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PREM 19/1295

PART 2

Visits by the Prime Minister to Rome.
Anglo-Italian Consultations. Policy.

Referred to	Date	Referred to	Date	Referred to	Date
20.11.80					
24.11.82					
27.11.80					
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28.1.84					
31.1.84					
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PREM 19/1295

~~PART~~

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PART 2 ends:-

CC (84) 4M. Item 3 2/2/84

PART 3 begins:-

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ANGLO-ITALIAN SUMMIT
26-27 JANUARY 1984

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R Ponner
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Cabinet Office

25 January 1984

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13. UNITED NATIONS SECURITY COUNCIL ENLARGEMENT



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10 DOWNING STREET

From the Private Secretary

1 February 1984

Dear Sir,

Anglo-Italian Summit: Record of Plenary Talks

Thank you for your letter of 31 January. I agree that your letter should be regarded as an addendum to the Plenary record.

I am copying this letter to the recipients of yours.

Yours ever

John Major

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

LB



Foreign and Commonwealth Office

London SW1A 2AH

31 January 1984

Gen. [unclear]

Anglo-Italian Summit: Record of Plenary Talks

with ASE?

Thank you for your letter of 30 January.

There is one very small point which, if you agree, we should like to add to the Chancery's record of the Plenary. There was a brief reference towards the end to the Anglo-Italian Round Table. As I recall it, Sir Geoffrey Howe said that it was time the proposed Anglo-Italian Round Table was launched; the Italian side agreed that this should be done, the first session to be held if possible in Rome before the summer break.

If you agree, perhaps this letter might be regarded as an addendum to the record as it stands.

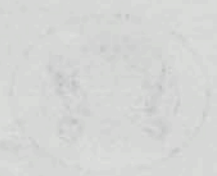
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[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

FEB 1986



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h.a.

NOTE FOR THE RECORD OF A MEETING WITH SENATORE SPADOLINI
HELD AT THE VILLA MADAMA ON 27TH JANUARY 1984 AT 0930

Present:

The Rt Hon Michael Heseltine
Secretary of State for Defence

Senatore Spadolini
Minister of Defence

Mr J H Blelloch
DUS(P)

General Piavano
Secretary General

Mr G Fitzherbert
Minister, Rome

General de Paulois
Chef Du Cabinet

Mr R C Mottram
Private Secretary to the
Secretary of State

Lt Petrucci
Interpreter

Trilateral Ministerial Meetings

1. After friendly introductory remarks on both sides, the Secretary of State referred to the difficulty which had arisen over the trilateral meeting which had been held in Paris. He said that he was himself very sympathetic to the concerns expressed by the Italian side. He had been anxious to make progress in European defence cooperation and had seen a trilateral meeting as a way of involving France. At the meeting the only issue of substance discussed had been how to achieve political control over the process of defence procurement in order to establish a European capability which could compete with that of the United States. They had agreed on a timetable for agreement on the operational requirement for the future European fighter aircraft (FEFA) and the study of procurement aspects of the project. The involvement of Italy and Spain in the talks following this meeting and the subsequent five power agreement on the Staff Target showed that there was no wish to create a tight club. In view of the concerns expressed by Italy he had looked again with his French and German opposite numbers at the proposed Ministerial meeting in May, and he now proposed to issue invitations to a five-power rather than a trilateral meeting. Dr Woerner was content with this: he had yet to have final confirmation from M Hernu. He hoped this would provide a way through. Senatore Spadolini said that he wished to make clear the fundamental position of the Italian Government. They were opposed to any form of trilateral directorate in Europe; and any meeting of the three countries concerned was incompatible with Italy's close



bilateral relations with them. He was content with the proposed solution of meetings of 5, 6 or 4 countries according to the subject under discussion and was grateful for the courtesy which had been shown in putting it forward. As to the forthcoming meeting in May, this must not be a question of the three countries inviting Italy and Spain to join them: rather Britain would invite the four other countries to a meeting. His worry was that there should not be a meeting of the three countries immediately after the proposed five power meeting in London.

2. In further discussion Senatore Spadolini referred to his invitation to a meeting in Rome later in the year to mark the 30th Anniversary of the Western European Union. Although this was an organisation not always of the highest vitality, it provided a way of involving France more closely with her NATO partners. The Secretary of State said that he was happy to accept this invitation. To the extent that attendance at meetings ranged between 2, 3, 4 or 5 or the WEU countries being represented, the focus on a trilateral forum would be relaxed. He wished to explain how the meeting in Paris had arisen out of his earlier experience as Minister for Aerospace in seeking to link Britain to France and Germany. Nine years later when he took up his present appointment many of the problems seemed similar, in particular the need to bring in France which was at the heart of the problem of cooperation in the aircraft field. This was what had prompted the meeting: there was no conspiracy involved. Senatore Spadolini commented that, even with the effort that had been made, he doubted the French commitment to European cooperation. He had the impression they were trying for a narrower bilateral understanding with the Germans. The Secretary of State commented that it was the natural tendency of the institutional pressures to push countries towards bilateral solutions.

3. In later further discussion of the WEU invitation Senatore Spadolini said that the German Government would hold the "Presidency" of the WEU at the time of the proposed meeting in Rome. While they were content to attend the meeting, they intended to issue invitations to a further joint meeting of Foreign and Defence Ministers at which they would want to discuss privately those elements in the WEU Treaty which discriminated against the Federal Republic.

EH101

4. The Secretary of State thanked Senatore Spadolini for pressing ahead with the project while the DDL was still before Parliament. Senatore Spadolini said that at their earlier meetings he had been concerned at the risk of Parliamentary disruption. He had worked to overcome this and thought it would not now prove a problem.



MLRS

5. The Secretary of State said that the British requirement was for an in-service date of 1986. His advice was that to achieve this the first equipment should be bought from the Americans; the European produced system was not only available later but was also more expensive. He was not prepared to accept a second best European solution unless he was satisfied that every effort had been made to bridge the time and cost gap. He had therefore written to his colleagues proposing urgent discussions, probably at the NAD level, to obtain earlier delivery at a price closer to the American one. In investigating why the European solution was not competitive, he had discovered that it was a project run by a committee rather than based on a prime contractor with a single individual in charge. We would never make progress that way. He was not seeking to put a British individual or a British company in charge: he was seeking proper management. Senatore Spadolini said that he shared the view that co-production arrangements must be achieved more economically.

Other Equipment Matters

6. General Piavano referred to Italian interest in participating in the production of the anti-tank guided weapon. From talks he had held, he had the impression that Italy's right to be recognised as a full partner in the project was not being recognised. She was not seeking to act for all the other countries interested in joining but solely in her own right. He recognised that the position had been complicated because Italy, for financial and other reasons, had not been able to join the project at the outset. The Secretary of State said that the Italian position was fully understood in Britain. The three partners wanted to be sure that there would be no risk or delay involved in widening participation at this stage but he would take a personal interest in how the issue was progressed.

7. General Piavano said that he hoped that the Agusta 129 helicopter, which incorporated British equipment, would be considered to meet the British requirement for an anti-armour helicopter in the 1990s. The Secretary of State confirmed that this was the case.

European Co-operation in Defence Procurement

8. The Secretary of State said that he was beginning to consider how to tackle his role as Chairman of the Eurogroup in order to strengthen European co-operation in defence procurement. His starting point was that European defence depended upon the Atlantic Alliance. Europe could not go it alone. But the partnership had to be as genuine and equal as we could make it. The problems were well known. Because of the enormous scale of US purchases of defence



equipment and of the wish of individual European countries to maintain their national industrial capabilities, the Americans were always in a position to offer to individual European countries a US product at competitive prices with early delivery and the promise of work sharing in production. If the Europeans were to respond, they would have to go beyond easy statements about their wish to co-operate into hard decisions about how this was to be brought about. He believed they must be open with the Americans about what they wanted to achieve. They must establish a means of regularly scrutinising European requirements for equipment and ensure that the way in which these requirements were met was subject to close political direction - otherwise the military and industrial interests would lead to national or US solutions. They had also to recognise that there would not be real progress until there was more industrial specialisation with a small number of prime contractors providing an industrial capability for the whole of Europe. They should not establish a single dominant firm in a monopoly position but more limited but effective competition than that provided by each country trying to maintain a capacity in every sector. There had also to be rationalisation of the defence R&D efforts of European countries so that there was much less unnecessary duplication which put us at a permanent disadvantage compared with the US. We needed to devise an action programme which would put the European countries in a position to propose to the United States a partnership in which weapons systems were looked at on Alliance-wide basis with Europe and the US allocating between them the R&D effort required.

9. Senatore Spadolini said that he agreed that it was absurd to think of European defence outside the Atlantic Alliance. But this did not mean Europe should accept a subordinate position in the procurement of conventional weapons and the exploitation of emerging technologies. In order to have a single European balance sheet, it would be necessary to have a United States of Europe. That was not possible in the short term. But we could build on the institutions within NATO for an exchange of European views and political control over procurement decisions. It would be useful to speak clearly to the Americans about this. He had to say that they did not listen very carefully to European views and defended their own military and industrial interests very determinedly. They also had complete control of the technical institutions within NATO. We had to act to avoid duplication in the provision of equipment and thereby achieve greater rationalisation and standardisation. His personal view was that the Americans would not help in this process because they would not want to strengthen Europe's industrial capability in the defence field. The Europeans must act together, not in opposition to the United States but neither seeking their agreement.

10. The Secretary of State said that his inclination was to try to discuss these issues with as many as possible of his colleagues over the next 2-3 months as a prelude to preparing a paper or making a speech setting out the problems clearly and possible solutions. Senatore Spadolini agreed that this was the right way forward.

Lebanon

11. Senatore Spadolini said that Italy was ready to continue to play its part in an MNF dedicated to securing peace in the Lebanon linked to the process of seeking national reconciliation. If the force ever became part of an attempt at a military solution to the problem, the Italian contingent would be withdrawn. He did not think that the Americans believed in a military solution but he had certain doubts about France. The Secretary of State said that the British presence was on such a small scale and in such an exposed position that it would be untenable as part of an aggressive force. We were not prepared to support an aggressive stance and it was not in the interests of the Americans or the French either. We welcomed the possibility of a wider UN force although it must be doubtful if this could be achieved. The other area of change was the possibility of the Lebanese armed forces (LAF) adopting a wider role and taking on some of the tasks of the MNF. But this presupposed political agreement between Gemayel and Jumblatt. Senatore Spadolini said that his Government was inclined to support this process with a view to rendering Lebanon more self sufficient. He was himself a good deal more cautious about encouraging a wider role by the LAF since, instead of helping in policing the country, it could lead to civil war. He wondered about British policy on the supply of arms to the Lebanese Government? The Secretary of State said that the supply of arms had been minimal. We could not escape from our extraordinarily exposed position; the only way to protect our soldiers was by the even-handed treatment of all factions.

12. The meeting ended at 1130.

AAZ

Ministry of Defence

31st January 1984

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TAXATION OF SPIRIT DRINKS

MEETING BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD
AND MR PANDOLFI, THE ITALIAN MINISTER OF AGRICULTURE

ROME: 27 JANUARY 1984

The Minister discussed this issue in length with Signor Pandolfi at their meeting in Rome on Friday. The Minister was accompanied by Mr Andrews, Mr Evans and myself and Pandolfi by Dr Calabro, Dr Boschi and Dr Dal Sasso.

The Minister reminded Pandolfi that he had raised this matter with him twice before, and had told him that the UK would comply with the European Court's judgement; the Chancellor of the Exchequer would be taking action on this in the forthcoming budget on 13 March. He hoped that Italy would be in a position to comply with adverse judgements against her by the same date.

the Pandolfi said that they were prepared to introduce new mechanisms both for VAT and excise duties. They felt, however, that there was a certain symmetry in the Court's decisions against UK and Italy and for this reason the two countries should take action in parallel. On excise, they were ready to harmonise the rates for molasses and cereal-based spirits. On VAT, they would be introducing the necessary changes by stages, removing the extra tax on whisky and gin as compared to grappa in two steps. The Minister commented that these proposals seemed to be inadequate in two respects; the Court had made no provision for staged compliance and there would still be a higher rate of excise on cereal-based than on wine-based spirits. Pandolfi replied that previous Court judgements had been implemented gradually in the past. So far as excise duties were concerned, the Italian Government was under strong pressure to abolish them completely and they intended to do this. This would, of course, eliminate all discrimination.

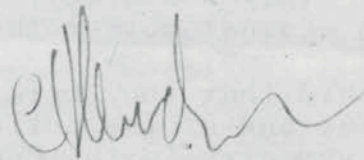
Um The Minister made it clear that he was still concerned about the timing of the changes proposed by Italy. In further discussion on this point, it emerged that the changes made by Italy would not come into effect until the next financial year, ie 1 January 1985. The Minister said that this was acceptable. The UK would be taking action at the first opportunity, while it seemed that it would take some four years for Italy to comply fully with the Court's adverse judgements.

Pandolfi then asked what action the UK would be taking in the budget. He was particularly concerned that what was done to comply with the Court's judgement should not be restricted to wines under 10% alcohol by volume. If action was confined to these wines, Italy would be worse off than before since most Italian wine was over 10% alcohol by volume, while German and French wines tended to be below this figure. This was, therefore, a crucial point for Italy. Pandolfi returned a number of times to this point, making it clear that Italy was unlikely to make any changes to their present tax structure until they were reassured on this issue. The Minister explained that this was entirely a matter for the Chancellor, but promised to convey Italy's concern to him.

Pandolfi concluded the discussion on this matter by suggesting further discussions at official level to clarify the two country's plans. These discussions would seek to resolve what he described as technical ambiguities. The Minister replied that in our view compliance

with the Court's judgements was not a matter for negotiation and that he saw no need for technical discussions; in any case, this was, as he had said, a matter for the Chancellor.

Later in the day the Minister had a further word with Pandolfi on this. He said that he had spoken to the Chancellor, who had told him that he had not yet taken any decisions on what might be included in the budget with regard to taxation on beer and wine. Pandolfi did not comment.



C I LLEWELYN
30 January 1984

Mr Myers + 1

cc Private Offices
Mr Mason
Mr Hollis
PS/Foreign Secretary
PS/Chancellor of the Exchequer
Mr Coles/No.10
Mr Andrews

MEETING BETWEEN THE MINISTER OF AGRICULTURE, FISHERIES AND FOOD
AND SIGNOR PANDOLFI, ITALIAN MINISTER OF AGRICULTURE

ROME: 27 JANUARY 1984

Handwritten notes: "2 PPS" at the top right, "A.S.C. 30" and "f.a." on the right margin.

Present: The Minister of Agriculture, Fisheries and Food
Mr D H Andrews
Mr B Evans
Mr C I Llewelyn

Signor Pandolfi
Dr Calabro
Dr Boschi
Dr Dal Sasso

1. Most of this one and a half hour meeting was devoted to taxation of spirit drinks, which I am reporting separately; only half an hour was spent on the Post-Athens negotiations and the price fixing.
2. The Minister said that it was clear that the UK and Italy agreed that the CAP was in difficulties and that action had to be taken to stop the continued build-up of surpluses and return production to prudent levels. There was less agreement on how this should be done. The UK believed that the Community's budgetary process should include a financial guideline to control the share of expenditure allocated to agriculture and to ensure that this did not increase at a rate faster than the increase in Own Resources. Specific measures also had to be taken for individual commodities, of which milk was clearly the most important. Pandolfi observed that the time scale over which action to reduce production was taken was also of fundamental importance.
3. There was a brief exchange of views on cereals. Pandolfi said that Italy had no real problems here, and could in principle accept the

Commission's proposals. The Minister commented that we would have preferred to see a reduction in nominal prices. Pandolfi agreed in principle, and added that Italy wished to see more emphasis placed on quality considerations and to see an effective test of breadmaking wheat introduced. The Minister then explained our position on quality standards for export and for barley and said that we supported the Commission's proposal to reduce the gap between the prices of bread making and feed wheat.

4. Turning to milk, the Minister said that we ^{would}/have preferred to see price reductions proposed here as well. Pandolfi said that he too favoured a reduction of intervention prices. Italy could also agree to halt production at its current (ie 1983) level. However, Italy was not responsible for the dairy surplus, nor was it self-sufficient in milk products and he could not, therefore, accept any cut-back in production below the 1983 level. In his view it was not logical to cut back production by the same extent throughout the Community; those countries which were chiefly responsible for the surplus should accept larger reductions in production. Moreover, he did not believe that it would be possible to reduce production to the desired level in one step; the first stage should be to freeze production levels, and then action should be taken over a number of years to reduce production gradually.

5. The Minister said that he could not agree that Italy should be exempted from the requirement to reduce production. The UK was not self-sufficient in dairy products either, but in our view all were responsible for ^{the} current surplus and all had to contribute to its elimination. It was essential that production for the

Community as a whole should be brought back to 97 million tonnes, as production above this level could not be financed in the current year. How did Italy propose to pay for continued production at the 1983 level?

6. Pandolfi replied that they would in the first place propose that expenditure should be reduced on other commodities and all extra expenditure avoided. Secondly, an oils and fats tax should be introduced. If, despite these measures, there was still a shortfall, Member States should be asked to make special national contributions under Article 200 of the Treaty. These should be introduced for a transitional period until the Community's financial arrangements were regulised.

7. The Minister made it very clear that the UK would not be able to accept the suggestions put forward by Pandolfi. We agreed that the various commodity regimes should be revised to reduce expenditure, although we would be likely to differ on the details on how this should be done. We could not, however, agree to an oils and fats tax nor could we accept special financial arrangements of the sort Italy appeared to have in mind. There could thus be no doubt that unless action was taken rapidly to reduce production levels, the Community would run out of money.

8. Pandolfi questioned the logic of the UK's approach. An immediate cut back on the scale we were proposing could only be achieved by arbitrary across-the-board cuts that would penalise producers at random; furthermore it would be impossible to fund any new items of expenditure, even if these were fully justified (he cited the proposal to extend the UK Less Favoured Areas). He could support immediate action to hold production at its present level, followed by a considered revision of

the various commodity regimes to reduce expenditure but thought it unrealistic to try to solve in one year problems that had been building up over a number of years. Italy was anxious to secure agreement on the reform of CAP and was prepared to make sacrifices to achieve this (he was already taking firm action to control expenditure on olive oil and processed tomatoes), but he did not believe that agreement would be possible unless it was also agreed that the necessary changes should be made gradually.

C I LLEWELYN
30 January 1984

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A.S.C. 2/1

h-a.

RECORD OF A DISCUSSION BETWEEN THE CHANCELLOR AND THE ITALIAN
TREASURY MINISTER AT 9.30 AM ON FRIDAY 27 JANUARY 1984 IN THE
VILLA MADAMA IN ROME

Present:-

Chancellor	Signor Goria
Mr Unwin	Dr Sarcinelli
Mr Kerr	
Mr Richardson (British Embassy)	

International Economic/Monetary Meetings

Signor Goria referred to the current work programme in the Group of Ten, which he chaired. Given the mandate from the September Ministerial meeting, he had felt obliged to offer a meeting in January, but agreed that it would be best for G10 Deputies to make further progress before the next meeting. It could be either in April, if an Interim Committee meeting was summoned, or in May, at the time of the OECD Ministerial meeting. One way or another, it would be essential to have met before the London Economic Summit, in order to be able to report back then on work done since Williamsburg, and so to demonstrate to world opinion that G10 was making progress on international monetary issues. He was less sure of the need for an Interim Committee meeting, and had told M. de Clercq that an April meeting would be both unnecessary and unsatisfactory, but that he would attend if de Clercq were to insist on summoning one. His impression was that de Clercq would so insist.

2. The Chancellor agreed that little would be achieved at Interim and Development Committee meetings in early April. At the former there would be criticism of the continuing US deficit, at the latter criticism of the US stand on IDA: but on neither would the US Administration move before the Election. Nevertheless, the meetings were likely to happen. As for G10, we much appreciated the Italian role in handling current work on international monetary



issues, and a meeting in May would indeed be important in the run up to the Economic Summit, which would wish to consider follow-up to Williamsburg, as well as the international debt situation, and how best to roll back protectionism. Signor Gorla said that G10 Deputies should be urged to make faster progress. He realised that they had been held up so far by the absence of the papers promised by the IMF and BIS. But they must drive the work ahead now.

EC Issues

3. Signor Gorla said that the outlook for the Community was worrying. Its public image was one of continual sparring over accounting and budgetary issues: "relance" was urgently required. The Italian Government recognised that the problem of the UK's excessive budgetary contribution must be solved, and would like to see a solution on the expenditure side, with minimum changes on the revenue side. CAP reform was obviously required, but discrimination against Mediterranean products would be unacceptable. But the point of most concern to him was that it would be quite wrong to handle the UK and FRG budgetary problems in the same way: Italy could never accept the principle of budgetary transfers to the Federal Republic, or that the Federal Republic should be exempt from measures taken to rectify the UK injustice.

4. The Chancellor thanked Signor Gorla for his acknowledgement of the justice of the UK case on budgetary contributions. It was however unsatisfactory to look for a solution on the expenditure side, for expenditure proposals should be considered on their merits. A satisfactory solution must entail action on the revenue side: hence our "safety net" proposal. The Community also required a new system for the overall control of spending, as well as changes in the regimes for particular products. Both problems required solutions which would be permanent; and until such solutions had been adopted there could be no question of an increase in "own resources". HMG, Parliament, and the UK people would simply not



be prepared to contemplate an increase in "own resources" until the problem of our budgetary contribution had been settled, and Community expenditure had been brought under effective control.

5. Signor Gorla said that the Italian preference for solving the UK contributions problem by action on the expenditure side was only a preference: he was certainly prepared to contemplate measures on the revenue side as well. The UK problem was he thought now fairly widely recognised, and it was helpful when UK spokesmen set it in a wider economic framework, as the Chancellor was doing, rather than simply quoting budget shares. The safety net proposal, on the other hand, had little support, for it would lead to the progressive re-nationalisation of Community policies. The VAT key was the best mechanism for apportioning the burden of redressing the UK budgetary imbalance. As to timing, Italy would find it very difficult to agree to a solution to the UK problem without prior agreement on an increase in "own resources". Enlargement made such an increase essential. Signor Gorla added that he agreed with the Chancellor that Finance Ministers should be involved in discussions preparatory to the forthcoming European Councils in Paris. He was however doubtful about the desirability of involving Agriculture Ministers; and he suspected that the French might best prepare the ground by a series of bilateral and trilateral restricted meetings, avoiding large formal conference sessions, at which compromises were difficult. What bothered him most was that there was little evidence so far of the French doing anything at all.

6. The Chancellor thought that M. Delors would be questioned at ECOFIN on 6 February about how the French were proposing to proceed. As for the link between solutions to the budgetary and spending control problems and an increase in "own resources", he could only reiterate that without just and satisfactory solutions to the two problems, HMG could not agree that the "own resources" ceiling should be raised. But it was in any case essential to solve both problems soon, for he entirely agreed that they unnecessarily poisoned the atmosphere of Community discussion, and gave



the EC quite the wrong image.

7. The Chancellor then raised the issue of the UK's 1983 refunds, the monies for which, agreed by the Council, had been put into Chapter 100 by the Parliament. A very serious situation would arise, obliging HMG to take serious steps, if the bulk of the money did not raise London by the end of our financial year. It was crucial that the will of the Council should prevail, and it would be very helpful if Italian Deputies in the Parliament could be urged to agree. Signor Gorla said that he entirely agreed. The European election created a complication: the Parliament had to be handled carefully at present. But clearly the Council's decision must be confirmed, and he was confident that the Parliament would decide that the UK must receive its money on time.

8. The Chancellor then referred to discriminatory Italian duties on Scotch whisky, and the European Court's ruling that the discrimination must be removed. He asked how soon the Italian Government would implement the Court's decision. Signor Gorla said that the decision would be implemented. He believed that the Finance Minister was working on legislative proposals which would involve phasing out the additional 18 per cent VAT over 18 months, to avoid too much market disturbance. The phasing under consideration was an immediate 6 per cent reduction in the VAT rate, to be followed by another 6 per cent after 12 months and a third 6 per cent after 18 months. There would be some domestic opposition from the brandy interests, and it would be helpful if the UK could make a substantial reduction in duty on wine, in response to a similar European Court decision. He had heard rumours that the reduction being contemplated would be only some 25p per bottle: this would be provocatively small, given the very high current duties. A more imaginative approach in London would help settle the whisky issue satisfactorily and quickly in Rome. The Chancellor said that the sequence must surely be rather different, given that the Court ruling on whisky had

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preceded the UK wine/beer ruling by a considerable period. A very early announcement from Rome of the action to be taken on whisky was very important, for the UK budget was due on 13 March, and decisions on duty changes to be announced then would have to be made some time in advance, and the UK interests involved were watching the Italian handling of the unfair discrimination against whisky. Signor Gorla said that some mutual help was clearly required.

A handwritten signature in dark ink, appearing to read "J O Kerr".

J O KERR

30 January 1984

Distribution:

PS/Chief Secretary
PS/Minister of State
PS/Economic Secretary
Sir P Middleton
PS/Customs & Excise
Mr Littler
Mr Unwin
Mr Monger
Mr Fitchew
Mr Lavelle

Mr Coles: No 10
Mr Fall: FCO
Mr Llewellyn: MAFF
Mr Williamson: Cabinet Office
Lord Bridges: HM Embassy, Rome
Sir M Butler, UKRep, EC
Mr Wicks: Washington

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CC: MASTER SET

10 DOWNING STREET

From the Private Secretary

28 January, 1984

Dear Roger,

ANGLO/ITALIAN SUMMIT

I enclose:-

- (a) the record of the tête-à-tête conversation between the Prime Minister and Signor Craxi on Friday, 27 January.
- (b) the record of the subsequent conversation when the Foreign and Commonwealth Secretary and Signor Andreotti joined the two principals.

I am copying this letter and the first enclosure to John Kerr (HM Treasury), Ivor Llewelyn (MAFF), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office). The second enclosure, which deals only with the Lebanon, goes only to Richard Mottram and Richard Hatfield.

I should be grateful if these records could be closely protected and further distributed only where this is operationally essential.

Your ever

John Bone

R. Bone, Esq.,
Foreign and Commonwealth Office

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY AT 0935 HRS on FRIDAY, 27 JANUARY, 1984 AT THE VILLA MADAMA, ROME

Present:-

Prime Minister
Mr. A.J. Coles
Interpreter

Signor Craxi
Signor Badini
Interpreter

Signor Craxi suggested that European Community matters should be discussed first. The Prime Minister said that if current problems were to be solved by March, there was much detailed work to be done. In some respects Britain and Italy had very similar interests. We both imported much food from the rest of the Community and paid higher prices than would have been the case but for the nature of the Community market. Thus we had a common interest in keeping down Community prices. In some other respects our interests were not identical. Although the United Kingdom was slightly less prosperous than the Community average, it was a very heavy contributor to the EC budget. If present policies continued, the Community would run out of funds this year. The United Kingdom and Germany were the two main contributors to the budget and could not go on contributing at the present rate. There could be an increase in own resources only if there was agreement on a different method of distributing the burden. In 1982 Italy had an unadjusted net receipt of 1,600 million ecus. The United Kingdom's unadjusted net contribution in that year was well over 2,000 million ecus. So the British contribution had to be adjusted. We could not continue with the present ad hoc system - we needed a fundamentally new and automatic system.

