, Athens, Madrid and Lisbon; to the UK Permanent Representatives to the European Communities and NATO; and to Her Majesty's Minister to the Holy See.

I have the honour to be

Your Lordship's obedient Servant

A handwritten signature in black ink, which appears to read "A H Campbell". The signature is written in a cursive style and is positioned above the printed name.

(A H Campbell)

Mr Ferguson ✓

CONFIDENTIAL

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WCS 014 14 Mr Bullard

25 JUL 1970

INDEX

DESK: D

"SOME IMPRESSIONS ON LEAVING ITALY"

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P & S

SIR ALAN CAMPBELL'S DESPATCH "SOME IMPRESSIONS ON LEAVING ITALY"

1. I submit a valedictory despatch by Sir Alan Campbell surveying the Italian scene over the past twenty-five years, which I have acknowledged and sent for printing as a Diplomatic Report in the General series.
2. His remarks about the Communist Party (PCI), which he describes as "the poison which has been sapping her political health for so long" (paras 3-5), the Christian Democrats (para 6) and the Socialists (para 7) are particularly interesting. Sir Alan reserves his position as to whether the recent decline in public support for the PCI will continue and the smaller, more democratic, parties strengthen their position. None of the smaller, lay parties (including the Socialist Party) has as yet shown signs of challenging the PCI for the role of a viable opposition party to the Christian Democrats, although President Pertini has now asked Signor Craxi, the leader of the Socialist Party, to try to form a new government. If the Socialists were to form an administration, and if thereby the support for the smaller, bourgeois, parties increased significantly at the expense of the PCI over a longer period of time, this judgement might alter. But it would, alas, be surprising if the PCI, for all its current agonising over the reasons for poor electoral showings of late, were to decline significantly as a force in Italian politics.
3. Sir Alan Campbell makes a striking claim in paragraph 2 of his despatch, namely that Italy will probably overtake Britain economically within the next few years unless the British performance improves radically. I understand from Economists Department that, on a straight extrapolation of British and Italian GDP growth rate per head of the population at constant prices between 1972 and 1977, it will in fact take Italy roughly fifteen years to catch up with

/UK



UK per capita GDP. A straight GDP comparison is misleading in that the Italian population is growing faster than the United Kingdom's.

D. A. S. Gladstone

D A S Gladstone
Western European Department

16 July 1979

cc Economists Dept
Research Dept

[Signature]
8/7.

1. Sir A. Campbell here takes genial farewell of Italy and of the Diplomatic Service. If every member of the European Community has its distinctive contribution to make, Italy's must be the example of how to live happily and successfully with law & order tottering, public administration in a state of collapse and what the rest of the world calls "Government" missing for long periods.
2. As to Anglo-Italian relations, I am afraid the convergence of interests in the Community is a bit precarious. I cannot see Britain and Italy ever becoming really close - or having anything really serious to quarrel about either.

DM what 18/7.

An interesting dispatch though I wish the Ambassador could have gone into rather ~~more~~ greater detail on the subject of the special ^{similarity} ~~resemblance~~ of Italian Communism. Her views to be sure, ^{in common} ~~similarity~~ between the French Italian region and the French ^{with} ~~with~~ Republic ^{in the degree of continuity} ~~in the degree of continuity~~ ^{disaster} ~~disaster~~ ^{that} ~~that~~ ^{maintained} ~~maintained~~ ^{relatively unscathed} ~~relatively unscathed~~. In Jan 2/77

A C Goodison Esq CMC
British Embassy
ROME

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INDEX	PA

16 July 1979

SIR ALAN CAMPBELL'S DESPATCH "SOME IMPRESSIONS ON LEAVING ITALY"

1. We all found Sir Alan's valedictory despatch a most stimulating survey of the Italian political economic and social scene over the twenty-five years of his acquaintance with the country. I have sent it for printing in the General Series.
2. We were particularly interested in his comments on the nature of the political parties. As to their performance, we find ourselves wondering about the extent to which the long term future of the PCI hangs on the outcome of current efforts to form a new administration led by Signor Craxi. It is tempting to hope that the anti-Communist forces' "rearguard action" referred to by Sir Alan might indeed develop into a successful counter-offensive, if S Craxi succeeded in forming a government without PCI participation and if such a government survived - and prospered - for any length of time.
3. As befits any Italian experiment, much will in any case depend on luck: and that includes the economy, which was doing well until the onset of the latest oil crisis. There always seems to be argument about just how well it is doing and we asked the economists to comment on the assessment of Italian and British growth rate differentials (para 2). There seems incidentally to be a small mistake in the current difference between the British and Italian GDP per head which the despatch quotes. According to our figures, in 1978 the British GDP per head was about 25% above the Italian level. And between 1972 and 1977 the average growth rates of real GDP per head were 3.0% in Italy and 1.5% for the UK respectively. Our experts tell us that, on these figures, it would take Italy fifteen years to catch up with the UK in terms of this indicator. This is partly because, although the aggregate Italian GDP growth rate is larger in Italy than the UK, the Italian population has recently been growing faster than the British.

