

PREM19

88

ITALY

(MT visits to) (Rome,
October 1979)

(Part 1)

PART 1

Confidential filing

Visit by Prime Minister to Rome 4-5 October 1979
Policy

ITALY

Pt 1:

SEPTEMBER 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
21-9-79							
26-9-79							
28-9-79							
1-10-79							
2-10-79							
3-10-79							
5-10-79							
8-10-79.							

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PREM 19/88

See Separate folder (attached)
for Pm's Briefing for Rome Visit
4-5 October 1979.



PART 1 ends:-

Fm Rome 445 8.10.79

PART 2 begins:-

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TO IMMEDIATE FCO

TELEGRAM NUMBER 445 OF 8 OCTOBER

INFO PRIORITY ALL OTHER EEC POSTS.

THE VISIT OF THE PRIME MINISTER AND YOURSELF TO ITALY:
ITALIAN PRESS REPORTING.

1. THIS VISIT WAS REPORTED IN ALL ITALIAN NEWSPAPERS OF 6
OCTOBER, AND IN MANY CASES WAS GIVEN FRONT PAGE PROMINENCE.

2. THE CHRISTIAN-DEMOCRAT ORGAN "IL POPOLO" UNDER THE
HEADLINE "BROAD AGREEMENT BETWEEN ROME AND LONDON" REPORTED
THAT THE VISIT WAS CONSIDERED A "COMPLETE SUCCESS" BOTH BY
THE PRIME MINISTER AND SIGNOR COSSIGA. A COMMUNIQUE FROM THE
PALAZZO QUIRINALE STATED THAT THE MEETING WITH PRESIDENT PERTINI
WAS CONDUCTED IN "AN ATMOSPHERE OF CORDIAL FRIENDLINESS".
PRESIDENT PERTINI IS SAID TO HAVE BEEN STRUCK BY THE "EFFICIENCY

PRESIDENT PERTINI IS SAID TO HAVE BEEN STRUCK BY THE "EFFICIENCY AND CHARM" OF THE PRIME MINISTER.

3. IL POPOLO (WHICH USUALLY GIVES A FAIRLY STRAIGHTFORWARD REFLECTION OF OFFICIAL BRIEFING) REPORTS THAT THE PLENARY SESSION DEALT IN MORE DETAIL WITH THE THEMES COVERED IN THE TETE-A-TETE WITH COSSIGA THE PREVIOUS EVENING. SIGNOR MALFATTI AND SIGNOR PANDOLFI EXPLAINED THE ITALIAN GOVERNMENT'S VIEWS ON CONVERGENCE SEMICOLON THE WORSENING OF REGIONAL DISPARITIES, THE INCREASING BURDEN ON THE ITALIAN BUDGET OF AGRICULTURAL IMPORTS FROM COMMUNITY COUNTRIES AND THE CONTINUING EROSION OF THE "COMMON TARIFF" FOR MEDITARRANEAN PRODUCTS. THE ITALIANS ALSO CALLED FOR A MODIFICATION OF STRUCTURAL-EXPENSES. MRS THATCHER THEN EXPLAINED THE BRITISH POSITION, CRITICISING IN PARTICULAR THE PRESENT COMPOSITION OF THE BUDGET AND CALLING FOR CORRECTIVE ELEMENTS TO BE INTRODUCED WITH EFFECT FROM THE DUBLIN COUNCIL. IL POPOLO COMMENTS THAT THE BRITISH POSITION APPEARED TO BE FIRMER THAN THE ITALIAN, THOUGH THERE WAS SUBSTANTIAL AGREEMENT BETWEEN THE TWO SIDES.

4. IL POPOLO THEN LISTS OTHER TOPICS DISCUSSED: SALT 2, THE MADRID CONFERENCE ON CO-OPERATION AND SECURITY IN EUROPE, THE FORTHCOMING VISIT BY HUA GUOFENG, ENERGY PROBLEMS AND RHODESIA. MRS THATCHER ALSO REPEATED THE UK'S POSITION ON EMS, FAVOURABLE IN PRINCIPLE, BUT LONDON IS AWAITING "A MORE STABLE MONETARY SITUATION".

5. IL POPOLO SAYS THAT THE SUCCESS OF THE MEETING IS DEMONSTRATED BY THE AGREEMENT TO HOLD TWICE-YEARLY MEETINGS. IN CONCLUSION, IL POPOLO QUOTES THE PRIME MINISTER AS SAYING "OUR COUNTRIES ARE ENTHUSIASTIC MEMBERS OF THE COMMUNITY AND WILL STRIVE TO OBTAIN GREATER BENEFITS FOR ALL THE MEMBER COUNTRIES". THIS AUGURS WELL FOR WHAT HAS BEEN DESCRIBED AS "THE BATTLE OF DUBLIN" AND FOR THE FORTHCOMING ITALIAN PRESIDENCY.

6. OTHER NEWSPAPERS GIVE GOOD COVERAGE AND FOLLOW THE SAME LINE AS THE REPORT IN IL POPOLO. CORRIERE DELLA SERA COMMENTS THAT MRS. THATCHER DID NOT EXCLUDE THE ENTRY OF THE UK INTO EMS IN THE NEAR FUTURE. THE CORRIERE ALSO SAYS THAT MINISTER MALFATTI, DURING HIS LONDON VISIT ON 22 OCTOBER, WILL GIVE THE FOREIGN OFFICE A DOCUMENT CONTAINING REQUESTS FOR THE MODIFICATION OF CERTAIN COMMUNITY "INSTITUTIONS" WHICH PENALISE ITALY AND BRITAIN.

7. PLEASE PASS ADVANCE COPIES TO ALEXANDER AND JAMES (NO 10),
FRANKLIN (CABINET OFFICE), BUTLER (DUS/FCO) AND BULLARD (DUS/FCO).

ARCULUS

CORRECTION: PLEASE INSERT "FRAME ECONOMIC" BETWEEN UNCLASSIFIED AND

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10 DOWNING STREET

From the Private Secretary

8 October 1979

Visit to Rome

I enclose records of the Prime Minister's tête-à-tête with Signor Cossiga on 4 October and of the plenary session between the two Heads of Government on 5 October.

I am sending copies of this letter together with its enclosures to Tony Battishill (Treasury), Garth Waters (Ministry of Agriculture, Fisheries and Food) and Martin Vile (Cabinet Office). I am sending a copy of the letter together with copies of those sections of the two records dealing with theatre nuclear forces to Brian Norbury (Ministry of Defence); with the extract from the plenary record dealing with commercial credit to Tom Harris (Department of Trade); and with an extract from the tête-à-tête record of the section dealing with the Schild case to John Chilcot (Home Office).

M. D. E. ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

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[TEXT]

TNF MODERNISATION

The Italian Prime Minister told the Prime Minister in Rome yesterday that he was seriously concerned about the pause which would ensue after the Nuclear Planning Group's discussion of TNF modernisation and before the Northern Atlantic Council took a formal decision in December. He feared that there would be Parliamentary and extra-Parliamentary pressure in his own country, the Netherlands, Belgium and elsewhere to prevent the ratification of the NPG recommendation - ^{assuming} asking that this was in favour of deploying the next generation of TNF. Cossiga, stressing that Italian policy had not

changed, said that he thought the German and Dutch Governments, at least, shared his concern.

Cossiga asked whether it would be possible either to hold a meeting of the Council at Permanent Representative level a day or two after the NPG meeting in order to allow the non-members of the NPG to ratify the recommendation; or, alternatively, whether the NPG meeting could ~~not~~ be moved closer to the Ministerial meeting of the ^{DPC/NAC} ~~Council~~ in December. Cossiga clearly preferred the ^{init} alternative since he is anxious that the formal decision should be taken as soon as possible.

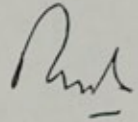
I said that I saw difficulties in either course of action. It had been clear at the last meeting of the NAC that a number of countries would insist on ~~it being clear that~~ the TNF decision ^{being} ~~had been~~ a political one taken by ^{all the} Ministers ^{collectively}. I did not think that a meeting of Permanent Representatives would be good enough. Equally it was unlikely to be feasible to re-arrange the NPG meeting. The Prime Minister said that HMG would be prepared to go along with ^{any} ~~another~~ procedure that was acceptable to the other members of the Alliance and that enabled the TNF decision to be taken with despatch.

I encouraged/ ...

NOTHING TO BE WRITTEN IN THIS MARGIN

I encouraged Cossiga to discuss the matter with Herr Schmidt, whom he will be seeing in Bonn on Tuesday and with the Dutch Prime Minister, Van Agt, whom he will be seeing later in the week. I suggested that, in the light of these talks, the Italians might like to pursue the matter through normal Alliance channels. This was the only way the matter could be sorted out rapidly. Cossiga agreed.

ENDS

A handwritten signature in dark ink, appearing to be 'Pant', with a horizontal line underneath the name.

NOTHING TO BE WRITTEN IN THIS MARGIN



fs. Hunt

With the compliments of
HER BRITANNIC MAJESTY'S
AMBASSADOR

Sir R Arculus KCMG

8/10/79

ROME



1) c.a. { M. M. Alexander (No 10)
 M. Walden (Private Office)
 Mr Bullard DUS/FCO.
 M. Gladstone WED.
 under HE's comp's slip

PRIME MINISTER'S VISIT

2) Minister M. Pellow by M. Walden's boy
 J.A. sub pa. H. H. Hill has seen. 6/x

1. Call on President Pertini.

1. The President kept the Prime Minister for well over an hour, although he had a queue of Ambassadors waiting to present their Credentials. His last distinguished visitor seemed to have been David Rockefeller. He was full of reminiscences about his German trip, and drew a good deal also on his experiences in the Emilia/Romagna in the last few days. It was noticeable that he kept turning to Signor Malfatti, Minister of Foreign Affairs, and sometimes was distracted into a dialogue with him rather than with Mrs Thatcher. He talked endlessly and the Prime Minister hardly got a word in edgeways.

2. The Prime Minister stressed the security aspects of the EEC, with TNF in mind, and this drew a long lecture from President Pertini about his commitment to liberty. He went on to say that he saw the EEC as a kind of centre block between the two super powers. It would be the first target in a nuclear war. It could mediate between the two blocks. He was for controlled steps towards full disarmament in the long term, and in the long term the super powers must come to an agreement.

3. Mrs Thatcher asked him about his trip to Germany. He said the striking thing was that there were no military tendencies left in Germany. The young were indeed very hostile to war. The leaders were in terror of the Soviet Union and alarmed by the current Soviet superiority in missiles in the European theatre. The French deluded themselves if they thought that their detachment from NATO saved them from nuclear war. The Germans on the other hand rather feared that if they were attacked they would be on their own. They needed the support of other European allies. In general he had an excellent dialogue with Chancellor Schmidt and even with Herr Strauss, whom he had obviously expected to dislike but ended up with quite friendly feelings towards him.

/4.



4. Mrs Thatcher asked about the Italian scene. President Pertini said that he had two major preoccupations, unemployment and terrorism. The third, inflation, was a common problem. Unemployment, especially amongst the young, was a dangerous phenomenon in Italy. Unemployed youths turned to drugs and got involved in crime, including terrorism. In general the Italian economy was picking up and though state industrial groups were unhealthy small and medium businesses were flourishing - he had particularly in mind Emilia which he had just visited.

5. On terrorism he said that at least in Northern Ireland we knew the causes and could work on them, whereas in Italy the authorities were working rather in the dark. He asserted that the terrorists were being controlled from headquarters outside Italy. Why had Italy been selected as a target? Because of its strategic geographical position facing Africa and the Middle East. He digressed here to say that the Mediterranean was of the greatest importance to the alliance and thus Italy's position was crucial. Perhaps her importance was not fully recognised by her allies. Returning to terrorism he said that the security services had let the country down but now had been reformed and were working better, and even having some successes. The only way they could succeed was by infiltrating the terrorist groups. This needed help from the public and perhaps from friendly countries, particularly if extradition was required. The large demonstrations e.g. after Moro's death showed the public's earnest desire for an end to terrorism.

II. Press Conference - (9.15 am on 5 October at the Villa Wolkonsky) - British press only.

6. The questions were mainly about EEC and EMS, and ~~which~~ were comparatively harmless. The Prime Minister took the opportunity to say that we simply must solve the budget problem and achieve a definite result at the Dublin meeting of the European Council. She avoided answering directly a question at the end as to whether she had taken up the Schild case.

5 October 1979

R Arculus
(R Arculus)

9 OCT 1979



Subject. **CONFIDENTIAL**

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Euro POL: Budget.
CAP.
EMS
Defense: TNF

RECORD OF A DISCUSSION IN PLENARY SESSION BETWEEN THE PRIME MINISTER AND SIGNOR COSSIGA, THE PRESIDENT OF THE ITALIAN COUNCIL OF MINISTERS, AT THE PALAZZO CHIGI AT 1120 ON FRIDAY 5 OCTOBER 1979

Present

- | | |
|------------------------------------|---|
| Prime Minister | Signor Cossiga |
| Foreign and Commonwealth Secretary | Signor Malfatti |
| HE Sir Ronald Arculus | Minister of Foreign Affairs |
| Mr. J.L. Bullard | Signor Pandolfi |
| Mr. M. Butler | Minister of the Treasury |
| Mr. M. Franklin | Ambassador Malfatti |
| Mr. C.A. Whitmore | Secretary-General, Ministry of Foreign Affairs |
| Mr. H. James | Ambassador Ducci |
| Mr. J. Adams | Italian Ambassador in London |
| Mr. M.O'D.B. Alexander | Minister Ruggiero |
| Mr. G.G.H. Walden | Head of Private Office, Minister of Foreign Affairs |
| | Minister Alessi |
| | Assistant Under Secretary supervising EEC matters |
| | Counsellor Squillante |
| | Signor Cossiga's Private Office |
| | Minister Berlinguer |
| | Diplomatic Adviser |
| | Signor Zanda |
| | Press Attache |
| | Signor Santini |
| | Economic Adviser |

Bilateral Talks

Having outlined the agenda and referred to his tête-à-tête with the Prime Minister the previous evening, Signor Cossiga said that he hoped it would be possible to institutionalise talks between the Italian and British Governments at Head of Government level. The Italian Government already had talks on a regular basis with other members of the Community. It would be appropriate for the talks to take place twice a year. The Prime Minister said that bilateral talks were often more productive than summit meetings. She agreed that the bilateral talks at Head of Government level should be institutionalised on the basis proposed by Signor Cossiga.