Signor Craxi said that he understood this argument but were we saying that there had to be a special system for Britain? The Prime Minister said that this was not our goal. We wanted a fundamentally different system for all member states. Article 200 of the Treaty of Rome laid down the original system whereby Italy, France and Germany each paid 28% of the budget. That system had been totally changed in 1970 to provide for Community resources based on 1% VAT contributions from all Member States together with import levies and duties. So the 1970 system was not part of the Treaty.

Just as the original Treaty system had proved unworkable for a Community of 10, so the 1970 system was now not working and would be unsuitable for a Community of 12. Other Member States were seeking to change the 1970 system by demanding an increase in the VAT contribution. Germany and the United Kingdom took the view that if that change were made, there had to be a change in the way in which the burden was distributed. There would be no change at all unless both these changes were agreed. It was not just a British problem. Nor did our requirements conflict with the Treaty of Rome.

Signor Craxi said that Italy was disposed to be reasonable. A solution ought to be found before the European Council in March. But it was necessary to take into account real economic costs as well as budgetary costs. It was true that Italy was a net beneficiary but because of the difference between Community and international prices Italy in effect lost a large part of its contribution - as much as 1,500 million ecus. In terms of real economic benefits and costs, Germany obtained great advantages from the Community. These considerations put budgetary imbalances in a different light.

The Prime Minister observed that Germany would expect to pay a large contribution to the budget. But our position was different. Not only were we a heavy contributor but we incurred large resource costs because we too were heavy importers of food from the rest of the Community (and the prices were much higher than if we purchased from outside the Community). Signor Craxi agreed that the distinction between Britain and Germany was well founded. The Prime Minister commented that Britain and Italy were similar in that neither was self-sufficient in milk production. If we simply looked to the national economy, we could expand output of milk to our own advantage.

A strict financial guideline was needed for all EC expenditure and for the various individual categories of this expenditure.

/Otherwise,

Otherwise, agricultural spending would continue to take up a larger share of the budget and the funds available for other sectors would be too few. Signor Craxi said that this pointed to the need for an increase in own resources. The Prime Minister observed that whenever the Community had obtained increased resources in the past, agricultural expenditure had increased. This could not go on. We must have guaranteed thresholds. Otherwise, there would be great internal difficulties for the Community. We should also find ourselves competing with the USA in subsidising the sale of agricultural products. In that competition, America would win. And the whole world agricultural economy would be upset.

A solution must be sought before Brussels in bilateral talks. It would be necessary to achieve agreement on a strict financial guideline, incorporated in the budgetary procedures; on a more equitable distribution of the burden (otherwise there could be no increase in own resources), on guaranteed thresholds; and on a solution to the problem of MCAs.

She had discussed these matters with the President of France on 23 January. He was now aware of the scale of the problems facing the Community. He wanted a settlement in Brussels because he saw difficulties in facing the European elections without a solution. He was also very conscious that there might be severe pressures on the EC budget and consequent agitation by French farmers. She believed he would make an effort to reach a preliminary agreement before Brussels. But the difficulty of the task was not to be under-estimated. She had indicated our problems and our conditions for a settlement. How did Italy see the problem?

Signor Craxi said that the concept of the European Community as a mere agricultural community interested Italy less and less. The Community conferred limited advantages on Italy and considerable losses. He wanted a more balanced development of the Community. The 10 were a group of industrialised countries but they talked of nothing but agriculture. He wanted to find room for new areas of co-operation and development - in politics, law, science, industry and defence. He was willing to discuss the

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construction of a budgetary system which was satisfactory to all Member States. With regard to the agricultural sector, the Prime Minister had drawn attention to imbalances. But Italy was in an especially unfavourable position. On the one hand, it had to import food and at prices higher than international prices. On the other, its exports to the Community were not protected by Community preference. Spain exported to the Community 10 times as many oranges as Italy because Italian exports were not protected. The net receipts of Italy from the budget were of doubtful value in that general context. This unfavourable situation of Italy as regards agriculture was leading to a decrease of interest in the Community. But Italy understood the importance of ever wider co-operation between the countries of Europe. For the sake of the future, it was necessary to heal the budget wounds and correct the current absurd distortions in agriculture. Then, for the consolidation of the Community, we should look for co-operation in other fields.

The Prime Minister commented that she agreed with much of this. If we were to make room for other policies, we must spend less on agriculture. So the surpluses had to be tackled. There was a need for development in other fields. We needed a common market in services, e.g. in insurance and airfares. The political co-operation machinery worked fairly well. It was regrettable that there had been no time for discussion of political co-operation matters at Athens. She and Signor Craxi would have liked to discuss the Middle East at that time - and we had similar views on East/West relations and on Cruise deployment. A fresh impetus should be given to political co-operation. She was a little concerned at Signor Craxi's reference to a defence community. She believed it vital to keep a close connection between both sides of the Atlantic under NATO. It was essential to Europe's security that the United States remained firmly committed to NATO. Signor Craxi said that he entirely agreed. Continuing, the Prime Minister said that Europe must play its full part. Nearly 5 % of the United Kingdom's GDP went to the defence budget. But the arch across the Atlantic must be preserved. She regretted that France was not fully integrated into NATO. Although France had not, like Italy, Germany and the UK, had to deal with the INF stationing problem, President Mitterrand was absolutely staunch with regard to the need for the

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nuclear deterrent. We were grateful for his stand. Signor Craxi agreed that President Mitterrand's attitude was helpful - to Italy as well. NATO had to rest on two pillars - the United States and Europe. It was not fair that Europe should play less than its full part. A more equal partnership would help the United States. But he did not believe in autonomous European defence. That concept did not correspond to the real relationship of forces in the world. The Prime Minister said that our own views were similar.

Returning to the European Community, it was important that all the leaders should keep in touch before the European Council. Signor Craxi said that the date for President Mitterrand's visit to Rome was not yet settled. He agreed with the Prime Minister that the Community could not afford another failure in March. The very nature of European Councils made it difficult to reach agreement. Thus agreement should be reached before the Council. The Prime Minister commented that the contacts made bilaterally before Athens had not been at a sufficiently high level. For example, the ideas of the French Finance Minister on control of expenditure had apparently not been cleared with President Mitterrand.

Signor Craxi suggested that every country would have to make concessions. The Prime Minister replied that every country had its sticking points. For us, these were a new arrangement for burden sharing and a strict financial guideline. The real battle would come on the CAP. The farming lobby in every country was powerful. But the farmers would want to know that they would continue to receive money, albeit a smaller amount.

Signor Craxi said that he had already had to make many enemies by cutting public expenditure in Italy. The country was faced with an annual deficit of \$60 billion. The Prime Minister said that we too had had to take tough decisions about public expenditure and were concerned about the increasing cost of the welfare state. Since we were all having to constrain national budgets, we should insist on similar disciplines in the EC budget.

/Signor Craxi

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Signor Craxi then raised the question of East/West relations and asked the Prime Minister how she assessed the Soviet situation. Would Moscow wait until the US elections were over before changing its position? The Prime Minister replied that the Soviet position remained very rigid but recent Soviet pronouncements suggested there was uncertainty at the top. Their tactics over INF deployment had failed. Although claiming to be in favour of peace, they had withdrawn from the INF and START talks. There seemed to be a tactical minuet in progress between the United States and the Soviet Union. She believed that President Reagan was completely sincere in wanting more contact with the Soviet Union and in seeking a reduction in nuclear weapons. We did not see clearly the underlying situation in the Soviet Union. As a result of recent failures by the leadership, had the Soviet military gained more power? She noted that Andropov, in his Pravda interview, had said that, though he was ready for dialogue, the United States would have to make the first move. She did not believe there would be a summit before the US elections. Nor should there be, for it would raise too many hopes and more preparation and contact were needed. European countries could play a part in promoting that but must be careful how they went about it. We must not give the impression to Soviet or world opinion that we were weakening in our determination to defend our beliefs. We should indicate to the East that while we held to our beliefs we accepted that their system was different and that East and West had to live together. If we could obtain greater security at a lower level of weaponry, then we could both concentrate on economic improvement. Both she and Signor Craxi were to visit Hungary. We must be careful not to put Hungary in a difficult position. Signor Craxi said that Italy understood that the Hungarian Government was nervous at the prospect of receiving both himself and the Prime Minister. Soviet pressure had been applied. The Prime Minister commented that in that case we must be careful not to embarrass the Hungarians. The mere fact of visiting the country gave some support to the people of Hungary. Signor Craxi

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said that no Italian Prime Minister in modern times had visited Budapest. He considered that Kadar was a good governor but nothing more.

On the international scene, the Russians had not given up their policy of suborning one country after another - in recent years we had seen their advances in Cambodia, Laos, Afghanistan and Africa. Now they were working on other areas of crisis - the Lebanon and Central America for example. Their role in other crisis situations - Northern Ireland, the Basque country, Libya - was obscure. He believed that Soviet policy continued to be one of gradual expansion. Agreeing, the Prime Minister said that the non-aligned world now seemed to be much more wary of the Soviet Union.

Signor Craxi said that the weak point of the Soviet Union was that it had been shown to be unable to help economically the countries within its sphere of influence. It was difficult to predict what would happen in the Lebanon.

The Prime Minister said that the Lebanon was a classic area for Soviet opportunism. The Russians and the Syrians would like the MNF to leave. But, if the MNF left without alternative arrangements, this would be a defeat for the West. The situation was very difficult. Syria seemed to be preventing President Gemayel from achieving reconciliation. Signor Craxi said several times that he was very worried about the situation in Beirut. Italy had soldiers in the Lebanon but they were not a military force. He feared that if there was no solution in the coming months the MNF would be attacked. Italian public opinion was concerned and Parliamentary opinion was divided. He had said off the record that he did not have a majority in the Italian Parliament on this issue. The only strong argument available to him was that he could not be less than loyal to Italy's allies. A diplomatic initiative must be launched to compel Syria to put its cards on the table. The more time passed, the more dangerous the situation.

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The Prime Minister agreed that if there were another assault on the MNF, public pressure for its withdrawal would be strong. She had told both the United States and France that contingency plans must be made for an extended role for the United Nations. We should be ready to raise this matter in the Security Council. She believed that the Soviet Union would find it difficult to veto a UN force in the face of world opinion. But it would be a calamity if the MNF left without an alternative and slaughter followed in the Lebanon.

Signor Craxi asked whether the MNF could usefully be enlarged to include, for example, Yugoslavia and Tunisia. This would give the force better political cover. At present it was regarded as an American stalking horse. The Prime Minister said that she had doubts about an enlarged MNF. Any new troops should be under the United Nations. Syria was taking the line that if the 17 May Agreement was not abrogated, progress would not be made. So perhaps we should seek a wider agreement involving Syrian withdrawal as well.

Signor Craxi said that in his view there lay behind the Lebanese situation a determination by the Soviet Union to inflict another defeat on the United States. Moscow wished to prolong difficulties and wear us out. He had originally believed in the possibility of reconciliation. But he now considered that there was a strategic intention on the part of Moscow to inflict a defeat on the United States. The MNF could not simply withdraw. But some solution must be found, whether it was to reinforce the MNF, by linking it to the United Nations, or to enlarge it by including other countries. The Prime Minister again expressed doubt whether the participation of extra countries in the MNF would help. Was he sure that Yugoslavia would wish to be involved? Signor Craxi said that he had never discussed this idea with anyone but the Prime Minister. The Prime Minister reiterated that a UN force seemed the best alternative and Signor Craxi agreed.

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Two days ago he had had a meeting with the Argentine Foreign Minister at the latter's request. The Prime Minister interjected that she had seen reports in today's Italian press of what the Foreign Minister had said. She would be very interested in Signor Craxi's impressions.

Signor Craxi said that Argentine believed that the problem of the Falkland Islands would have to be dealt with over a period of time. The Argentine Government would be interested to have secret talks in order to exchange views with the United Kingdom. They also wished to examine small steps towards the normalisation of relations and the improvement of the present atmosphere. A dialogue in public would be more difficult for them because they would then have to request a discussion of the sovereignty issue. This would hinder a dialogue on smaller issues. They wanted a diplomatic contact in order to have deep exchanges and so that the position of each side might be understood. The Alfonsin Government had shown that the only road was the road of reasonableness. Hostilities had been completely unproductive. He himself did not wish to pronounce on the substance of all this, merely to reiterate that the Argentine Government was interested in contact.

The Prime Minister said that she saw great difficulty in secret talks. Signor Craxi said that perhaps "Confidential" was a better description. The Prime Minister commented that Argentina was aware of our position. We would not negotiate sovereignty. But sovereignty was all Argentina wanted. The Falkland Islands were ours and their people wished to stay British. She could tell Signor Craxi confidentially, but would not wish this to become public, that we had asked the Swiss, as the protecting power, to put to the Argentine Government the possibility of diplomatic contacts between Argentina and Britain to establish how far we could go in improving relations on commercial and other

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matters. We awaited a reply. But if it was agreed that confidential talks should take place, that fact would have to be publicly known and the limits to the contacts clear. We wanted normal commercial relations. We should like eventually to restore diplomatic relations. But there would be no negotiations about sovereignty. We had to continue our defensive preparations in the Islands, for example in connection with the airport. We had, after all, been invaded. And the airport would be needed anyway for commercial development. We had tried to help Argentina in the financial field. We had unblocked its assets in London and had not prevented British banks from joining a consortium to help Argentina on the assumption that the latter reached agreement with the IMF.

So if Argentina wanted confidential talks, the move we had made would facilitate that. Argentina might seek to impose conditions. The remarks of its Foreign Minister to the Italian press had not been helpful. Signor Craxi said that he had known Alfonsin before he became President, he was a democrat and a responsible and nice man. History had given Italy a special link with the Argentine. 53% of the Argentine population had Italian connections. The Falkland Islands were not among the priority problems facing Argentina. That problem could not be deleted from the agenda but it could be kept aside for the time being. It was right to seek the normalisation of relations, with each side keeping its views on sovereignty.

The Prime Minister asked whether democracy would last in Argentina. Signor Craxi said that he had been very surprised by Alfonsin's determination to attack the military caste. But Mr. Caputo had told him that Alfonsin was supported by the middle and upper regions of the army and that was why he had been able to take strong action. The main problem of Argentina was the economy. The Prime Minister asked whether the Alfonsin regime had the will

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to impose discipline in the financial and economic fields. Signor Craxi said that the will was there but were the means?

The Prime Minister repeated that if the Argentines were willing to talk we would talk directly to them in confidence. Signor Craxi recalled that when he had visited London he had told the Prime Minister that after a war, time had to pass. The Prime Minister added that no-one in the Falkland Islands or in Britain would ever forget the Argentine invasion and occupation of the Islands. Signor Craxi said that perhaps there was no solution for certain problems. The Prime Minister said that a glance at boundary problems in Southern America suggested that this might be true. The only way to handle some problems was to ignore them.

The discussion ended at 1105 when the Foreign Ministers joined the meeting.

A.J.C.

27 January, 1984.

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY AT 1107 HRS ON FRIDAY, 27 JANUARY, 1984 AT THE VILLA MADAMA, ROME

Present:-

Prime Minister	Signor Craxi
Foreign and Commonwealth Secretary	Signor Andreotti
Mr. A.J. Coles	Signor Badini
Interpreters	Interpreters

The Foreign and Commonwealth Secretary summarised the discussion which he had just had with Signor Andreotti on the Lebanon. They had agreed on the need to seek to replace the MNF with a United Nations force. Contacts with the Russians had suggested that they were not absolutely opposed to this plan, though they argued that it was for Lebanon and Syria to initiate it. We should use the presence of the MNF to press President Gemayel to pursue reconciliation. We should also ensure that the 17 May Agreement did not become an obstacle; that implied persuading the United States to broaden the Agreement to include other questions. Ideally, the four MNF contributors should act together to present this case and to concert policy. Failing that - and the French were reluctant to attend meetings of the four - we should maintain contact through bilateral meetings.

In reply to a question from Signor Craxi, Signor Andreotti said that France had refused to attend the meeting of the four in Stockholm, perhaps because it was trying to unhook itself from the MNF situation, perhaps because, with the Franco/Egyptian initiative in mind, it wished to avoid appearing to be too closely linked to the U.S.

The Prime Minister said that she did not believe that President Mitterrand would act unilaterally by withdrawing the French contingent. It was difficult to understand why France would not take part in quadripartite meetings. Mitterrand had appeared, at his meeting with her on 23 January, to share the UK/Italian approach to the MNF. He was very conscious of the French losses in

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the Lebanon - unilateral withdrawal on his part would suggest that this loss of life had served no useful purpose. Mitterrand was interested in the idea of a UN force and was actively pursuing it.

Signor Andreotti said that the French had changed their attitude. After the attacks on the American and French troops, it was France which had convened a meeting of the four. The change in attitude might be based on a wish to create pressure for the replacement of the MNF by a UN force. Also, the French, given their historical position in Syria/Lebanon, did not like the prominence which the United States had assumed in that area. Jealousy of the United States presence was a factor in all this.

The Prime Minister said that the French attitude was irritating. But if they did not want to meet à quatre, we should have to go ahead without them. The Foreign and Commonwealth Secretary said that Mr. Andreotti had agreed that the meetings in London with representatives of the 3 MNF embassies, together with bilateral talks, made it possible to concert views.

Signor Craxi said that he remained very worried about the situation. We should either pursue a UN force or open up the MNF to broader participation. Perhaps Yugoslavia or a moderate Arab country could join the force. This would give it a better political image. The Foreign and Commonwealth Secretary said that he feared that the presence of the United States contingent would be sufficient reason for other countries to be unwilling to join the MNF. Signor Andreotti said that Yugoslavia had always declined to take part in the MNF although it was willing to participate in a UN force. So, we must go on trying to set up such a force. On another point, unilateral withdrawal by Israel could be disadvantageous. Unless Israeli withdrawal were accompanied by Syrian withdrawal, the situation could be worsened. The Prime Minister reiterated her view that we should continue to promote the idea of a UN force.

The discussion ended at 1135 hrs.

A.T.C.

27 January, 1984

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cc: MASTER SET 10 DOWNING STREET

From the Private Secretary

28 January, 1984.

Dear Roger,

Anglo/Italian Summit

I enclose a record of the plenary talks.

I am copying this letter and enclosure to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence), Ivor Llewellyn (Ministry of Agriculture, Fisheries and Food), and Richard Hatfield (Cabinet Office).

Mal K.

pp AJL

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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Record of Plenary Meeting at the Anglo/Italian Summit, 1130 am,
27 January

Present:

The Prime Minister	On Bettino Craxi, President of the Council
The Rt. Hon. Geoffrey Howe, QC, MP	On Giulio Andreotti
The Rt. Hon. Nigel Lawson, MP.	Sen Giovanni Spadolini
The Rt. Hon. Michael Heseltine, MP	On Giovanni Goria
The Rt. Hon. Michael Jopling, MP	On F.M. Pandolfi
HM Ambassador	Amb. Cagiati
Sir J. Bullard	Amb. Bottai
Sir C. Tickell	Amb. Ruggiero
Mr. D. Williamson	Amb. La Rocca
Mr. A.J. Coles	Prof. Acquaviva
Mr. R.B. Bone	Cons. Badini
Mr. B. Ingham	Cons. Visconti (Notetaker)
Mr. T. Richardson (Notetaker)	

Sig. Craxi, after a brief welcome, invited Sig. Goria to speak. Sig. Goria said that he and the Chancellor had discussed three questions. They had considered international monetary and debt problems, and the respective contributions of the Group of Ten, the IMF and the London Economic Summit. The two sides were in broad agreement and would continue to collaborate. Both sides had reiterated their known positions on the European Community, but had expressed a common desire to work for its recovery. There had also been an exchange of information on Anglo/Italian bilateral matters. The Chancellor of the Exchequer agreed that both sides had set out their positions clearly on the Community Budget.

/ Sig. Craxi

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Sig. Craxi said that it was important to define beforehand what might be agreed upon at the Brussels Summit. Otherwise there was a high risk of failure. We needed to adopt a different approach to that of Athens, where every problem had still been pending when Heads of Government met.

Sig. Pandolfi reported on his meeting with Mr. Jopling. Both Governments had decided to comply with the ECJ ruling on the tax treatment of alcoholic products. Both were willing to eliminate discriminatory treatment. Sig. Pandolfi said that Mr. Jopling had explained that the British Government envisaged the introduction of measures to comply with the ECJ ruling, though clearly their precise nature would depend upon Cabinet decisions. The Italians, for their part, wanted to phase in changes over a period, and thought that further technical talks might be necessary. Turning to Community matters, Sig. Pandolfi noted that while the two sides were agreed on the need to eliminate CAP surpluses, they differed on methods and timing. The Italian view was that the CAP had taken many years to evolve, and it was not necessary to implement all measures of reform by the end of 1984. Even if the CAP were in deficit by then, EC Ministers could consider action under Article 200 of the Treaty, which concerned transitional and exceptional national contributions to bridge a shortfall. The British side, for its part, had advocated a strict financial guideline. The two sides agreed, however, that early decisions were needed; if the milk surplus had been tackled earlier the problem would not now be so serious.

Mr. Jopling noted that Britain intended to comply with the ECJ ruling within one year of its enactment. He was disturbed that Italy might not comply before 1 January 1987, 4½ years after the ECJ decision in respect of Italy. While technical talks were possible, the two governments could not reopen or contest the Court's decision. On the CAP, Britain believed that the overproduction of food and the Budget deficit were problems to be resolved quickly. The Italian side had suggested a mixture of cutting some CAP expenditure, increasing revenue through an oil and fats tax, and special financial

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/ contributions.

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- 3 -

contributions. Mr. Jopling said he doubted whether the British Government or Parliament would ever agree to this, and in any case a phased solution would not resolve the crisis.

Mr. Lawson said that he had received a different impression from Sig. Gorla of the Italian position on spirits taxation. He understood that the 18% VAT difference between whisky and grappa would disappear in stages, with an initial 6% cut. Sig. Pandolfi intervened again to distinguish between excise duties, which the Italians were prepared to abolish immediately, and the VAT differential, where the different cost structures of Italian and British spirits caused Italy some difficulty.

Sig. Andreotti said it was important to find solutions to the Community's problems before the March European Council. He agreed that no member should increase the production of milk, with the possible exception of Ireland. But production should only be reduced in those countries which had caused the surpluses in the first place - not Italy, which was a net importer. The comparison with Italian oranges would not run because only 2% of Community consumption of oranges outside Italy consisted of imports from Italy. Turning to the proposed oil and fats tax and to cereal substitutes, he wondered whether the Community could find a compromise solution. Perhaps only one tax could be introduced, and not the other.

Sig. Spadolini said that he and Mr. Heseltine had agreed on the importance of good US/European relations and of European collaboration on conventional armaments production and procurement. He was glad that the EH 101 project had reached the development stage on time. Italy was particularly interested in the coproduction and standardisation of armaments.

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/ both

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- 4 -

Both he and Mr. Heseltine had recently been to Beirut; the two sides were agreed about the problems they faced there and about their common objectives. Mr. Heseltine concurred.

The Foreign and Commonwealth Secretary said that he and Sig. Andreotti were agreed that there was no advantage in delaying a solution to the Community's crisis. While he believed that all members would have to take action to prevent surpluses, he had concentrated in his talks on identifying areas of common interest between Britain and Italy. The abolition of MCAs, or movement in that direction, might be one such common interest. Another might be the need to find a compromise over cereals; both Britain and Italy were food importers, the non-budgetary costs were high, and there was a common interest in restraining prices to bring production down. We must try to build on this. New policies and technological collaboration were also important.

Sir Geoffrey Howe accepted, however, that British and Italian interests did not coincide over the Budget. The UK net contribution had reached some 2800 m ECU in 1982, while Italy had had a net benefit of 1600 m ECU. Britain could not accept any increase in own resources that was not accompanied by changes in the budgetary arrangements. We must build on areas in common, but also recognise that all aspects of the negotiating dossier were linked and that an agreement on own resources was simply not possible in isolation.

Sig. Andreotti said that the two sides had also discussed Stockholm and the enlargement of the Community, where it was important that Spanish entry problems were resolved before the Referendum on NATO that had to be held within the lifetime of the present Spanish Parliament. On Community finances, it was important to avoid oversimplifying the issue by talking only of what member states gave and received. Italy was not self-sufficient in food

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/ and

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- 5 -

and spent far more by not buying on the free market. It should not be forgotten that Community had granted preferential arrangements to the Maghreb countries and others. These had hurt agricultural production in Italy, Greece and to an extent Southern France. Community support for Mediterranean agriculture was small-scale, and Italy needed some compensation.

The Prime Minister suggested a brief discussion of the line to take at the press conference. It was clear that we all wanted a settlement in Brussels, but we must not underestimate the difficulties and raise unnecessary expectations. We might say that there were big problems to be solved, Britain and Italy had some interests in common, elsewhere they diverged, but we would both work for a solution. She proposed to reply to questions on the Falklands simply by saying that there had been a brief discussion. Sig. Craxi agreed.

A.C.

27 January, 1984.

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no

Qz.03557

MR COLES

ANGLO/ITALIAN SUMMIT: POST-STUTTGART NEGOTIATIONS

As suggested at the briefing meeting yesterday, I attach a speaking note which could be used by the Prime Minister in presenting the arguments on the post-Stuttgart negotiations to Signor Craxi. This text is on lines agreed with Sir Crispin Tickell.

I am sending copies to Roger Bone (FCO), John Kerr (Treasury) and to Sir Robert Armstrong.

D F Williamson

D F WILLIAMSON

26 January 1984

ANGLO-ITALIAN SUMMIT, 26-27 JANUARY

Post-Stuttgart negotiations: speaking note for the Prime Minister
(After referring to the areas of agreement on defence)

At Stuttgart the Heads of State and Government set out an ambitious programme - the so-called "relaunch of the Community". The United Kingdom attaches real importance to this initiative and wants the major decisions to be taken at the March meeting. The Community is stagnating. Internal difficulties mean that it is not playing its full role in the world. Italy and the United Kingdom surely have a common interest in establishing the conditions in which the Community can develop. There is a real need for the common market in goods and services to be completed and for new policies to be developed where they make common sense.

The United Kingdom believes that the conditions for a sustained development of the Community are

- a financial solution which must contain a lasting correction of the present inequity in the budget and effective control of Community spending

- some changes in the operation of the common agricultural policy in order to adapt to the changed circumstances.