D A S Gladstone
Western European Department

cc Sir Alan Campbell KCMG
c/o Heads of Mission Section

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DRJ 0144	
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INDEX	

Mr Nash WED

SIR ALAN CAMPBELL'S DESPATCH "SOME IMPRESSIONS ON LEAVING ITALY"

1. I have the following comments on Sir Alan Campbell's final despatch which you may wish to include in your submission to Mr Gladstone.
2. I agree that Sir Alan may be a little hopeful over the chances of Italy's throwing off the "poison" of the PCI. None of the smaller lay parties, including the Socialist Party, as yet shows signs of challenging the PCI for the role of a viable opposition party to the DC. There is also evidence of growing public disillusion with the whole political set up; there was apparently little interest in the 1979 elections, the turn out (though still high) was the lowest for many years and political violence continues unabated.
3. Sir Alan mentions the widespread nature of criminality and violence. The PCI may hope that this, together with a deteriorating economic situation which it could help to bring about by industrial unrest, will lead to its being included in government even after its recent electoral losses. Though the PCI has made no headway in obtaining ministerial posts alongside the DC it must derive some satisfaction for its part in obtaining a socialist president of the Republic and a communist president of the Camera. The PCI will also attempt to consolidate its gains in regional and local government although it is finding the problems of governing the major cities no less intractable than did the DC.

Kathryn Colvin

Mrs Kathryn Colvin
Atlantic Region
Research Department

6 July 1979

WRJ 014/4	
RECEIVED	10 JUL 1979

Mr Rollo (Economists Dept).

COMPARISON BETWEEN UK AND ITALIAN ECONOMIC PERFORMANCES

- see para 2.*
1. I attach an extract from a despatch dated 28 June 1979 from our Ambassador in Rome.
 2. This extract compares, unfavourably, the performances of the British and Italian economies. The last sentence states that on the basis of the opinion given, Italy will probably overtake Britain economically within the next few years unless Britain soon begins to do better.
 3. Could you please let me know whether this conclusion is accurate?

Ronald Nash

5 July 1979

R P Nash
Western European Department

P.S. I need the information for a submission drawn in draft. Many thanks -

Mr Nash (WED)

I think Sir Alan Campbell has somewhat overdone his pessimism on Italy/UK growth rate differentials. He has also got the wrong figure for the current difference between UK and Italian GDP per head. By my estimate, in 1978 UK GDP per head was about 25 per cent above Italian levels. (I think his error must arise from the well known statistics that UK income per head is some 73 per cent of EEC - 9 average while Italy's is 58 per cent. The absolute gap is 15 per centage points but to catch up Italy would have to increase GDP per head by 25 per cent).

/2.

2. Between 1960 and 1978, GDP per head at constant prices grew at a compound rate of 3.5 per cent p.a. in Italy and at 2.3 per cent p.a. in the UK. If the differential growth rate held constant in the future it would take about 18 years for the Italians to catch up. Between 1972 and 1977 the average growth rates of real GDP per head were 3.0 per cent and 1.5 per cent for Italy and the UK respectively. At this slightly higher growth rate differential it would take Italy 15 years to catch up with the UK. I should say that aggregate GDP growth rate differentials are larger but that the Italian population has grown faster than ~~in~~ the UK population.

3. As a rider to these average figures it should be remembered that there are much greater deviations from the average in Italy than in the UK e.g. the Mezzogiorno vs Milan and that for the industrial parts of Italy. Sir Alan's gloomy prognostications may already be here.

JMC Rollo

JMC Rollo
Economists Department

6 July 1979

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See attached memo.		
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U G / Mrs Colvin (Research Dept)

SIR ALAN CAMPBELL'S DESPATCH
"SOME IMPRESSIONS ON LEAVING ITALY"

1. I attach a copy of Sir Alan Campbell's final despatch on leaving Italy.
2. I also attach the draft of a submission which I intend to put up to Mr Gladstone. Have you any comments which you would wish me to include in this submission?

Ronald Nash

5 July 1979

R P Nash
Western European Department

Registry No.