(The Prime Minister said initially that the talks should be held on an annual basis. But in the subsequent discussion she agreed that the talks should be held bi-annually.) She looked forward to seeing Signor Cossiga in London next year.

EEC

Signor Cossiga said that while there might be some differences in the short-term objectives of the two Governments, their long term interests in the EEC were identical. It should be possible to develop a line of common action. The basis of this would be that the Community could not count on a full contribution from Italy and the United Kingdom if they were not getting satisfaction from the partnership. The Prime Minister said that she was absolutely committed to making Europe function as effectively as possible. However, the grievances of individual members would have to be resolved if it were to work as well as it could.

The Community Budget

Signor Malfatti said that the Italian Government were very critical of the reference document produced by the Commission in response to the directive from the European Council at Strasbourg. The document failed to stress the deterioration in the balance of trade between Italy and the rest of the Community. As compared with 1978, the balance of trade had moved against Italy to the tune of 1,000 MUA. The erosion of the external tariff was also causing major difficulties for the Italian Government. It had a particularly damaging impact on the poorer section of the population. As regards the figures on the budget, the Italian Government did not accept the Commission's forecast. They expected that their net balance would be no more than 150-200 MUA, i.e. much less than the Commission had anticipated.

In explanation of this point, Signor Ruggiero said that the Commission had shown the MCAs as benefitting Italy. The Italians did not accept this. Moreover, the Commission's calculation was based on a payments forecast that was quite unrealistic. In addition, the Commission had failed to produce solutions to the problems created for Italy by the inadequacies of the present

regional policy; by the CAP; and by the erosion of the external tariff against the import of Mediterranean produce from non-members of the Community. Signor Malfatti said that the Italian Government would await the production of a further document by the Commission before they would be prepared to refine their demands any further. They were looking for a general shift in the balance of CAP expenditure. They wanted action on a number of headings:

- (a) the operation of the guarantee section of the FEOGA fund should be changed so that the impact on the Italian balance of payments of the import of agricultural products, e.g. beef, from other members of the Community, was reduced;
- (b) the present discrimination against Mediterranean products within the CAP removed;
- (c) the present wasteful surpluses in the CAP, particularly dairy products, reduced, perhaps through the use of co-responsibility levies;
- (d) aid given to improve the marketing of Mediterranean products within the Community; and
- (e) an assurance that if trade concessions had to be made to non-Community producers of Mediterranean products, the European producers, notably Italy, should be compensated.

More generally, Signor Malfatti said that they wanted to see the relationship within FEOGA between the guidance and guarantee sections changed; and to see the relationship between the CAP and other elements in the budget changed. At present 72% of the budget was taken up by the guarantee fund; 12% by structural, regional and social policies; and only 2% by energy, industry and transport. The Italians would like agreement to be reached in Dublin on a three-year programme by the end of which, e.g., 25% of the budget would be being spent on structural policies. There should be specific structural mechanisms to meet the particular situations of member countries.

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The Prime Minister said that as she understood it there were three principal Italian complaints. These were that:

- (a) too much of the total Community budget was spent on agriculture as opposed to regional, structural and other policies. The British Government agreed on this but considered that the total size of the budget should not go over the 1% VAT ceiling. Any changes in budgetary allocations would have to take place beneath that ceiling;
- (b) within the CAP, the balance of expenditure should be changed. Less should be spent on surpluses and more on dealing with other agricultural problems; and
- (c) Italy was having to bear too much of the cost of concessions made in the negotiation of trade agreements from which the EEC as a whole was the beneficiary.

Signor Cossiga said that the Prime Minister's summary was accurate. The Prime Minister repeated that the British Government had much sympathy with the Italian Government's complaints. They agreed that less should be spent on surpluses and more on aid to the regions. They accepted that this meant the re-structuring of the CAP. But it was essential that these changes should take place within the 1% VAT ceiling. They would like to see a start made with the reform of the CAP but considered that this would take time to bring to fruition. Signor Malfatti said that while the Italian Government wanted a re-allocation of expenditure, they were less concerned about the total size of the budget. The Prime Minister said that if Governments showed flexibility on the ceiling, the CAP would never be re-structured. The ceiling gave those who favoured reform a lever which had to be used.

Signor Pandolfi said that the broad objective of the Italian and British Governments seemed to him to be similar. Basically both Governments were asking that the requirements of convergence should be given a higher priority in EEC policies. However, in the short term there was a possible conflict in the positions of the Italian and British Governments. The British Government

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had a specific short-term problem, viz that their contributions and receipts were grossly out of balance. The Italian Government understood the necessity for the British Government to secure change in this situation. The Italian Government were less concerned about the budget. Even if the Commission figures were wrong, the Italian position had improved substantially. Their concerns were more general, viz the disproportion between the CAP and the rest of the budget and the imbalance between the guidance and guarantee sections of FEOGA. Given this difference of interest, the Italian and British Governments needed to work out guidelines for common action in ECOFIN and elsewhere. The Italian Government were ready to support the UK but in doing so they would rely on the UK to support them.

Signor Pandolfi said that he had talked to the Germans in Belgrade about these problems. He sensed a disposition on the part of the Germans to be helpful on both the British and Italian requests. But there would be limits on German helpfulness. They were not prepared to go through the 1% VAT ceiling. Signor Pandolfi said that he personally agreed that in present circumstances that ceiling should be maintained. There was in any case a 13% margin in hand. (Signor Pandolfi noted the potential complications of enlargement in this context.) The Germans, secondly, would not be prepared to accept either the British or the Italian position in full. They would propose gradual implementation of any solution in either area.

The Prime Minister said that the British Government were suffering from the operation of the budget in two ways. Britain was contributing more than their GNP share and receiving less. The third poorest member of the Community was the largest contributor. The Prime Minister said that much as she would like to play Lady Bountiful to the Community she could not afford it at a time when the British Government was having to cut back its expenditure on health, education, local government and numerous other areas of great electoral sensitivity. The present situation was grossly unjust. Failing a move on the budget, there would be a serious and hostile reaction in the United Kingdom. The British Government were not asking that

/they should

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they should be net beneficiaries from the budget. They did not want money from their partners. They sought instead a broad and reasonable balance. The Community should not underestimate the determination of the British Government.

As regards the longer term, the Prime Minister said that it was of course ridiculous to create and support agricultural surpluses. The CAP would have to be changed. The Italian Government would encounter no difficulties with HMG in its efforts to secure such a change. But perhaps some of the other members would see more difficulties. Perhaps it would suffice for the European Council to declare its intention to seek reform in the CAP. Signor Cossiga questioned the use of the word "intention". The Italian Government would need a commitment, not a statement of intention. The Prime Minister said that the problems identified by the Italian Government were even more complicated than that faced by the British Government. Perhaps the Dublin Council should aim to define the Italian difficulties more clearly; to declare its intention to deal with them; and to commission papers for the following Council. The British Government would support such a programme very strongly. It seemed doubtful whether the Italian Government could get all they were seeking at the Dublin meeting. Signor Pandolfi said that the Prime Minister's remarks suggested there was some difference of position between the two governments. The Foreign and Commonwealth Secretary said that the British Government sympathised with and would support the general approach put forward by the Italians. They had no wish to ignore the difficulties faced by the Italian Government. However, we needed more details of what the Italians had in mind. It might be that the difficulties of securing movement would not be as great as appeared. The Prime Minister agreed with the Foreign and Commonwealth Secretary's remarks and asked whether the Italians had worked out their ideas in detail and whether a paper could be made available so that it could be discussed in further bilaterals at official level and with other Governments.

Signor Pandolfi said that the Italian Government would be putting specific proposals to the Commission in the following week.

/The proposal

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The proposal would seek action under three headings:

- (a) that a decision should be taken to reduce gradually but in a definite period (3-5 years) on a year-by-year basis the percentage of the total expenditure of the budget devoted to the CAP. The reduction might be of the order of one or two percentage points per year;
- (b) that the same process should take place within FEOGA, re-directing expenditure from the guarantee to the guidance fund; and
- (c) that action be taken to diminish the cost to Italy of the import of agricultural products from other members of the Community and to encourage the increased production of some agricultural products, particularly meat, in Italy.

The Prime Minister asked whether Italy would be seeking fixed percentages and timescales in Dublin. Signor Pandolfi said that if precise decisions were not taken in Dublin there would be further delay. It was essential that the Italian and British Governments should not be divided. Both the Prime Minister and the Foreign and Commonwealth Secretary said that it would be easier to get a decision in principle than a decision with figures. Signor Pandolfi said that figures were essential, although he was not dogmatic about what those figures should be. The Prime Minister said that it was essential to have the details of the Italian proposals as soon as possible. The British Government would look at them carefully and sympathetically with the intention of being constructive. The interests of the two Governments were the same. British representatives in forthcoming bilaterals would say that they were studying the Italian proposals sympathetically. The Prime Minister hoped that Italian representatives would say the same about their approach to the British problem.

Signor Cossiga said that Italy's experience had been that the decisions at Strasbourg had not been translated into a paper satisfactory to his Government. The Italians did not want to find themselves after Dublin in the same position as they were now after Strasbourg. It was essential that the problem should

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be quantified. General political indications would not suffice. Signor Pandolfi said that Monsieur Ortoli would be in Rome the following week and would be given precise details of the Italian proposal. (Officials in subsequent discussions cast some doubt on whether the Italians would in fact hand a paper to the Commissioner.) It was agreed that the discussion would be continued at the forthcoming meeting between Signor Malfatti and the Foreign and Commonwealth Secretary and that in the interim talks at official level would continue.

/European Monetary System

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European Monetary System

Signor Cossiga said that Signor Pandolfi had just returned from the meeting of the IMF in Belgrade where he had been elected Chairman of the Interim Committee. It might be useful if he were to say something about the EMS and then about the international monetary situation in general. The Prime Minister congratulated Signor Pandolfi on his appointment.

Signor Pandolfi said that the Italian Government had been unhappy about the fact that when the EMS had recently decided to adjust its central rates, Britain had not been represented. He had spoken very frankly to the Germans about the need to observe Article III(2) of the 1978 Brussels declaration. It was wrong that meetings on such sensitive subjects should be held at such short notice and in the absence of a major member Government. The Italian Government would insist on improvements in the consultative procedure.

As regards the central rate adjustment, Signor Pandolfi said that they had opted for a modest change but the interest rate situation was still under stress. It was essential for the members of the EMS to achieve a common policy. The weakness of the Dollar meant that there would have to be day to day consultation on the rate. Otherwise the EMS would be unable to maintain a common position on rates vis-à-vis the Dollar. The modest re-alignment agreed in Brussels would suffice for a short period only and constant surveillance of the evolution of the market would be required.

Signor Pandolfi said that the United Kingdom should in due time join the system. Without the UK, the system was incomplete. The Prime Minister said that the British Government would like to join the EMS but that the present fluctuation in the value of sterling was a problem. The value of sterling was being determined by our oil reserves rather than by our economic performance. It was the British Government's objective to join the EMS when conditions were sufficiently stable. The adjustment of the central rates had gone well but the Prime Minister did not expect it to last

/very long.

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very long. It was not easy to maintain an island of stability in an unstable world. So long as the general economic situation was unstable, that instability was likely to be reflected in currency fluctuations.

In reply to a question by the Prime Minister, Signor Pandolfi said that the discussions in Belgrade had concentrated on one medium and long term problem - the need to find a new reserve regime - and one short term problem - the Dollar. On the first issue, the consensus had been that neither a one currency system nor a multi currency system was desirable. They had decided therefore to study what seemed likely to be a better mechanism viz the substitution account. But it would not be easy to design a system that was attractive from the point of view of value maintainance and burden sharing. As regards the shorter term problem, no solutions had been found. The Germans were unwilling to produce additional liquidity or to accept Carter Bonds. Closer co-operation between the central banks would be required and the agreement of 1 November 1978 would have to be renewed on a firm basis.

Theatre Nuclear Forces

Signor Cossiga said that his Government was extremely anxious to avoid a prolonged hiatus between the forthcoming meeting of the Nuclear Planning Group, at which the question of Theatre Nuclear Forces modernisation would be discussed, and the subsequent Ministerial meetings of the Defence Planning Committee and the North Atlantic Council. He was anxious about the possibility that there would be Parliamentary and extra-Parliamentary pressure against the formal approval by Ministers of the recommendations of the Nuclear Planning Group. The Italian Government was not changing its policy but he knew that his concern about the gap between the two meetings was shared by other Governments, notably by the Germans and the Dutch. Signor Cossiga asked whether it would be possible either for the formal decision to be taken by the Permanent Representatives of all member Governments immediately after the NPG meeting or for the NPG meeting to be moved closer to the Ministerial meetings in December. It was important that the first decision should be definitive. The

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- 11 -

sooner that decision could be taken the better.

The Foreign and Commonwealth Secretary, having noted the importance of the forthcoming decision, said that there might be difficulties in either course. At the last meeting of the NAC it had been clear that a number of countries would insist on the TNF decision being a political one taken by all the Ministers at their December meeting. It would be difficult to get it through any earlier. Postponing the NPG to nearer the meeting would certainly reduce the gap but might be difficult to arrange. Perhaps the Italians should discuss the problem with the German and Dutch Governments at the meetings due to take place in the following week. The Prime Minister said that the British Government would be prepared to go along with any procedure that was acceptable to the other members of the Alliance and that enabled the decision to be taken with despatch. Signor Cossiga, agreeing, noted that Mr. Brezhnev had already begun to make propaganda on the subject and to claim that by seeking to modernise their Theatre Nuclear Forces, the members of the Alliance were playing with fire. The Prime Minister said that members of NATO must be prepared to counter-attack vigorously where propaganda was concerned. The Soviet Government already had Theatre Nuclear Forces. The Alliance needed them to counter-balance the Soviet capability. She saw no difficulty in conducting this argument.

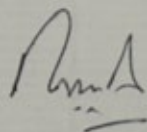
Commercial Credit

In discussion over lunch, Signor Cossiga and the Prime Minister agreed that there would be advantage in trying to agree a common line on the question of the interest rates offered to the Soviet and Chinese Governments in credit agreements. This was relevant both in that the subject would certainly come up during Premier Hua's forthcoming visit and in that both Governments, like the French Government, had credit agreements with the Soviet Government coming up for renewal near the end of the year. It was agreed that the matter should be pursued by officials.