We have made clear that we are prepared to consider the Community's requirements for own resources, provided that the present budget inequity is corrected and that there is effective control of agricultural and other spending. There is no prospect of an increase in the Community's own resources unless these conditions

/are satisfied. We

are satisfied. We are not completely inflexible on the methods and modalities. But an increase in own resources would be a fundamental change in the *acquis communautaire*, requiring the unanimous agreement of 10 member states and 10 parliaments. We could not contemplate it without being satisfied that the conditions for a satisfactory future development of the Community on a fairer financial base were met.

In 1970 the original Six set up a new financial arrangement which suited them but is clearly ill-adapted to a Community of 10 or 12. The choice is to change it totally, which would take a long time, or to make the sort of changes which the United Kingdom is proposing in order to remove inequity.

On the budget imbalance it is quite wrong that the United Kingdom, which is of about average prosperity in the Community, should be the only member state apart from Germany to transfer large resources to the Community every year. We believe that the solution must

- be lasting. This can be achieved easily by including it in the revised Own Resources Decision, which would in any event require amendment if Own Resources were increased
- establish a limit on the amount which each member state should transfer to the Community, taking account of ability to pay (helpful that Germans have agreed that they want a limit but not a cutback below their actual contribution)
- be implemented on the revenue side, ie by correcting a member state's VAT contribution in the following year. This will avoid any disputes with the European Parliament

- take account of the full burden which we bear, although we expect to remain a modest net contributor
- come into effect in respect of 1984 and later years.

On control of agricultural and other spending, our proposals are entirely in line with the Treaty and with the practices of national governments. There is wide agreement already in the Community that rate of growth of agricultural spending should be markedly less than the rate of growth of own resources, which are needed for other desirable policies. We think that this guideline should be put in the budgetary procedure of the Community. On control of spending generally, we believe that Monsieur Delors' proposals tabled in November provide a very good basis.

On agriculture, the Agriculture Ministers are now trying to work out a package. It is quite evident that price restraint, a wider application of guarantee thresholds, special measures for milk and some dismantling of monetary compensatory amounts must be achieved. Otherwise the policy will break down under the weight of its weaknesses. We believe that all member states, including large food importers such as the United Kingdom and Italy, must equally carry the burden of adjustment. Despite some differences between us, there is a common interest that the price of cereals and milk, which affect our import bills, should be restrained and that the excesses should be reduced.

On new policies I hope also that we can find common ground on such issues as the internal market (eg a genuinely liberal non life insurance arrangement), on transport (liberalisation of lorry quotas) on energy (solid fuels policy) and on some areas of high technology.

None of the future developments can be achieved, however, unless we settle quickly the financial package on a lasting basis.

DINNER BY PRIME MINISTER CRAXI

THURSDAY 26 JANUARY

IT IS ALWAYS A PLEASURE TO VISIT ROME AND TALK TO
OUR ITALIAN FRIENDS.

TONIGHT'S DINNER, IN THIS MAGNIFICENT
SETTING OF CASTEL SANT'ANGELO, IS ANOTHER
EXAMPLE OF THE HOSPITALITY AND WARM
WELCOME FOR WHICH ITALY IS JUSTLY
CELEBRATED.

THIS IS THE THIRD TIME I HAVE COME TO ITALY FOR A
BILATERAL SUMMIT, AND IT IS THE LARGEST
NUMBER OF MINISTERS THAT I HAVE BROUGHT,
WHICH REFLECTS THE IMPORTANCE I ATTACH TO
ANGLO-ITALIAN RELATIONS.

/ IT IS ALSO

IT IS ALSO MY SECOND CHANCE OF DETAILED TALKS
WITH PRIME MINISTER CRAXI.

THERE IS A GREAT DEAL OF GROUND FOR US
TO COVER TOMORROW, AND I AM GLAD THAT ON
MOST SUBJECTS WE FIND OURSELVES IN
AGREEMENT.

OUR JOINT PARTICIPATION IN THE BEIRUT MULTI-NATIONAL
FORCE MEANS THAT THE DIFFICULTIES OF
LEBANON CAN NEVER BE FAR FROM OUR
MINDS.

I BELIEVE THAT OUR ANALYSIS IS SIMILAR.
WE WENT THERE TO HELP THE PROCESS OF
NATIONAL RECONCILIATION, SO DESPARATELY
NEEDED IN THAT TROUBLED LAND.

/ BOTH

BOTH OUR GOVERNMENTS WOULD NOW LIKE TO SEE
A GREATER ROLE FOR THE UNITED NATIONS,
DESPITE THE WELL-KNOWN DIFFICULTIES OF
ACHIEVING THAT.

ANOTHER SHARED INTERNATIONAL RESPONSIBILITY IS THE
BASING OF CRUISE MISSILES AS PART OF THE
NATO MODERNISATION PLAN AGREED IN
1979.

BOTH OUR GOVERNMENTS HAVE STOOD BY THE
COMMITMENTS ENTERED INTO THEN.

IT IS A MATTER OF GREAT REGRET THAT THE
SOVIET UNION HAS CHOSEN TO BREAK OFF THE
INF AND START TALKS.

/ THE PRESSING

THE PRESSING NEED NOW IS TO RETURN TO THE
NEGOTIATING TABLE AND TO WORK TOGETHER FOR
PEACE AND SECURITY.

INITIATIVES BY INDIVIDUAL EUROPEAN COUNTRIES
CAN HAVE A VALUABLE PART TO PLAY IN
MAINTAINING CONTACTS WITH THE EAST:
PRIME MINISTER CRAXI AND I BOTH INTEND TO
VISIT HUNGARY IN THE NEAR FUTURE.

A THIRD POINT ON WHICH I AM SURE BRITAIN AND ITALY
AGREE IS THE NEED TO MAINTAIN AND DEVELOP
THE EXCELLENT RELATIONS WHICH BOTH OUR
GOVERNMENTS HAVE WITH THE UNITED STATES
GOVERNMENT.

/ WE HAVE BOTH

WE HAVE BOTH WORKED - AND WILL CONTINUE
TO WORK - TO AVOID TRANSATLANTIC TENSION
WHILE AT THE SAME TIME DEFENDING OUR
LEGITIMATE NATIONAL INTERESTS.

OUR BILATERAL RELATIONS WITH ITALY COULD HARDLY BE
BETTER.

WE GREATLY LOOK FORWARD TO A VISIT NEXT
MONTH BY PRESIDENT PERTINI TO LONDON, TO
VIEW THE "GENIUS OF VENICE" EXHIBITION,
AND THE PRINCE AND PRINCESS OF WALES
WILL TOUR ITALY IN OCTOBER.

/ TWO MILLION

TWO MILLION BRITISH TOURISTS COME HERE
EVERY YEAR, ALTHOUGH MOST OF THEM, UNLIKE
ME, DO NOT CHOOSE JANUARY.

THERE IS A GREAT DEAL OF CULTURAL EXCHANGE, FOSTERED
BY THE BRITISH COUNCIL HERE AND BY THE
ITALIAN INSTITUTE IN LONDON.

LINKS OF THIS KIND ARE VERY IMPORTANT, AND SUPPLEMENT
THE WORK OF THE TWO GOVERNMENTS.

TO PROMOTE COOPERATION IN OTHER AREAS WE MINISTERS
HAVE A MORE DIRECT RESPONSIBILITY.

/ I AM GLAD

I AM GLAD, FOR EXAMPLE, THAT BOTH
GOVERNMENTS ARE FIRMLY COMMITTED TO THE EH101
HELICOPTER PROGRAMME.

I HOPE ALSO THAT THE FIRST MEETING OF THE
ANGLO-ITALIAN ROUND TABLE CAN TAKE
PLACE THIS SPRING IN ROME.

AS MEMBERS OF THE EUROPEAN COMMUNITY WE ARE, OF
COURSE, CONCERNED BY ITS CURRENT
DIFFICULTIES.

I REGRET THAT WE WERE UNABLE TO AGREE
SOLUTIONS TO THE COMMUNITY'S FINANCIAL
PROBLEMS AND OTHER LINKED ISSUES AT THE
ATHENS EUROPEAN COUNCIL IN DECEMBER.

/ BUT THERE IS

BUT THERE IS NO POINT IN DWELLING ON
THE PAST.

MY COLLEAGUES AND I WILL BE DEVOTING AN
IMPORTANT PART OF OUR TALKS TOMORROW TO
DISCUSSING WITH OUR ITALIAN FRIENDS HOW
BEST TO ENSURE THAT THE RIGHT DECISIONS
ARE TAKEN WHEN HEADS OF GOVERNMENT NEXT
MEET IN BRUSSELS IN MARCH.

THESE DECISIONS WILL NOT GET EASIER AS
TIME GOES ON, AND THE COMMUNITY MAY FIND
ITSELF, LIKE FELLINI'S SHIP, SAILING
BLITHELY TOWARDS DISASTER.

/ ONLY WHEN

ONLY WHEN THE DECISIONS ARE TAKEN AND
THE COMMUNITY'S FINANCIAL ARRANGEMENTS
ARE PUT ON A FOOTING ACCEPTABLE TO
ALL CAN WE LOOK FORWARD TO THE FURTHER
DEVELOPMENT OF THE EUROPEAN IDEAL TO
WHICH WE ALL ASPIRE.


BUT A ROMAN POET WARNED US NOT TO BECOME TOO SERIOUS
OVER DINNER.

THEREFORE, I USE HIS WORDS TO PROPOSE A
TOAST: "NUNC EST BIBENDUM", TO THE
HEALTH OF OUR HOST, PRIME MINISTER CRAXI.



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With the compliments of

THE PRIVATE SECRETARY

R. Bone Esq

25.1.84

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PS -

PS/ LADY YOUNG

PS/ MR WHITNEY

MR JENKINS

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PRIME MINISTER'S SPEECH AT DINNER ON THURSDAY, 26 JANUARY

1. CHIEF OFFICIALS EXPECT CRAXI TO SPEAK FOR ABOUT 5 MINUTES, IN A LIGHT VEIN POSSIBLY OFF THE CUFF. WE SUGGEST THE FOLLOWING DRAFT FOR THE PRIME MINISTER'S REPLY.

2. IT IS ALWAYS A PLEASURE TO VISIT ROME AND TALK TO OUR ITALIAN FRIENDS. TONIGHT'S DINNER, IN THIS MAGNIFICENT SETTING OF CASTEL SANT'ANGELO, IS ANOTHER EXAMPLE OF THE HOSPITALITY AND WARM WELCOME FOR WHICH ITALY IS JUSTLY CELEBRATED.

THIS IS THE THIRD TIME WE HAVE COME TO ITALY FOR A BILATERAL SUMMIT, AND IT IS THE LARGEST NUMBER OF MINISTERS THAT WE HAVE BROUGHT, WHICH REFLECTS THE IMPORTANCE WE ATTACH TO ANGLO-ITALIAN RELATIONS. IT IS ALSO MY SECOND CHANCE OF DETAILED TALKS WITH PRIME MINISTER CRAXI. THERE IS A GREAT DEAL OF GROUND FOR US TO COVER TOMORROW, AND WE AM GLAD THAT ON MOST SUBJECTS WE FIND OURSELVES IN AGREEMENT. OUR JOINT PARTICIPATION IN THE BEIRUT MULTINATIONAL FORCE MEANS THAT THE DIFFICULTIES OF LEBANON CAN NEVER BE FAR FROM OUR MINDS. WE BELIEVE THAT OUR ANALYSIS IS SIMILAR. WE WENT THERE TO HELP THE PROCESS OF NATIONAL RECONCILIATION, SO DESPERATELY NEEDED IN THAT TROUBLED LAND. BOTH OUR GOVERNMENTS WOULD NOW LIKE TO SEE A GREATER ROLE FOR THE UNITED NATIONS, DESPITE THE WELL-KNOWN DIFFICULTIES OF ACHIEVING THAT. ANOTHER SHARED INTERNATIONAL RESPONSIBILITY IS THE BASING OF CRUISE MISSILES AS PART OF THE NATO MODERNISATION PLAN AGREED IN 1979. BOTH OUR GOVERNMENTS HAVE STOOD BY THE COMMITMENTS ENTERED INTO THEN. IT IS A MATTER OF GREAT REGRET THAT THE SOVIET UNION HAS CHOSEN TO BREAK OFF THE INF AND START TALKS. THE PRESSING NEED NOW IS TO RETURN TO THE NEGOTIATING TABLE AND TO WORK TOGETHER FOR PEACE AND SECURITY. INITIATIVES BY INDIVIDUAL EUROPEAN COUNTRIES CAN HAVE A VALUABLE PART TO PLAY IN MAINTAINING CONTACTS WITH THE EAST; PRIME MINISTER CRAXI AND WE BOTH INTEND TO VISIT HUNGARY IN THE NEAR FUTURE. A THIRD POINT ON WHICH WE AM SURE BRITAIN AND ITALY AGREE IS THE NEED TO MAINTAIN AND DEVELOP THE EXCELLENT RELATIONS WHICH BOTH OUR GOVERNMENTS HAVE WITH THE US GOVERNMENT; WE HAVE BOTH WORKED, AND WILL CONTINUE TO WORK, TO AVOID TRANSATLANTIC TENSION WHILE

AND WILL CONTINUE TO WORK, TO AVOID TRANSATLANTIC TENSION WHILE AT THE SAME TIME DEFENDING OUR LEGITIMATE NATIONAL INTERESTS.

OUR BILATERAL RELATIONS WITH ITALY COULD HARDLY BE BETTER. WE GREATLY LOOK FORWARD TO A VISIT NEXT MONTH BY PRESIDENT PERTINI TO LONDON, TO VIEW THE 'GENIUS OF VENICE' EXHIBITION, AND THE PRINCE AND PRINCESS OF WALES WILL TOUR ITALY IN OCTOBER. TWO MILLION BRITISH TOURISTS COME HERE EVERY YEAR, ALTHOUGH MOST OF THEM, UNLIKE ME, DO NOT CHOOSE JANUARY. THERE IS A GREAT DEAL OF CULTURAL EXCHANGE, FOSTERED BY THE BRITISH COUNCIL HERE AND BY THE ITALIAN INSTITUTE IN LONDON. LINKS OF THIS KIND ARE VERY IMPORTANT, AND SUPPLEMENT THE WORK OF THE 2 GOVERNMENTS. TO PROMOTE COOPERATION IN OTHER AREAS WE MINISTERS HAVE A MORE DIRECT RESPONSIBILITY. I AM GLAD FOR EXAMPLE THAT BOTH GOVERNMENTS ARE FIRMLY COMMITTED TO THE EH101 HELICOPTER PROGRAMME. I HOPE ALSO THAT THE FIRST MEETING OF THE ANGLO-ITALIAN ROUND TABLE CAN TAKE PLACE THIS SPRING IN ROME.

AS MEMBERS OF THE EUROPEAN COMMUNITY, WE ARE OF COURSE CONCERNED BY ITS CURRENT DIFFICULTIES. I REGRET THAT WE WERE UNABLE TO AGREE SOLUTIONS TO THE COMMUNITY'S FINANCIAL PROBLEMS AND OTHER LINKED ISSUES AT THE ATHENS EUROPEAN COUNCIL IN DECEMBER. BUT THERE IS NO POINT IN DWELLING ON THE PAST. MY COLLEAGUES AND I WILL BE DEVOTING AN IMPORTANT PART OF OUR TALKS TOMORROW TO DISCUSSING WITH OUR ITALIAN FRIENDS HOW BEST TO ENSURE THAT THE RIGHT DECISIONS ARE TAKEN WHEN HEADS OF GOVERNMENT NEXT MEET IN BRUSSELS IN MARCH. THESE DECISIONS WILL NOT GET EASIER AS TIME GOES ON, AND THE COMMUNITY MAY FIND ITSELF, LIKE FELLINI'S SHIP, SAILING BLITHELY TOWARDS DISASTER. ONLY WHEN THE DECISIONS ARE TAKEN AND THE COMMUNITY'S FINANCIAL ARRANGEMENTS ARE PUT ON A FOOTING ACCEPTABLE TO ALL CAN WE LOOK FORWARD TO THE FURTHER DEVELOPMENT OF THE EUROPEAN IDEAL TO WHICH WE ALL ASPIRE.

BUT A ROMAN POET WARNED US NOT TO BECOME TOO SERIOUS OVER DINNER. THEREFORE USE HIS WORDS TO PROPOSE A TOAST. NUNC EST BIBENDUM, TO THE HEALTH OF OUR OUR HOST, PRIME MINISTER CRAXI'

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OF 261240Z JANUARY 1984

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WEDSt J Bullard
Mr DC Thomas

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ANGLO ITALIAN SUMMIT: 26/27 JANUARY: FALKLANDS

1. CRAXI'S DIPLOMATIC ADVISER ASKED THE MINISTER TO CALL THIS MORNING TO BE TOLD ABOUT A "SECRET MATTER" BEFORE THE PRIME MINISTER'S TALKS WITH CRAXI.
2. AS EXPECTED, THIS MATTER TURNED OUT TO BE THE FALKLANDS, AND IN PARTICULAR THE MEETING BETWEEN CRAXI AND THE ARGENTINE FOREIGN MINISTER, CAPUTO, WHICH HAD TAKEN PLACE IN ROME A COUPLE OF DAYS AGO. CRAXI HAD BEEN MUCH IMPRESSED BY CAPUTO'S INSISTENCE ON THE NEW ARGENTINE GOVERNMENT'S COMMITMENT TO THE PRINCIPLE OF THE PEACEFUL MANAGEMENT OF ARGENTINA'S INTERNATIONAL DISPUTES. THE WAY IN WHICH THEY HAD NEGOTIATED THE AGREEMENT IN PRINCIPLE WITH CHILE OVER THE BEAGLE CHANNEL PROVIDED TANGIBLE EVIDENCE OF THIS COMMITMENT. WHILE CRAXI WAS WELL AWARE THAT ITALY HAD NO FORMAL STANDING IN THE DISPUTE BETWEEN BRITAIN AND ARGENTINA OVER THE FALKLANDS, AND WAS NOT A FORMAL CHANNEL OF COMMUNICATION BETWEEN THE TWO PARTIES, HE NEVERTHELESS BELIEVED THAT ITALY, WHICH HAD PARTICULARLY CLOSE RELATIONS WITH BOTH COUNTRIES, SHOULD BE READY TO LEND HER GOOD OFFICES. HE THEREFORE ATTACHED PARTICULAR IMPORTANCE TO THAT PART OF HIS FORTHCOMING TALKS WITH THE PRIME MINISTER WHICH WOULD CONCERN THE FALKLANDS.

3. BADINI THEN GAVE AN OUTLINE OF WHAT HE EXPECTED CRAXI TO SAY. THIS CAN BE SUMMARISED AS FOLLOWS:

A) CAPUTO HAD BROUGHT FROM ALFONSI A SPECIFIC PROPOSAL FOR SETTING UP A "PROCEDURE" FOR SECRET CONTACTS BETWEEN THE BRITISH AND ARGENTINIAN GOVERNMENTS. CRAXI WOULD EXPLAIN THIS TO THE PRIME MINISTER (BADINI WOULD NOT BE DRAWN FURTHER).

B) CAPUTO HAD SAID THAT THE ARGENTINE GOVERNMENT WAS "STUDYING" A NUMBER OF POSSIBLE PUBLIC STEPS WHICH MIGHT BE TAKEN BY ARGENTINA IN ORDER TO IMPROVE THE ATMOSPHERE AND TO HELP, MAKE IT POSSIBLE

IN ORDER TO IMPROVE THE ATMOSPHERE AND TO HELP MAKE IT POSSIBLE FOR SECRET CONTACTS TO MAKE PROGRESS. BUT IT WAS ESSENTIAL TO THE ARGENTINE GOVERNMENT (WHOSE MARGIN FOR PUBLIC MANOEUVRE THE ITALIANS BELIEVED TO BE EXTREMELY LIMITED BECAUSE OF THE CONTINUED PRECARIOUSNESS OF ALFONSO'S POLITICAL POSITION) THAT SUCH A STEP WHEN TAKEN BY THEM SHOULD BE WELCOMED BY THE BRITISH GOVERNMENT. BADINI MADE CLEAR THAT CRAXI WOULD WANT TO EXPLORE THE POSSIBILITIES WITH THE PRIME MINISTER.

4. BADINI EMPHASISED THAT CRAXI WAS KEEPING THIS MATTER VERY CLOSE FOR THE PRESENT. THE FARNESINA, IN PARTICULAR, HAD NO KNOWLEDGE OF WHAT CRAXI PROPOSED TO SAY TO THE PRIME MINISTER.

5. PLEASE ADVANCE TO BULLARD, D C THOMAS, PRIVATE SECRETARY AND TO MR COLES AT 10 DOWNING STREET.

BRIDGES



Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

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Foreign and Commonwealth Office

London SW1A 2AH

24 January 1984

Sir Robert Armstrong GCB CVO
CABINET OFFICE

My dear Robert,

ANGLO/ITALIAN SUMMIT: 26-27 JANUARY 1984

I enclose a draft Game Plan for the Anglo/Italian Summit in preparation for the Prime Minister's briefing meeting on 25 January at 1800 hours. The Game Plan will, if necessary, be revised overnight by the Cabinet Office in time for the Prime Minister's departure the following afternoon.

Enclosed with the Game Plan are copies of the scene-setting telegram from the Embassy in Rome and their report on the current Italian policy towards the European Community. (Rome telegrams numbers 35 and 36.)

I am copying this letter to those who, I understand, have been invited to take part in the briefing meeting.

Yours ever
Antony

Antony Acland

/.....

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Copies to:

PS/Chancellor of the Exchequer

PS/Secretary of State for Defence

PS/Secretary of State for Agriculture

J B Unwin Esq, HM Treasury

J Blelloch Esq CB, MOD

D Andrews Esq CBE, MAFF

R Gray Esq CB, DTI

A D S Goodall Esq CMG, Cabinet Office

D Williamson Esq, Cabinet Office

PS/Foreign & Commonwealth Secretary

Sir Julian Bullard, FCO

Sir Crispin Tickell, FCO

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ANGLO/ITALIAN SUMMIT: 26-27 JANUARY 1984

GAME PLAN (DRAFT)

... 1. Rome telno 35, attached, sets the scene for the
... Summit. Rome telno 36, also attached, reports on
Italian policy towards the European Community. Rome
... telno 40, also attached, contains the most recent
timetable for the Summit, though there may be some last
minute changes.

2. The Prime Minister's arrival in the evening of
26 January is unlikely to allow time for a tête-à-tête
with Prime Minister Craxi before dinner (2100 hours at
Castel Saint'Angelo). If there is a short private
meeting before the dinner the Prime Minister might
express her satisfaction at the signing the previous day
of the MOU on the EH101 helicopter by Mr Lamont and
Signor Altissimo. She could also refer with pleasure to
the forthcoming visit of President Pertini to London to
attend the Genius of Venice Exhibition, during which he
will have lunch at Buckingham Palace on 22 February and
lunch at No 10, preceded by talks, on 23 February.

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Dinner

3. At dinner the Prime Minister and Signor Craxi might exchange views on East/West relations after the opening of the Stockholm CDE Conference. This could lead into a comparison of the UK and Italian domestic reaction to the deployment of Cruise missiles. The Prime Minister might also say that she hopes for a substantive discussion of Community issues the next morning.

Tête-à-tête (27 January, 0930-1030)

4. It is recommended that the Prime Minister should use this meeting to concentrate on Community issues. But she is unlikely to find Craxi well prepared for discussion of substance. It would therefore be best to concentrate on a few essential points. In insisting that own resources cannot be increased until the two Stuttgart conditions are met, the Prime Minister could also emphasise the interests which the Italians would have in a reform of the CAP and our hope that the Italians will offer a stronger support in future on budgetary imbalances (we are both less prosperous member states but Italy had a net benefit of 1600 MECUS in 1982 while our contribution before refunds was over 2000 MECUS). Craxi, for his part, will want to hear more about the Prime Minister's recent talks with President Mitterrand



and may be suspicious of a deal being worked out without Italian involvement. It would be as well for the Prime Minister to give little away. One answer might be to suggest that Craxi feeds any Italian concerns into Mitterrand himself, in his Presidency capacity. The Prime Minister might, however, stress the importance of decisions being made at the March European Council. Enlargement will affect Italian agriculture considerably and the Prime Minister might repeat our commitment to a completion of the negotiations by the summer break and accession by Spain and Portugal by 1 January 1986.

5. Signor Craxi is likely to raise:

a) Falklands/Argentina

In view of their close relations with Argentina, the Italians have shown signs of wanting to use their good offices between us and the new Argentine government. We would not want to encourage this. It is, however, important that the Italians should understand that while we cannot negotiate about sovereignty, we would like, within this restraint, to work for a step-by-step improvement in bilateral relations with the new Argentine government. This is the message we would like them to

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pass on. The Prime Minister could also refer to Mr Heseltine's and Lady Young's recent visits to the Falkland Islands.

b) Lebanon/Multinational Force

Although the Italians have reduced their troop commitment to the MNF to 1,500 men, largely in response to vocal domestic pressure, Craxi remains very concerned about the risks which their presence in Lebanon entails. He will share our view on the need for wider UN involvement.

Foreign Ministers will join the discussion at 1030. It will be important that the main points on the Community discussion are repeated in front of Andreotti, who will already have covered the ground with Sir Geoffrey Howe.

Bilateral Issues

6. This would be the occasion again to welcome the MOU on the EH101 helicopter and to say that we would like to cooperate in further collaborative projects following the successful example of Tornado. If Airbus is raised, the Prime Minister might say that we have noted Italian interest in participation: our own decision on launch aid can be expected soon.



7. The Prime Minister might also ask whether the Italians are agreed that the Anglo/Italian Round Table, announced at the last Summit in London in spring 1983, attended by Signor Fanfani, should now get under way. If so we would like the first meeting in Rome to be held before the summer break if possible.

Other Meetings

8. Meetings between other Ministers will take place during the Prime Minister's tête-à-tête. Other important points which may be raised include:

Foreign Ministers

- i. East/West Relations
- ii. Transatlantic Relations: the need for consensus on East/West technology transfer and concern about Community protectionism in agriculture
- iii. Greece/Turkey/Cyprus: how to contain tension between two NATO Allies
- iv. Africa: particularly developments in the Horn of Africa (over which the Italians are well informed)



Defence Ministers

- v. INF: control of technology transfer
- vi. Southern Flank matters
- vii. Greece/Turkey and Spanish accession to NATO
- viii. Defence equipment matters: EH101, future European fighter, European collaboration on defence equipment
- ix. Italian concern about exclusion from tripartite Defence Ministers' meetings

Treasury Ministers

- x. Inter-connection between the G10 and other multilateral bodies
- xi. IDA replenishment
- xii. World economic outlook
- xiii. The Banco Ambrosiano affair.