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- Secret.
- Confidential.
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To:-

Mr Fergusson
 cc. Mrs Calvin (Research Dept)
 w. copy of Despatch

From
 D A S Gladstone
 Telephone No. Ext.

Department

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SIR ALAN CAMPBELL'S DESPATCH
 "SOME IMPRESSIONS ON LEAVING ITALY"

1. Sir Alan Campbell has given us a fascinating Despatch surveying ~~the~~ ^a period of 25 years in Italy.
2. His most interesting remarks concern the fortunes of the Communist Party (PCI), which he describes as the poison which has been sapping Italy's political health for so long. Sir Alan's hope ~~is~~ ^{remains} that the recent decline in public support for the PCI will continue and that the smaller, democratic parties will ^{gradually} strengthen. ~~Perhaps he is~~ ^{He may be} a little over hopeful in ~~thinking that this might come about.~~
3. I have sent the Despatch for printing in the Departmental Series

Mr Fergusson
Mr Gladstone
 How can we acknowledge or not at all?
 (It is final Despatch).
 Rhs
 S/S

Mr. Nash

Please -

- ① Add det. note from Mr. Phillips to the charge.
- ② Confirm that you have already arranged Dept' distribution.
- ③ Obtain RD comments & incorporate in the submission. | Kathryn C.
- ④ Get economist's comments on the controversial claim in the last sentence of para 2 of the despatch.

R. S/S.

FOR THE UNITED KINGDOM AND COMMONWEALTH OFFICE

FCO file reference WRT. 014/1.....

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DIPLOMATIC REPORT No 158 / 79.....

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ITALY..... (category heading)

28 June, 1979..... date

TITLE OF PAPER SOME IMPRESSIONS ON LEAVING ITALY.

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TO The Secretary of State for Foreign and Commonwealth Affairs.....

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FOREIGN AND COMMONWEALTH OFFICE

DIPLMATIC REPORT No. 158/79

WRJ 014/4

General Distribution

ITALY

28 June, 1979

SOME IMPRESSIONS ON LEAVING ITALY

*Her Majesty's Ambassador at Rome to the
Secretary of State for Foreign and Commonwealth Affairs*

SUMMARY

HM Ambassador offers observations on the Italian scene after serving in Rome in the 'fifties and late 'seventies.

2. Between 1955 and 1979 the gap in economic performance between Britain and Italy was considerably narrowed. If present trends continue Italy will have overtaken us economically before long.

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(Confidential)
My Lord,

Rome,
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3. I do not mean to say that everything in Italy is going well. Clearly it is not. Italian political and administrative structures are weak and the very speed of her economic development in the 'sixties brought about severe social strains, not to speak of environmental damage. Italy suffers more than her fair share of disputes and strikes which afflict all industrial countries. Besides, criminality and violence of all kinds are unacceptably widespread. In any case, even if all else seemed to be favourable, a country in which 30 per cent of the electorate vote for the Communist party must be considered to be vulnerable to attack from within by undemocratic forces. It is this above all other things that makes Italian prospects such a puzzle to Italy's friends.

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8. As a matter of fact I think that except in economic performance it is a mistake to judge Italy by reference to other European countries since the resemblances when they exist are so misleading. Compare for example the German Christian Democrat Party and the very different Italian one, or the Italian and German Social Democrat Parties. A point to remember is the essential continuity of Italian policy, especially foreign policy. In spite of frequent political crises, changes of Government and in recent years two "anticipated" elections, the Government of Italy has followed a remarkably consistent course broadly accepted or at any rate not violently opposed by all political parties. I do not recall any occasion when Italian Ministers have been obliged by internal political developments or parliamentary requirements to cancel a Ministerial visit either outward or inward. Signor Andreotti for instance attended the European Council at Copenhagen last summer in the middle of the crisis over the election of the President of the Republic. Numerous important Ministerial visits to Italy have taken place during the period since the fall of the fourth Andreotti Government when in theory the administration was of a temporary or caretaker character. It is worth noting too that throughout the nearly three years that I have been here as Ambassador Andreotti has been President of the Council (Prime Minister) and Forlani Foreign Minister.

9. Another rather different point is that the Pope lives here. At present we all wonder about the political and psychological effect worldwide of the outstandingly personable Pope elected last September. But even without the Pope being of exceptional personality the indirect influence of the Papacy in Italy itself is considerable. I am not altogether convinced by the assertions made recently

to me by several eminent archbishops to the effect that a religious revival is in progress in Italy. But there is no doubt to my mind that the presence of the Pope in Rome constitutes a powerful special factor in the Italian political scene—not always a helpful one—which differentiates Italy from other countries, even those with large Roman Catholic populations. Presumably it is one of the more important considerations which have influenced Italian Communist tactics.