The plenary session ended at 1320 hours.

6 October 1979

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TO IMMEDIATE FCO

TELEGRAM NUMBER 441 OF 5 OCTOBER 1979

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RC

OFFICIAL VISIT OF THE PRIME MINISTER AND YOURSELF TO ROME
4/5 OCTOBER.

1. I THINK THIS VISIT AMPLY SERVED ITS PURPOSE ALTHOUGH BOTH THE PRIME MINISTER AND YOU HAD TO LISTEN TO A GREAT DEAL OF ITALIAN TALK. SIGNOR COSSIGA TOOK A LOT OF TROUBLE TO MARK THIS AS A VERY SPECIAL VISIT AND INCLUDED IN THE PROGRAMME A NUMBER OF HIS MINISTERIAL COLLEAGUES, TWO OF WHOM, FOREIGN MINISTER MALFATTI, AND TREASURY MINISTER PANDOLFI, PARTICIPATED IN THE OFFICIAL TALKS. PANDOLFI AGAIN SHOWED HIS INTERNATIONAL QUALITY.

2. THE ACID TEST OF THE VISIT FOR US WILL BE WHETHER IT HELPS US IN OUR COMMUNITY BUDGET PROBLEM, AND THIS CANNOT BE ASSESSED UNTIL WE SEE WHAT COMES OUT OF DUBLIN NEXT MONTH. BUT THE ITALIAN AGREEMENT TODAY TO SUPPORT HM GOVERNMENT'S FIRM DEMANDS FOR ADEQUATE ACTION ON THE BUDGET PROBLEM AT THE DUBLIN COUNCIL SEEMS WORTH HAVING. AND OUR AGREEMENT TO SUPPORT THE ITALIANS AS FAR AS POSSIBLE, IN SEEKING FROM THE DUBLIN COUNCIL ACTION TO MEET THEIR REQUIREMENTS, NOTABLY A PERCENTAGE BY WHICH THE SHARE OF THE COMMUNITY BUDGET SPENT ON THE CAP SHOULD BE REDUCED OVER TIME, CAN SERVE OUR OWN ENDS TOO. OF COURSE WE SHALL HAVE TO LOOK WITH A BEADY EYE AT THE FINE PRINT OF THEIR PROPOSALS. THE PRIME MINISTER MADE IT ABUNDANTLY CLEAR THAT FAILURE ON THE COMMUNITY'S PART TO GIVE SATISFACTION ON THE BUDGET AT DUBLIN WOULD CREATE A POLITICAL PROBLEM OF MAJOR PROPORTIONS FOR OUR PARTNERS AS WELL AS OURSELVES. NO ITALIAN MINISTER OR

FOR OUR PARTNERS AS WELL AS OURSELVES. NO ITALIAN MINISTER OR SENIOR OFFICIAL WHO HEARD THIS WARNING CAN BE LEFT IN ANY DOUBT ABOUT OUR POSITION, AND THIS WILL HAVE BEEN TIMELY BEFORE COSSIGA MEETS THE FRENCH, GERMANS AND DUTCH.

3. I WILL NOT ATTEMPT TO ANTICIPATE THE OFFICIAL RECORDS OF THE DISCUSSION ON EVERY POINT. BUT ON ITALIAN INTENTIONS FOR THE MODERNISATION OF THE THEATRE NUCLEAR FORCES, SIGNOR COSSIGA GAVE THE PRIME MINISTER THE FIRM IMPRESSION THAT HIS GOVERNMENT HAVE ALREADY RESOLVED TO SHOULDER THEIR RESPONSIBILITIES IN THIS FIELD, WHILE AT THE SAME TIME HOPING STRONGLY THAT OTHER MEMBERS OF THE ALLIANCE WILL RESPOND IN THE SAME WAY, AND THAT IF POSSIBLE, SOME PROCEDURAL DEVICE BE FOUND FOR ALL THE COUNTRIES OF THE ALLIANCE TO TAKE A POSITIVE DECISION SIMULTANEOUSLY AND AS CLOSE AS POSSIBLE TO THE NUCLEAR PLANNING GROUP MEETING NEXT MONTH. I WAS IMPRESSED BY THEIR ROBUST ATTITUDE (AND BY THAT OF RUFFINI, THE DEFENCE MINISTER, WHEN I CALLED ON HIM EARLIER THIS WEEK).

4. IT WAS HELPFUL THAT WE WERE ABLE TO AGREE TO THE "INSTITUTIONALISATION" OF ANGLO/ITALIAN MINISTERIAL TALKS AT THE LEVEL OF HEADS OF GOVERNMENT AND FOREIGN MINISTER, ON A REGULAR BASIS SUCH AS BOTH COUNTRIES ALREADY PRACTICE WITH FRANCE AND GERMANY. THERE IS A DANGER OF A MISUNDERSTANDING ABOUT THE FREQUENCY OF SUCH MEETINGS WHICH I HOPE WE CAN CLEAR UP RIGHT AWAY. I GATHER THAT THE ITALIANS ARE ALREADY SAYING THAT WE SHOULD HAVE 2 MEETINGS A YEAR, SUCH AS THEY HAVE WITH THE FRENCH AND GERMANS, WHEREAS THE PRESS ARE QUOTING OUR SPOKESMAN AS SAYING THAT THESE TALKS WILL BE ONCE A YEAR ONLY. SIGNOR COSSIGA CERTAINLY PROPOSED 2 MEETINGS A YEAR (I.E. EVERY 6 MONTHS, IN ROME AND LONDON ALTERNATIVELY, THE NEXT VISIT TO TAKE PLACE IN LONDON). HE MUST BE UNDER THE IMPRESSION THAT THIS WAS WHAT WE ACCEPTED. IN PRACTICE THE TIMETABLE MAY NOT PROVE RIGID NOR ONEROUS, AND I HOPE WE NEED NOT MAKE AN ISSUE OF IT. THE NEXT MEETING DURING THE FIRST SIX MONTHS OF NEXT YEAR, IN THE ITALIAN PRESIDENCY, COULD BE OF ADVANTAGE TO US.

5. ONE OTHER TOPIC ON WHICH THERE APPEARED TO BE SOME FRUITFUL DISCUSSION WAS THE SHARED WISH REACHED OVER LUNCH TO TRY TO ORGANISE SOME COORDINATION BETWEEN THE FRENCH, GERMANS, ITALIANS AND OURSELVES IN ADVANCE OF THE FORTHCOMING VISIT OF THE CHINESE PRIME MINISTER IN ORDER TO MAKE SURE THAT WE FOLLOW THE SAME GENERAL LINES. THE PRIME MINISTER SUGGESTED THAT ONE FIELD WORTH EXPLORING WAS THAT OF COMMERCIAL CREDITS TO THE CHINESE AND IF THERE IS TIME, THIS WOULD SEEM WORTH CONSIDERING CAREFULLY. THE POSSIBILITY OF TAKING THIS A STEP FURTHER IN THE MARGINS OF THE COMMUNITY FOREIGN MINISTERS UNOFFICIAL MEETING IN LONDON

THE POSSIBILITY OF TAKING THIS A STEP FURTHER IN THE MARGINS OF
THE COMMUNITY FOREIGN MINISTERS' UNOFFICIAL MEETING IN IRELAND
LATER THIS MONTH WAS RAISED.

6. PLEASE PASS ADVANCE COPIES TO:

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COMMUNITY BUDGET

What the italians Want

Ruggiero has given me an account of what the Italians will be asking for at the European Council. Final details are still under study but italian Ministers have approved the broad outline. The Italians propose to discuss their ideas further with the French and the Germans before circulating a paper towards the end of the month. They have already had a first round with the Germans (see below).

Their proposals will fall into two parts, the first dealing with the balance of the Community Budget as a whole and the second with the balance within the CAP.

Community Budget

They want the European Council to lay down guide lines for shifting the balance away from the CAP and towards regional, social, energy and industrial policies. They would like it laid down that the percentage of the Budget spent on the CAP shall decline by 1982, to, say, 55 per cent (though they recognise that this figure is over ambitious) and that the percentage spent on the other four policies should increase to, say, 25 per cent. They do not want themselves to specify the percentages but are trying to get the Commission to do so.

They would be ready to accept that this shift in the balance should be achieved without exceeding the 1 per cent VAT ceiling and understand that we will support the Germans and the French on this point. But their position will be that the shift should be achieved any way, if necessary going beyond the 1 per cent.

/They have

They have explained these ideas to the Germans and have had a favourable reaction from the Chancellor's Office, the ^{FINANCE} ~~Defense~~ Ministry and Lamsdorff.

The CAP

Italian ideas are less worked out. They want a general commitment (not spelt out in percentages) that the balance of CAP expenditure will be shifted away from the wasteful surpluses of Northern products and towards their own agriculture. They have four ideas (the first three of which are not new):

- (a) More aid to the better marketing of their Mediterranean production inside the Community.
- (b) More help to improve the structure of their Southern agriculture.
- (c) As assurance that when trade concessions are made on Mediterranean products they will not have to bear the full economic brunt and will therefore be compensated financially.
- (d) Help to improve their own production, e.g. of beef, in order to reduce imports.

They recognise that it will be very difficult to get anything very specific spelt out under this heading at Dublin. The Germans were pretty negative. They attach great importance to our support, arguing that their Community Budget aims are equally in our interests as well as theirs and that the amount of money which they will hope to get on their CAP aims is very small in relation to what we hope to get from the correcting mechanism. In their view it would be a fair exchange for us to support them in return for their support of us.

/Suggested Line to Take

suggested Line to Take

Community Budget

1. We will look at the Italian ideas sympathetically. We certainly share the Italian aim of reducing expenditure on the CAP in relation to what is spent on other policies.
2. We shall however want to ensure that the 1 per cent ceiling is not reached.
3. Other members of the Community may say that the Italian proposal is sufficient to take care of that part of the British problem which arises because of inadequate receipts from the Budget. We could not accept this. The correcting mechanism must deal with our inadequate receipts as well as our excessive gross contribution.
4. Subject to that we see some attraction in the European Council laying down guide lines for reducing the share of the Budget spent on the CAP.

The CAP

1. We could not of course contemplate adding to Community expenditure unless we have a satisfactory Budget solution.
2. Nor could we contemplate any action which would result in making the same mistakes for Mediterranean products as have been made for Northern products. But we are sure the Italians do not want to create surpluses themselves.
3. We will have to consider the Italian proposals carefully when they are fully worked out and will do so in a sympathetic spirit.

SUBJECT

copied: Master Set
Euro Pol: Budget
Defence: TNF

BRIEF RECORD OF MAIN POINTS DISCUSSED AT THE TETE-A-TETE BETWEEN THE PRIME MINISTER AND SIGNOR COSSIGA AT 1900 ON 4 OCTOBER AT THE PALAZZO CHIGI.

Signor Cossiga said he was most grateful for this opportunity of a meeting with the Prime Minister, the first he had had with the Head of a foreign government. He spoke of the traditional friendly relations between Britain and Italy and of his own personal interest in British constitutional history.

Signor Cossiga said he would shortly meet Chancellor Schmidt and the Dutch Prime Minister, Mr van Agt, and then President Giscard in preparation for the Dublin Summit and to discuss TNF.

Italy had been shocked by the death of Lord Mountbatten. Both countries had a common obligation to fight terrorism. He was grateful for British collaboration in this field.

Signor Cossiga hoped that Anglo-Italian meetings could now be placed on an institutional basis. There were meetings between himself, the German and French leaders twice a year, and he hoped the same pattern could be established between Britain and Italy.

The Prime Minister thought that we should examine this idea. Such meetings should not be too long. Her present visit to Rome was the right length, ie inside 24 hours. We too had regular meetings with the Germans and French, and the more preparation that took place before European Council Meetings the better. Italy had a very important defence burden. Italy would also be the host at the forthcoming Economic Summit in Venice.

Signor Cossiga congratulated the Prime Minister on the British initiative on Rhodesia. In this problem, as in the very delicate question of South African relations with the rest of the world, Britain had a key role.

/The Prime Minister

The Prime Minister referred to the constitutional proposals which the parties at the Conference had until Monday to examine. It was vital to maintain momentum in these negotiations.

The Prime Minister went on to express sympathy for the recent earthquake disaster in central Italy. She also thanked Signor Cossiga for his efforts to resolve the Schild case, which could not be in more expert hands. Anything Italy and Britain could do together to combat terrorism had her whole-hearted support. This was a field in which she would also agree to extra expenditure.

Signor Cossiga said that as a Sardinian he felt particular concern for the Schild case. He handed the Prime Minister a document which he had prepared on this matter. He also referred to collaboration which had taken place with the British Metropolitan Police and M15 and M16. In this connection the Italian Government would do both what was possible and "what was impossible". They would arrange matters so that the Schild family could take any necessary initiative.

The Prime Minister then referred to the two most important problems relating to her visit, namely Community questions and Theatre Nuclear Forces. On the Community, there was no question of the British Government being anti-European, but there was this particular injustice concerning the Budget which had to be resolved soon. No doubt Italians had felt similarly about their problems relating to the CAP.

Signor Cossiga said that on the Community Italy was not in an easy situation. He was not an economic expert and was in the hands of his Economic Ministers. But before dealing with the Community he wished the Prime Minister to know what he was trying to achieve with respect to the Italian economy. [There then followed a lengthy explanation by Signor Cossiga of his economic strategy on lines which the Embassy has already reported.] In the course of this discussion and in reply to the Prime Minister's questions, Signor Cossiga said that as a former Minister for the Civil Service he personally enjoyed good relations with the trade unions and hoped that they would in the end do no more than make noises.

/Signor Cossiga

Signor Cossiga said that Italy's experience in the EMS had been relatively painless so far, and had in effect helped the Italian Government in their attempts to convince Italian political forces of the need to struggle against inflation. He perfectly understood that the fact that Britain was not a member of EMS was not in conflict with her membership of the Community as a whole.

Signor Cossiga then explained his Government's position on the Budget/convergence. Italy was in complete agreement with the rest of the Community on this subject. Anglo-Italian collaboration had resulted in the agreement achieved at the European Council at Strasbourg. But he had told President Jenkins that the Commission reference paper was not in complete accordance with the directives of the Strasbourg European Council. The problem was not exclusively one of the Budget, but was also one of the poorer regions which were to be found in Britain, Italy and Ireland. In addition to the resolution of the budgetary problem there had to be parallel measures, and the Commission had to reflect this in the reference document as a basis for the forthcoming Dublin Summit. He hoped that the Prime Minister would understand the Italian position and referred to the fact that his Government had been created in exceptionally difficult circumstances.