35, 36, 40 (13 legible copies)

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TO IMMEDIATE FCO
TELNO 040 (CORRECTED VERSION)
OF 211100Z JANUARY 1984

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cc.
Mr Murray
No 101200s Office
cc.
Sir C. Mitchell
SM

MYTELNO 22: ANGLO ITALIAN SUMMIT

1. THE TIME TABLE IS NOW AS FOLLOWS:-

26 JANUARY

2005 ARRIVE CIAMPINO. MET BY A MINISTER (NOT CRAXI)

2100 DINNER AT CASTEL SANT'ANGELO

27 JANUARY

0930 TALKS BETWEEN EACH PAIR OF MINISTERS AT VILLA MADAMA
(SOME WITH OFFICIALS PRESENT, BUT PRIME MINISTER WITH
ONLY NOTETAKERS AND INTERPRETERS)

1030 FOREIGN MINISTERS JOIN PRIME MINISTERS

1115 PLENARY

1205 PLENARY ENDS. BRITISH SIDE CONSIDERS PRESS LINE

1215 LEAVE VILLA MADAMA

1230 JOINT PRESS CONFERENCE AT PALAZZO CHIGI

1310 PRIME MINISTER BRIEFS BRITISH TV AND RADIO

1340 DEPART PALAZZO CHIGI

1400 LUNCH AT VILLA WOLKONSKY

1610 PRIME MINISTER LEAVES VILLA WOLKONSKY

1630 PRIME MINISTER CALLS ON PRESIDENT PERTINI AT QUIRINALE

1715 PRIME MINISTER LEAVE QUIRILNALE

1740 MOTORCADE LEAVES FOR CIAMPINO

1800 VC10 DEPARTS.

2. THIS ASSUMES THAT THE PRIME MINISTER IS PREPARED TO
GO DIRECT FROM CIAMPINO TO THE CASTEL SANT'ANGELO DINNER. A
STOP AT VILLA WOLKONSKY WOULD REQUIRE POSTPONING THE DINNER
UNTIL 2115 OR EVEN 2130.

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3. THE CHANGE OF PRESS CONFERENCE VENUE HAS BEEN FORCED UPON US, DESPITE PROTESTS. CHIGI STAFF HAVE NOW CLAIMED THAT VILLA MADAMA FACILITIES ARE NOT ADEQUATE FOR IT. THERE IS A RISK THAT THE PRESS CONFERENCE WILL START LATE AND DELAY LUNCH: UNLESS INTERVIEWS FOR THE BRITISH TV/RADIO ARE POSTPONED UNTIL AFTER LUNCH. WOULD THIS POSTPONEMENT BE ACCEPTABLE?
4. ANY SEPARATE ITALIAN PRESS/TV INTERVIEW (MYTELNO 32) WOULD HAVE TO BE AFTER THE QUIRINALE AND MEAN POSTPONEMENT OF THE TIME OF TAKE-OFF FROM CIAMPINO.
5. THERE IS TIME IN THE AFTERNOON FOR YOU TO VISIT THE CHANCERY AND MEET STAFF, IF YOU SO WISH.
6. I RECOMMEND LIMITING THE WOLKOWSKY LUNCH TO SUMMIT PARTICIPANTS, IE FIVE ITALIAN MINISTERS AND ABOUT FIFTEEN OFFICIALS AND A SIMILAR NUMBER ON OUR SIDE. GRATEFUL FOR CONFIRMATION OF THIS SO THAT INVITATIONS CAN BE SENT ON 23 JANUARY. A GUEST LIST, WITH ALL OTHER PROGRAMME DETAILS, WILL BE PROVIDED FOR THE PARTY ON ARRIVAL.

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PS/PUS
PS/MR WHITNEY
SIR J BULLARD
MR JENKINS

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cc. Sir C. Tickell 3

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OF 201500Z JANUARY 1984

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INFO SAVING PARIS, BONN, WASHINGTON, UKDEL NATO, UKREP BRUSSELS,
MOSCOW, HOLY SEE (ACTIONED), CONSULATES-GENERAL AND CONSULATES
IN ITALY (ACTIONED).

ANGLO-ITALIAN SUMMIT, 26/27 JANUARY: CRAXI GOVERNMENT

SUMMARY

1. CRAXI IS MORE CONCERNED BY DOMESTIC POLITICAL PROBLEMS
THAN HE WAS BEFORE CHRISTMAS, BUT HIS GOVERNMENT IS IN NO
IMMINENT DANGER OF FALLING. ITALY'S ECONOMIC PROBLEMS ARE UNCHANGED.
IN FOREIGN POLICY ITALY'S LEBANESE COMMITMENT CAUSES MOST
ANXIETY. FOR EC MATTERS SEE MIFT: THEY ARE ALMOST THE ONLY
CLOUD IN ANGLO-ITALIAN RELATIONS.

DOMESTIC POLITICS

2. ALL THE COALITION PARTIES ARE NOW PREPARING FOR CONGRESSES
THIS SPRING. THE EUROPEAN ELECTIONS IN JUNE ARE ALSO BEGINNING
TO INFLUENCE THE POLITICAL SCENE, AND THE LAY PARTIES HOPE TO MAKE
SLIGHT GAINS AT THE EXPENSE OF THE DC AND PCI. CRAXI HAS LITTLE
SUCCESS TO SHOW AT HOME, AND THIS PARTLY EXPLAINS HIS CONCENTRATION
ON FOREIGN POLICY SINCE TAKING OFFICE. INSTITUTIONAL REFORM, A PSI
RALLYING CRY BEFORE LAST YEAR'S ELECTIONS, LOOKS AS ELUSIVE
AS EVER: CRAXI'S ONLY INNOVATION SO FAR IS THE CREATION OF A
SMALL INNER CABINET. NONE OF HIS GOVERNMENT'S MEASURES HAVE HAD
A SOCIALIST STAMP. CRAXI'S HOPES THAT A NEW CONCORDAT COULD SOON
BE SIGNED WITH THE VATICAN HAVE BEEN SET BACK BY CRITICISM FROM
OTHER LAY PARTIES, WHO INSIST ON

A FULL PARLIAMENTARY
DEBATE BEFORE SIGNATURE. ORGANISED CRIME IN THE SOUTH IS
AS ACTIVE AS EVER. IN SEVERAL CITIES (NAPLES, TURIN) AND
REGIONS IT HAS NOT BEEN POSSIBLE TO FORM NEW LOCAL ADMINISTRATIONS.
ALL THIS GIVES THE PUBLIC AN IMPRESSION THAT CRAXI AS PRIME
MINISTER IS SURVIVING RATHER THAN DOMINATING: AS THE EXCITEMENT
OF SEEING HIM BECOME THE FIRST SOCIALIST PRIME MINISTER WEARS
OFF, HIS SUPPORTERS WILL BEGIN TO EXPECT TANGIBLE RESULTS.

3. NEVERTHELESS CRAXI'S POSITION IS STRONGER THAN IT APPEARS,
AND PSI LEADERS ARE REASONABLY CONFIDENT THAT HE WILL LAST
LONGER THAN THE NORM. PSI SUPPORT IS ESSENTIAL FOR ANY GOVERNMENT
TO HAVE A MAJORITY IN PARLIAMENT, AND IF CRAXI WERE UNSEATED
THERE IS NO GUARANTEE THAT HE WOULD BACK A SUCCESSOR FROM ANOTHER
COALITION PARTY. THE PCI ARE PREOCCUPIED BY INTERNAL DEBATES
AND DO NOT (NOT) WISH TO LAUNCH AN ALL OUT ATTACK ON THIS GOVERN-
MENT, PARTLY BECAUSE THEIR LONG-TERM STRATEGY, AT PRESENT MORE

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/HOPE

HOPE THAN EXPECTATION, DEPENDS ON REACHING AN UNDERSTANDING WITH THE PSI. THE DC NEED TIME TO RECOVER FROM LAST JUNE'S ELECTORAL SHOCK, AND ARE ANYWAY ABSORBED BY PRE-CONGRESS MAN-OEUVRING: MANY OF THEIR TOP FIGURES, INCLUDING ANDREOTTI, HAVE THEIR EYE ON THE PRESIDENTIAL ELECTIONS DUE IN 1985 AND ARE NOT ANXIOUS TO ROCK THE COALITION BOAT. THE ONLY FORESEEABLE THREAT TO CRAXI IN THE NEAR FUTURE IS FROM SPADOLINI, IF HE PERSUADES HIS REPUBLICAN PARTY THAT THEY SHOULD LEAVE GOVERNMENT (AS THEY DID IN LATE 1982) TO INCREASE THEIR ROOM FOR MANOEUVRE BEFORE THE EUROPEAN ELECTIONS. THE PRETEXT WOULD PROBABLY BE THE ECONOMY. BUT TIME IS SHORT FOR SUCH A MANOEUVRE.

ECONOMY

4. THIS IS STILL CRAXI'S BIGGEST HEADACHE. THE GOVERNMENT HAVE HAD TO ACKNOWLEDGE CONTINUED GAPS BETWEEN TARGETS AND LIKELY OUTTURN, ESPECIALLY FOR THE PSBR, DESPITE THE ECONOMIC MEASURES ADOPTED SO FAR. THEIR MAIN EFFORT IS NOW DIRECTED TOWARD THE ACHIEVEMENT OF A REVISED PAY AGREEMENT LIMITING EARNINGS TO THE INFLATION TARGET RATE OF 10% IN 1984. PROSPECTS OF AN EARLY AND EFFECTIVE DEAL WITH THE DIVIDED UNIONS ARE POOR. CRAXI APPEARS TO BE LESS CONCERNED THAN GORIA (TREASURY MINISTER) ABOUT THE SIZE OF THE PSBR (ON VERY BEST ASSUMPTIONS LIKELY TO BE 15% OF GDP IN 1984), COUNTING INSTEAD ON GROWTH IN ITALY'S EXPORT MARKETS (INCLUDING UK) TO PULL ITALY OUT OF RECESSION, WITHOUT THE NEED FOR COUNTER INFLATIONARY MEASURES. THE REPUBLICANS ARE CRITICAL, BUT IF A PAY AGREEMENT IS CONCLUDED CRAXI WILL PROBABLY BUY HIMSELF A PERIOD OF GRACE.

FOREIGN POLICY

5. CRAXI'S ENERGY IN THIS FIELD HAS BROUGHT HIM FEW REWARDS, AND HIS UNCOMFORTABLY AWARE OF ANDREOTTI'S GREATER EXPERIENCE. NEVERTHELESS HE ENJOYS INTERNATIONAL MEETINGS AND THE CHANCE OF MEETING WORLD LEADERS AS EQUALS. ON SEPARATE ISSUES :

A) LEBANON. THE ITALIAN GOVERNMENT REMAIN CONCERNED ABOVE ALL BY THE PROSPECT OF SERIOUS LOSSES AMONG THEIR MNF CONTINGENT. HENCE THEIR CAUTION ABOUT GEMAYEL'S SECURITY PLAN AND THEIR KEENNESS ON AN INCREASED UN ROLE. REDUCTION OF THEIR MNF CONTINGENT TO 1500 MEN HAS TEMPORARILY APPEASED THEIR DOMESTIC CRITICS BUT THEY CANNOT AFFORD A LONG DIPLOMATIC STALEMATE. SPADOLINI IS UNDER PRESSURE FROM THE MILITARY FOR BETTER LOGISTIC SUPPORT IF THE ITALIAN CONTINGENT STAYS (BUT WE DO NOT EXPECT THE QUESTION OF AIR COVER TO BE RAISED AT THE SUMMIT). UK AND ITALIAN VIEWS APPEAR LARGELY TO COINCIDE.

B) EAST/WEST. CRAXI IS CONCERNED BY THE PRESENT LACK OF DIALOGUE BETWEEN THE TWO SUPER POWERS, AND SHARES ANDREOTTI'S ENTHUSIASM FOR THE CDE PROCESS. HE IS ALSO KEEN ON BILATERAL INITIATIVES, AND STILL HOPES TO VISIT HUNGARY THIS SPRING. AT HOME THE PEACE MOVEMENT REMAINS INEFFECTIVE AND DEPLOYMENT OF CRUISE MISSILES AT COMISO SEEMS UNLIKELY TO CAUSE THE GOVERNMENT DIFFICULTY.

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(c) ARGENTINA

C) ARGENTINA. CRAXI, WHO ATTENDED ALFONSINI'S INAUGURATION, FAVOURS NEGOTIATIONS BUT HAS NO CLEAR IDEAS. IN SEEKING A ROLE FOR HIMSELF HE MAY HAVE ONE EYE ON POTENTIAL ITALIAN VOTES IN LATIN AMERICA, IF THE BILL ON FOREIGN VOTING EVER PASSES. WE SHALL ENSURE THAT THE ITALIANS UNDERSTAND OUR POSITION BEFORE THE SUMMIT. THEY HAVE INFLUENCE IN BUENOS AIRES AND COULD BE HELPFUL.

D) TRANSATLANTIC RELATIONS. CRAXI VALUES HIS LINKS WITH WASHINGTON AND HIS INSTINCT IS TO MEDIATE IN ANY CLASH OF INTEREST BETWEEN EUROPE AND THE UNITED STATES. HE KNOWS THAT LOSS OF AMERICAN CONFIDENCE WOULD WEAKEN HIS DOMESTIC POLITICAL POSITION. HE AND ANDREOTTI SHOULD WELCOME A DISCUSSION OF HOW TO MANAGE US/EUROPEAN RELATIONS IN AN AMERICAN ELECTION YEAR.

CONCLUSION

6. CRAXI IS ENJOYING HIS PRIME MINISTERSHIP AND GAINING EXPERIENCE. HE HAS MADE LITTLE IMPACT ON THE FUNDAMENTAL PROBLEMS, BUT THAT IS NOT HOW SUCCESS IN ITALIAN POLITICS IS USUALLY MEASURED. HIS CONFIDENCE IS UNDIMINISHED AND HIS TOUGHNESS WILL RE-EMERGE WHEN HE FACES HIS FIRST SERIOUS DOMESTIC CHALLENGE. HE WILL APPRECIATE A FRANK EXCHANGE WITH THE PRIME MINISTER, AND IS ENOUGH OF A PRAGMATIST TO CONSIDER OUR ARGUMENTS ON THEIR MERITS.

7. INF MATTERS AND THE LEBANON ARE ALREADY THE SUBJECT OF REGULAR HIGH-LEVEL DISCUSSION SO THIS MAY BE THE MOMENT TO LOOK AHEAD IN OTHER FIELDS, EG THE CDE, US/SOVIET RELATIONS, US/EUROPE AND THE LONDON ECONOMIC SUMMIT WHICH BOTH THE PRIME MINISTER AND THE CHANCELLOR MAY WISH TO RAISE. ON EC MATTERS (MIFT) THE ITALIANS HAVE NOT BEGUN TO FOCUS ON THE POST-ATHENS DOSSIER, AND WE SHALL NEED TO TAKE THE LEAD IN DISCUSSIONS. RECNET PROGRESS ON THE EH 101 AND A REFERENCE TO THE FIRST ROUND TABLE MEETING EXPECTED TO TAKE PLACE IN THE SPRING SHOULD GIVE OUR BILATERAL RELATIONS A USEFUL IMPETUS.

8. FCO PLEASE PASS SAVING ADDRESSEES.

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PS/LADY YOUNG

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SIR. J. BULLARD

MR. JENKINS

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R. J.

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INF SAVING PARIS, BONN

YRTELNO 2 TO ATHENS AND MY IPT: ANGLO-ITALIAN SUMMIT:
ITALIAN POLICY TOWARDS THE EC.

SUMMARY

1. NO FURTHER THOUGHT GIVEN TO POST STUTTGART NEGOTIATION ISSUES SINCE ATHENS BY ITALIAN MINISTERS OF OFFICIALS. PRE-OCCUPATION WITH CAP PRICE FIXING PROPOSALS AND STEEL BEACUSE MORE IMMEDIATE. FAITH IN FRENCH PRESIDENCY. PRIME MINISTER WILL WISH TO MAKE OUR MINIMUM CONDITIONS FOR OVERALL AGREEMENT CLEAR, BUT WILL NOT FIND ITALIAN MINISTERS WELL PREPARED FOR A DETAILED DISCUSSION OF SUBSTANCE. MILK AND MCA'S REMAIN CHIEF ITALIAN CONCERNS. CONTINUED OBJECTIONS OF PRINCIPLE TO SAFETY NET LIKELY TO BE REINFORCED WHEN RUGGIERO RETURNS AS ECONOMIC DIRECTOR IN FEBRUARY.

DETAIL

2. IN THE ABSENCE OF ANDREOTTI (CONSTANTLY TRAVELLING FOR LAST TWO WEEKS) I HAVE DISCUSSED THE OUTLOOK AFTER ATHENS WITH OTHER MINISTERS MOST CLOSELY CONCERNED, GORIA (TREASURY), FORTE (COMMUNITY POLICIES) AND FIORET (UNDER SECRETARY MFA). MY STAFF HAVE DONE THE SAME WITH OTHER OFFICIALS INVOLVED, ALSO SPEAKING TO YOUR TELNO 2 TO ATHENS. IN GENERAL, DOMESTIC CONCERNS (PASSAGE OF THE BUDGET THROUGH PARLIAMENT IN DECEMBER, AND THE NEGOTIATIONS ON A NEW PAY AGREEMENT IN JANUARY) HAVE PREVENTED ITALIAN MINISTERS FROM GIVING ANY ATTENTION TO THE EC. IT WOULD ANYWAY BE UNCHARACTERISTIC FOR THEM TO FOCUS AGAIN UNTIL JUST BEFORE THE MARCH EUROPEAN COUNCIL. WORK BY OFFICIALS IS SUSPENDED UNTIL RUGGIERO TAKES UP HIS POST IN EARLY FEBRUARY, EXCEPT FOR THE IMMEDIATE ISSUES OF STEEL AND CAP PRICE PROPOSALS.

PROCEDURE

3. ON PROCEDURE THE ITALIANS HAVE CONFIDENCE IN FRENCH HANDLING THEY HAVE NO DIFFICULTY WITH DISCUSSION IN AGRICULTURE, FOREIGN AFFAIRS AND OTHER SPECIALIST COUNCILS AS APPROPRIATE, AS WELL AS THE PROPOSED BILATERALS. ALL HOPE FOR DECISIONS IN MARCH, RATHER THAN JUNE.

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4. FIORET REMINDED ME OF THE STRENGTH OF ITALY'S DETERMINATION ON MILK AND POSITIVE MCA'S . FORTE HOPES THAT THE ATHENS PRESIDENCY COMPROMISE DOCUMENT COULD BE A POINT OF DEPARTURE. HE GAVE AN EXPOSITION OF ITALIAN IDEAS (LIKELY TO BECOME A FORMAL PROPOSAL) FOR VOLUNTARY "TOPPING UP" CONTRIBUTIONS FROM MEMBER STATES, IN PROPORTION TO THEIR EC EXPENDITURE SHARE, TO ALLOW HIGHT PAYMENTS TO FARMERS THAN THE COMMISSION'S CURRENT PRICE PROPOSALS. THE ITALIANS HAVE BEEN DISCUSSING THIS IDEA WITH THE FRENCH.

NEW POLICIES

5. EARLY PROGRESS IN SOME EYECATCHING FIELD, EG ESPRIT, REMAINS A MAJOR ITALIAN OBJECTIVE.

BUDGETARY IMBALANCES

6. IN THE ABSENCE OF ANY FURTHER WORK ON THE DOSSIERS, ITALIAN POSITIONS REMAIN STUCK AT WHERE THEY WERE BEFORE ATHENS. FONTANA-GIUSTI (MFA) HAS TOLD US THAT HE HAS IT IN MIND TO PUT TO RUGGIERO SOME THOUGHTS ON METHODS OF MEASURING. THE SAFETY NET IS LIKELY TO REMAIN UNATTRACTIVE TO THE ITALIANS FOR THEOLOGICAL REASONS , AND BECAUSE THE FRG ARE LIKELY TO BENEFIT.

UK 1983 REFUNDS

7. OUR INTERLOCUTORS NOTED OUR CONCERN: BUT FORTE COMMENTED UNHELPFULLY THAT IT MIGHT BE DIFFICULT TO PAY US IN FULL WHEN OTHER PARTS OF THE BUDGET WERE BEING SQUEEZED.

OTHER EC ISSUES

8. FORTE TOLD ME THAT HE HOPED THERE WOULD BE DISCUSSION OF THE COMMON FORMAT PASSPORT AND DRIVING LICENCE, TALKS ON WHICH HAD GOT BOGGED DOWN. I UNDERTOOK TO REPORT. (I RECOMMEND THAT YOU BRING A DEFENSIVE BRIEF).

CONCLUSION

9. IT HAS BEEN DIFFICULT TO GET ANYONE, MINISTER OR OFFICIAL, TO FOCUS ON THE ATHENS DOSSIERS, STILL LESS ON THE FUTURE. THERE HAS BEEN NO HINT OF RECRIMINATION FOR THE ATHENS OUT-COME THOUGH WE KNOW THAT CRAXI WAS PRIVATELY INCLINED TO BLAME US PRINCIPALLY FOR THE BREAKDOWN. THE ITALIANS ARE AS ANXIOUS AS EVER FOR EARLY AGREEMENT ON NEW OWN RESOURCES. IT WILL

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defensive brief

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BE NECESSARY TO REMIND THEM PATIENTLY BUT FIRMLY THAT THERE IS NO QUESTION OF OUR AGREEMENT WITHOUT A SATISFACTORY SOLUTION OF BOTH BUDGETARY IMBALANCES AND CONTROL OF CAP SPENDING, AND THAT IT MIGHT WELL BE WORTH THEIR REEXAMINING THE CASE FOR A SAFETY NET APPROACH, WITH ITS ADVANTAGES OF SIMPLICITY AND AUTOMATICITY, IF THEY WANT TO UNBLOCK THE ISSUE OF NEW OWN RESOURCES.

10. WE MUST MAKE A SERIOUS ATTEMPT TO CONVINCE PANDOLFI THAT AGRICULTURAL SURPLUSES CANNOT BE ALLOWED TO GO ON RISING, AND THAT NATIONAL EXEMPTIONS WILL ROB POLICIES OF RESTRAINT OF ANY TEETH. HE IS ANGLOPHILE AND SENSIBLE: THE PRESSURES ON HIM ARE STRONG, AND HE HIMSELF HAS MADE SOME UNHELPFUL REMARKS RECENTLY, BUT HE DOES RESPECT FACTS.

11. FCO PLEASE PASS ASAVING ADDRESSEES.

BRIDGES

[REPEATED AS REQUESTED]

FRAME ECONOMIC

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Rome file.

Foreign and Commonwealth Office

London SW1A 2AH

24 January 1984

Dear John,

This morning I mentioned my talk with Renato Ruggiero on 9 January. He is a shrewd as well as nice man, and his points recorded in para 3 of my note enclosed should, I think, be in the back of our minds for the Roman visit this week.

Yours ever

Liz

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TO IMMEDIATE FCO
TELNO 629
OF 011645Z DECEMBER 83

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YRTELNO 356: ANGLO/ITALIAN SUMMIT

1. WE TOLD CRAXI'S DIPLOMATIC ADVISERS TODAY THAT THE PRIME MINISTER WOULD PREFER THE NEXT SUMMIT TO BE HELD IN ROME. WE DID NOT (NOT) VOLUNTEER THE SUGGESTION OF A NORTHERN ITALIAN VENUE BECAUSE, AS YOU POINT OUT, AIR SERVICES THERE IN JANUARY ARE LIKELY TO BE INTERRUPTED BY FOG. WE SHOULD NOT TAKE THE RISK.

2. CRAXI'S ADVISERS REVEALED THAT HE HAD BEEN THINKING OF TAORMINA (SICILY) OR, AND MORE ESPECIALLY, CAPRI. THEY WILL REPORT THE PRIME MINISTER'S PREFERENCE, AND THOUGHT THAT CRAXI MIGHT DECIDE TO SPEAK TO THE PRIME MINISTER IN THE MARGINS OF THE ATHENS SUMMIT. I AM SURE THAT CRAXI WILL NOT SEEK TO MAKE PROBLEMS BUT I RECOMMEND THAT THE PRIME MINISTER SHOULD NOT CITE COMMUNICATIONS AND LOGISTICS AS A MAJOR PROBLEM BECAUSE THE EXPERIENCE OF OTHER BILATERAL SUMMITS OUTSIDE ROME SHOWS THAT THESE CAN BE OVERCOME WITHOUT TOO MUCH DIFFICULTY. THE PRIME MINISTER MIGHT INSTEAD SIMPLY SAY THAT SHE LIKES ROME. SHE COULD ADD PERHAPS THAT SHE WANTS THE MEETING TO BE SEEN FOR WHAT IT IS, A SERIOUS AND WORK-MANLIKE OCCASION, AND THAT CHOICE OF THE BEAUTIFUL PLACES MENTIONED WOULD GIVE A MISLEADING IMPRESSION OF DALLIANCE TO THE BRITISH PUBLIC.

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Foreign and Commonwealth Office

London SW1A 2AH

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PO/8378

29 December 1983

Prime Minister.

May we stick to the plan to leave
on Thursday, after Quakers, and return
on Friday evening? A.S.C. 3/1

Dear John,

Anglo-Italian Summit: 26 - 27 January

Thank you for your letter of 16 December, giving the participation on the British side for the Anglo-Italian Summit.

You asked whether it might be possible to confine the Summit to one day. This also echoes the thinking in your letter of 19 December on the Prime Minister's international commitments with which the Foreign Secretary has a great deal of sympathy. We will be replying to that letter separately, but Sir Geoffrey's preliminary view is that we should work on the Germans first in our efforts to rationalise the general pattern.

We have consulted our Embassy in Rome on the specific question of the Anglo/Italian Summit, and I attach the response. Lord Bridges has not consulted the Italians at this stage, but his own views are that limiting the Summit to one day, at least on this occasion, would indeed make the Italians unhappy. As you know, we are already deliberately allowing the frequency of Summit meetings with the Italians to slip and Lord Bridges feels that the Italians would be upset if this Summit, the first of the new Government, proved to be something of a hasty occasion.

There are other reasons for not using the forthcoming Italian Summit as the first occasion on which to reduce the duration of such meetings. We know that the Germans are making a particular effort with the Italians on Community issues in the early part of next year. It is possible the French may do the same. It will be important to demonstrate to the Italians that we take them at least as seriously as our other Community colleagues. The January Summit will be an important occasion in which to put across our Community case on a broad front. The Foreign Secretary would like to see all participants at the Summit press home the British position to the Italians.

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In the circumstances, Sir Geoffrey considers it important to avoid suggesting to the Italians that we are in any way diminishing the importance of this particular Summit meeting and hopes that the Prime Minister will be prepared to agree to the arrangements as they stand.

