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CIA NSA OSD ARMY NAVY AIR CEA COM TRSY RMR	Spanish attitude towards Italian position on Spanish relations with Common Market is indeed one of exasperation as indicated Rome's 2789 to Department (repeated Madrid as 67). This most recently borne out in Embassy discussion with Director General Political Affairs Foreign Office (Embassy telegram 1819). Sedo at that time did not rule out reprisals of type indicated Rome's 2789 and we have heard from number of sources of Spanish intent proceed against Italian business interests in Spain which are doubtless much greater than similar Spanish interests in Italy. Certainly Italians according Ambassador Fracassi here becoming increasingly isolated in Spanish scene.				
	We are not in position judge whether Spanish pressure tactics likely be successful, though Malfatti position appears already somewhat softer than that taken by Italians in Brussels. However, intense and apparently growing resentment exists of leading role which Italy taking in opposing Spain on what Foreign Minister regards as the one major outstanding issue in Spanish Foreign policy (Embassy telegram 1819).				

It quite clear Spanish would like US support in their quarrel /with Italy

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with Italy and BENELUX Countries and Foreign Minister may conceivably request our aid in conversation April 23 with Secretary.

However, it also clear it would be resented here if we were to intercede on behalf Italians along lines suggested by Malfatti paragraph 2 Rome's 2789. In conclusion we would strongly recommend strict neutrality this particular problem in Spanish-Italian relations.

WOODWARD

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