The Prime Minister hoped that a resolution of the budgetary problem would not have to wait. Britain was the third poorest country in the Community and the biggest single net contributor. This was a unique situation, with the exception of the Italian net budgetary deficit in 1978. The problem created sharp political resentment in Britain since it was neither reasonable nor just. Britain did not ask for benefit from the Community but should not be asked to pay heavily to it, particularly at a time when the British Government had had to introduce significant measures of economy. There was an immediate need for a solution and unless this could be obtained at Dublin the attitude of the British public could be very resentful. The Prime Minister added that she was very anxious to be constructive and quite accepted that those like Britain which were among the poorer countries [ie Italy and Ireland] should not be asked to pay more for a solution to the budgetary problem.

/Signor Cossiga

Signor Cossiga said that although the short-term objectives of the two countries might be different their objectives were surely the same. Britain faced in the short-term an imbalance in the budget while Italy suffered a hidden transfer of resources through the trade effects of the CAP. The Prime Minister made it clear that Britain also suffered from the requirement to buy dear Community products.

Signor Cossiga said that Britain and Italy should agree that the budget should be formed in order to increase expenditure on structural and regional support. He then spoke of the political price which Italy had to pay for concessions to Mediterranean countries. (NB: although in reply to Mrs Thatcher's question, he said that he was referring to the enlargement question, it seems likely that this was a reference to the Italian wish to be compensated for tariff concessions to third country Mediterranean suppliers, eg Cyprus).

He repeated that Italy and Britain should have the same objective viz to restructure the Budget so that there was more expenditure on regional and social funds; on structure; and on new research, energy and industrial policies, etc.

Signor Cossiga said that the Italians had a draft proposal for an addition to the Commission reference paper and he thought that Minister Malfatti would discuss this with Lord Carrington this evening.

The Prime Minister said that these were matters that had to be discussed at the Plenary meeting. The net payment of £1,000 m. a year to the Community Budget caused considerable political resentment in Britain and the matter had to be resolved in Dublin. Otherwise there could be no advance in Community policies. She did not wish to cause trouble in the Community or to dominate the Community with this issue. But it had to be got out of the way. This was a matter of equity. Once justice had been established we could make a more creative contribution to many questions for example to the reform of the CAP. The Agriculture Ministers only made little
/adjustments

adjustments to the CAP and never got to grips with the basic problem. Signor Cossiga agreed and said that although his Agriculture Minister was a personal friend he was one of his most difficult colleagues!

The conversation then turned to TNF. Signor Cossiga said that he was glad that SALT II had been successful and hoped the US Congress would ratify it soon. The Madrid Conference in 1980 was very important and there should be close co-operation between the European partners to prepare for this. In an international situation the only serious basis for detente was the re-establishment of a balance of forces between East and West. In a situation where the Soviet Union had conventional and strategic superiority, the TNF problem was vital. Italy was determined to take a positive decision. He had been shocked to read of the cynical way in which Gromyko had spoken to Minister Malfatti recently about the Soviet missiles (SS20) and Backfire bomber as if they were children's toys. These weapons were a threat to the whole of Europe as well as North Africa.

Signor Cossiga repeated that Italy would take a positive decision on TNF in the forthcoming alliance meetings. But it was highly desirable to have the approval of all the countries of the Alliance. Denmark and Norway though not nuclear countries should give their approval while all the existing nuclear countries should accept the modernisation of nuclear weapons. In this context his forthcoming meeting with the Dutch Prime Minister, Mr van Agt, was important. He intended to exert maximum pressure on him and the Dutch Foreign Minister, who would also be present. He was also trying to help Chancellor Schmidt by persuading German Christian Democrat contacts, eg Dr Eckt, Herr Strauss and Kohl, that they should not make party difficulties for the German Government. Signor Cossiga hoped that the British Government would also bring pressure on the Dutch. He, Cossiga, had an internal problem with the Italian Socialists and Chancellor Schmidt and the Dutch Government could, by a positive decision, also help him. This morning, 4 October, he had a special meeting in preparation for Mrs Thatcher's visit with his Foreign, Defence, and Interior Ministers as well as co-opted Ministers from
/the

the Liberal and Social Democrat Parties in the Coalition. They completely agreed with his positive decision on TNF. When the time came to make an announcement this would be by a routine statement by the Defence Minister. Cossiga would not make a lot of speeches.

Nevertheless, he regretted that there would at present be a gap between the decision of the Nuclear Planning Group and the subsequent decisions in the Defence Planning Committee and the NATO Council. In that period the Soviet Union could bring damaging pressure to bear on Italy as well as on Germany and Holland. He, Cossiga, would not change his position but hoped something could be done to associate the countries of the Alliance which were not members of the Nuclear Planning Group with the latter's positive decision so that a definitive decision could be taken at the NPG. Finally, he intended to consult (he later said "inform") the PCI and try to make them accept that this was an opportunity of proving that they were independent of the Soviet Union.

The Prime Minister thanked Signor Cossiga for his resolute attitude.

As the Prime Minister was leaving Signor Cossiga made the expected request for British support for the candidature for Zichichi for the direction of CERN. He would also be approaching the Germans since there was a rival German candidate. He handed a document on this to the Prime Minister.

The Prime Minister said that she believed there was a study group which was producing a report and that we would be examining this.

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FROM ROME 041000Z OCT

TO IMMEDIATE FCO

TELEGRAM NUMBER 437 OF 4 OCTOBER 1979

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Rund

YOUR TELEGRAM NO 190: THE SCHILD CASE

1. MINISTER OF THE INTERIOR ROGNONI SAW ME LAST NIGHT AND WENT OVER THE CASE IN DETAIL WITH CORONAS, CHIEF OF POLICE, AND MACERA, VICE-CHIEF, THE FORMER BEING A SARD.
2. I ASKED THAT THE SEARCH BE INTENSIFIED AND SUGGESTED THAT MORE SOPHISTICATED EQUIPMENT MIGHT BE NEEDED.
3. THE ITALIANS SAID THAT LARGE-SCALE BEATING OF THE BUSHES BY TROOPS WOULD NOT SUCCEED BUT THEY WOULD CONTINUE WITH PLAIN-CLOTHES SQUADS SEARCHING SPECIFIC AREAS, NOTKABLY THAT WHERE THE CINQUE FAMILY WERE KEPT. THEY WOULD CONTINUE INVESTIGATIONS WHICH WERE SHOWING SOME PROGRESS IN IDENTIFYING MEMBERS OF THE KIDNAPPING GANG. BUT THE BEST PROGRESS WOULD BE FOR SCHILD TO CONTINUE TO NEGOTIATE. THEY THOUGHT HIS LAWYER WAS HONEST AND A GOOD MAN FOR THE JOB. THEY WOULD PLACE NO OBSTACLES IN HIS WAY EITHER THROUGH POLICE INTERFERENCE OR THROUGH PREVENTING HIM FROM BRINGING MONEY INTO ITALY. THEY DID HOWEVER WANT HIM TO ALLOW THE BANK OF ITALY TO NOTE THE NUMBERS OF THE BANK NOTES. IN RESPONSE TO MY REQUEST THEY WOULD, IN ORDER TO AVOID MIDDLE ON THE ISLAND, APPOINT A SINGLE HIGH-LEVEL COORDINATOR FOR THE POLICE AND ANOTHER FOR THE CARABINIERI, WITH OVERALL CONTROL IN THE HANDS OF THE PREFECT OF SASSARI.
4. AT MY REQUEST THE MINISTER THEN GAVE INSTRUCTIONS THAT MR SCHILD SHOULD BE GIVEN THE NAMES OF THE TWO COORDINATORS, ASSURANCE THAT HIS EFFORTS WOULD NOT BE INTERFERED WITH ANY MORE, AND CONFIRMATION THAT HIS LAWYER WAS TRUSTWORTHY.
5. THE ITALIANS ALSO SAID THAT THE LESSONS OF THE CINQUE AFFAIR SHOULD BE STUDIED TO ENSURE THAT BOTH SCHILD WOMEN WERE RELEASED. (SCHILD IS IN TOUCH WITH CINQUE).

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/WE AGREED

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WE AGREED THAT IT WOULD BE PRUDENT TO TRY TO PREVENT THE BANDITS LEARNING THAT THIS EMBASSY WAS INVOLVED IN THE CASE, FOR FEAR THAT IT WOULD CAUSE THEM TO ESCALATE THEIR RANSOM DEMANDS.

6. IT IS CLEAR THAT THE ITALIANS WILL NOW INTENSIFY THEIR INTELLIGENCE EFFORT TO IDENTIFY THE GANG, THAT THEY DO NOT REALLY EXPECT TO FIND THE HOSTAGES EXCEPT BY A STROKE OF LUCK, AND THAT THEY WILL PLAN TO ACT AGAINST THE GANG IMMEDIATELY AFTER THE HOSTAGES HAVE BEEN RELEASED. THEY SEEM TO BE MAKING A GENUINE EFFORT TO SORT THEMSELVES OUT AND PREVENT MORE MUDDLE.

7. SCHILD HAS LEFT ROME FOR MILAN AND WE ARE NOT IN TOUCH WITH HIM AT PRESENT.

8. ROGNONI WILL DOUBTLESS REPORT ACCORDINGLY TO SIGNOR COSSIGA IN PREPARATION FOR HIS MEETING WITH THE PRIME MINISTER, WHEN HE WILL HAND OVER TO HER A COMPREHENSION REPORT.

9. FCO PLEASE ADVANCE COPIES TO PRIVATE SECRETARY AND TO MR ALEXANDER (NO 10) BEFORE THE PRIME MINISTER'S PARTY LEAVES FOR ROME TODAY.

ARCULUS

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Mr M D M Franklin CB CMG
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Included 2 briefs 3 October 1979

to Paul

Dear Michael

PRIME MINISTER'S VISIT TO ROME - RDF

... I enclose a note on the lines you requested; I hope that it will meet the Prime Minister's needs.

Yours sincerely,
G R Ashford

G R ASHFORD

cc: Mr Jordan-Moss
Mr Shore Mr Scholes
Mr Walsh - Cabinet Office
IG2CS

1. For the 1980 Budget, the Commission proposed commitment appropriations of 1,200 MEUA for the European Regional Development Fund (ERDF), an increase of 27% over the figure of 945 MEUA eventually agreed for 1979. At the Budget Council on 11 September, we, the Italians and the Irish supported the Commission's proposal, whereas the French, Germans, Belgians and Danes supported 650 MEUA. Luxembourg and the Netherlands were in-between. Because of the rules on majority voting, the view of Member States on 650 MEUA would have prevailed if they had insisted. However, after considerable discussion, in which the Financial Secretary played a leading role, they were persuaded to move to a compromise figure of 850 MEUA, which was then agreed.

2. An important factor affecting the stance of those favouring a lower provision for the ERDF was the effect which an increase would have on the "maximum rate", which sets a ceiling on appropriations for "non-obligatory expenditure" like the ERDF. Following the Budget Council agreement, the Parliament will be able to increase commitment appropriations for non-obligatory expenditure by a little over 255 MEUA, within the limit allowed by the maximum rate. On past experience, it is likely to wish to devote a considerable part of that to increasing the ERDF.

3. A marginal increase in the ERDF would lead to a reduction in UK public expenditure. Although the UK would have to contribute towards the cost of an increase in the EEC Budget at the VAT marginal rate (17.4% for 1980), we would be entitled to receive about 27% of any increase to the ERDF in the form of receipts. UK receipts from the ERDF are retained by the Government and are used to offset the costs of regional aid which would have been granted anyway. The Department of Industry believes that it should be possible to find sufficient eligible national projects to take up the UK share of a Fund as large as 1,200 MEUA.

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Foreign and Commonwealth Office

London SW1A 2AH

3 October 1979

Included i brief

Dear Michael,

Pa. Paul

Prime Minister's Visit to
Rome

/ I attach a Personality Note on the President of Italy, Signor Pertini, on whom the Prime Minister is calling at 10.00 am on 5 October.

Yours WGA

A handwritten signature in dark ink that reads "Paul".

Paul Lever
Private Secretary

M O'D B Alexander Esq
10 Downing Street

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94 PERTINI, Onorevole Alessandro

President of the Republic (Socialist).

Born Stella (Savona) 1896. Graduated in law and social sciences.

A Socialist from youth, he was condemned for anti-Fascist activities in 1925 and took refuge with Turati in France in the following year. He returned clandestinely to Italy but was arrested at Pisa in 1929. Remained in prison until August 1943 when he was liberated. Captured by the Germans, he escaped from the Regina Coeli prison in Rome and joined the Resistance in which he played a very prominent part, particularly in Genoa. Subsequently, received the highest award for bravery, the Gold Medal of the Resistance. Also holds the United States Silver Staff and the Croix de Guerre.

Deputy for Genoa in all seven post-war legislatures and a leading figure in the Italian Socialist Party. He has held various positions in the party, but has always been something of a lone figure. He opposed an electoral alliance with the Communists in the late 1940s, but also opposed the Socialists' entry into government with the Christian Democrats in the 1960s. A member of the Central Committee but not of the Directorate of the party. Elected President (Speaker) of the Chamber of Deputies in June 1968, a post which he filled with distinction until June 1976.

He was elected President of the Republic on 8 July 1978 with (in the end) the support of all parties of the five-party majority, though the Christian Democrats had initially refused to support him or any other Socialist. He is the first Socialist ever to be elected President.

Pertini is a pleasant, obstinate, somewhat old-fashioned figure. He is a man of simple habits. Wears a cloth cap and smokes a pipe. His first action at the Quirinale was to reduce ceremonial and protocol.

Speaks French with some reluctance, but no English. Friendly to Britain. Despite his age he appears to be in robust health. Married a girl partisan during the Resistance period: she is a qualified psychologist and takes no part in public life.

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3 OCT 1979



10 DOWNING STREET

Prime Minister.

The briefing meeting will take place to-morrow morning after the Rhodesia meeting.

I would phrase the political argument mentioned by Sir J. Hunt rather differently. "The present British govt is fully committed to Europe. We are anxious to move ahead, to give a lead in various fields. But so long as we have to look over our shoulders because of the doubters at home - who give encouragement from the ^{partial} unfairness of the Budget - we shall be unable to do so."