I am copying this letter to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence) and Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

PM Times Abroad: Aglo-I Summit
12/83



GRS 255

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TO IMMEDIATE FCO
TELNO 698
OF 221455Z DECEMBER 1983

YOUR TELNO 385: ANGLO/ITALIAN SUMMIT

1. CRAXI AND HIS DIPLOMATIC STAFF WILL ONLY BEGIN TO FOCUS ON THE SUMMIT IN THE NEW YEAR. WE HAVE GIVEN HIS STAFF THE NAMES OF THE PRIME MINISTER'S PROPOSED PARTY. WE HAD ALREADY TOLD THEM THAT THE PRIME MINISTER WAS NOT KEEN ON SOUTHERN ITALY, BUT HAVE NOT (NOT) PRESSED AGAIN FOR ROME UNTIL WE SEE HOW CRAXI REACTS TO OUR EARLIER MESSAGE.
2. I AM UNHAPPY ABOUT CONFINING THE SUMMIT TO ONE DAY AND THINK THE ITALIANS WILL BE TOO. WE KNOW THAT, FOLLOWING EARLIER EXCHANGES, THEY ARE WORKING ON THE ASSUMPTION THAT THE PRIME MINISTER WILL ARRIVE ON 26 JANUARY, AND THAT THERE WILL BE SOME EVENING ENTERTAINMENT PRECEDED, NO DOUBT, BY A TETE-A-TETE. THERE ARE TWO OTHER FACTORS TO BEAR IN MIND. FIRST, THE WEATHER HERE IN JANUARY CANNOT BE RELIED ON. SECONDLY, WE ARE DELIBERATELY LETTING THE TIMING OF THESE SOMMITS SLIDE TO ONE EVERY NINE OR TEN MONTHS. WHILE THE ITALIANS HAVE NOT DEMURRED ON THIS OCCASION, PARTLY BECAUSE OF THEIR ELECTIONS AND CHANGE OF GOVERNMENT LAST SUMMER, THEY WOULD UNDOUBTEDLY BE UPSET IF, WHEN THE SUMMIT DID TAKE PLACE, IT PROVED TO BE NO MORE THAN A HASTY OCCASION. WITH EC AFFAIRS, EAST-WEST RELATIONS AND THE LEBANON ALL AT A DIFFICULT STAGE, THERE WILL BE MUCH TO DISCUSS. SO I HOPE THAT THE PRIME MINISTER MAY BE ABLE TO RECONSIDER THIS SUGGESTION.

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10 DOWNING STREET

From the Private Secretary

16 December 1983

Dear Roger,

Anglo/Italian Summit on 26/27 January

You wrote to me on 2 December in case Signor Craxi raised with the Prime Minister in Athens the question of the Summit. He did not do so.

I have since consulted the Prime Minister about the questions in your letter.

As to the venue, the Prime Minister would like us to continue to aim for Rome, or failing that another Northern City, but if Signor Craxi presses very hard for a Southern venue, we should not carry our resistance to the point of annoying him.

As regards Ministerial participation, the Prime Minister would be grateful if the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer, the Defence Secretary and the Minister of Agriculture (provided Mr. Jopling thinks that the likely contents of the discussion justify it) would accompany her to the Summit.

As regards the suggestion that the Chairman of the Conservative Party should join the party for discussions with his opposite number in the Italian Christian Democrat Party, the Prime Minister takes the view that it would be better to keep these talks between political parties quite separate from the inter-governmental Summit. She believes that Signor Craxi, being a Socialist, might think it odd that we had arranged talks between the two Conservative Parties at the time of the Summit - and moreover that this arrangement could lead to criticism in both the Italian and the British press.

If it is possible to confine the Summit to one day (ie 27 January) we should prefer this - but I imagine that the Italians are not likely to welcome any suggestion to that effect.

I am copying this letter to John Kerr (HM Treasury), Richard Mottram (Ministry of Defence) and Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food).

*John Kerr
for Col.*

RM



Foreign and Commonwealth Office

London SW1A 2AH

2 December 1983

John Taylor,

Anglo-Italian Summit: 26 - 27 January 1984

Thank you for your letter of 18 November commenting on the possibility of the next Anglo-Italian Summit being held outside Rome.

I enclose a copy of Rome telno 629 reporting that Craxi might raise this with the Prime Minister in Athens. Sir Geoffrey Howe shares the view that it would be preferable not to stress problems of time or communications if the summit were to be held in the South. He also agrees that the Prime Minister might instead simply say that she likes Rome. Sir Geoffrey is nevertheless also inclined to think that it would be preferable not to object too strongly if Craxi shows that he is particularly keen on a Southern venue.

On the subject of Ministerial participation, the Embassy advise us that the Italians are unlikely to propose an agenda this side of Christmas. The Athens European Council is also likely to have a bearing on our own Ministerial team. Although, therefore, at this stage we have nothing firm, you may still find it useful to know how we envisage the composition of the British side. This should enable Ministers to mark their diaries accordingly. Ministerial participation would be thus:

- (i) The Prime Minister;
- (ii) The Secretary of State for Foreign and Commonwealth Affairs;
- (iii) The Chancellor of the Exchequer;

/(iv)



- (iv) The Secretary of State for Defence: Mr Heseltine met his Italian opposite number, Spadolini, in London briefly in October. Nevertheless, because of the importance of Italy as an INF basing country, her participation in the MNF in Lebanon, our desire to maintain good defence relations with the Italians, plus the fact that Spadolini is well disposed towards the UK (and we believe played his part in persuading Craxi to abstain on the Falklands resolution in the UN), another meeting could be useful;
- (v) The Secretary of State for Agriculture: if the forthcoming Athens Summit ends unsatisfactorily and major decisions are postponed until the French Presidency, there would clearly be merit in Mr Jopling accompanying the Prime Minister. On the other hand, if agreement is reached, then current plans to invite Mr Jopling's counterpart, Pandolfi, to visit the UK at some stage before next spring's price fixing should be sufficient.

Finally, we should also like to suggest that Mr Gummer, as Chairman of the Conservative Party, accompany the Prime Minister for talks with his opposite number in the Italian Christian Democrat Party, Signor De Mita. We have in the past considered how we might improve links between British and Italian political parties (my letter to you of 15 April 1983 of which I enclose a copy), particularly with the Christian Democrats, who have figured in every Italian government coalition since 1945. Mr Gummer's presence could serve a useful purpose towards this end.

[Handwritten signature]
 (R B Bone)
 Private Secretary

A J Coles Esq
 10 Downing Street

WRJ (54)



Foreign and Commonwealth Office

London SW1A 2AH

15 April, 1983

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SEE (59)

Links with the Italian Christian Democrat Party

Before he retired from the Embassy in Rome, Sir Ronald Arculus wrote to Mr Hurd about the possibility of strengthening links with the Italian Christian Democrats (DC). We have been considering this in the wake of Senator Fanfani's visit to London on 24/25 February. Mr Hurd has had a talk with Sir A Royle, and this letter reflects their joint views.

Links between the Conservative Party and the DC have in the past been intermittent. Conservative Party efforts to get closer to the DC have usually been rebuffed. The main inhibition has been DC reservations about being termed 'a conservative party'. However, the DC President of the Senate, Senator Morlino, who succeeded Senator Fanfani in that office, told Sir R Arculus in February that the DC were now less worried on that score and would be happy to meet Conservative visitors.

We can only test this apparent change of attitude by encouraging suitable visitors to go to Italy and by inviting Italian politicians back. A way of trying to place contacts with the DC on a more solid footing would be to invite the DC Secretary-General, De Mita, to London on a sponsored visit. De Mita is a major influence in Italy's largest political party. As you know, the nature of Italian coalitions is such that policy is often decided by direct agreement between the party bosses, who may (as in De Mita's case) have no government position. Recent foreign policy issues largely considered outside the Council of Ministers have included the Soviet gas pipeline, El Salvador and Poland. De Mita is therefore a key figure in Italian decision-making.

We would aim to set up a wide-ranging official programme for De Mita, including a session with the Conservative Party and perhaps a meal hosted by Mr Pym or Mr Parkinson. To tempt him to London, however, we would have to offer top-table treatment on a par with that which he enjoyed during a recent visit to Washington, where he was received by President Reagan, Shultz and many other top Americans. Mr Pym would therefore be grateful if the Prime Minister would agree to receive De Mita during a visit to London. Armed with her agreement in principle, the

/Embassy

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Embassy in Rome could then put the proposal to De Mita, and assuming he agreed, would try to arrange dates which fitted the Prime Minister's programme. In the light of discussion about dates between Mr Hurd and Sir Anthony Royle, Mr Pym thinks we should aim for a visit in July, ie not too close to the proposed inaugural meeting of the International Democrat Union.

Yours sincerely

R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

GRS 250
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TELNO 629
OF 011645Z DECEMBER 83

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YRTELNO 356: ANGLO/ITALIAN SUMMIT

1. WE TOLD CRAXI'S DIPLOMATIC ADVISERS TODAY THAT THE PRIME MINISTER WOULD PREFER THE NEXT SUMMIT TO BE HELD IN ROME. WE DID NOT (NOT) VOLUNTEER THE SUGGESTION OF A NORTHERN ITALIAN VENUE BECAUSE, AS YOU POINT OUT, AIR SERVICES THERE IN JANUARY ARE LIKELY TO BE INTERRUPTED BY FOG. WE SHOULD NOT TAKE THE RISK.
2. CRAXI'S ADVISERS REVEALED THAT HE HAD BEEN THINKING OF TAORMINA (SICILY) OR, AND MORE ESPECIALLY, CAPRI. THEY WILL REPORT THE PRIME MINISTER'S PREFERENCE, AND THOUGHT THAT CRAXI MIGHT DECIDE TO SPEAK TO THE PRIME MINISTER IN THE MARGINS OF THE ATHENS SUMMIT. I AM SURE THAT CRAXI WILL NOT SEEK TO MAKE PROBLEMS BUT I RECOMMEND THAT THE PRIME MINISTER SHOULD NOT CITE COMMUNICATIONS AND LOGISTICS AS A MAJOR PROBLEM BECAUSE THE EXPERIENCE OF OTHER BILATERAL SUMMITS OUTSIDE ROME SHOWS THAT THESE CAN BE OVERCOME WITHOUT TOO MUCH DIFFICULTY. THE PRIME MINISTER MIGHT INSTEAD SIMPLY SAY THAT SHE LIKES ROME. SHE COULD ADD PERHAPS THAT SHE WANTS THE MEETING TO BE SEEN FOR WHAT IT IS, A SERIOUS AND WORK-MANLIKE OCCASION, AND THAT CHOICE OF THE BEAUTIFUL PLACES MENTIONED WOULD GIVE A MISLEADING IMPRESSION OF DALLIANCE TO THE BRITISH PUBLIC.

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MR JENKINS

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David Barclay



In the diary

Jan
18/11

10 DOWNING STREET

From the Private Secretary

18 November 1983

Anglo-Italian Summit

Thank you for your letter of 17 November confirming that the next Anglo-Italian Summit will be on 26/27 January.

As regards the venue, the Prime Minister is a little concerned that, if the Summit is held in Southern Italy or Sicily, there will be adverse public comment in this country (Southern Italy being associated in the popular imagination with holidays). She therefore wonders whether it would be possible for the Summit, if it is not to be in Rome, to be held in a Northern Italian city.

I leave it to you to decide how to put this point to the Italians. You may feel it easier to stress the problems of time and perhaps communications.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.



Prime Minister.

Foreign and Commonwealth Office

London SW1A 2AH

Are you prepared to have the next Anglo-Italian Summit in southern Italy or Sicily, rather than Rome?

17 November 1983

A.J.C. $\frac{17}{11}$

John She...

Not the South
People here will think it is a joy ride.
Florence not in
no

Anglo-Italian Summit

You wrote on 17 October proposing that we should try to arrange for the next Anglo-Italian Summit to take place on 26-27 January 1984. The Secretary of State conveyed these dates to the Italians and we have now heard from Rome that they are acceptable.

The Italians will be providing our Embassy with their preliminary ideas on the agenda and Ministerial participation, which we hope to put to you soon.

Our Embassy have also reported (Rome telegram No 575 attached) that Signor Craxi is considering the possibility that the summit might be held in southern Italy, rather than Rome, and possibly in Sicily. The Italians have asked informally whether this would be acceptable to the Prime Minister. There are precedents in that the 1982 Italo-German summit was held in Florence and the next Franco-Italian Summit meets in Venice this month.

We see no strong reasons against the Prime Minister falling in with Signor Craxi's idea. A summit in the south would add to the Prime Minister's journey and present certain complications regarding communications, but these are not insurmountable. Our Embassy are satisfied that the Italians can handle any additional security problems. The advantages of a venue away from Rome would be that the Italian side would be less distracted by daily business than in Rome itself, and climatically it should be more agreeable.

[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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MYTELNO 540: ANGLO/ITALIAN SUMMIT.

1. AFTER CHECKING WITH THE DEPARTMENT BY TELEPHONE, WE HAVE TOLD BADINI THAT THE PRIME MINISTER COULD LEAVE LONDON AFTER QUESTIONS ON 26 JANUARY, ARRIVING THEREFORE IN THE LATE AFTERNOON/EARLY EVENING. SHE WOULD STAY FOR AS LONG ON 27 JANUARY AS WAS NECESSARY TO COMPLETE THE PROGRAMME, AND HAD NO OTHER COMMITMENTS THAT DAY.
2. BADINI HAS SINCE CONFIRMED THAT THIS TIMING IS ACCEPTABLE TO THE ITALIANS. HE ADDED THAT CRAXI HAD MUSED ABOUT THE POSSIBILITY OF HOLDING THE SUMMIT SOMEWHERE IN ITALY OUTSIDE ROME: IT BECAME CLEAR THAT CRAXI WAS THINKING OF THE SOUTH, PERHAPS SICILY. BADINI APPRECIATED THAT THIS WOULD ADD TO THE LENGTH OF THE PRIME MINISTER'S JOURNEY AND COULD ALSO PRESENT SOME PRACTICAL PROBLEMS. BUT HE ASKED US TO MAKE INFORMAL SOUNDINGS TO DISCOVER THE PRIME MINISTER'S PREFERENCE: IF IT WAS STRONGLY FOR ROME, CRAXI WOULD NO DOUBT ACCEPT THAT. BADINI EMPHASISED THAT THE MFA KNEW NOTHING OF THIS IDEA AND THAT IT SHOULD THEREFORE NOT (NOT) BE MENTIONED TO THE ITALIAN EMBASSY AT THIS STAGE.
3. SUMMITS OUTSIDE ROME ARE NOT WITHOUT PRECEDENT: LAST YEAR'S ITALO/GERMAN SUMMIT WAS IN FLORENCE, AND MITTERRAND COMES TO VENICE THIS MONTH. CRAXI MAY WISH TO SHOW THE ITALIAN PUBLIC THAT HE AND THE PSI DO NOT THINK ONLY OF ROME.
4. PRESS COVERAGE WOULD NOT BE AFFECTED, SINCE THE ITALIANS WOULD TRANSPORT JOURNALISTS TO WHEREVER THE SUMMIT TOOK PLACE: IT COULD EVEN BE INCREASED BECAUSE OF THE LOCAL COLOUR. THE ITALIANS COULD COPE WITH ANY ADDITIONAL SECURITY PROBLEMS. IF IT WERE SICILY, WE SHOULD HAVE TO CONSIDER THE INF ANGLE, BECAUSE OF COMISO: BUT NEITHER THAT NOR ANY OTHER DOMESTIC POLITICAL SENSITIVITY SEEMS TO RULE OUT A SUMMIT LOCATION IN THE SOUTH. OUR OWN COMMUNICATIONS COULD PRESUMABLY BE ESTABLISHED ANYWHERE FOR THE DURATION OF THE SUMMIT: THE ONLY CONSULATE SOUTH OF ROME IS NAPLES.

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/s. ON

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5. ON THE POSITIVE SIDE, CRAXI AND ANDREOTTI (AND ANY OTHER MINISTERS WHO MIGHT PARTICIPATE) WOULD BE LESS DISTRACTED BY THEIR DAILY BUSINESS THAN AT A SUMMIT IN ROME. SOUTHERN ITALY OFFERS A NUMBER OF ATTRACTIVE AND PEACEFUL LOCATIONS, AND THE CHANCE OF WEATHER TO PROVIDE A WELCOME CONTRAST TO LONDON IN JANUARY.

6. WE MUST BE CAREFUL TO AVOID BECOMING INVOLVED IN ANY ARGUMENT THERE MIGHT BE BETWEEN CRAXI AND ANDREOTTI OVER WHERE THE SUMMIT SHOULD BE HELD. IF, THEREFORE, YOU WOULD NOT WISH US TO OBJECT TO A SUMMIT IN, SAY, SICILY I THINK THAT ALL THAT NEED BE SAID TO BADINI AT THIS STAGE IS THAT THE PRIME MINISTER WOULD NATURALLY BE READY TO FALL IN WITH ANY REASONABLE PROSPECT ABOUT THE VENUE FOR THE SUMMIT WHICH MIGHT BE MADE BY THE ITALIAN GOVERNMENT.

7. GRATEFUL IF YOU COULD CONSULT NUMBER TEN AND GIVE US EARLY GUIDANCE.

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SIR. J. BULLARD

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10 DOWNING STREET

From the Private Secretary

17 October 1983

Anglo/Italian Summit

During the recent visit of the Italian Prime Minister to London, the Prime Minister agreed that we should try to arrange for the next Anglo/Italian Summit to take place as early as possible next year. We have now had a look at possible dates. It would suit the Prime Minister best if the Summit took place on 26 and 27 January. Mrs. Thatcher would be able to leave London after Questions on 26 January and stay in Rome for as long as necessary on Friday 27 January.

It is of course for the Italians as host to propose dates. But I think it would be helpful if we could informally explore the above possibility with them. I should be grateful if you could let me know their reaction in due course.

A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

ANGLO-ITALIAN SUMMIT

You told Signor Craxi that we would arrange the next Summit early next year. As this event has been much postponed it would be helpful to agree a date as soon as possible.

Could we discuss with the Italians on the basis of three possible alternatives:

- (a) Thursday 5 - Friday 6 January (i.e. ^{during} the Recess);
- (b) ✓ Thursday 26 (leaving after Questions) -
✓ Friday 27 January;
- (c) Thursday 9 (leaving after Questions) -
Friday 10 February?

It would be better if we could do it all within a day, but I know that if we propose that, the Italians will make an issue of it. Given the background of postponement it would be better to meet their wishes from the outset.

A. J. C.

SUBJECT

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cc fro Italy

cc Master Ops



10 DOWNING STREET

THE PRIME MINISTER

**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No. T142 0/82

8 July 1982

Dear Prime Minister,

I am deeply grateful to you for the arrangements made for my most enjoyable visit to Italy yesterday. It was a wonderful day. Your hospitality was warm as ever and our discussions were most valuable. My whole delegation benefited enormously. Would you please pass my grateful thanks to all who did so much for us.

Your dinner in the superb setting of the Villa Madama was a perfect end to a delightful day.

Yours sincerely

Raymond Storer

His Excellency Signor Giovanni Spadolini.

da

SD



10 DOWNING STREET

From the Private Secretary

8 July, 1982.

The Prime Minister's Visit to Rome, 7 July

I enclose the record of the conversation between the Prime Minister and Mr. Spadolini on the morning of 7 July. This began with only notetakers and interpreters present. Towards the end of the discussion, the two Prime Ministers were joined by the Foreign and Commonwealth Secretary, the Italian Foreign Minister, Sir Ronald Arculus and Mr. Cagiati.

I should be grateful if you could ensure that the record is distributed only to those who have an operational need to know what transpired.

I am sending copies of this letter and its enclosure to David Omand (Ministry of Defence) and John Rhodes (Department of Trade).

A. J. COLES

Brian Fall, Esq.,
Foreign and Commonwealth Office.

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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRESIDENT
OF THE ITALIAN COUNCIL OF MINISTERS AT 1215 ON 7 JULY, 1982 IN ROME

Present:

Prime Minister

Senator Spadolini

Mr. Coles

Mr. Berlinguer

Interpreter

Interpreter

Note: Towards the end of the discussion the above were joined by the Foreign and Commonwealth Secretary, the Italian Foreign Minister, Sir Ronald Arculus and Mr. Cagiati

Lebanon

Mr. Spadolini asked whether we had received any recent information from the Lebanon. The Prime Minister said that we had not been informed in advance about the United States' offer, announced overnight, to send troops to help with the evacuation of the PLO from Beirut. We understood that there were some 5,000 PLO personnel and perhaps 25,000 relatives who needed to be evacuated. We had received an enquiry as to whether the Canberra could be made available.

Mr. Spadolini said that he understood that three American ships were being made available. The Prime Minister said that her impression was that the practicalities had not yet been worked out. Our information was that the American troops would not stay for more than 30 days. We were not being asked to contribute to a multinational force. We would be very relieved if the Israelis did not enter Beirut. Without an American initiative of this kind, Sharon might well have ordered Israeli troops to go in. She assumed that President Reagan had consulted Israel and Egypt. But he had probably had no time to inform others.

/Mr. Spadolini

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Mr. Spadolini said that it remained doubtful whether the PLO would accept the initiative. The Prime Minister said that she feared that the PLO would continue its terrorist activities in the capitals of the world. We had experienced these on the streets of London. Mr. Spadolini observed that the PLO would not now be able to operate from Lebanon. The Prime Minister agreed. It was Israel's objective to ensure that they could not. Mr. Spadolini said that he believed that the White House had had a moderating influence on Israel.

The Prime Minister stated that she had learned when in Washington recently that Mr. Begin, on his recent visit there, had encountered more criticism from Congress and the Jewish community than ever before. There had been a particularly hostile leader in the New York Times. There was resentment that Israel was determining US foreign policy. How did Italy view these matters?

Mr. Spadolini said that public opinion had previously been strongly pro Israel. But this was now weakening following Mr. Begin's actions. Since the Israeli invasion of the Lebanon, criticism of Israel was growing. Feelings towards the PLO were very controversial. Many of Italy's terrorist problems had stemmed from that organisation. The political parties were divided. The Communists and Socialists strongly favoured the PLO. The democratic liberal forces, who had been closest to Britain over the Falklands operation, were the most reticent about the PLO.

The Prime Minister asked what attitude the Italian Government took towards receiving PLO officials. Mr. Spadolini said that this

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was not done at Heads of Government level although the Foreign Minister received Mr. Qaddoumi. The Prime Minister said that we had dealt with the PLO only at the level of officials. We now had a problem with the Arab League delegation which was visiting permanent members of the Security Council. This presented a special problem because the Israeli Ambassador in London had recently been seriously wounded as a result of an attack. The Israelis believed that the official PLO had been behind this incident. We did not. There would be considerable hostility if a Minister received the delegation but we should have to decide how to handle it. The Arab world was rightly annoyed that the United States had not reacted more strongly to the Israeli invasion. But she did not believe Arab talk of US/Israeli collusion. Mr. Spadolini said that he did not either.

The Prime Minister said that the Arabs complained that every time Mr. Habib tried to address the fundamental issues, a problem was created with the result that he was never able to address the fundamentals. Mr. Spadolini observed that the PLO problem would now become more difficult since there was no longer a geographical point of reference. He doubted whether the PLO could agree to go to Egypt since this would imply that Arafat recognised the Camp David process.

/Mr Berlinguer

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Mr. Berlinguer said that the United States had contacted the Italian Government on the previous day with the request that they should approach Libya to see whether the PLO could be accepted there. Contact with the Libyan Government was underway. The Prime Minister said that she found it remarkable that the United States was prepared to contemplate the PLO going to Libya, given the access which they would have there to arms, finance and training. How were Italian relations with Libya?

Mr. Spadolini said that they had become closer in recent months. Jallud had visited Rome in May. But the relationship was exclusively economic. Many Italian firms were owed money in Libya. Libya had ceased payment, partly as an act of reprisal because Italy was now not buying so much oil. But Libyan oil prices were not competitive. He himself had never met Gadaffi. When indirect proposals for such a meeting had been received, they had been evaded. He had no love for the Libyans but, given the economic interest, reasonably close relations were necessary. The Prime Minister commented that Gadaffi was about to enter an important period as Chairman of the OAU. Mr. Spadolini observed that this would make it more difficult to decline to receive him. He had received the impression from Jallud's visit that moderate tendencies were beginning to gain ground in Libya and he had told President Reagan so. The situation in Malta was becoming very complicated. There was a shadow of totalitarianism and a real risk of a one-party state. This worried Italy very much because she was in a sense the guarantor of Maltese neutrality.

Reverting to the Arab/Israel issue, the Prime Minister said that the Ten had never really brought to fruition their discussion of how the Palestinian problem could be solved.

/The Ten

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The Ten always referred to the Venice Declaration. Certain papers on the problem had been prepared after that. But the possibilities for progress were very limited. She thought that Sharon regarded Jordan as a possible Palestinian state of the future. He knew that that would lead to the overthrow of King Hussein but viewed that prospect with equanimity. It would, however, cause us great concern. Israel now seemed to be taking the view that it must decide what kind of states it could have on its borders. Mr. Spadolini commented that moderates in Israel were thinking in terms of a federation between Israel and a Palestinian state on the West Bank but perhaps extending to the East Bank. But even that idea encompassed the device of an Israeli protectorate over the whole. The plan would be unacceptable but it could be a useful first step. The Prime Minister replied that as long as every Israeli action was tolerated by the International Community, she could not see the Israelis negotiating about the future of Palestine. Mr. Spadolini agreed but said that it had to be admitted that the situation in Lebanon had become intolerable for Israel. The territorial integrity of Lebanon would have to be respected. But the Palestinians would need a focal point and in due course the Israelis would therefore have to renounce part of their territory.

The Prime Minister observed that in her lifetime the Middle East situation had been completely reversed. The problem had begun with Israelis wanting a homeland. Now the Palestinians wanted one.

Mr. Spadolini said that it was inevitable that any Palestinian state would absorb part of Jordan - because the West Bank was simply not capable of supporting the Palestinian people.

/The Prime Minister

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The Prime Minister said that she was glad to note that Egypt was moving closer to other Arab countries. Mr. Spadolini commented that the Egyptian position on the Lebanese situation had been very balanced.

US/EC Relations

Mr. Spadolini asked what reactions the Prime Minister had detected to the statements made in Brussels about commercial relations between the United States and Europe. The Prime Minister replied that there had been very little overt American reaction. Immediately after the Brussels meeting she had written to President Reagan about the special problem of John Brown, emphasising that existing contracts should be respected. The American reply had been negative. President Reagan had suggested that we should develop trading policies which brought pressure to bear on Russia to change its policy in Poland. But these American measures would make no difference to Soviet policy. We felt very strongly about the American steps. John Brown risked their business being extinguished. She hoped that the appointment of Mr. George Schultz would help in these matters but she feared that President Reagan was now so committed to his policy that it would be difficult to secure change.