10. Italians are very likeable people on the whole. Foreigners who live in Italy find it, in spite of every kind of frustration, an attractive place. I think that most people, as well as liking the Italians, find them industrious, ingenious and intelligent. Perhaps they are not always reliable and it is indeed rare to find one willing to make a long slog. But their mixture of personal characteristics usually seems to work out well enough. This is what tends to persuade most of us who have known Italy over a long period to take an optimistic view of their political as well as their economic prospects, while remaining sceptical about how well they will succeed in keeping up with the leading European nations.

11. I ought to say something about Anglo-Italian relations. They were not good at times in the '50s; there were anti-British demonstrations over Trieste caused largely by what the Italians thought the arrogant behaviour of the British Commander there. Our relations are much better now. Partly this may be because of our own relative decline, but mainly because Italian and British interests have converged in several ways. We collaborate very closely in a number of important fields. In my present position I naturally welcome the improvement and I hope that if, as I also hope, we manage to recover our strength and prosperity and national self-confidence we do not also resume our habit of arrogance towards the Italians. I am all the more encouraged to express this hope by the way in which the Prime Minister spoke recently in such a friendly and candid way to the Italian President of the Council on his recent visit to London. I firmly believe that our national interests will be served by making the Italians feel that we regard them as close and important friends.

12. Finally, I should like to say something about HM Diplomatic Service as I leave it. After thirty-five years in a service such as ours it is difficult to say anything that does not sound trite or sentimental. But I want nevertheless to say how much I have enjoyed my career. You and your predecessors as far back as Mr. Bevin have been invariably kind and considerate and so have those who have served with me in various diplomatic posts or in the Foreign and Commonwealth Office itself. It has been a tremendous honour as well as a great pleasure to serve in such excellent company and I am most grateful for the opportunity of doing so.

13. I am sending copies of this despatch to Her Majesty's Representatives in other EEC capitals, Washington, Moscow, Athens, Madrid and Lisbon; to the UK Permanent Representatives to the European Communities and NATO; and to Her Majesty's Minister to the Holy See.

I am Sir

Yours faithfully

A. H. CAMPBELL.

CONFIDENTIAL



Mr. Bullard JB 24/7

Mr. Ferguson ✓

Ed 20/7

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John Castles

24/7

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Our reference 014/5

Date 13 September 1979

Mr. Verker
to see

D A S Gladstone Esq
Western European Dept
FCO

Mr. Nash

LAST PAPER

249
Economic
Research Dept

My dear David,

Can I please see the pps again?

24/6

SIR ALAN CAMPBELL'S DESPATCH "SOME IMPRESSIONS ON LEAVING ITALY"

- Many thanks for your letter of 16 July. I apologise for not replying before: I was in fact awaiting Tony Galsworthy's return from leave, and he in turn awaited the return from leave of the Italian Economist with whom he worked out the figures.
- We think we have identified the discrepancy referred to in your last paragraph. We did not in fact have available published 1978 figures, and had to work them out ourselves. We do not have the calculations to hand any more. However, the latest World Bank figures which we have seen, which are for 1977, show Italian GDP per capita as US\$3,450 and UK GDP per capita as US\$4,430. Italian GDP per capita was therefore some 22% below the UK's, or the UK's was some 28% above that of Italy, depending on how you wish to look at it. However, these figures have been revised by the Italian Statistical Office in the last few months to take account of the so-called "black sector" of the Italian economy, that is, the sector which is unreported for fiscal and therefore statistical purposes. This revision is extremely controversial, and at best is little more than a guess. The upward revision is of some 10%, which would give Italy's GDP per capita in 1977 as US\$3,795: in other words it would be 14.3% below the UK's, or alternatively the UK's was 16.7% above that of Italy. We used the corrected Italian figure in calculating the 1978 figure: we suspect that the FCO Economists probably used the uncorrected figure. As usual it is a case of "statistics and other lies".
- I confess that we were not aware of the complication caused by the faster rate of growth of the Italian population.
- However, all this is detail: the main point which we wished to illustrate, which is borne out by your figures, is that the Italian economy has been growing consistently faster than our own.
- I do not think I need now comment on the political points in your letter which have been somewhat overtaken by events; the future of the PCI is being currently handled in other correspondence.

What about the UK black sector?

Yours ever
Alan

A C Goodison