— Sir J. Hunt's line seems to me too defensive. We must offer the others a positive prospect if the problem is resolved rather than a negative one if it is not.

Am. 2/10

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Briefs in series
PMVW (79) 1-8
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4-5 OCTOBER 1979

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W. Patterson

LIST OF BRIEFS ISSUED IN THE PMVW(79) SERIES

1. STEERING BRIEF

Brief by Foreign and Commonwealth Office

2. EUROPEAN COMMUNITY QUESTIONS

(a) COMMUNITY BUDGET/CONVERGENCE

Brief by HM Treasury

(b) THE COMMON AGRICULTURAL POLICY

Brief by the Ministry of Agriculture, Fisheries and Food

(c) FISHERIES

Brief by the Ministry of Agriculture, Fisheries and Food

(d) EUROPEAN MONETARY SYSTEM

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3. TNF MODERNISATION

Brief by the Foreign and Commonwealth Office

4. EAST-WEST RELATIONS

Brief by Foreign and Commonwealth Office

5. BILATERAL ISSUES (INCLUDING SECURITY MATTERS)

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7. INTERNATIONAL FINANCIAL AND ECONOMIC SCENE

Brief by HM Treasury

8. INTERNAL POLITICAL AND ECONOMIC SCENE IN ITALY

Brief by Foreign and Commonwealth Office

Cabinet Office

28 September 1979

CONFIDENTIAL



Foreign and Commonwealth Office

London S.W.1

Prime Minister

2 October 1979

Ans
2/4

Dear Michael,

Prime Minister's Visit to Italy: Animals at Fiumicino Airport

Section F of the FCO brief PMVW(79)5 deals with this. The Italian health authorities have now put out a strongly worded press statement (Rome telegram No 428 enclosed) and the Embassy expect that they will have provided a tough brief for Signor Cossiga. None of this alters our advice that it might be useful for officials of the two sides to meet in order inter alia to learn more about each others' regulations.

Yours etc

Paul

(P Lever)
Private Secretary

M O D'B Alexander Esq
10 Downing Street
LONDON

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1911

GRS428

UNCLASSIFIED

Z L S K B Y 011700Z

FM ROME 011600Z OCT 79

TO IMMEDIATE FCO

TELEGRAM NUMBER 428 OF 1 OCTOBER

M.I.P.T.: ZEBRAS AND ANTELOPES AT FIUMICINO.
FOLLOWING FOR BURTON (M.A.E.D.)

1. FOLLOWING IS TRANSLATION OF PRESS RELEASE MENTIONED IN PARA
5 OF MIPT.

BEGINS

WITH REGARD TO A NUMBER OF REPORTS APPEARING IN THE BRITISH
AND ITALIAN PRESS CONCERNING THE SOUTH AFRICAN CARGO OF EXOTIC
ANIMALS FOR EXPORT TO ITALY, THE MINISTRY OF HEALTH WISH TO MAKE
THE FOLLOWING ANNOUNCEMENT:

- (1) THE CARGO LEFT SOUTH AFRICA WITHOUT ANY PERMIT FROM THE
LOCAL STATE VETERINARY AUTHORITIES AND "AT THE EXPORTER'S
COMPLETÉRISK".
- (2) THE CARGO LACKED A CERTIFICATION OF ORIGIN REQUIRED BY
INTERNATIONAL LEGISLATION AND COULD NOT THEREFORE BE RECEIVED
BY ANY COUNTRY SUBSCRIBING TO THAT LEGISLATION.
- (3) THE AREA OF ORIGIN IS REGARDED AS A "HIGH RISK AREA",
AND CONSEQUENTLY ANY ANIMAL ARRIVING FROM THAT AREA MUST BE
SUBJECTED TO AN ACCURATE INSPECTION IN ORDER TO ENSURE THAT IT
COMPLIES WITH ALL THE NECESSARY EXPORT REQUIREMENTS.
- (4) THE DOCUMENTATION FURNISHED BY THE AIR-LINE RESPONSIBLE
FOR THE CARGO TURNED OUT TO BE THAT OF A PRIVATE VETERINARY
OFFICER.
- (5) WHEN THE CARGO ARRIVED IN ITALY THE ANIMALS, ZEBRAS AND
ANTELOPES, WERE IN A DISASTROUS CONDITION BOTH BECAUSE OF THE
TRAVELLING CONDITIONS (EXTREMELY NARROW CAGES, INADEQUATE FOOD
AND WATER) AND THE PRECARIOUS HYGIENIC AND SAMITARY CONDITIONS
WHICH THE ANIMALS HAD TO ENDURE. WHEN THE PLANE LANDED IN
ROME TWO ANIMALS WERE DEAD, FOUR (TWO ZEBRAS AND TWO ANTELOPES)
WERE DYING.

/ALERTED BY

ALERTED BY THESE EVENTS, THE ITALIAN SANITARY AUTHORITIES ASK FOR PERMISSION TO CARRY OUT AN ACCURATE INSPECTION OF THE ANIMALS, ON CONCLUSION OF WHICH, ON THE BASIS OF INTERNATIONAL HEALTH LAWS, TO WHICH ITALY SUBSCRIBES, THEY REFUSED PERMISSION FOR THE ANIMALS TO BE UNLOADED IN ORDER TO PROTECT ITALIAN AND EUROPEAN LIVE-STOCK. THE DISEASES OF WHICH THE ZEBRAS AND ANTELOPES FROM SOUTH AFRICA MIGHT BE CARRIERS WOULD REPRESENT A VERY SERIOUS RISK FOR THE ANIMALS OF THE COUNTRY AND OF THE WHOLE CONTINENT.

IN THE CIRCUMSTANCES IT IS SURPRISING THAT THE PRESS OF A COUNTRY SUCH AS ENGLAND, WHICH IS NOTORIOUSLY VERY SEVERE IN SUCH MATTERS, SHOULD ACCUSE "ITALIAN BUREAUCRACY" OF RESPONSIBILITIES FOR WHICH IT CARRIES NO BLAME, INSTEAD OF ACKNOWLEDGING THAT IT HAD PERFORMED A RIGHTFUL ACT OF SEVERITY TOWARDS SPECULATORS WHO, IN CONTEMPT OF EVERY ELEMENTARY RULE OF PRUDENCE AND LAW EXPLOIT THE HUMANITY OF SENSITIVE PEOPLE FOR A SQUALID COMMERCIAL TRANSACTION.

ENDS.

2. PLEASE SEND ADVANCE COPY ALSO TO VERECKER (WED/FCO).

ARCULUS

F I L E S
MAED
WED
PS/LPS
MISS BROWN

CONFIDENTIAL

Ref. A0350

PRIME MINISTER

Visit to Rome

I should like to comment on two aspects of the briefing:-

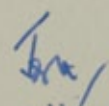
- (a) The trickiest part of your meeting will be to maintain the alliance you had with the Italians in Strasbourg without imperilling our own timetable given that the Italian requests are imprecise and likely to be almost as unwelcome to our other Community partners as our own demands for a budget refund. The Italian nuisance value can be very great: but if you make too precise promises to Signor Cossiga it could be expensive for us as well as for the rest of the Community. You will want to probe Signor Cossiga as to his precise objectives for the Dublin Summit but it will essentially be an exercise in showing sympathy and understanding. We want cash in Dublin: the Italians will probably have to be content with words. There is a political argument which I think you will need to deploy with Signor Cossiga in the tete-a-tete. Although the present Government's firm commitment to the Community has had some effect, British public opinion still remains sceptical and in some quarters hostile towards the EEC. This is not a sound basis for United Kingdom participation in the Community. If our claim for fair play over the budget is rebuffed by our partners even the pro-Marketees will find it hard to maintain their support and the old hostilities will be rekindled. The sooner this issue is settled the sooner can the Government set about rebuilding public support. The Italians do not have this fundamental difficulty: support for the Community is still overwhelmingly strong and although public enthusiasm may have waned in recent months this is in part because the Italian Government has made much of the imbalance in Community policies which, so far as Italy is concerned, is now on the way to being corrected. Signor Cossiga should therefore understand that a solution to the budget problem is an overriding political necessity for you if the Government's co-operative attitude is to be sustained.

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(b) On the CAP the Italians have complex interests. One is undoubtedly to support their southern agriculture and this has been the dominant Italian concern when it has come to the crunch. But there are people, notably in the Bank of Italy, who are worried about the import cost of the CAP. Our calculations confirm that the non-budgetary resource costs of the CAP for Italy are even higher than for the United Kingdom because of the large quantities of beef, sugar and dairy products which they import. The rapidly rising standard of living in Italy during the '60s and early '70s led to a rapid expansion of demand which Italian agriculture has not been able to meet. While their balance of payments position has been good, this worry has diminished, but it should certainly reappear as their balance of payments surplus disappears. While they are criticising the high resource cost of the CAP we can support the Italians 100 per cent. It is only when they want to secure greater protection for Mediterranean products at the expense of third countries or the Community budget that we have difficulties. In terms of the Dublin meeting, therefore, you can offer your support for any commitment designed to bring about a reduction in the resource cost of the CAP. On Mediterranean agriculture, you could take the line that our ability to be helpful depends on getting our own budget problem right.

2. Finally, I attach a note prepared by the Treasury which gives you figures on how the Italian budgetary position has developed and why their large net contribution in 1977-78 looks like being a temporary aberration.

3. I am sending a copy of this minute to the Foreign and Commonwealth Secretary.


JOHN HUNT

2nd October, 1979

CONFIDENTIAL

The evolution of Italy's net contribution to the Community Budget

The following table charts the recent and prospective evolution of Italy's net contribution to the Community Budget.

Attribution of MCAs	£m				
	1976	1977	1978	1979	1980
1. "Exporter-pays"	+130.4	- 43.4	-480.3	+324.7	+495.5
2. "Importer-pays"	+154.0	+191.9	-202.5	+509.0	+588.0

+ : net beneficiary

- : net contributor

Sources : Commission estimates (for 1979 and 1980 : Commission "reference paper")

2. Italy's substantial net contribution in 1978 shows up as an aberration. The reasons for it are not clear and the Italians themselves consider it to have been a fluke.

3. Italy's emergence as the largest net beneficiary from the Budget in the Commission's forecasts for 1980 can be explained by a number of factors:

- i. a small reduction in their gross contribution due to the switch from a GNP-based to a VAT-based contribution;
- ii. the introduction of new EEC policies of benefit to Italy, especially those benefitting fruit and vegetable growers;
- ~~iii. the devaluation of the green lira; and,~~
- (iii). a much-increased uptake of money voted in the Community Budget, resulting from improved domestic administration.

CONFIDENTIAL

4. The Italians themselves do not expect to be net beneficiaries from the Budget on the scale foreseen by the Commission. This probably reflects continued doubts about their ability to spend in full their Budgetary entitlements.

1. For the 1980 Budget, the Commission proposed commitment appropriations of 1,200 MEUA for the European Regional Development Fund (ERDF), an increase of 27% over the figure of 945 MEUA eventually agreed for 1979. At the Budget Council on 11 September, we, the Italians and the Irish supported the Commission's proposal, whereas the French, Germans, Belgians and Danes supported 650 MEUA. Luxembourg and the Netherlands were in-between. Because of the rules on majority voting, the view of Member States on 650 MEUA would have prevailed if they had insisted. However, after considerable discussion, in which the Financial Secretary played a leading role, they were persuaded to move to a compromise figure of 850 MEUA, which was then agreed.

2. An important factor affecting the stance of those favouring a lower provision for the ERDF was the effect which an increase would have on the "maximum rate", which sets a ceiling on appropriations for "non-obligatory expenditure" like the ERDF. Following the Budget Council agreement, the Parliament will be able to increase commitment appropriations for non-obligatory expenditure by a little over 255 MEUA, within the limit allowed by the maximum rate. On past experience, it is likely to wish to devote a considerable part of that to increasing the ERDF.

3. A marginal increase in the ERDF would lead to a reduction in UK public expenditure. Although the UK would have to contribute towards the cost of an increase in the EEC Budget at the VAT marginal rate (17.4% for 1980), we would be entitled to receive about 27% of any increase to the ERDF in the form of receipts. UK receipts from the ERDF are retained by the Government and are used to offset the costs of regional aid which would have been granted anyway. The Department of Industry believes that it should be possible to find sufficient eligible national projects to take up the UK share of a Fund as large as 1,200 MEUA.

EEC - N.S.S.O.

Institutions - direct West Belgium

↙

Common EEC

EEC

East West Part

Belgium & others

↙ Pardolfi - Charlton Europe

I.M.F. 110 Committee

Belgium

EEC → Open →

↓ Italy - Britain - → S.L.G.

Charles Pomerehne → Embassy of Venus
Comm

- L'Espresso -

CONFIDENTIAL

Italy



Foreign and Commonwealth Office

London SW1A 2AH

2 October 1979

Ken. Paul 3/x

Dear Michael,

PRIME MINISTER'S VISIT TO ROME

Apas

You wrote to me on 28 September about the programme for the Prime Minister's visit to Rome. We have conveyed the Prime Minister's wishes to HM Embassy at Rome, who have replied that in their view it would be best for the Prime Minister to meet the British press at 0915 on 5 October at the Villa Wolkonsky (paragraphs 1 and 2 of Rome telegram no 432, copy attached for ease of reference, refer).

The Embassy also advise that the Italian Prime Minister has not reverted to the suggestion of a separate presentation on terrorism; and that since the question is already on the agreed agenda (under the "Bilateral Issues" heading) and the timing of the visit is fairly tight, they propose to discourage the idea.

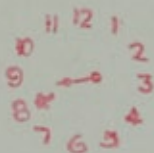
Yours etc

(P Lever)

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

- 3 OCT 1979



OO FCO (DESKBY 021130Z)

GR 300

CONFIDENTIAL

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FM ROHE 021040Z OCT

TO IMMEDIATE FCO

TELEGRAM NUMBER 432 OF 2 OCTOBER 1979

Hd / WED (W. 1979)

Hd / NEWS.