Mr. Spadolini said that he had been very impressed by Reagan's final speech at the NATO Summit in Bonn. But it was an illusion to believe that Soviet policy could be influenced in the way the Americans pretended. The Prime Minister stated that it would be bad for everyone if the United States and Europe were not of one mind. At every international conference we espoused the cause of free trade. Yet each country was taking contrary action. The American measures on steel and on the pipeline contracts were striking examples. Notable damage would be caused to the United Kingdom economy. We had spent much money on

/reducing

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reducing steel capacity but the United States had chosen to regard this finance as a subsidy for production and had imposed a 40 per cent countervailing duty. This might affect £200m worth of exports. She, like Mr. Spadolini, had given President Reagan firm support in his general policies and now felt let down. But she would not say so publicly.

Mr. Spadolini said that he had been struck by the anti-American language used by President Mitterrand at the European Council meeting. This was all very different from a year ago. Chancellor Schmidt had been very negative too. The Prime Minister said that she had agreed with Schmidt at Brussels that it would not serve European purposes to have a public row with the United States. Mr. Spadolini said that he had supported our attempts to water down the draft communique on this subject. As long as Britain, Italy and Germany were firm, it would be difficult for the French view to prevail. Reprisals against the United States would be absurd.

Spain

Mr. Spadolini then described his visit to Spain on 3 and 4 July. He told Calvo-Sotelo that Britain, Italy and Germany had agreed in Brussels that they would continue to support Spanish entry into the EC and that more weight should be attached to the political than the economic aspects of this. He assured the Spaniards that the majority of EC countries remained committed to their political undertaking. He was most concerned about the evolution of the internal situation in Spain. With the prospect of elections in November, or at latest in March, the political battle was becoming more polarised. The Centre Alliance was in grave crisis. Their support could drop from 35 per cent to 15 per cent of the electorate. The right-wing party was growing and had done better in the Andalusian elections than the centre party.

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According to recent opinion polls, the Socialists might now attain 30 per cent of the vote. If they won the tendency of the military to favour a coup d'etat could grow. The Communists were also in a state of crisis. Not only was the Centre Alliance in danger but the whole political balance in Spain was fragile. This should concern us all as Europeans. He was glad that Spain had entered NATO in time. The Prime Minister agreed that democracy in Spain was very fragile. It was difficult to see how the standing of the Centre Alliance could be restored in the short period before the elections. Mr. Spadolini thought that all we could do was to strengthen in Spanish eyes the economic arguments for joining the EC. Mitterrand's recent comments had caused serious problems. The Prime Minister said that, but for Mitterrand's attitude, we could have helped at the European Council by speeding up the negotiations for Spanish and Portuguese entry. Mr. Spadolini believed that the Working Group established to tackle the four fundamental problems could help. It was important that it finished its work by October.

European Community

Mr. Spadolini asked for the Prime Minister's views on the present state of the Community. The Prime Minister said that the EC was passing through a very difficult period. There was no agreement on the Luxembourg compromise, though President Mitterrand would be the first to require it when it suited him. Fundamental budgetary problems remained. She was talking not just of our own problem but of the need for a fundamental restructuring of the budgetary arrangements. The present inequity could not persist. Then the CAP was still geared to creating surpluses which we did not want. Agreement about enlargement might be difficult to ensure. The economic discussions conducted among the Heads of Government could have much

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more effect on public opinion but reasonable communiques were usually obstructed. She, Mr. Spadolini, Chancellor Schmidt and Mr. van Agt had similar views about economic affairs. We had a similar need to influence public opinion towards sound economic habits. But others did not see things in that way. Now, President Mitterrand was having to take economic measures which formed no part of his electoral programme.

Mr. Spadolini said that the motto of the Galileo Academy was "try and try again". The Prime Minister replied that it helped if you succeeded from time to time.

Bilateral Affairs

The Prime Minister said that we regarded Anglo-Italian collaboration on the El01 helicopter as very important. It would replace the Sea King. We were anxious to exploit its civil as well as its military possibilities.

Secondly, she believed that Alitalia might be ordering new Boeing aircraft. If so she hoped that they would order Rolls Royce as opposed to American engines.

Thirdly, she believed that the Italians had just acquired a new British-deck cruiser. If aircraft were needed, she could recommend the Sea Harrier which had never been beaten in combat in the Falklands campaign. It was a remarkable aircraft. We and the Italians collaborated successfully in a number of fields, for example over the Tornado aircraft.

Mr. Spadolini was then briefed orally by Mr. Berlinguer on these matters and took note of the Prime Minister's comments.

At this point the Foreign and Commonwealth Secretary, the Italian Foreign Minister, Sir Ronald Arculus and Mr. Cagiati joined the discussion.

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/Middle East

Middle East

Mr. Colombo said that he had seen Qaddoumi in Paris yesterday. The latter was on his way back from Moscow. The discussion had not been very interesting. He had apparently not received much help from the Russians and had spoken with resentment of the Syrians who had been unhelpful, both politically and militarily, in the current Lebanese crisis. His resentment probably extended to other Arab countries as well. The Prime Minister said that this caused her concern. The PLO might seek to foment problems in other Arab states.

Mr. Spadolini asked which Arab country might accept the PLO refugees. Mr. Colombo replied that Egypt might have been prepared to accept Palestinian government in exile. The Libyans had now made it plain, in response to the recent Italian approach, that they did not wish to accept any PLO personnel. The question of where all the Palestinians would go was now the major political problem. He believed that they would seek to increase international terrorism, of which the PLO were one of the sources. The great Israeli, and perhaps American, mistake was that they had not considered a political solution for the Palestinian problem. The Prime Minister wondered whether the recent events in the Lebanon meant the end of the PLO as a cohesive fighting force in the Middle East.

The Foreign and Commonwealth Secretary observed that recent events raised the question of how it would be possible to enable the Palestinians to have self-determination. He believed that a completely fresh approach to the problem was now needed. The Prime Minister expressed the view that the West Bank could easily take another 30,000 Palestinians - there would be no practical difficulties, but the political difficulties might be substantial. Mr. Colombo commented that the aim of the Israeli opposition was to find a solution in a Palestinian home on the West Bank, linked to Jordan. The Prime Minister commented that that would mean the end of Hussein. She believed that the Israelis wanted Hussein to allow Palestinians into the East Bank.

The Prime Minister reverted to her fear that the PLO might seek to destabilise other Arab countries. This could lead to another oil crisis. Another element in this complicated Middle Eastern picture was the advances made by Iran. Mr. Colombo said that Europe was without a solution. The Prime Minister recalled that at the European Council the French had produced the suggestion that the PLO should agree to drop terrorism and pursue their struggle by political means. They would then receive more European support. Mr. Colombo said that the PLO could only renounce armed struggle if they were then recognised by Israel. The Foreign and Commonwealth Secretary commented that the PLO would only contemplate these moves if we made arrangements for their aspirations to be fulfilled. The Prime Minister thought the worrying feature was that Israel, in the light of her military successes, would not contemplate recognition of the PLO. Mr. Colombo believed that Israel would now regard the Palestinian problem as one of refugees. He hoped the United States would not follow them in this regard. The Prime Minister doubted whether they would - in particular she doubted whether Mr. Schultz would.

Mr. Colombo said that when he had seen Mr. Haig in Washington recently there had been a certain balance in the American approach. He had talked of the liberation of Lebanon from all forces and the construction of a genuine Lebanese Government. In addition, he had emphasised the need to re-launch negotiations on the Palestinian problem. The Prime Minister said that she now saw no hope of autonomy talks in the Camp David framework. Mr. Spadolini observed that the Palestinians had now been abandoned by everyone. That spectacle did not encourage the idea of a Palestinian state.

The Prime Minister said that we appeared to be reaching a situation where the American ships would reach Beirut but no-one would know where they were to take the Palestinians. Mr. Colombo said that there was talk of the Palestinians going to Latakia as a temporary arrangement. The Foreign and Commonwealth Secretary said that we must not leave out of account all the Palestinians now living in Arab countries

/ other

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-12-

other than Lebanon. He repeated that new thinking was needed on the whole problem.

The conversation ended at 1335 hours.

A. J. C.

8 July 1982

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THE PRIME MINISTER AND

RECORD OF TALKS BETWEEN THE PRESIDENT OF THE COUNCIL OF MINISTERS OF THE ITALIAN REPUBLIC AND THE PRIME MINISTER IN ROME AT 2.45 PM ON 7 JULY 1982

In plenary session

PRESENT:

BRITISH SIDE

(As per Delegation List)

ITALIAN SIDE

- Prime Minister
- Foreign and Commonwealth Secretary
- Chancellor of the Exchequer
- Sir Ronald Arkins
- Lord Bridge
- Mr. Little
- Mr. Jordan
- Mr. Simpson-Oakley
- Mr. Lynam
- Mr. Cole
- Mr. Fall
- Mr. Keir
- Mr. Goulden
- Mr. Richardson

- Senator Spadolini
- On. Colombo
- Senator Andreatta
- On. La Malfa
- Min. Berlinguer *Advisor to Spadolini*
- Prof. Savona *Advisor to La Malfa*
- Prof. Gallimberti *Advisor to Andreatta*
- Amb. Cagiati
- Amb. Bucci *Economic Director*
- Min. Franceschi *Dep. political*
- Cons. Badini *Pr's Office*

Prime Minister

v. rough draft, I fear

Maharaj
Richardson

17

Cover

Type please

NOTHING TO BE WRITTEN IN THIS MARGIN

1. Spadolini, after opening courtesies, gave a summary of the talks he had held *tete-a-tete* with the Prime Minister before lunch. They had ~~discussed~~ *main* examined three elements: *issues:*

LEBANON

They had discussed the situation in Lebanon following the Israeli attack on the Palestinians in Lebanon and repeated their earnest hope for a peaceful resolution of the conflict. They had also considered the latest US initiative, announced without previous consultation, involving the possible withdrawal of the PLO, and had noted that the PLO had yet to associate themselves with the American proposal. They recalled the declaration made by the European Council which called for a peaceful solution to the conflict and the withdrawal of all foreign troops and expressed the hope that it would be possible to achieve restitution

of the territorial integrity of a country which had suffered so cruelly ~~such devastation~~. They had also recalled the spirit of the Venice Declaration on the prospects for a ^{whole to the} Palestinian State ^{problem in order} so that the Palestinians would cease to be degraded to the status of refugees. They had agreed on the difficulties, especially after recent developments, ^{surrounding} ~~on~~ the achievement of this objective, but ^{has} committed themselves to continuing with others the search for its achievement over the next months. They had paid ~~the~~ tribute to the particularly helpful role of Egypt.

US/EUROPE

They had discussed US economic sanctions against the Soviet Union and ^{which seemed to} ~~had agreed that the measures~~ ~~announced~~ conflicted with what had been agreed at Versailles. They had noted that the US measures had evoked a strong reaction from France and the FRG. They had agreed that it was the joint wish of the UK and Italy to avoid polemics with the United States, and hoped that the new ^{US} Secretary of State would be induced to adopt a moderate interpretation of the US Government's directives which had ~~such~~ damaging potential ^{consequences} for both the UK and the Italian economies. They were both committed to efforts to avoid any negative impact arising from the current division of opinion ^{between} the US and Europe which were linked together in so many other important ways.

/ EUROPEAN COMMUNITY

EUROPEAN COMMUNITY DEVELOPMENTS

N.
~~Senator~~ Spadolini had described his recent visit to Spain, ^{P.M.'S LAB} and they had both agreed on the importance of Spain and its entry into the Community for the future of Europe, though accession would have to be subject to a transition period to allow for the solution of economic problems posed by enlargement, which President Mitterrand had already drawn attention to. *Mr. Spadolini* He had repeated to Mrs Thatcher the Spanish Government's gratitude for the firm stand of the United Kingdom and Italy in favour of Spanish entry, stressing the particular internal political difficulties of Spain at the present time.

After Spain
 At the same time they had discussed current Mediterranean issues, especially Libya and Malta, which were of concern to both countries. They had concluded by discussing current unresolved issues in the Community, which would now come under the care of the Danish Presidency. It was the clear will of both countries to co-operate over means to safeguard the continuing process of the economic integration of Europe. Likewise they were dedicated to the linked question of political integration in conformity with the Colombo/Genscher proposals.

/ The Prime Minister

// The Prime Minister expressed gratitude for the hospitality the British Delegation had received and her pleasure at being in Italy again, ~~and said that~~ ^{N.} She could not fault ~~Senator~~ Spadolini's summary of their talks. She only wished to mention that they had not had time to discuss East/West Relations and Disarmament, ~~and the Defence of Freedom.~~ She also wanted to wish Italy well in the World Cup.

^{N.}
~~Senator~~ Spadolini invited the Italian Foreign Minister to give an account of his talks with the ~~Secretary of State.~~ *Foreign and Commonwealth Secretary*

^{N.}
Colombo said that the two Foreign Ministers had discussed European Community issues and agreed that the European Community was in need of a fillip. There were many economic and political difficulties, notably associated with enlargement and the UK budget problem. They had agreed to resume discussion of the latter in the autumn with the aim of achieving a solution at least for a certain time to avoid harmful annual negotiations on the issue. This solution would have to take into account the views of other Member States on enlargement, ~~and they~~ shared the views already expressed by the two Prime Ministers. There were important political reasons not to reject Spain and Portugal, especially because of the former's difficult internal situation. It

/ had

had been clear from his recent discussions in Paris that the French were not prepared to negotiate further unless a solution was agreed to the problems posed by enlargement for Mediterranean agriculture and certain industrial issues. Italy had the same difficulties as the French. So there needed to be a new orientation to Mediterranean policy. This discussion had led to the wider problem of convergence and the financial situation of the Community. There was the problem of resources. Some Member States favoured an increase in own resources: others did not. He personally thought that sooner or later the Community would have to face up to this issue. It was not possible to have continuing development of the regional, social and other policies, as well as the restoration of balance between different areas of the Community, within current available resources.

The two Ministers had then discussed the strengthening of political decision-making in the Community. Differences remained between the UK and Italian positions, but he hoped that ^{Gradual} agreement would nevertheless be possible ~~eventually~~.

The two Ministers had discussed the present unsatisfactory state of relations between the US and Europe and the need to eliminate current friction. They both looked forward to discussions with the new US Secretary of State.

On the Lebanon, he had nothing to add to what the Prime Ministers had discussed.

Foreign and Commonwealth Secretary

The ~~Secretary~~ *Secretary* of State found no fault with

~~Mr.~~ *Mr.* Colombo's summary. In the course of 1½ hours tete-a-tete early in the morning, they had covered the present state of Community problems, ~~and~~ *it has been* ~~was~~ clear how anxious both Ministers were to press ahead with the solution of present difficulties. He looked forward to welcoming ~~Mr.~~ *Mr.* Colombo in London in September for further talks. On the Community budget, the financial basis of the Community must be adjusted to give satisfaction to all Member States because, until it was, there was a limit to ^{the} progress that could be made in the Community.

The two Ministers had briefly discussed also relations with Latin America. Both were optimistic about the prospects for improvement.

~~Mr.~~ *Mr.* ~~Senator~~ Spadolini invited ~~Senator~~ *Mr.* Andreatta to give an account of his talks with the Chancellor of the Exchequer. ~~Senator~~ *Mr.* Andreatta agreed with ~~Mr.~~ *Mr.* La Malfa that he would speak on behalf of them both.

~~Mr.~~ *Mr.* ~~Senator~~ Andreatta said that they had first discussed US/European economic relations, and the strong

/ impact

impact on the growth and inflation prospects of the European economies which ^g US economic policy ~~had~~. That very day was the first meeting of the Committee set up at Versailles to look into possibilities for collaboration over intervention on the foreign exchange markets. Both Ministers had agreed that current high US interest rates were harmful to European economies. A better mix of fiscal and monetary policies in the US would be better for the rest of the world's economy. Countries should take account of the impact on others of their economic policies. Both agreed that ~~the~~ co-ordinated intervention had some impact on erratic exchange rate movements, the Italians being more convinced of this thesis than the British. Both had noted an increase in productivity in recent years in both countries, especially/during a recession. They had likewise noted a change in industrial ^{relationships} attitudes. They had discussed the problems likely to arise from 1983 onwards if the world economy resumed growth. ^{This} ~~which~~ would be ^{a severe} ~~the~~ test of the durability of current anti-inflationary policies.

^{n.} ~~Senator~~ Andreatta had described how negotiations over wage costs and the reduction of the public sector deficit were central to current Italian Government economic policy.

They had briefly discussed techniques of controlling current public expenditure and the difficulties of doing so.

/ They

They had also discussed European Community affairs. Sir G Howe had made the British case plain on the budget issue. A less prosperous Member State should not suffer a net burden, ~~and that~~ ^A permanent solution was needed to redress the current imbalance. The Italians agreed that a temporary solution was not desirable. But they thought that the best way of solving the problem lay in the expansion of ^{own} ~~an~~ agricultural Community policies in fields such as industry and energy. Sir G Howe had expressed a certain scepticism over the possibility of achieving a redress of the balance in this way. Both had agreed on the desirability of limiting CAP expenditure. The Italian view was that this should be achieved not by quotas but ^{through} ~~by changing~~ intervention price levels. The sugar regime was a disastrous example of quota control. On the immediate budget issue, Italy was not prepared to compensate the FRG for transfers to the UK.

Finally, the two Ministers had had a brief discussion on new techniques of selling public debt in the UK.

The Chancellor of the Exchequer

Mr.

Sir G Howe paid tribute to ~~Senator~~ Andreatta as a faithful rapporteur. On the EC budget issue he had taken note of Italian views on the 1982 correction. Britain recognised Italian difficulties

/ over

over apparent refunds to the FRG. He had made it clear that there could be no going back on the terms of the 24 May agreement which provided a UK refund net.

In their discussion on US interest rates, the two Ministers had agreed that any approaches to the US needed to be very private. He also believed that if the Europeans succeeded in getting their own policies right on public debt and inflation, they ought to be able to temper the effects of high US interest rates.

They had had a useful discussion of their respective domestic economies, and of whether the black economy and its effects were virtuous or vicious, on which they had reserved judgement. They had also discussed the problem of unemployment, and especially youth unemployment.

Mr.
She & Mr. Spadolini
The Prime Minister said that ~~they~~ ought to consider what other issues they might be asked about at their press conference. She expected to be asked about the Falklands and would therefore give a short account of how things stood.

Falklands
Britain had been
She was grateful for Italy's ^{grace} response to the *need to* ~~impose~~ ^{again} ~~imposition~~ of sanctions ~~so quickly~~ and fully

/ understood

understood her difficulties over renewal. She knew how much had been done behind the scenes and in particular ^{that} no armaments of any sort had reached the Argentines, which was the most important thing of all. On the ground, there had been no active hostilities for three weeks. Britain had returned more than 10,000 prisoners of war, under the observation of the ICRC. The UK was worried that ~~in spite of messages~~, the Argentines had given no promise of a permanent cessation of hostilities. Under the Geneva Convention there was no requirement to return prisoners of war until hostilities had ceased. Britain had kept 593 officers and specialist troops, which she wanted to return as soon as possible. The Argentines had one British prisoner who, since he was wounded, should have been returned forthwith. The new Argentine Government had sent no reply to two messages sent over the last few days. Meanwhile, they continued to search for arms. After a certain time, Britain would have to decide whether a de facto cessation of hostilities had occurred. ^{Britain} ~~she~~ had withdrawn some troops. Rehabilitation of the islands was a big problem. Mines had been laid indiscriminately and houses badly damaged. There were formidable problems of supply. Only after some time, when life had returned to normal, would it be possible to consider the next step which would be some ^{further progress towards} ~~form~~ of self-government.

NOTHING TO BE WRITTEN IN THIS MARGIN

LUXEMBOURG COMPROMISE

The Prime Minister wished to emphasize that the UK believed the maintenance of the Luxembourg compromise was in the interests of all Member States, though she appreciated that others had different views.

EAST/WEST

Britain was up-to-date in plans for the deployment of Cruise missiles should it be necessary. She believed that the best way to help disarmament negotiations was to demonstrate that one was prepared to defend ~~cities, citizens and our way~~ of life. The purpose of disarmament negotiations was to see whether this could be achieved at less cost.

WORLD ECONOMY

If the world economy was to expand, it was necessary for the US economy to expand too. All countries needed to pursue lower deficits and lower inflation. But recovery would take time.

EC

It was vital that Europe continued to stand together as an area of stability, which should be enlarged as much as possible.

N.
/ ~~Senator~~ Spadolini

^{W.}
~~Senator~~ Spadolini recalled the talks he had had with the Prime Minister about the Falklands at Versailles and Brussels. Italy had applied an arms embargo against Argentina, and had ^{strongly} ~~had~~ ^{supported} ~~appreciated~~ the UK's stand to re-establish the rule of international law violated by an authoritarian regime in its attack on the Falkland Islands and on British sovereignty. Italy's failure to renew sanctions had to be seen in the context of Italy's doubts on economic sanctions in general. The sentiment of the Italian population was in a large part one of support for the UK in spite of ethnic ties with Argentina. He was grateful for the Prime Minister's exhaustive information on the present situation and shared her hope that there ~~should~~ be a clear indication of a cessation of hostilities. It was too early to form a view about the new Argentinian Government. He recalled the declaration agreed at the European Council on the need for closer relations between European and Latin-American countries, especially if the threat of the Soviet Union filling a void was to be evaded.

^{W.}
~~Senator~~ Spadolini recalled the Italians' ~~long~~ ~~standing~~ firm stand on East/West relations. Italy remained committed to Cruise missile ~~basing~~, in spite of quite strong internal opposition. They would go ahead unless the Geneva talks achieved a reduction of nuclear armaments for which everyone hoped.

He recalled his statement to Gromyko at the United Nations that the best method of maintaining peace was for each country to remain faithful to the alliance they had chosen.

The meeting ended at 3.45 pm.

ADL 5/7

NOTHING TO BE WRITTEN IN THIS MARGIN



A.S.C. 12/8

f.u.

RECORD OF A DISCUSSION IN ROME AT 12.15 PM ON WEDNESDAY, 7 JULY 1982 BETWEEN THE CHANCELLOR OF THE EXCHEQUER AND THE ITALIAN MINISTERS OF THE TREASURY AND THE BUDGET

Present:-

Chancellor
Mr. J.G. Littler
Mr. J.O. Kerr

Mr. M.J. Richardson
(HM Embassy, Rome)

Minister Andreatta
Minister La Malfa
Signor F. Galimberti (Economic Adviser to
Sig. Andreatta)
Professor P. Savona (Economic Adviser to
Sig. La Malfa)
Signor Badini (Counsellor, Office of the
Prime Minister)

WORLD ECONOMY

1. At Signor Andreatta's request, the Chancellor gave his assessment of the US scene. Since the Helsinki Interim Committee meetings the Administration had achieved the appearance of agreement on the size of the prospective budget deficits, but no agreement on credible ways and means. He was doubtful about the Administration's ability to deliver. And, as well as the certainty that US fiscal policy was too lax, there was also now a suspicion that monetary policy might be too tight. Interest rates were likely to stay high for some time to come: this would be bound to hamper recovery world-wide, and increase the particular difficulties of less developed countries. The climb out of recession would remain slow, and uneven.
2. The Chancellor added that it was of course to some extent feasible to decouple US and European interest rates. In London rates had been falling all this year, and our markets appeared to accept a strikingly large disparity with US rates. The key was our performance on controlling monetary growth and borrowing. Provided European governments contrived to go on reducing their deficits, and borrowing, a measure of independence was feasible.



3. Signor Andreatta thought that the level of public debt in the US was not unprecedentedly high. Perhaps the greater problem was monetary policy: should the Federal Reserve be encouraged to loosen monetary targets? The Chancellor interjected that any such encouragement would have to be on a very private basis; and Signor Andreatta agreed, referring to Basle channels. He asked whether the Chancellor had much faith in the study of intervention, commissioned at Versailles, and now commencing. The Chancellor thought it just conceivable that the study might do some good: he had the impression that American hostility to intervention had softened a little. His own view, and he thought that of the Italian authorities - Signor Andreatta agreed - was that intervention, though no long term solution, was helpful in smoothing sharp movements, and preventing overshoots. But there were still many sceptics in Washington.

UK ECONOMY

4. Signor Andreatta asked about the prospects for the UK economy. Progress made against inflation was remarkable, but the key question now must presumably be how to stimulate recovery without producing a new inflationary spiral. The Chancellor said that our own forecasts were very much inline with those for the UK economy in the latest OECD Outlook. Recovery was hesitant, but inflation should continue to fall, and this in itself would help to create the conditions for growth. Productivity had greatly improved, and we were now recovering lost ground on competitiveness. Perhaps the most important requirement now would be to sustain pay moderation as output picked up.

5. Signor La Malfa asked about the UK balance of payments, and about the risk of damage to manufacturing industries from the strength of sterling. The Chancellor foresaw no problem over the balance of payments, though the surplus this year would be below last year's, given larger import volumes. Sterling's strength in 1979/80 had undoubtedly been damaging to exports of manufactures, and some contraction in manufacturing industry was a probably inevitable consequence of North Sea oil. But the real problem had been the strikingly low productivity of old-fashioned British industries: this was now



beginning to be remedied.

ITALIAN ECONOMY

6. Signor Andreatta said that in Italy too the recent productivity performance had been good, largely as a result of changes in the industrial relations structure. Targets of 16, 13 and 10 per cent had been set for wage increases in the three years to 1984: this was ambitious, given average 20 per cent increases in the recent past, but essential if inflation were to be brought down to 10 per cent by 1984. Italy faced particular problems from the high dollar rate, given that a high proportion of her import trade in raw materials and semi-manufactured goods, and a low proportion of her trade in manufactured exports, was with the dollar area. Monetary conditions in Italy were very tight, and short term interest rates around 19 per cent. Although current expenditure (less the cost of servicing public sector debt, some 7 per cent of GNP) was being controlled fairly tightly, and kept below the rate of growth of GNP, the burden of current expenditure plus debt-servicing was increasing substantially in real terms. The Italian Government was therefore now preparing an imminent package of tax increases and spending cuts: provided it went through, and wages did not exceed the 16 per cent target, inflation should not rise above its present level - 13 per cent - for the rest of this year.

7. After a brief discussion of how to handle union objections to job creation schemes involving rewards below minimum wages, Signor La Malfa described the nature of the black economy in Italy. He and the Chancellor agreed that the high flexibility and productivity of the black economy had to be set against the revenue evasion.

INDEXATION

8. Signor La Malfa then explained the current debate about wage indexation and the "scala mobile". All parties agreed that changes were required, for the "scala mobile" undesirably compressed differentials. But how, and how far, to press reform was a highly contentious political issue. Equally difficult was the question of whether increases in public sector investment, eg in energy saving, could be offset by reductions in current expenditure. Parliament would vote for increased investment, but also for the maintenance of



current expenditure. The Chancellor said that this problem was not unfamiliar. He also outlined the UK indexation procedures for pensions and social security benefits.

9. Signor Andreatta expressed interest in the de-restriction of indexed gilts, and particularly on whether Bank of England and Treasury views had been identical. He explained that the Italian government had authorisation from Parliament to issue indexed bonds, but had not done so because of Central Bank worries about the spread of indexation in the economy generally. The Chancellor said that there were respectable intellectual arguments both ways: one which had weighed heavily with him was that the existence of indexed stock might act as a "sleeping policeman" to discourage future governments from stimulating inflationary pressures.

EC BUDGET

10. The Chancellor then turned to the EC budget, and explained that the UK still found it absurd and unacceptable that a country with below average GNP should apparently be expected to accept the prospect of very substantial and steadily rising budget contributions. The UK did not insist on being a net recipient: we were prepared to be modest net contributors. But we thought it important that the Community adopt a solution which would last as long as the problem remained. The repeated arguments on this issue were damaging to the Community. But he had to warn that it would be an illusion to suppose that we would drop our case or be content with unsatisfactory interim solutions.

11. Referring to the problem of the 1982 Refunds to the UK, Signor Andreatta said that the Italian Government did not find it tolerable that it should be asked to subsidise the Federal Republic of Germany. Nor, he said, would Italy agree to the raising of the VAT 1 per cent ceiling. The UK problem could best be solved by an extension of Community-financed activities in the industrial and energy sectors. Until that happened, temporary solutions were unavoidable. Italy accepted that CAP costs should be controlled, but by limits on intervention funds rather than physical limits on



production.

12. The Chancellor, agreeing that limitations on the growth of CAP expenditure were highly desirable, thought it optimistic to suppose that they would be speedily secured. He also expressed scepticism about the chances of securing a solution to the budgetary problem by expanding the scope of Community financing. He well understood the Italian difficulty with the Germans over contributions to the net refunds agreed on 25 May, but there could be no question of the UK accepting any reductions in the net refunds which would be due under that agreement.

13. The meeting ended at 1330.

J.O.K.

J.O. KERR
9 July 1982

Distribution:-

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Mr Littler
Mr Lavelle
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Italy

ANGLO-ITALIAN SUMMIT SPEECH

ROME

WEDNESDAY 7 JULY

Prince Andrew - You & Margaret

Lucia & Robert

Rom - for the beauty - of the
city

~~ITALY HAS BEEN MUCH IN OUR MINDS RECENTLY.~~

a reminder to the
- the lovely

YOU AND I HAVE MET FREQUENTLY RECENTLY, SENATOR *Spadolini*

SPADOLINI - AT VERSAILLES, BONN AND BRUSSELS -

AND NOW IN ROME.

We have been looking

*forward to our visit - and to her
visit to our capital. She plans to
tell us of her*

IN APRIL THE GARIBALDI CELEBRATIONS IN LONDON REMINDED US

when I

OF OUR HISTORICAL TIES AND THE JOINT COMMITMENT

~~OF BRITAIN AND ITALY TO FREEDOM AND DEMOCRACY.~~ *that we
both had*

WE WERE SORRY THAT YOU (SPADOLINI) WERE UNABLE

TO COME BECAUSE OF THE PRESSURES OF OFFICE.

BUT WE WERE GLAD TO SEE MINISTER SCOTTI AND

WE SENT A ROYAL NAVY SHIP TO LA MADDALENA LAST

MONTH TO COINCIDE WITH THE CENTENARY OF

GARIBALDI'S DEATH.

/ IN MAY,

~~IN MAY, THE VISIT TO BRITAIN OF HIS HOLINESS, THE POPE, WAS
AN INSPIRATION TO OUR PEOPLE AND WILL LONG BE
REMEMBERED.~~

THE ATMOSPHERE OF ROME IS ALWAYS EXCITING.

BUT IT IS DOUBLY SO TODAY.

NOT UNCONNECTED WITH A RECENT FOOTBALL MATCH.

I AM SAD THAT OUR OWN TEAM WILL NOT MEET YOU IN
THE FINAL.

BUT LET ME SAY TO YOU TONIGHT "GOOD LUCK,
ITALY".

AND I HOPE THAT REMARK WILL NOT PROVOKE ANOTHER
CRISIS AMONG THE TEN.

/ OUR TALKS TODAY

OUR TALKS TODAY HAVE BEEN MOST USEFUL.

WE HAVE AS USUAL FOUND MANY AREAS OF MUTUAL

Middle East -

INTEREST - COMMUNITY MATTERS, EAST/WEST

RELATIONS, DISARMAMENT.

more

THERE ARE OTHER AREAS WHERE WE VALUE YOUR

views

~~EXPERTISE - THE HORN OF AFRICA, THE~~ *and Suez Canal*

~~MEDITERRANEAN.~~

political route

Middle East

BUT THE BASIS OF OUR COOPERATION AND UNDERSTANDING IS OF

COURSE OUR RELATIONSHIP WITHIN THE EUROPEAN

COMMUNITY.

WE BOTH WANT TO DEVELOP THE COMMUNITY ON THE

BASIS OF SHARED OBLIGATIONS AS WELL AS SHARED

BENEFITS.

/ THIS INFORMS

THIS INFORMS OUR APPROACH TO QUESTIONS LIKE
THE BUDGET, AND OTHER MATTERS WHICH WE HAVE
DISCUSSED.

ITALY, THROUGH THE PROPOSALS WHICH YOUR
FOREIGN MINISTER HAS ADVANCED WITH HERR GENSCHER,
IS MAKING AN IMPORTANT CONTRIBUTION TO THINKING
ABOUT THE FUTURE OF OUR COMMUNITY.

AND IT IS RIGHT THAT THE HEIRS OF GARIBALDI
SHOULD DO SO, FOR WE ARE PARTNERS IN MORE THAN
A COMMON MARKET.

WE BOTH BELIEVE THAT THE COMMUNITY HAS A VITAL
ROLE TO PLAY IN PRESERVING AND EXTENDING
DEMOCRACY.

/ IT HAS BEEN

IT HAS BEEN A MOST VALUABLE AND ENJOYABLE DAY.

MY WARM THANKS.

President of the Board of 12/15/50

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Foreign and Commonwealth Office

London SW1A 2AH

6 July 1982

WJG
p.c.

Dear Sir,

Anglo-Italian Summit

It is possible that the subject of the recent Alitalia hi-jack in Bangkok may arise during the course of the Prime Minister's visit to Italy. In order to meet this contingency, we have prepared a short background brief on this incident. Three copies are enclosed with this letter and I would be grateful if you could incorporate them into the Prime Minister's briefing material.

/
Jane
WJG

Yours ever

J E Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

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THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVT (82) U/N

ANGLO-ITALIAN SUMMIT
7 JULY 1982

HI-JACK OF ALITALIA JET

BRIEF BY FOREIGN AND COMMONWEALTH OFFICE

~~Prime Minister~~

A new brief, which you
have not seen before

A.S.C. $\frac{6}{7}$

POINTS TO MAKE

1 Glad that incident was resolved peacefully. However, concerned at way in which hi-jacker was allowed to depart for Sri Lanka.

2 Have asked our High Commission in Colombo to support your request for the extradition of hi-jackers.

BACKGROUND

3 On 29 June, an Alitalia jumbo was hi-jacked whilst en route to Hong Kong. The hi-jacker, who is a Sri Lankan citizen, boarded the plane in Delhi and forced it to land at Bangkok. He demanded a ransom of \$300,000 and the presence of his Italian wife and son. 391 crew and passengers were on board, of whom at least six were British.

/4 The

CONFIDENTIAL

4 The incident was resolved on 1 July with the payment of the ransom by Alitalia. The hi-jacker, his wife and child then flew to Sri Lanka, where they were left at liberty for at least 24 hours before being detained by the Sri Lankan Authorities. On 2 July, the Italians demanded the extradition of the offender.

5 Italy, Thailand and Sri Lanka have all either ratified or acceded to the Hague Convention for the Suppression of Unlawful Seizure of Aircraft. Article seven of this Convention obliges signatory states to either extradite or try offenders, whether or not the offence is committed on its territory. The failure of the Thai Authorities to arrest the hi-jacker, appears to have been the result of an Italian request. Italian Authorities were making arrangements to institute extradition proceedings through Sri Lanka.

6 We have requested our High Commission in Colombo to remind the Sri Lankans of their obligation under the Hague Convention, and our Embassy in Bangkok is attempting to discover why the Thais took no action.

7 The payment of the ransom by Alitalia makes that airline a "soft option" for future incidents. It also is a departure from previous Italian practices. The Italian Government refused to pay ransoms in the cases of Sr Moro and General Dozier.

Foreign and Commonwealth Office

6 July 1982

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② Why not Federal? or
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DESKBY 061700Z

FROM ROME 061440Z JUL 82

TO IMMEDIATE FCO

TELNO 392 OF 06 JUL 82

Waff induction

INFO SAVING WASHINGTON, PARIS, BONY, UKREP BRUSSELS, UKDEL NATO

BY TELNO 353 : ANGLO-ITALIAN SUMMIT : INTERNAL POLITICS

1. ON HIS RETURN FROM SPAIN SPADOLINI FOUND THE GAP BETWEEN THE DC AND THE LAY PARTIES AS WIDE AS EVER. THE DC WANT THE GOVERNMENT TO TAKE ACTION ON THE SCALA MOBILE, WHILE THE LAY PARTIES CONTINUE TO ARGUE THAT INTERSIND SHOULD BE OBLIGED TO WITHDRAW THEIR RENUNCIATION OF IT.

2. SPADOLINI IS NOW ENGAGED IN A HECTIC ROUND OF CONSULTATIONS WITH COALITION PARTY SECRETARIES. MUCH DEPENDS ON HOW HARD A LINE THE DC AND PSI LEADERSHIPS DECIDE TO TAKE. NEITHER WANT TO BE HELD RESPONSIBLE FOR PROVOKING A CRISIS. SPADOLINI'S SPEECH TO THE SENATE ON 8 JULY ON ECONOMIC POLICY LOOKS LIKE BEING HIS MOST SEVER TEST SO FAR. SPADOLINI AND ANDREATA (WHOSE FUTURE

TO THE SENATE ON 8 JULY ON ECONOMIC POLICY LOOKS LIKE BEING HIS MOST SEVER TEST SO FAR. SPADOLINI AND ANDREATTA (WHOSE FUTURE ALSO HANGS IN THE BALANCE) WILL BOTH HAVE THESE DOMESTIC PROBLEMS AT THE FOREFRONT OF THEIR MINDS TOMORROW.

3. FCO PLEASE PASS TO ALL SAVING ADDRESSEES

ARCULUS

NNNN

[Faint handwritten notes and markings, possibly including "COON" and "MSD"]



Foreign and Commonwealth Office

London SW1A 2AH

5 July 1982

Dear John,

WJH

h.a.

Anglo-Italian Summit: Notes for a Speech

I enclose some notes on which the Prime Minister may wish to draw in her reply to the toast by Senator Spadolini at the Anglo-Italian Summit. We have checked that Senator Spadolini will not make anything more than a 'light' speech such as the Prime Minister herself made at last November's Summit in London.

Yours ever

John Holmes

(J E Holmes)
Private Secretary

A J Coles Esq
10 Downing Street

NOTES FOR SPEECH BY PRIME MINISTER AT ANGLO-ITALIAN SUMMIT
MEETING: ROME 7 JULY

1. Met frequently recently. Versailles and Bonn Summits last month. Greatly value such occasions. Anglo-Italian relations healthy.

2. Wish ~~Sen~~^{Senator} Spadolini could have come to London for Garibaldi celebrations on 21 April, but understand pressures of office. Glad that Minister Scotti came, and that Royal Navy ship was able to visit La Maddalena last month to coincide with the centenary of Garibaldi's death. Garibaldi very popular with the British people.

3. (If appropriate) Glad to see representatives from Serino and Solofra here tonight. Well recall dreadful earthquake on the evening of last Summit meeting in Rome. Pleased British people were able to assist.

4. This Summit has again showed value of regular discussions. Many areas of mutual interest (EC, East/West relations, disarmament) and others where we can learn from Italian expertise (Horn of Africa, Mediterranean). Mutual cooperation and understanding rest on the bedrock of the Community. Vital we develop it together on basis ^{of} shared obligations as well as benefits. This informs our approach to questions like Budget, and other matters which we have discussed. Italian thinking on future of Community an essential element in the development of Europe. We value the chance to work together and consider these issues with our Italian friends.

E-5 JUL 1982

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Minister ⁵ *W*

A/H of C

cc: Mr A J Coles, on arrival ✓

Mr A M Wood, WED

PRIME MINISTER'S VISIT

1. President Pertini telephoned me personally over the weekend to ask me to give his greetings and apologies to Mrs Thatcher - apologies in that he will still be on his state visit to France at the time of her visit. Through the Prime Minister he wanted also to send his warm greetings to HM The Queen, and HRH the Duke of Edinburgh, and his congratulations to HRH Prince Charles and the Princess of Wales on the birth of a son and heir.

2. These messages were also given to me by President Pertini on the Italian National Day; more recently he mentioned to me that he hoped that his visit to France would permit him to receive Mrs Thatcher in Rome though he was not clear about the dates. It was in fact always excluded that he should be here at the time of the Prime Minister's visit unless the domestic crisis here called for him to return prematurely from France. But Sergio Berlinguer, chief adviser to Sen Spadolini, told me on 1 July that crisis arrangements had been agreed between Pertini and Spadolini, and the President would go ahead with his visit to France and Spadolini with his to Spain; Spadolini would not make his critical statement in Parliament until after 7 July.

5 July 1982

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R Arculus

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MINISTRY OF DEFENCE

Main Building, Whitehall, London SW1A 2HB

Telephone (Direct Dialling) 01-218 2839

(Switchboard) 01-218 9000

PERMANENT UNDER-SECRETARY OF STATE

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p.a.

SW/82/1034

A J Coles Esq
Private Secretary to
The Prime Minister
10 Downing Street
LONDON SW1

5 July 1982

John Tom

ANGLO-ITALIAN SUMMIT

As Sir Frank Cooper said at the Prime Minister's briefing meeting earlier this afternoon, we will be providing a revised version of the brief on defence equipment collaboration shortly. In the meantime, you might find it useful to have the attached telegrams from Rome about the latest French initiative.

*Yours sincerely
S Webb*

S WEBB
Private Secretary

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IMMEDIATE 021530Z JUL 82

FROM COMMCEN HSP
TO MODUK

FROM BRITAIRAT ROME. PERSONAL FOR ACM SIR DOUGLAS LOWE,
CONTROLLER AIRCRAFT.

1. OUR COMMERCIAL FIRST SEC (MORRICE) HAS TODAY VISITED ITALIAN MINISTRY OF INDUSTRY FOLLOWING REQUESTS FROM FCO FOR INFO ON FRENCH PRESSURE FOR ITALIANS TO PARTICIPATE IN A320 (AIRBUS INDUSTRIES) PROJECT. HIS TELEGRAM COPIED TO MOD PE, SETS OUT A SERIOUS SITUATION ARISING WITH REGARD TO EH101.
2. IN ESSENCE THE ITALIAN MOD HAS 180 (ONE HUNDRED AND EIGHTY ?MILLIARD LIRE) ALLOCATED TO AIRCRAFT DEVELOPMENT - ORIGINALLY DESTINED FOR EH101. HOWEVER, FRENCH HAVE BEEN APPLYING ENORMOUS PRESSURE ON ITALY TO JOIN IN A320 PROJECT, TELLING THE ITALIANS TO WITHDRAW FROM EH101. IN FACT FRENCH APPEAR TO BE SAYING THAT UNLESS ITALIANS JOIN IN A320 THEY CAN FORGET THEATR 42 PROJECT (AEROSPAZIALE/ITALY). IT IS ALSO UNDERSTOOD THAT THEY ARE ALSO OFFERING THE SUPER PUMA AS A REPLACEMENT FOR EH101 WITH ITALIAN PARTICIPATION.
3. ON THE POLITICAL NET IT IS UNDERSTOOD THAT THE FRENCH HAVE QUOTE SOLD UNQUOTE THE A320 PROJECT TO DE MICHELIS (SOCIALIST) WHO IS CLOSELY LINKED WITH FRENCH SOCIALIST PARTY AND WEILDS MUCH POWER IN ITALY. THERE IS A FIRM RUMOUR THAT DE MICHELIS IS TO BE APPOINTED MINISTER OF INDUSTRY IN VERY NEAR FUTURE IN GOVT RESHUFFLE. EVIDENTLY WHEN FRENCH /ITALIAN LETTER OF INTENT WAS SIGNED FOR ATR 42 IT WAS LINKED TO FURTHER DISCUSSIONS ON A320. THE ITALIANS ARE NOW EXTREMELY WORRIED ABOUT FRENCH PRESSURE AND LINKING THE TWO PROJECTS. AN ITALIAN DELEGATION IS IN PARIS NEXT WEEK FOR SPECIFIC TALKS ON A320. WITH AIRBUS INDUS PARTNERS.
4. IT APPEARS THAT THE FRENCH HAVE TO DATE BEEN APPLYING THIS PRESSURE ON ITALY WITH LITTLE OR NO CONSULTATION WITH OTHER PARTNERS OF AIRBUS INDUSTRIES.
5. I UNDERSTAND THAT IN AN ATTEMPT TO FORESTALL DE MICHELIS IF HE TAKES OVER MIN OF IND, THE PRESENT MINISTER (MARCORA) IS WRITING TO SPADOLINI PRESSING THE EH101 PROJECT. CHANCERY'S TELEGRAM TO FCO IS THEREFORE STRONGLY RECOMMENDING THAT MRS THATCHER STRESSES THE IMPORTANCE OF EH101 PROJECT TO SPADOLINI DURING HER FORTHCOMING VISIT.
6. I THINK IT IS ALSO IMPORTANT TO GET DOI AND ITAL MOI TOGETHER EARLIEST TO SIGN LETTER OF INTENT ON EH101. MORRICE HAS OBTAINED COPY OF A DRAFT FROM ITALIANS WHICH HE WILL SHORTLY BE TRANSMITTING TO DOI. THE MORE WE CAN HAVE AGREED BETWEEN UK AND IT MOI BEFORE A POSSIBLE CHANGE OF ITALIAN MINISTERS THE BETTER AND STAFF OF ITALIAN MOI APPEAR TO BE WORKING TO THESE ENDS.

SECRET

SECRET

A COMMITMENT FROM SPADOLINI DURING TALKS WITH PRIME MINISTER
WOULD ALSO BE OF CONSIDERABLE HELP IN FRUSTRATING FRENCH
ATTEMPTS TO SUBVERT EH101. RGDS.

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GR 940
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FROM ROME 031040Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 361 OF 3 JULY
AND TO IMMEDIATE DOI (AIRCRAFT DIVISION), MODUK PE,
INFO IMMEDIATE Paris
INFO SAVING MILAN

YOUR TELEGRAM NUMBER 177:

AIRBUS A320 AND EH 101

SUMMARY

1. FRENCH PRESSURE ON THE ITALIANS TO PARTICIPATE IN THE A320 COULD JEOPARDISE FUTURE ANGLO/ITALIAN COLLABORATION ON EH101. ITALIANS SAY THEY DO NOT HAVE FUNDS TO FINANCE BOTH, SO THAT THERE IS REAL DANGER THAT THE MONEY WHICH WOULD HAVE BEEN ALLOCATED FOR DEVELOPMENT OF EH101 WILL BE SPENT ON ITALIAN SHARE OF A320. THE PICTURE IS MUDDIED BY ITALIAN INTERNAL POLITICAL SITUATION. WE RECOMMEND THE PRIME MINISTER SHOULD RAISE EH101 WHEN IN ROME ON 7 JULY.

2. CS CALLED TODAY ON GUZZONI AND CAVANNA, THE DIRECTORS RESPONSIBLE, RESPECTIVELY, TO BARATTIERI FOR MILITARY AND AVIATION PROJECTS IN THE MINISTRY OF INDUSTRY. THEY SPOKE VERY FRANKLY SEMI COLON THEIR CONFIDENCES MUST BE RESPECTED. WHAT HAD APPEARED TO BE TWO SEPARATE ISSUES, A320 AND EH101, ARE EVIDENTLY CLOSELY LINKED AS A RESULT OF AN INDECENT DEGREE OF FRENCH PRESSURE ON THE ITALIAN GOVERNMENT TO COME IN ON THE A320 AS AN ADDITIONAL PARTNER IN AIRBUS INDUSTRIE WHILST AT THE SAME TIME DROPPING EH101 IN FAVOUR OF THE PROJECTED FRENCH SUPER PUMA HELICOPTER. THE FRENCH HAVE BEEN EXTREMELY ACTIVE AT ALL LEVELS AND THE ITALIANS FACE A SERIES OF COMPLEX DECISIONS. THIS REQUIRES SOME EXPLANATION.

A320.

3. THE FRENCH HAVE APPARENTLY LINKED THIS WITH THE FUTURE OF THE FRANCO/ITALIAN ATR 42 LIGHT COMMERCIAL AIRCRAFT PROJECT ON WHICH A BILATERAL AGREEMENT ALREADY EXISTS. MORRICE WAS SHOWN A STATEMENT OF INTENT SIGNED ON 6 OCTOBER 1981 BY THE ITALIAN DIRECTOR GENERAL OF INDUSTRIAL PRODUCTION IN THE MINISTRY OF INDUSTRY, BARATTIERI, AND THE FRENCH DIRECTOR OF CIVIL AIR PROGRAMMES, TENNENBAUM, IN WHICH THE ITALIAN GOVERNMENT DECLARES ITS INTEREST IN PARTICIPATING IN THE A320, THE MODALITIES

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/ TO BE

TO BE THE SUBJECT OF MORE IN DEPTH DISCUSSIONS BOTH AT INDUSTRIAL AND GOVERNMENT LEVEL. THE FRENCH CLEARLY SEE A320 AND ATR 42 AS AN INTEGRAL PACKAGE AND WILL TRY TO HOLD THE ITALIANS TO THIS. THE LATTER SEE THEM AS TWO SEPARATE ELEMENTS IN A PACKAGE AND DO NOT CONSIDER THEY CAN BE HELD TO THE STATEMENT OF INTENT, ALTHOUGH ITS EXISTENCE COULD CLEARLY BE AN EMBARRASSMENT. (IT IS NOT, OF COURSE, A PUBLIC DOCUMENT).

4. THE ITALIAN OFFICIALS SAID THAT THEY HAD REACHED NO CONCLUSION WHATSOEVER ON THE COMMERCIAL VALUE OF THE A320 OR ITS ADVANTAGE OVER ALTERNATIVES, ALTHOUGH THEY AVOIDED SAYING WHAT THESE ALTERNATIVES MIGHT BE. THEY WOULD, THEREFORE, GO TO THE MEETING WITH AIRBUS INDUSTRIE PARTNERS IN PARIS ON 5 JULY TO LISTEN RATHER THAN TAKE A POSITION, ALTHOUGH THEY WOULD FIELD A STRONG DELEGATION (BARATTIERI, CASTELLARI, DIRECTOR GENERAL IN THE MINISTRY OF STATE PARTICIPATION, GUZZONI AND CAVANNA). MORRICE SAID THAT THE UK HAD NOT HERSELF TAKEN ANY DECISIONS ON THE A320.

EH101.

5. THE ITALIAN GOVERNMENT CANNOT EARMARK SUFFICIENT INDUSTRIAL DEVELOPMENT FUNDS TO PARTICIPATE IN BOTH PROJECTS. PRESENT PLANS ARE TO ALLOCATE LIRE 180 MILLIARD OVER THE PERIOD 1983 TO 1991 TO EH101. THIS DEPENDS ON A DECISION BY THE ECONOMIC COMMITTEE OF THE ITALIAN CABINET (C.I.P.E.) . THE FRENCH, AND THEIR SUPPORTERS HERE , WOULD LIKE TO SEE THIS MONEY USED TO FINANCE AN ITALIAN SHARE IN THE A320, THUS DITCHING THE EH101. MORRICE WAS TOLD THAT THE MINISTER OF INDUSTRY, MARCORÀ, AND HIS OFFICIALS ARE RESISTING THIS BUT ARE COMING UNDER PRESSURE FROM DE MICHELIS, THE SOCIALIST MINISTER FOR STATE PARTICIPATION, WHO HAS STRONG LINKS WITH THE FRENCH SOCIALISTS. MARCORÀ IS THE LEAD MINISTER ON THE CIVIL VERSION OF THE EH101 BUT MINISTRY OF INDUSTRY OFFICIALS SPECULATED THAT ONE RESULT OF AN IMMINENT GOVERNMENT RESHUFFLE (WHICH AS WE HAVE REPORTED ELSEWHERE IS A POSSIBILITY) MIGHT BE A MOVE BY MARCORÀ TO THE MINISTRY OF THE TREASURY AND HIS REPLACEMENT IN INDUSTRY BY DE MICHELIS. IN ORDER TO PROTECT THE EH101, MINISTRY OF INDUSTRY OFFICIALS SUBMITTED ON 1 JULY TO MARCORÀ A DRAFT LETTER FROM HIM TO THE FOREIGN MINISTER AND SPADOLINI SEEKING THEIR ENDORSEMENT OF AN ANGLO/ITALIAN AGREEMENT ON A CIVIL VERSION OF THE EH101. THEY HOPE THAT THE LETTER WILL ISSUE TODAY AND THAT THE PROPOSAL WILL BE APPROVED IN CABINET NEXT WEEK, BEFORE ANY CHANGES IN THE PRESENT COMPOSITION OF THE GOVERNMENT, AND THAT, SHOULD DE MICHELIS LATER BECOME MINISTER FOR INDUSTRY, HE WOULD BE PRESENTED WITH A FAIT ACCOMPLI.

6. TO SUSTAIN PRESSURE ON THOSE MINISTERS IN FAVOUR OF THE EH101, ITALIAN OFFICIALS HAVE PROPOSED TO THEM THE FOLLOWING TIMETABLE:-

A) EARLY VISIT, IE IN MID-JULY, BY BARATTIERI TO SIGN A STATEMENT OF INTENT WITH HIS OPPOSITE NUMBER (IE THE APPROPRIATE DEPUTY SECRETARY IN DOI) SEMI COLON

B) EXCHANGE OF LETTERS ON FUNDING BETWEEN MINISTERS FOR INDUSTRY BEFORE, AT OR JUST AFTER, FARNBOROUGH, TO BE ANNOUNCED AT THE SHOW SEMI COLON AND

C) A FORMAL AGREEMENT BETWEEN THESE MINISTERS TO BE SIGNED IN NOVEMBER, IF POSSIBLE, BUT CERTAINLY BEFORE THE END OF THE YEAR.

7. THE MINISTRY OF INDUSTRY BELIEVE THAT, UNLESS IMMEDIATE STEPS ARE TAKEN TO FORMALISE ANGLO/ITALIAN COOPERATION ON EH101 (CIVIL VERSION), THE A320 SUPPORTERS WILL GAIN THE UPPER HAND.