Mr James.
No 10. DS
Mr Bullard
Mr Fergusson

YOUR TELNO 198: PRIME MINISTER'S VISIT: MEETING THE BRITISH PRESS

1. AS ADVISED IN TELECON ADAMS/VEREKER (WED) I AGREE THAT THE FIRST OPTION IN PARAGRAPH 2 OF YOUR TUR (E.G. MEETING THE BRITISH PRESS BEFORE THE CALL ON PRESIDENT PERTINI ON 5 OCTOBER) IS PREFERABLE. BUT AS ALSO EXPLAINED IN TELECON UNDER REFERENCE IT WOULD BE DESIRABLE THAT THIS BE BROUGHT FORWARD TO 9.15 IN ORDER TO AVOID THE DANGER OF BEING LATE FOR THE CALL ON THE PRESIDENT OF THE REPUBLIC AT 10 A.M. THE PRESS BRIEFING WOULD TAKE PLACE AT THE VILLA WOLKONSKY.

2. THE REASON WHY THE SECOND OPTION (A BRIEFING BETWEEN THE PLENARY AND THE WORKING LUNCH) WOULD NOT BE PRACTICABLE IS THAT BOTH THESE EVENTS WILL TAKE PLACE IN SIGNOR COSSIGA'S OFFICE BUILDING (PALAZZO CHIGI). IF THERE IS ANY NEED TO BRIEF THE PRESS AGAIN AFTER THE MORNING'S TALKS, THIS MIGHT BEST THEREFORE BE DONE BY HENRY JAMES, THOUGH THERE WOULD ALSO BE A PROBLEM ABOUT THE VENUE.

3. AS ALSO EXPLAINED IN TELECON UNDER REFERENCE, SIGNOR COSSIGA HAS NOT REVERTED TO THE IDEA OF A SEPARATE PRESENTATION ON TERRORISM BUT AS THE AGENDA IS ALREADY VERY HEAVY AND THERE IS AN OPPORTUNITY OF MENTIONING TERRORISM (I.E. SECURITY ASPECTS) UNDER THE BILATERAL SUBJECTS, I WOULD PROPOSE TO DISCOURAGE A SEPARATE PRESENTATION IF THE ITALIANS RAISE THE IDEA.

4. PLEASE SEND ADVANCE COPIES TO VEREKER (WED).
JAMES (NO.10) AND HEAD OF NEWS DEPARTMENT (FCO).

ARCULUS

DVF G 119/82

LIC NR 936/82

DESKBY 021330Z

PS
PS/HPS
PS/PUS
(8)

(Dept. dist
+ No 10 DS
+ Cabinet office)

ADVANCE

OO FCO (DESKBY 021330Z)

COPY

Mr Bullan
Mr Butler
Hd WED
Mr Ferguson

OR 600

IMMEDIATE

ADVANCE COPY

CONFIDENTIAL

DESKBY 021330Z

FM ROME 021235Z OCT

TO IMMEDIATE FCO

TELEGRAM NUMBER 533 OF 2 OCTOBER 1979

Prime Minister
~~PS/No 10 Downing St~~
HMS

PRIME MINISTER'S VISIT; CURRENT DOMESTIC ITALIAN PREOCCUPATIONS

1. THE PRIME MINISTER MAY FIND IT USEFUL TO HAVE THIS ACCOUNT OF SOME SIGNOR COSSIGA'S MAJOR DOMESTIC ANXIETIES AT THIS TIME.

2. ONE SUBJECT THAT WILL BE ON HIS MIND IS TERRORISM. AS EXPLAINED IN MY TELNO 432 I DO NOT THINK THAT TIME WILL PERMIT A SPECIAL PRESENTATION ON TERRORISM ON THE LINES MENTIONED IN PARA 3 OF YOUR TELNO 188. BUT SIGNOR COSSIGA WILL ALMOST CERTAINLY RAISE THE SUBJECT WITH THE PRIME MINISTER, BOTH BECAUSE OF HIS SPECIAL INTEREST AS A FORMER MINISTER OF THE INTERIOR AND BECAUSE THERE HAS BEEN A RESURGENCE OF VIOLENCE IN ITALY OVER THE PAST TEN DAYS.

(A FIAT EXECUTIVE WAS KILLED BY TERRORISTS IN TURIN ON 21 SEPTEMBER, AND THIS WAS FOLLOWED ON 25 SEPTEMBER BY A PARTICULARLY NASTY MAFIA KILLING OF A JUDGE IN PALERMO AND AN ATTEMPT ON THE LIFE OF A UNIVERSITY PROFESSOR IN PADUA WHO HAD PUBLICLY SUPPORTED INVESTIGATIONS INTO THE TERRORIST ACTIVITIES OF HIS COLLEAGUES). THESE EVENTS ARE NOT ALL NECESSARILY CONNECTED. BUT THEY HAVE CREATED THE IMPRESSION OF THE OPENING OF AN AUTUMN CAMPAIGN OF TERRORISM WHICH IS WORRYING FOR SIGNOR COSSIGA, PARTICULARLY SINCE HE HAS MADE THE FIGHT AGAINST TERRORISM ONE OF THE MAIN PLANKS OF HIS GOVERNMENT'S PROGRAMME.

3. ANOTHER OF COSSIGA'S PRINCIPAL PRE-OCCUPATIONS AT THIS TIME IS BOUND TO BE THE ECONOMIC SITUATION; THE 1980 BUDGET AND ECONOMIC AND FINANCIAL FORECASTS, WHICH ARE THE PRINCIPAL

ECONOMIC AND FINANCIAL FORECASTS, WHICH ARE THE PRINCIPAL STATEMENT OF HIS GOVERNMENT'S POLICY SO FAR, HAVE JUST BEEN PRESENTED TO PARLIAMENT. IT IS A DIFFICULT MOMENT, WITH GROWTH SLOWING DOWN AND INFLATION RISING: THE BUDGET AIMS TO LIFT GDP GROWTH IN 1980 FROM AN EXPECTED 1.5% TO AROUND 3%, PRINCIPALLY BY MEANS OF INCREASES IN TAX ALLOWANCES AND STIMULI TO THE BUILDING SECTOR. ITS PASSAGE THROUGH PARLIAMENT IN THE NEXT 3 MONTHS WILL BE CRUCIAL: SOME OF THE CONTENT OF THE BUDGET IS CONTROVERSIAL, PARTICULARLY CERTAIN ASPECTS OF TAX REFORM.

4. THE GOVERNMENT'S STRATEGY HAS ALREADY BEEN DISRUPTED BY THE TRADE UNIONS, AND COSSIGA IS BEGINNING TO LOOK A LITTLE WEAK IN RELATION TO THEM. THE GOVERNMENT HAS APPARENTLY ABANDONED ITS INTENTION ANNOUNCED TWO MONTHS AGO TO SEEK REFORMS OF THE SCALA MOBILE (WAGE INDEXATION SYSTEM) IN RETURN FOR INCREASED TAX ALLOWANCES, WHICH IT HAS NOW GIVEN ANYWAY. IT NOW INTENDS TO HOLD DOWN LABOUR COSTS BY A FURTHER TRANSFER OF EMPLOYERS' SOCIAL SECURITY BURDENS TO THE STATE BUDGET. FOLLOWING THIS SUCCESS AND THE PREVIOUS ACCEPTANCE BY THE GOVERNMENT OF A STRENGTHENING OF THE SCALA MOBILE IN THE PUBLIC SECTOR, THERE ARE SIGNS THAT THE UNIONS ARE PREPARING TO PRESS EVEN TOUGHER DEMANDS, INCLUDING FURTHER INDEXATION OF THE ALREADY HIGHLY INDEXED PENSIONS SYSTEM. THIS COULD BE A SIGN THAT THE COMMUNISTS ARE BEGINNING TO TURN THE SCREW ON THE GOVERNMENT, AND COSSIGA MUST BE APPREHENSIVE. A FURTHER MAJOR MEETING WITH THE UNIONS IS DUE ON 9 OCTOBER.

5. A FURTHER CONSTANT PRE-OCCUPATION IS THE ENERGY SITUATION, PARTICULARLY GIVEN THE FAILURE OF THE ITALIAN NUCLEAR POWER PROGRAMME TO MAKE SIGNIFICANT PROGRESS. ITALIAN REQUIREMENTS FOR OIL IMPORTS WERE SATISFIED BY THE PARIS DECISION TO ALLOW ITALY TO EXPAND HER IMPORTS BY 5% PER ANNUM, BUT ITALY HAS NOW TO FIND THIS OIL. THE ITALIAN STATE OIL COMPANY, ENI HAS BEEN ENGAGED WITH GOVERNMENT SUPPORT IN A SERIES OF BILATERAL NEGOTIATIONS WITH PRODUCER COUNTRIES.

6. PLEASE PASS ADVANCE COPIES TO BULLARD AND BUTLER (DUS)
FERGUSSON (ANS) AND GLADSTONE (WED)

ARCULUS

INNN

13

Italy

2

Notes

Mr Alexander

Paul

You already knew x.

Perhaps 7- w. were y.

Thank you

T 04843

SIR JOHN HUNTPrime Minister's visit to Rome - TNF Modernisation

x | Thank you for your note dated 28 September. On the numbers of GLCMs, the original US proposals were circulated to the High Level Group in July by Dr Aaron. These showed 144 for the UK and 112 for West Germany. The revised US paper now shows 160 for the UK and 96 for West Germany, so the fact that an adjustment has been made will already be clear to the Italians through their membership of the High Level Group.

y | 2. On the question of the confidentiality of the present position of the UK Ministers, I think that the FCO have relied too much on the implied status of our decision set out in paragraph 12 of the brief. They have now agreed that the position ought to be stated explicitly at the beginning of paragraph 11 of the brief, along the lines of 'Although a final NATO collective decision is not due until December, and no public announcement of the UK position will be made before that date

3. I attach a suggested minute to Mr Alexander.

R. M. Hastie-Smith

1 October 1979

R M HASTIE-SMITH



From the Secretary of the Cabinet

SECRET

R. Hasle - Smith

Am I right or wrong?

W. (28/9)

SECRET

Top copy returned.

ACRM 1/10/79

Ref. A0330

MR. ALEXANDER

Sir J. Hunt : I'd not put this to the P.A. with the brief. I think the Italians already know about the 144/16 split & about the US reports to us. Your last sentence is of some concern & I will ensure that it is taken into account.

In case the Prime Minister is reading her briefs for Rome over the weekend I should like to register one point about which I am doubtful but on which I have been unable to raise any of the experts tonight. I will have it checked on Monday.

2. It arises on the brief about TNF modernisation (PMVW(79) 3). The second sentence of paragraph 11 - because it is in the "for use" part of the paragraph - suggests that we should tell the Italians that in addition to our original quota of 144 GLCMs we have agreed to take 16 from the original German quota. This seems to me very questionable and only liable to lead the Italians to ask us to take some of theirs. I had understood that the Americans were going to show our quota in NATO as 160 with no suggestion that it had ever been lower. The brief ought also to have suggested that the Prime Minister should make it clear to the Italian Prime Minister that the United Kingdom decision to accept this basing has not yet been announced in the United Kingdom and is therefore strictly confidential.

J. Hunt
JOHN HUNT

28th September, 1979

CONFIDENTIAL



FIVE

289

10. DOWNING STREET

From the Private Secretary

28 September 1979

Dear Paul,

PRIME MINISTER'S VISIT TO ROME

The Prime Minister has seen George Walden's letter to me of 28 September on this subject. Having reconsidered the matter with care, she has decided that on this occasion she would be prepared to include three senior officials in the party to accompany her. It will therefore be possible for both the FCO officials mentioned in George Walden's letter under reference, as well as a member of the Cabinet Office European Secretariat, to accompany her to Rome.

As regards the suggestions for her programme during the visit contained in Sir Ronald Arculus's telegram no. 414 of 26 September, she is in general content. However, she would like to meet the British Press at some point during the stay. This might conveniently be arranged at 0930 on 5 October. Alternatively, if the call on President Pertini and the Plenary talks could be brought forward a little, a meeting could be fitted in between the end of the Plenary and the working lunch. I should be inclined to favour the first option.

I have also discussed with the Prime Minister the suggestion in John Chilcot's letter to Clive Whitmore of 27 September. The Prime Minister would wish to fall in with Signor Cossiga's wishes on this subject: if Signor Cossiga himself wanted a presentation to be laid on, the Prime Minister would be very happy to attend it. I do not think, however, that the Prime Minister would want her departure from Rome to be significantly delayed by the presentation.

I am sending copies of this letter to Martin Vile (Cabinet Office) and John Chilcot (Home Office).

Yours ever

Michael Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

28

CONFIDENTIAL



Foreign and Commonwealth Office

London S.W.1

28 September 1979

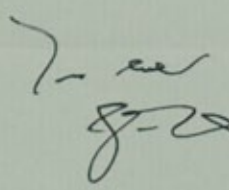
Dear Michael,

Prime Minister's Visit to Rome

In your letter of 19 September you discussed the arrangements for the Prime Minister's visit to Rome on 4/5 October and asked for advice as to which two senior officials should accompany the Prime Minister.

We have now agreed with the Italians that the main subjects for discussion with the Italians will be Community issues, in particular the Budget; TNF modernisation and East-West relations; and bilateral relations. Since, as we understand, the Prime Minister wishes to be accompanied by a member of the Cabinet Office European Secretariat for the Community aspects of the discussion, it would seem most appropriate that the second official should be Julian Bullard, the Political Director at the FCO.

The Foreign and Commonwealth Secretary has now confirmed that, subject to any unexpected developments in the Rhodesia Conference, he intends to accompany the Prime Minister. In view of the importance of the Community aspects of the discussion however he would also like Michael Butler to accompany the party, both because of his long experience in this kind of Community negotiation and in view of his forthcoming appointment as the UK Permanent Representative in Brussels.


G G H Walden

M O'D B Alexander Esq
10 Downing Street

CONFIDENTIAL

28 SEP 1979





HOME OFFICE
QUEEN ANNE'S GATE LONDON SW1H 9AT

27 September 1979

Dear Clive,

The senior officials of TREVI - the framework in which Ministers of the Interior and their officials from the EEC countries discuss counter-terrorism and related topics - have just met in Dublin. In the margin of the meeting the Italians raised the question of the Prime Minister's forthcoming visit to Italy. They suggested that she might be interested in having a discussion or some form of presentation on terrorism. Our representative (Robert Andrew) replied that he had not been involved in the preparations for the visit and had not seen the programme, although he supposed that it would have been drawn up after consultation between the Italian authorities and the British Embassy in Rome. He did not know whether terrorism would feature in the talks, but undertook to pass this thought on to the right quarter.

The Italian suggestion arose from a discussion of the recent hi-jacking incident at Rome Airport, which the Italians feel they handled pretty well. Robert Andrew doubts if the suggestion had any authority beyond that of the Chief of Police (Coronas) and the senior member of the Security Service (Russomano) who made it; but Signor Cossiga himself is of course keenly interested in terrorism. When he was Minister of the Interior we had a good deal of contact on this subject and exchanged Ministerial visits. He expressed keen interest in our counter-terrorism methods and in the organisation of the British police and Security Service; and we were able to provide the Italians with a certain amount of help and advice at the time of the Moro kidnapping. We understand that Signor Cossiga took personal charge of the recent aircraft hi-jacking incident (although Coronas made it clear that he thought the credit was his!).

I imagine that you will have a pretty full programme for the Italian visit and it may be that it already includes some opportunity for an exchange of views on terrorism. Anyway, I thought I should pass on to you the Italian suggestion for what it is worth. If you should want any further briefing material no doubt you or the FCO will let us know.

/I should perhaps add

C A Whitmore Esq

CONFIDENTIAL

I should perhaps add that the present Italian Minister of the Interior, Signor Rognoni, has accepted in principle an invitation from the Home Secretary to visit this country for discussions in which terrorism will figure prominently, but no date has yet been fixed.

I am copying this letter to George Walden at the FCO.

Yours,
John

(J A CHILCOT)

CONFIDENTIAL

GR 1500
CONFIDENTIAL
DESKBY 261830Z SEP
FM ROME 261715Z SEP
TO IMMEDIATE FCO
TELEGRAM NUMBER 414 OF 26 SEPTEMBER 1979

CONFIDENTIAL

Gifts
Coby: Overheard
on pm tour
abroad. Visit
to Rome May 1979.

MY TELNO 486 AND TELECON YEREKER/ADAMS: PRIME MINISTER'S VISIT

1. AS FORECAST BY TELEPHONE TO WED EARLIER THIS WEEK, I CALLED ON SIGNOR COSSIGA THIS MORNING, 26 SEPTEMBER. THIS WAS MY FIRST CALL ON HIM AND HE CLEARLY WISHED TO USE IT TO DISCUSS THE PRIME MINISTER'S OFFICIAL VISIT IN SOME DETAIL, AND TO DO EVERYTHING POSSIBLE TO ENSURE THAT IT GOES WELL.

2. I WAS GRATEFUL TO HAVE ADVANCE NOTICE IN TELECON YEREKER/ADAMS THAT THE PRIME MINISTER WOULD PREFER THE LARGER DINNER FORMULA (PARAGRAPH 3 OF MY TEL UNDER REFERENCE). THIS ENABLED ME TO AGREE THE FOLLOWING PROGRAMME:-

4 OCTOBER

(A) A TETE A TETE WITH SIGNOR COSSIGA FROM 7 TO 8 PM AT THE PALAZZO CHIGI,

(B) 9.15 PM DINNER FOR ABOUT 30 GUESTS AT VILLA MADAMA (THIS WILL NO DOUBT BE LOUNGE SUIT FOR MEN; THE ITALIANS WILL PROBABLY EXPECT MRS THATCHER TO WEAR A LONG DRESS, THOUGH SOME ITALIAN LADIES WILL WEAR SHORT)

5 OCTOBER

(C) 10 AM CALL ON PRESIDENT PERTINI

(D) 11 AM TO 1 PM PLENARY TALKS

(E) 1.15 PM WORKING LUNCH AT PALAZZO CHIGI.

CONFIDENTIAL

/ 3. SIGNOR

? See Portfolio files.

3. SIGNOR COSSIGA MADE A POINT OF SAYING THAT THOUGH IT WAS NORMALLY THE RESPONSIBILITY OF A JUNIOR MINISTER FROM THE MFA HE WOULD ON THIS OCCASION HIMSELF BE AT THE AIRPORT. SPECIAL ARRANGEMENTS HAD BEEN MADE TO OPEN CIAMPINO FOR THE PURPOSE.

4. WE DISCUSSED THE TETE A TETE, WHICH WOULD BE USED FOR A TOUR D'HORIZON AND WOULD COVER THE POLITICAL SITUATION AND PROVIDE AN OPPORTUNITY TO DISCUSS PRIVATELY THE MAIN ITEMS ON THE AGENDA, NAMELY COMMUNITY BUSINESS AND TNF.

5. AS REGARDS THE DINNER, COSSIGA GAVE INSTRUCTIONS THAT TIME AT TABLE SHOULD BE MINIMISED TO FREE THE MAXIMUM TIME OVER COFFEE FOR MRS THATCHER TO MEET PROMINENT ITALIANS. HE WOULD PROBABLY AIM AT ABOUT 30 GUESTS AND WOULD INCLUDE SENIOR MINISTERS, 1 OR 2 TOP INDUSTRIALISTS AND A FEW PROMINENT ITALIANS FROM E.G. THE PRESS.

6. AS FOR THE AGENDA FOR THE PLENARY TALKS WE CONFIRMED THAT IT SHOULD BE AS FOLLOWS:-

- (A) COMMUNITY BUSINESS
- (B) TNF
- (C) EAST/WEST, INCLUDING CHINA
- (D) BILATERAL, PARTICULARLY SECURITY AND TERRORISM
- (E) ENERGY.
- (F) PANDOLFI
- (G) CERN
- (H) (IF NECESSARY) SCHILD CASE.

7. ON THESE COSSIGA CONFIRMED THAT PRIORITY SHOULD BE GIVEN TO COMMUNITY AFFAIRS, THOUGH HE WAS GLAD THAT WE HAD PUT TNF ON THE AGENDA AS IT WAS VERY IMPORTANT. I SUGGESTED ADDING CHINA TO EAST/WEST AND HE THOUGHT THIS AN EXCELLENT IDEA. IT COULD BE COMPLEMENTARY TO THE 4-POWER CONSULTATION WHICH HAD BEEN PROPOSED BEFORE THE VARIOUS PARTNERS MET THE CHINESE.

circulation: ?

8. ON SECURITY AND TERRORISM HE SAID IT WAS IMPORTANT TO MAINTAIN THE DIALOGUE WHICH HE HAD HAD AS MINISTER OF THE INTERIOR. HE APPRECIATED OUR HELP AND COLLABORATION AND WAS GLAD THAT HIS INTERIOR MINISTER (ROGNONI) WAS SHORTLY GOING TO LONDON.

9. I SAID THAT IF THE SCHILD CASE HAD NOT BEEN SOLVED BY THEN THE PRIME MINISTER MIGHT REFER TO IT. COSSIGA SAID THAT HIS GOVERNMENTAL ATTITUDE WAS THE SAME AS OURS, NAMELY THAT ONE SHOULD NOT DEAL WITH KIDNAPPERS. I AGREED BUT OBSERVED THAT THE FAMILIES WOULD GO ON TRYING TO RECOVER THE VICTIMS BY PAYING RANSOM. COSSIGA CONCURRED BUT SAID THAT THIS WOULD, IF CONTINUED, SIMPLY CONDONE THE PRACTICE. BUT HE WAS READY TO DISCUSS THE SCHILD CASE UNDER THE BILATERAL HEADING IF NECESSARY AND WOULD HAVE AN UP TO DATE REPORT PREPARED.

10. ON ENERGY, COSSIGA WANTS SIMPLY TO DISCUSS OIL SUPPLIES IN THE ENERGY CRISIS AND HOW WE SEE THE NORTH SEA PLAYING ITS PART.

11. ON PANDOLFI (PARAGRAPH 3 OF MY TELNO 399) HE WANTED TO SPEAK TO MRS THATCHER ABOUT PANDOLFI AND THE IMF. HE WOULD ADD A FURTHER SMALL ITEM IN ORDER TO MENTION THE CANDIDATURE OF PROFESSOR ZICHICHI AT CERN WHICH ALREADY BEEN THE SUBJECT OF PRIME MINISTERIAL CORRESPONDENCE IN SIGNOR ANDREOTTI'S TIME.

12. HE WANTED TO MAKE THE MOST OF THE VISIT FOR WORK PURPOSES AND WASTE AS LITTLE TIME AS POSSIBLE. HE SUGGESTED THAT AT THE DINNER THERE SHOULD BE NO MORE THAN TOASTS, IE A TOAST TO THE QUEEN AND REPLY AND NO (NO) SPEECHES. THIS MODIFIES BERLINGUER'S ADVICE IN PARAGRAPH OF MY TELNO 406, BUT TO BE ON THE SAFE SIDE, I RECOMMEND THAT THE PRIME MINISTER HAS A FEW POINTS FOR A VERY BRIEF INFORMAL SPEECH, SINCE IN ITALY THIS CAN NEVER BE EXCLUDED.

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13. SIGNOR COSSIGA WAS VERY AFFABLE AND SAID THAT HE DID NOT MIND BEING ACCUSED BY HIS MINISTERIAL COLLEAGUES OF BEING EXCESSIVELY PRO-BRITISH SINCE IT WAS REWARDING TO WORK WITH US. HE WISHED ME WELL IN MY MISSION AND SAID THAT AS RELATIONS COULD HARDLY BE IMPROVED PERHAPS MY AIM SHOULD BE TO TRY AND MAINTAIN THEM AT THEIR HIGH LEVEL. I CONFIRMED SEPARATELY FROM BERLINGUER AFTERWARDS THAT COSSIGA WILL HAVE PARALLEL CONSULTATIONS WITH CHANCELLOR SCHMIDT AND PRESIDENT GISCARD IN THAT ORDER, AND IN THEIR CAPITALS, BEFORE THE DUBLIN COUNCIL (MY TELNO 407 REFERS).

14. AS REGARDS THE CALL ON PRESIDENT PERTINI ON 5 OCTOBER, BERLINGUER SUGGESTED THAT AS SIGNOR MALFATTI WOULD BE PRESENT MRS THATCHER SHOULD BE ACCOMPANIED BY YOURSELF, IF YOU ACCOMPANY THE PRIME MINISTER, AND MYSELF. OBVIOUSLY HE WOULD LIKE TO KNOW AS SOON AS POSSIBLE WHETHER YOU ARE COMING. COSSIGA WAS PLEASED THAT THE PRIME MINISTER WAS COMING WITH SUCH A COMPACT PARTY AND THE ITALIANS WOULD MATCH OUR NUMBERS.

15. FCO PLEASE PASS ADVANCE COPIES TO:

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CABINET OFFICE

- 4 -

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ACTION

CONFIDENTIAL

Teddy
People
Rmt

Cabinet Office,
Whitehall,
London, SW1.

26th September, 1979

PS(79) 28

Dear Private Secretary,

Visit of the Prime Minister to Rome, 4th-5th October 1979

This letter sets out the briefing arrangements for the Prime Minister's visit to Rome on 4th-5th October 1979.

The objectives for the visit, as approved by the Prime Minister, are at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. The instructions on format are at Annexes C and D.

75 copies of each brief should be sent to the Cabinet Office, 70 Whitehall, to arrive no later than 1700 hours on Friday, 28th September. They should be addressed to Mrs. Wagner in Committee Section, who should be consulted (telephone no. 233 7628) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Michael Palliser, Sir Douglas Wass, Sir Frank Cooper, Sir Kenneth Clucas, Sir Peter Carey, Sir Jack Rampton, Mr Brian Hayes and to Michael Alexander (No. 10).

Yours sincerely,

(Signed) M.J. VILE

CONFIDENTIAL

ANNEX A

BRITISH OBJECTIVES

1. Pre-eminently to obtain Italian support for UK objectives at the Dublin European Council as regards budget contributions (in return for which we shall need to take account of Italian objectives on convergence, and particularly the effect of the CAP).
2. To encourage a positive Italian attitude to TNF modernisation.
3. To establish a good working relationship between the Prime Minister and Signor Cossiga.

ITALIAN OBJECTIVES

These are likely to be:

1. To establish a cordial working relationship between Mrs Thatcher and Signor Cossiga, and to hear first-hand about HMG's economic policies.
2. To convince HMG of the need for the papers presented to the Dublin European Council to take full account of the wider economic effects of Community policies.
3. To secure HMG's support for proposals at the Dublin Council designed to secure greater receipts for Italy from Community expenditure.
4. To convince HMG that the balance between Northern and Mediterranean interests in the CAP should be redressed and that Italy deserves compensation for concessions made by the Community to other Mediterranean producers.
5. To secure support for a larger appropriation for the regional fund in the 1980 Community budget.
6. Depending on the outcome of the Energy Council (20 September) and the Tokyo Summit Energy Ministers Meeting (26 September) to press for levels of North Sea oil producing in 1980/5 higher than those implied by net self-sufficiency, so as to give Italy more flexibility in meeting her oil import targets.

ANNEX BLIST OF BRIEFS

<u>PMVW(79)</u>		<u>Lead Department</u>	<u>In consultation with</u>
1	Steering Brief	FCO	As appropriate
2	European Community Questions		
	(a) Budget/Convergence	Treasury	FCO, Cabinet Office,
	(b) CAP	MAFF	As appropriate
	(c) Fisheries	MAFF	"
	(d) EMS	Treasury	"
3	TNF Modernisation	FCO	MOD, Cabinet Office
4	East-West Relations	FCO	As appropriate
5	Bilateral Issues (including security matters)	FCO	As appropriate
6	Energy Questions (defensive)	Energy	FCO, Treasury
7	International Financial and Economic Scene (defensive)	Treasury	
8	Internal Political and Economic Scene in Italy	FCO	

ANNEX C

INSTRUCTIONS ABOUT FORMAT

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex D. Those preparing briefs should note the following:-

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained and with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the briefs in the top left-hand corner (e. g. PMVW(79) 13), with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex D).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of production.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e. g. PMVW(79) 13 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.

[CLASSIFICATION]

ANNEX D

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PMVW(79) [Serial No.]

COPY NO

[Date of Production]

PRIME MINISTER'S VISIT TO ROME
4-5 OCTOBER 1979

[Leave $\frac{1}{2}$ "
margin]

[SUBJECT] [Insert subject in capitals]

Brief by [name of originating Department e.g. Foreign
and Commonwealth Office]

[At the foot of the last page:-]

[Department of origin e.g. Foreign and Commonwealth Office]

[Date of production]

[CLASSIFICATION]

SECRET

25 SEP 1979

CLASSIFICATION
1
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12

THIS DOCUMENT IS THE PROPERTY OF THE UNITED STATES GOVERNMENT

COPY NO.

Form No.

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FORMAL MINISTERS VISIT TO ROMA
4-8 OCTOBER 1979

SUBJECT (Insert subject in capital)

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Date

Label by (name of originating Department e.g. Foreign
and Commonwealth Office)

At the foot of the last page

Department of origin e.g. Foreign and Commonwealth Office

Date of production

CLASSIFICATION

Katy

SIR JOHN HUNT

Prime Minister's Visit to Rome

The Prime Minister has seen your minute to me of 24 September about her visit to Rome next week. She has agreed the objectives for the visit and the list of briefs summarised in the annexes to your minute.

MO'DBA

Katy

25 September 1979

CONFIDENTIAL

Ref. A0288

MR. ALEXANDER

Prime Minister

Apex Annexes A+B?

Yes not

Ant

Visit by the Prime Minister to Rome: 4th-5th October 1979

The Prime Minister is to visit Rome for talks with Signor Cossiga on 4th-5th October. Lord Carrington proposes to accompany her, subject to his commitments at the Rhodesia Conference. On the Italian side, besides Signor Cossiga, we expect Signor Malfatti, the Foreign Minister, to participate and perhaps Signor Pandolfi, the Treasury Minister.

2. The Italians have suggested that the Prime Minister should arrive in Rome on 4th October in time for a tete-a-tete with Signor Cossiga in the early evening, followed by an Italian Government dinner. They envisage a full meeting of the two sides on the morning of 5th October. After that the Prime Minister will lunch privately with the Ambassador before her departure.

3. This will be the first meeting between Mrs. Thatcher and the new Italian Prime Minister. Apart from establishing a cordial working relationship, our main aim will be to take full advantage of the Italian wish to maintain some sort of tactical alliance with us on Community questions, especially on the budget, in the run-up to the Dublin meeting of the European Council at the end of November (there will be a council meeting of the Finance Council on 15th October). The Italians also attach importance to enlisting our support on certain other Community issues.

4. The Italians have not yet proposed an agenda. I suggest however that the following subjects should be proposed to them:

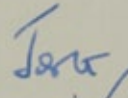
- A Community Issues
 - (i) Budget/Convergence
 - (ii) CAP
 - (iii) Other Community Issues
- B TNF Modernisation ?
- C East-West Relations
- D Bilateral Questions

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5. Neither energy questions nor the international financial and economic scene are included. It is important that Signor Cossiga should be encouraged to get down straightaway to discuss the budgetary issue and that time should not be taken up with a discussion of international economic matters first. British and Italian Ministers are in close and regular contact on these questions and the next Economic Summit at Venice next year will still be some nine months ahead. As regards energy, the meeting between the two Prime Ministers follows that of the Summit Personal Representatives on 26th September, and precedes that of Energy Ministers on 9th November. A defensive brief will be provided in case the Italians should raise the question of national oil import targets. As regards other issues, it will be particularly valuable to speak to the Italians about TNF modernisation.

6. I attach draft objectives for the visit at Annex A and a suggested list of briefs at Annex B. Given the shortness of the visit it is not proposed to brief on the whole range of international issues, though the Prime Minister will of course if necessary be briefed on Rhodesia, in the light of developments at the Conference just before she goes.

7. I should be grateful if you would let me know if the Prime Minister is content with the objectives at Annex A as a basis for the briefing, and with the list of briefs at Annex B.



JOHN HUNT

24th September, 1979

ANNEX A

BRITISH OBJECTIVES

1. Pre-eminently to obtain Italian support for UK objectives at the Dublin European Council as regards budget contributions (in return for which we shall need to take account of Italian objectives on convergence, and particularly the effect of the CAP).
2. To encourage a positive Italian attitude to TNF modernisation.
3. To establish a good working relationship between the Prime Minister and Signor Cossiga.

ITALIAN OBJECTIVES

These are likely to be:

1. To establish a cordial working relationship between Mrs Thatcher and Signor Cossiga, and to hear first-hand about HMG's economic policies.
2. To convince HMG of the need for the papers presented to the Dublin European Council to take full account of the wider economic effects of Community policies.
3. To secure HMG's support for proposals at the Dublin Council designed to secure greater receipts for Italy from Community expenditure.
4. To convince HMG that the balance between Northern and Mediterranean interests in the CAP should be redressed and that Italy deserves compensation for concessions made by the Community to other Mediterranean producers.
5. To secure support for a larger appropriation for the regional fund in the 1980 Community budget.
6. Depending on the outcome of the Energy Council (20 September) and the Tokyo Summit Energy Ministers Meeting (26 September) to press for levels of North Sea oil producing in 1980/5 higher than those implied by net self-sufficiency, so as to give Italy more flexibility in meeting her oil import targets.

ANNEX B

1. Steering Brief
2. European Community Questions
 - (a) Budget/Convergence
 - (b) CAP
 - (c) Fisheries
 - (d) EMS
3. TNF Modernisation
4. East-West Relations
5. Bilateral issues (including security matters)
6. Energy questions (defensive)
7. International financial and economic scene (defensive)
8. Internal political and economic scene in Italy

C A Whitmore Esq



With
the Compliments of
Sir Frank Cooper, G.C.B., C.M.G.
Permanent Under-Secretary of State

MINISTRY OF DEFENCE
SW1A 2HB

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MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2119 (Direct Dialling)
01-218 9000 (Switchboard)

PERMANENT UNDER-SECRETARY OF STATE

SIR FRANK COOPER GCB CMG

PUS/79/868
61/1/38

24 September 1979

Sir John Hunt GCB
Cabinet Office
Whitehall

La. Hunt - 24/9

Dear John.

I understand you asked for early comment on Michael Palliser's letter of 20 September about the Prime Minister's visit to Rome.

I am content with the objectives and list of briefs proposed and, in particular, strongly support the inclusion of TNF modernisation as an agenda item to encourage a positive Italian attitude.

There are one or two quite substantial Defence matters which might be included for background information in the bilateral issues brief. I should therefore be grateful if we could be consulted when this is compiled. I have in mind particularly the SEA KING helicopter replacement - a major co-operative possibility between us - and the Italians plus the Italian selection of the Rolls Royce Spey engine for their new tactical combat aircraft.

I am copying this to Michael Palliser, Peter Carey and Clive Whitmore.

Frank Cooper

FRANK COOPER

CONFIDENTIAL

CONFIDENTIAL



24 SEP 1979

Italy

CONFIDENTIAL



Sir Peter Carey KCB
Permanent Secretary

DEPARTMENT OF INDUSTRY
ASHDOWN HOUSE
123 VICTORIA STREET
LONDON SW1E 6RB

TELEPHONE DIRECT LINE 01-212 7004
SWITCHBOARD 01-212 7676

21 September 1979

Sir Michael Palliser GCMG
Foreign and Commonwealth Office
London SW1

NBPA
Palliser 24/9

Dear Michael,

Your letter to John Hunt suggests the objectives to be pursued by the Prime Minister during her visit to Rome next month. While I recognise that you will wish to keep the atmosphere cordial, it remains a fact that British industry has experienced and is continuing to experience a considerable difficulty in a number of sectors over low cost Italian competition. Because of the opacity of the Italian system of aids to industry it is well nigh impossible for us to have recourse to the remedies for which the Treaties of Paris and Rome made provision.

It therefore seems to me that we should let the Italians know at the highest level of our concern about the disruption to our industry caused by their low cost exports and invite them to do what they can at official level to limit the exportation of unemployment to other Member States. We can let your people have appropriate language for the briefing when it is allocated.

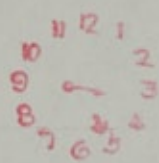
I am copying this letter to the recipients of yours.

Yours
and

Peter
Peter Carey

- cc Sir Douglas Wass KCB
- Sir Frank Cooper, MoD
- Mr B D Hayes, MAFF
- Sir Jack Rampton, D/Energy
- Mr Whitmore, No 10
- Sir Clive Rose, Cabinet Office
- Sir John Hunt, Cabinet Office
- Mr Lippitt
- Mr Benjamin
- Mr Clark
- Mr Hudson
- Mr Ingram (with papers)

24 SEP 1979





Your Ref

SIR ANTHONY RAWLINSON

KCB

with compliments

Treasury Chambers
Parliament Street
London SW1P 3AG
Tel: Direct Line 01-233
Switchboard 01-233-3000



Italy

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233 5362

Sir Anthony Rawlinson KCB
Second Permanent Secretary
Public Services

fa. Rawl: 24/9

Sir Michael Palliser GCMG
Foreign and Commonwealth Office
Downing Street
London
SW1A 2AB

21 September 1979

Dear Michael

VISIT BY PRIME MINISTER TO ROME: 4-5 OCTOBER

In the absence of Douglas Wass, I am replying to your letter to John Hunt of 20 September.

Those concerned in the Treasury fully agree with the idea of limiting the agenda to a few key issues. In particular, we agree that discussion of international economic and energy issues is unnecessary given extensive discussions elsewhere. We are content also with the list of briefs.

Yours

Anthony Rawlinson

ANTHONY RAWLINSON

- cc Sir John Hunt *GCB*
Cabinet Office
- Sir Frank Cooper GCB CMG
MOD
- B D Hayes Esq CB
MAFF
- Sir Jack Rampton KCB
D of Energy
- Sir Peter Carey KCB
DOI
- C A Whitmore Esq
No. 10
- Sir Clive Rose *KCMG*
Cabinet Office



Foreign and Commonwealth Office

London SW1A 2AH

20 September 1979

*Seen
by MSDBA*

Sir John Hunt GCB
Cabinet Office

Dear John,

VISIT BY THE PRIME MINISTER TO ROME: 4-5 OCTOBER 1979

1. As you know, the Prime Minister has now agreed to visit Rome for talks with Signor Cossiga on 4-5 October. It is Lord Carrington's firm intention to accompany her, subject of course to his commitments at the Rhodesia Conference. On the Italian side, besides Signor Cossiga, we expect Signor Malfatti, the Foreign Minister, to participate and perhaps Signor Pandolfi, the Treasury Minister.

2. This will be the first meeting between Mrs Thatcher and the new Italian Prime Minister. Apart from establishing a cordial working relationship, our main aim will be to take full advantage of the Italian wish to maintain some sort of tactical alliance with us on Community questions, especially on the Budget, in the run up to the Dublin meeting of the European Council at the end of November (there will be a council meeting of the Finance Council on 15 October). The Italians also attach importance to enlisting our support on certain other Community issues. Our estimate of UK and likely Italian objectives is set out at Annexes A and B.

3. The Italians have suggested that the Prime Minister should arrive in Rome on 4 October in time for a tete-a-tete with Signor Cossiga in the early evening, followed by an Italian Government dinner. They envisage a full meeting of the two sides on the morning of 5 October. After that the Prime Minister will lunch privately with the Ambassador before her departure.

4. The Italians have not yet proposed an agenda. We suggest however that the following subjects should be proposed to them:

A Community Issues

- (i) Budget/Convergence
- (ii) CAP
- (iii) Other Community Issues

- B TNF Modernisation
- C East-West Relations
- D Bilateral Questions



5. I attach, at Annex C, a suggested list of briefs. We have not included energy questions or the international financial and economic scene. We think it important that Signor Cossiga should be encouraged to get down straight away to discuss the budgetary issue and that time should not be taken up with a discussion of international economic matters first. British and Italian Ministers are in close and regular contact on these questions and the next Economic Summit at Venice next year will still be some 9 months ahead. The meeting between the two Prime Ministers will follow that of the Tokyo Summit follow-up group on 26 September, and precede that of Energy Ministers on 9 November. A defensive brief will be necessary in case the Italians should raise the question of national oil import targets.

6. As far as other issues are concerned we think that it would be valuable to speak to the Italians about TNF modernisation and have therefore included briefs on that and on East-West relations generally. Given the shortness of the visit we are not suggesting the inclusion of briefs on other international issues, though we can of course brief the Prime Minister if necessary on Rhodesia, in the light of developments at the Conference just before she goes.

Yours etc,

Michael

Michael Palliser

Sir Douglas Wass KCB
HM Treasury
Sir Frank Cooper GCB CMG
MOD
B D Hayes, Esq CB
MAFF
Sir Jack Rampton KCB
D of Energy
Sir Peter Carey KCB
DOI
C A Whitmore, Esq
No 10
Sir Clive Rose KCMG
Cabinet Office

ANNEX A

BRITISH OBJECTIVES

1. Pre-eminently to obtain Italian support for UK objectives at the Dublin European Council as regards budget contributions (in return for which we shall need to take account of Italian objectives on convergence, and particularly the effect of the CAP).
2. To encourage a positive Italian attitude to TNF modernisation.
3. To establish a good working relationship between the Prime Minister and Signor Cossiga.

ANNEX B

ITALIAN OBJECTIVES

These are likely to be:

1. To establish a cordial working relationship between Mrs Thatcher and Signor Cossiga, and to hear first-hand about HMG's economic policies.
2. To convince HMG of the need for the papers presented to the Dublin European Council to take full account of the wider economic effects of Community policies.
3. To secure HMG's support for proposals at the Dublin Council designed to secure greater receipts for Italy from Community expenditure.
4. To convince HMG that the balance between Northern and Mediterranean interests in the CAP should be redressed and that Italy deserves compensation for concessions made by the Community to other Mediterranean producers.
5. To secure support for a larger appropriation for the regional fund in the 1980 Community budget.
6. Depending on the outcome of the Energy Council (20 September) and the Tokyo Summit Energy Ministers Meeting (26 September) to press for levels of North Sea oil producing in 1980/5 higher than those implied by net self-sufficiency, so as to give Italy more flexibility in meeting her oil import targets.

ANNEX C

1. Steering Brief
2. European Community Questions
 - (a) Budget/Convergence
 - (b) CAP
 - (c) Fisheries
 - (d) EMS
3. TNF Modernisation
4. East-West Relations
5. Bilateral issues (including security matters)
6. Energy questions (defensive)
7. International financial and economic scene (defensive)
8. Internal political and economic scene in Italy

Rome.



10 DOWNING STREET

Briefs requested by
Close & Hays on 28 September

R. Lever will check
whether there are to be speeches
at Seminar on 4 October.

Phm
20/9

END

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Archives (TNA) in London

February 2010