8. WHEN MITTERAND VISITED ITALY LAST MARCH, HE APPARANTLY MADE ITALIAN PARTICIPATION IN THE A320 A MAJOR FRENCH OBJECTIVE IN RELATIONS BETWEEN THE TWO COUNTRIES, AND PRESENTED IT AS BEING, ABOVE ALL, A FRANCO/ITALIAN PROJECT. PRESIDENT PERTINI WILL, IN FACT, BE IN PARIS AT THE BEGINNING OF THE WEEK, ACCOMPANIED BY COLOMBO. THEY WILL INEVITABLY COME UNDER FURTHER PRESSURE.. SINCE MARCORAS LETTER ON THE EH101, ASSUMING IT ISSUES, WILL BE FRESH IN SPADOLINI'S MIND WHEN HE SEES THE PRIME MINISTER, WE STRONGLY RECOMMEND THAT MRS THATCHER SHOULD (WITHOUT GOING INTO THE DETAILS) UNDERLINE TO HIM THE IMPORTANCE WE ATTACH TO THE EH101 PROGRAMME AS THE CORNER-STONE OF FUTURE ANGLO/ITALIAN INDUSTRIAL COLLABORATION. YOU MIGHT ALSO DO SO WITH COLOMBO, WHO WILL HAVE JUST RETURNED FROM PARIS, AT BREAKFAST ON 7 JULY.

9. MIFT CONTAINS OUTLINE OF ITALIAN FINANCIAL ARRANGEMENTS FOR THE CIVIL VERSION OF EH 101. MY SECOND IFT CONCERNS POSSIBLE ROLLS ROYCE ANGLE.

FCO PLEASE PASS SAVING.

[REPEATED AS REQUESTED]

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AIRCRAFT INDUSTRY

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TRED

ECD (I)

MR GOODISON

MR ADAMS

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DESKBY FCO 050800Z
FM ROME 031240Z JUL 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 363 OF 3 JULY
AND TO IMMEDIATE DOI (AIRCRAFT DIVISION) AND MODUK PE
REPEATED FOR INFORMATION PRIORITY PARIS
INFO SAVING MILAN

*Brown saying
back*

MY TWO IPTS: AIRBUS A320 AND EH 101: ROLLS ROYCE ASPECTS

1. MINISTRY OF INDUSTRY OFFICIALS SAID THAT FRENCH PRESSURE
IN SUPPORT OF A320 WAS PROBABLY DUE TO:-

A) A WISH TO KEEP THE AMERICANS OUT SEMICOLON AND

B) AN INABILITY TO FUND FROM THEIR OWN RESOURCES AS A
RESULT OF DOMESTIC BUDGETRY PROBLEMS.

THE ITALIANS SAID THAT THE LAST THING THEY WANTED WAS TO
GET INTO A TRADE WAR OVER AIRCRAFT ON THE SIDE OF THE FRENCH
AGAINST THE AMERICANS. THIS WAS APART FROM THEIR UNCERTAINTY
ABOUT THE COMMERCIAL VIABILITY OF THE A320. ATR 42 WAS A VALID
PROJECT IN ITS OWN RIGHT BUT, THAT APART, THEY DID NOT WANT
TO FALL UNDER TOTAL FRENCH DOMINANCE IN FUTURE AIRCRAFT
DEVELOPMENT. ROLLS ROYCE HAD A GOOD RECORD IN ITALY AND IT WAS
A PITY THAT WE HAD NOT BEEN BUILDING ON THIS.

2. MORRICE SAID THAT THERE SHOULD BE NO DOUBT ABOUT ROLLS
ROYCE'S INTEREST IN CONTINUING TO WORK WITH ITALIAN PARTNERS.
A STRONG TEAM, LED BY THEIR CHAIRMAN, WAS COMING TO ROME ON 16
JULY TO PRESENT A TOTAL PACKAGE, BUILT ROUND THE RB211,
TO ALITALIA. THE MINISTRY OF INDUSTRY SAID THEY WERE UNAWARE
OF THIS AND WONDERED WHETHER THE OPPORTUNITY MIGHT BE TAKEN
BY ROLLS ROYCE TO PRESENT THEIR WARES TO THE MINISTRY OF
INDUSTRY, AND IN PARTICULAR BARATTIERI, ESPECIALLY THE NEW
COLLABORATIVE VENTURE WITH THE JAPANESE AND OTHERS
(PARA 5 OF YOUR TELNO 345).

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3. THE MINISTRY OF INDUSTRY, WHICH HOLDS THE PURSE-STRINGS FOR FUNDS DESTINED FOR INDUSTRIAL COLLABORATION, CLEARLY FEEL NEGLECTED BY ROLLS ROYCE AND WE STRONGLY RECOMMEND THAT THE OPPORTUNITY BE TAKEN TO ASSOCIATE THEM WITH THE ALITALIA PRESENTATION AND/OR TO MOUNT A SEPARATE PRESENTATION OF ROLLS ROYCE STRENGTH IN AIRCRAFT ENGINE MANUFACTURING.

4. GRATEFUL IF ROLLS ROYCE COULD BE APPROACHED URGENTLY SO THAT WE CAN, SUBJECT TO THEIR AGREEMENT ON DETAILS, PURSUE THIS WITH THE MINISTRY OF INDUSTRY.

5. QUITE SEPARATELY, HERMAN MANAGING DIRECTOR OF EUROPEAN SERVICES DIVISION OF BA, WAS TOLD HERE ON 30 JUNE BY ALITALIA AT A SENIOR LEVEL THAT THEY DEFINITELY WOULD NOT (NOT) BUY THE BOEING 757 WITH ROLLS ROYCE OR ANY OTHER ENGINE. THEY DID NOT EXPECT TO TAKE ANY DECISIONS ON FUTURE AIRCRAFT REQUIREMENTS UNTIL THE END OF NEXT YEAR.

FCO PLEASE PASS SAVING

ARCULUS

[REPEATED AS REQUESTED]

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AIRCRAFT INDUSTRY

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FM ROME 031135Z JUL 82

TO IMMEDIATE FCO

TELEGRAM NUMBER 362 OF 3 JULY

AND TO IMMEDIATE DOI (AIRCRAFT DIVISION), MODUK PE

REPEATED FOR INFORMATION PRIORITY PARIS

INFO SAVING MILAN

YOUR TELEGRAM NUMBER 177: EH101: ITALIAN FINANCING OF CIVIL
VERSION.

THE TOTAL AVAILABLE, AS FROM 1 JANUARY 1983, WOULD BE LIRE
180 MILLIARD COMPRISING INDUSTRIAL DEVELOPMENT FUNDS OF
LIRE 120 MILLIARD, TO BE TOPPED UP WITH LIRE 60 MILLIARD FROM
ANOTHER SOURCE. (TEXTS OF THE LAWS ON WHICH THESE FUNDS
ARE BASED FOLLOW BY BAG).

2. THE RHYTHM OF FUNDING, BASED ON DISCUSSIONS BETWEEN
MINISTRY OF INDUSTRY AND AAGUSTAN IS AS FOLLOWS:-

INDUSTRIAL DEVELOPMENT FUNDS

	1983	1984-1989	TOTAL
DESIGN	7.5	38.7	46.2
EXPERIMENTAL			
EQUIPMENT	1.5	2.5	4.
PROTOTYPES	1.0	29.2	30.2
TESTING	0	9.6	9.6
PREMANUFACTURING	0	30.	30.
SUB TOTAL	10.	110	120

3. THE "TOPPING UP" FUNDS FOR PRODUCTION EQUIPMENT AND
TRAINING WOULD NOT BE NEEDED UNTIL 1988.

4. THE DETAILED FIGURES FOLLOW BY BAG AS DOES A COPY OF
THE DRAFT AGREEMENT MENTIONED IN PARA 6(C) OF MY IPT.

FCO PLEASE PASS SAVING
ARCULUS

[REPEATED AS REQUESTED]

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ECD (I)

MR GOODISON

MR ADAMS

ADDITIONAL DISTN.

AIRCRAFT INDUSTRY

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Italy ASE

Cabinet Office,
70, Whitehall,
London SW1

24th June, 1982

PS(82) 17

Dear Private Secretary,

Anglo-Italian Summit: 7th July 1982

This letter sets out the briefing arrangements for the Anglo-Italian Summit which is to take place in Rome on 7th July 1982.

The objectives for the visit have not yet been approved by the Prime Minister but her office have agreed that briefing arrangements should be put in hand on the basis of the list of objectives at Annex A. The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex B. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly (b) on the structure of briefs. The list of briefs contains some briefs which are for background purposes only and which are not therefore expected to include any Points to Make.

Seventy copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12.00 noon on Friday 2nd July. They should be addressed to Mr. R.D. Roscoe in Committee Section in the Cabinet Office, who should be consulted (tel. no. 233 7343) about any technical points arising.

I should be grateful if Departments could take account of the objectives in Annex A in preparing for any bilateral Ministerial or senior official exchanges with the Italians which may be planned for the period before 7th July. It is important that the objectives for any such meetings should be co-ordinated for those of the Summit itself. It would also be helpful in arranging for the follow-up to the Summit if Departments could let me and the Foreign and Commonwealth Office know of any subjects on which they anticipate that follow-up may be necessary. A list of such subjects can then be finalised once the Summit is over.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Douglas Wass, Sir Frank Cooper, Sir Brian Hayes, Sir Kenneth Couzens, Sir Peter Carey, Mr. Michael Franklin and Mr. John Sparrow, and to John Coles (No. 10).

Yours sincerely,

(Signed) D.J. WRIGHT

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ANGLO-ITALIAN SUMMIT

7 JULY 1982

UNITED KINGDOM OBJECTIVES

1. To consolidate good working and personal relations between the Prime Minister and the Italian Prime Minister, and to seek to make Anglo-Italian relations as important a factor in Italian thinking as are Italian relations with France and the FRG.
2. To explain to Italian Ministers and also in public, eg through a Press or TV interview, Her Majesty's Government's attitude towards the Falkland Islands dispute, the future of the Community, and other issues where Italian public opinion has not understood us or has failed to give us full support.
3. While showing that the reasons behind Italy's failure to maintain European Community solidarity over economic sanctions against Argentina are regretted, albeit understood, to describe Her Majesty's Government's longer-term thinking on relations between Europe and Latin America.
4. To exchange views on domestic economic management and to review outstanding issues following the Versailles Summit.
5. Within the framework of United Kingdom commitment to Community membership, to explain the imperative need to find a solution to the EC budget question by November, in order to give the Community a period without further discussion of this divisive subject.
6. Unless agreement has already been reached, to persuade the Italians of the need, within the framework of the Genscher-Colombo proposals, to clarify the Community's decision-making procedures, following the overriding of the Luxembourg compromise on 18 May.
7. To exchange views on transatlantic and East/West relations, defence questions and arms control.
8. To discuss those areas, eg the Mediterranean, Latin America and the Horn of Africa, where the Italians have special experience or interests.

PROBABLE ITALIAN OBJECTIVES

1. To allow Signor Spadolini to demonstrate that Anglo-Italian relations remain healthy despite some recent differences over eg EC sanctions against Argentina and Community questions, and to reconfirm Italy's claim to be a top-table partner.

2. To underline Italy's commitment to greater European integration and to probe United Kingdom thinking on the Community's future.
3. Within this framework, to express concern at the growing threats to the Community's cohesion and to put forward ideas for strengthening the Community, including greater concentration and expenditure on new Community policies.
4. To press for early agreement on the Genscher/Colombo proposals on European Union.
5. To compare notes on international and domestic economic issues, especially inflation, unemployment, interest rates and public expenditure.
6. To review the progress of the NATO double decision, including the siting of INF bases and the progress of disarmament negotiations (START will be topical).
7. To discuss East/West relations, including Poland, credits for the Soviet Union and more generally the future direction of Soviet policies.
8. To stress the importance which Italy attaches to close European/Latin American relations and the danger that Italy sees of Soviet gains in the regions at United States expense.

LIST OF BRIEFS FOR ANGLO-ITALIAN SUMMIT
7 JULY 1982

<u>PMVT(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO(WED)	as appropriate
2.	Falkland Islands	FCO(SAmD)	MOD
3.	European Community Topics		
	(a) European Community Steering Brief	FCO(ECD(I))	MAFF Trade Treasury
	(b) Community Budget Problems	FCO(ECD(I))	MAFF Treasury
	(c) European Union (including Luxembourg Compromise)	FCO(ECD(E))	MOD
	(d) Other Community Issues	FCO(ECD(I))	Trade
4.	United States/European Relations	FCO(Planning Staff)	
5.	Defence and Arms Control		
	(a) UNSSD II	FCO(ACDD)	
	(b) INF, START	FCO(Defence Dept.)	MOD
	(c) Collaborative Arms Projects	MOD	FCO(Defence Dept.)
6.	East/West Political and Economic Relations	FCO(EESD/ TRED)	

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<u>PMVT(82)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
7.	International Economic Issues	Treasury	
8.	International Trade Issues	Trade	FCO
9.	United Kingdom Economy	Treasury	
10.	Italian Economy	Treasury	
11.	Regional Issues		MOD(as defence considerations require)
	(a) Israel/Lebanon	FCO(NENAD)	
	(b) Southern Africa/ Namibia	FCO(SAFD)	
	(c) Latin America	FCO(SAmD)	
	(d) Iran/Iraq	FCO(MED)	
	(e) Horn of Africa	FCO(EAD)	
	(f) Central America	FCO(MCAD)	
12.	Mediterranean Issues		MOD(as defence considerations require)
	(a) Libya	FCO(NENAD)	
	(b) Malta	FCO(SED)	Trade
	(c) Cyprus	FCO(SED)	Trade
13.	Internal Political Scene	FCO(WED)	

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 pay particular attention to ensuring that the following instructions are fully observed:

Content

- (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 with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- (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) As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (e. g. PMVT(82) 10) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

- (h) It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at (e) above, with the brief number (e.g. PMVT(82) 10 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. Revised briefs and corrigenda should be similarly treated.
- (j) 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

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVT(82) Serial Number as specified in Annex B

COPY NO. in red

Date

ANGLO-ITALIAN SUMMIT
7 JULY 1982

Leave 1½"
margin

SUBJECT Insert subject in capitals

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left-hand side

Originating Government Department, eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

CLASSIFICATION



Italy

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10 DOWNING STREET

From the Private Secretary

MR. WRIGHT
CABINET OFFICE

Anglo-Italian Summit

As I told you on the telephone this morning, the arrangements set out in Sir Robert Armstrong's minute of 21 June regarding briefing for the above event are entirely acceptable.

A. J. COLES

24 June 1982

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Ref. A08773

MR. COLES

Anglo-Italian Summit: 6th-7th July

The next in the series of Anglo-Italian bilateral meetings is due to take place in Rome on 7th July. These meetings are in principle biannual, but less regular in practice. This will be the first time that the Prime Minister has visited Rome since November 1980, when Signor Cossiga was Prime Minister. The present Italian Prime Minister, Signor Giovanni Spadolini, came to London in November 1981. The Prime Minister has asked that the programme for the Summit should be confined to the one day, 7th July.

2. The Prime Minister is to be accompanied, on this occasion, by the Chancellor of the Exchequer in addition to the Foreign and Commonwealth Secretary. There is much to be gained by demonstrating to the Italians that, despite the fact that their present Coalition Government may not last much longer, we attach importance to hearing Italian views from a number of Ministers. The visit also gives British Ministers an opportunity to show that, despite the failure of the Italian Government to renew economic sanctions against Argentina when other EC countries did so earlier in the Falklands crisis, we continue to seek close relations in a wide range of activities.

3. The Falkland Islands will clearly be a dominant topic at the meeting. Signor Spadolini's Republican Party prides itself on its European credentials, and Italy's inability to renew economic sanctions against Argentina was the first major parting of the ways with her fellow Europeans. The Summit will also provide an opportunity to exchange views on Community topics, in particular the budget problem and the overriding of the Luxembourg Compromise. But Signor Spadolini may be even more concerned by the beginning of July with Italy's pressing economic problems.

4. The assessments of United Kingdom and Italian objectives are set out in Annex A. The present list of the topics for discussion is set out in Annex B. This will be cleared with the Italians, and may need some adjustment in the light

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— of their comments. I attach at Annex C a list of suggested briefs, the preparation of which will be co-ordinated in the usual way by the Cabinet Office. Provided that you agree, we will aim to arrange for these briefs to reach you by close of play on Friday 2nd July.

RA

ROBERT ARMSTRONG

21st June, 1982

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ANNEX A

ANGLO-ITALIAN SUMMIT 7 JULY 1982

UNITED KINGDOM OBJECTIVES

1. To consolidate good working and personal relations between the Prime Minister and the Italian Prime Minister, and to seek to make Anglo-Italian relations as important a factor in Italian thinking as are Italian relations with France and the FRG.
2. To explain to Italian Ministers and also in public, eg through a Press or TV interview, Her Majesty's Government's attitude towards the Falkland Islands dispute, the future of the Community, and other issues where Italian public opinion has not understood us or has failed to give us full support.
3. While showing that the reasons behind Italy's failure to maintain European Community solidarity over economic sanctions against Argentina are regretted, albeit understood, to describe Her Majesty's Government's longer-term thinking on relations between Europe and Latin America.
4. To exchange views on domestic economic management and to review outstanding issues following the Versailles Summit.
5. Within the framework of United Kingdom commitment to Community membership, to explain the imperative need to find a solution to the EC budget question by November, in order to give the Community a period without further discussion of this divisive subject.
6. Unless agreement has already been reached, to persuade the Italians of the need, within the framework of the Genscher-Colombo proposals, to clarify the Community's decision-making procedures, following the overriding of the Luxembourg compromise on 18 May.
7. To exchange views on transatlantic and East/West relations, defence questions and arms control.
8. To discuss those areas, eg the Mediterranean, Latin America and the Horn of Africa, where the Italians have special experience or interests.

PROBABLE ITALIAN OBJECTIVES

1. To allow Signor Spadolini to demonstrate that Anglo-Italian relations remain healthy despite some recent differences over eg EC sanctions against Argentina and Community questions, and to reconfirm Italy's claim to be a top-table partner.

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2. To underline Italy's commitment to greater European integration and to probe United Kingdom thinking on the Community's future.
3. Within this framework, to express concern at the growing threats to the Community's cohesion and to put forward ideas for strengthening the Community, including greater concentration and expenditure on new Community policies.
4. To press for early agreement on the Genscher/Colombo proposals on European Union.
5. To compare notes on international and domestic economic issues, especially inflation, unemployment, interest rates and public expenditure.
6. To review the progress of the NATO double decision, including the siting of INF bases and the progress of disarmament negotiations (START will be topical).
7. To discuss East/West relations, including Poland, credits for the Soviet Union and more generally the future direction of Soviet policies.
8. To stress the importance which Italy attaches to close European/Latin American relations and the danger that Italy sees of Soviet gains in the regions at United States expense.

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Anglo-Italian Summit Meeting: 7th July
Draft Topics for Discussion

1. Falkland Islands
2. European Community Topics
 - (i) Budget Problem
 - (ii) European Union (including Genscher/Colombo proposals)
 - (iii) Luxembourg Compromise
3. Domestic and International Economic Situation (including issues arising from Versailles Summit)
4. Defence and Arms Control
 - (i) UNSSD II
 - (ii) INF, START
 - (iii) Collaborative Projects (including EH101 helicopter)
5. East/West Political and Economic Relations (including Poland and Afghanistan)
6. Regional Issues
 - (i) Southern Africa/Namibia
 - (ii) Latin America
 - (iii) Iran/Iraq
 - (iv) Horn of Africa
 - (v) Central America
7. Mediterranean Issues
 - (i) Malta
 - (ii) Cyprus
 - (iii) Libya

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ANNEX C

LIST OF BRIEFS FOR ANGLO-ITALIAN SUMMIT
7 JULY 1982

	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO(WED)	as appropriate
2.	Falkland Islands	FCO(SAmD)	MOD
3.	European Community Topics		
	(a) European Community Steering Brief	FCO(ECD(I))	MAFF Trade Treasury
	(b) Community Budget Problems	FCO(ECD(I))	MAFF Treasury
	(c) European Union (including Luxembourg Compromise)	FCO(ECD(E))	MOD
	(d) Other Community Issues	FCO(ECD(I))	Trade
4.	European Relations	FCO(Planning Staff)	
5.	Defence and Arms Control		
	(a) UNSSD II	FCO(ACDD)	
	(b) INF, START	FCO(Defence Dept.)	MOD
	(c) Collaborative Arms Projects	MOD	FCO(Defence Dept.)
6.	East/West Political and Economic Relations		
	(a) East/West Relations (including Poland and Afghanistan)	FCO(EESD)	Trade
	(b) Economic Relations with the Soviet Union	FCO(ERD)	Trade

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	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
7.	International Economic Issues	Treasury	
8.	International Trade Questions	Trade	FCO
9.	United Kingdom Economy	Treasury	
10.	Italian Economy	Treasury	
11.	Regional Issues		MOD(as defence considerations require)
	(a) Southern Africa/ Namibia	FCO(SAID)	
	(b) Latin America	FCO(SAmD)	
	(c) Iran/Iraq	FCO(MED)	
	(d) Horn of Africa	FCO(EAD)	
	(e) Central America	FCO(MCAD)	
12.	Mediterranean Issues		MOD(as defence considerations require)
	(a) Libya	FCO(NENAD)	
	(b) Malta	FCO(SED)	Trade
	(c) Cyprus	FCO(SED)	Trade
13.	Internal Political Scene	FCO(WED)	

Italy

27 November, 1980.

Prime Minister's call on the Pope

Further to your letter to me of 21 November, I return herewith the volume of speeches made by the Pope during his visit to the Republic of Ireland in 1979.

M. O'D. B. ALEXANDER

Paul Lever, Esq.,
Foreign and Commonwealth Office.

[Handwritten initials]

26 November 1980

Prime Minister's Visit to Rome

Tony Galsworthy has sent me the attached note about the conversations at dinner in Rome on Sunday last during which he acted as interpreter. I do not think there is sufficient substance in his note to be worth circulating more widely.

MODBA

Paul Lever, Esq.,
Foreign and Commonwealth Office.

9B



cc. Master etc.
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10 DOWNING STREET

From the Private Secretary

25 November 1980

Dear Paul,

Prime Minister's visit to the Vatican

During her visit to the Vatican yesterday morning, the Prime Minister discussed international affairs with Cardinal Secretary of State Casaroli. The Permanent Under Secretary and Sir Mark Heath were also present. I have recorded separately the discussion about Northern Ireland.

In the course of a general discussion of the world situation, the Prime Minister commented on the importance of Europe's position as an area of stability in the world. Cardinal Casaroli agreed about the need to ensure that Europe's contribution to a solution of the world's difficulties was not lost. International life had reached a very critical point. The Europeans needed to draw on their long experience to look into the heart of problems. It was regrettable that we had to rely on the balance of terror between the USA and the USSR to ensure some degree of stability but this was, at least, better than nothing. Commenting on Governor Reagan, Cardinal Casaroli said that he did not question his goodwill but he wondered about how deep his political wisdom was. However he knew that Governor Reagan was a good listener and had some good advisers. This was a source of confidence. But the Europeans would certainly have a role to play; the United States needed their help. The Prime Minister described her talk the previous day with Chancellor Schmidt and said that she was optimistic. She thought that Mr. Reagan would prove himself to be a man of peace. He would give a strong lead. But he would, of course, wish to see reciprocal action by the Soviet Union. She agreed that the Europeans could influence the situation if they were clear and consistent in their policies.

In response to a question from the Prime Minister, Cardinal Casaroli said that the Vatican was studying developments in East/West relations very closely. They regarded religious freedom as indivisible and as something which could not be separated from ordinary human freedoms. Representatives of the Holy See intervened only discreetly in Madrid, but when they did so it was to make this point. They did not regard the Orthodox Church in the Soviet Union as free. In response to an observation by the Prime Minister that oppression in the Soviet Union had increased since Helsinki, Monsignor Silvestrini said that there had been

/improvements

improvements between Helsinki and Belgrade but a setback subsequently. There was a sense in which Helsinki had raised too many hopes. People had expected more and more, and regimes in Eastern Europe had had a "reaction of rejection". The attitude of the US delegate in Belgrade, Mr. Arthur Goldberg, had not been helpful. He had tended to think of everything in terms of the position of Jews in the Soviet Union. The Soviet invasion of Afghanistan had, of course, changed the situation greatly. Cardinal Casaroli said that none the less some things had been won. There had, for instance, been a substantial improvement in the distribution of religious literature in the vernacular in Communist countries since Helsinki. The Prime Minister commented that it was important not to be satisfied with too little.

In the course of the brief exchange on the status of Jerusalem, Cardinal Casaroli said that the Holy See supported a solution based on internationalisation. This was the only way to safeguard the future of a city which had been "given to the world". However, the Holy See did not make a dogma of this and avoided using the word 'internationalisation'. They contented themselves with saying that the city should have a special status under which equality of rights would be ensured for the various religions concerned with the city.

Yours ever

Nehal Alexander

Paul Lever, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

24 November 1980

(25)

Dear George,

Prime Minister's Visit to Italy

As you know, the Prime Minister discussed with the Prime Minister of Italy, Signor Forlani, yesterday evening the question of Italian attendance at Summit Meetings.

The Prime Minister raised the question herself. She told Signor Forlani that there was at present no proposal to hold a quadripartite summit and that therefore the question of Italian participation was not an actual one. She added that she fully understood the position of the Italian Government and the difficulties which flowed from the previous Italian Government's decision to accept Cruise missiles on Italian soil.

Signor Forlani, according to the Prime Minister, spoke very forcefully and at length along the expected lines. The Cruise missile decision had been taken against the wishes of the majority of opinion in Italy - though the majority against deployment had probably not been very great. Signor Cossiga's Government had been conscious of the need to support NATO. However if there was a quadripartite summit and Italy was excluded, there was a real possibility that the question would be re-opened. Given that majority opinion was against the deployment, the outcome of a reconsideration of the issue was unpredictable. Signor Forlani had ended by expressing gratitude for the Prime Minister's comprehension of the Italian Government's difficulty.

As you know, the Foreign and Commonwealth Secretary suggested that the Prime Minister should discuss the matter with Chancellor Schmidt next week. The position of the Italian Government is of course of particular importance to the Federal Republic since Italy is a non-nuclear power and her position is closer to that of the Federal Republic than is our own.

I am sending a copy of this letter to David Wright (Cabinet Office).

Yours ever

Michael Alexander

George Walden, Esq.,
Foreign and Commonwealth Office.

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Walden

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British Embassy

Via XX Settembre 80A 00187 Rome

Telex 61049 Telephone 4755.441

Michael O'D B Alexander Esq
Number 10 Downing Street

Your reference

Our reference

Date 24 November 1980

Dear Michael,

1. There was very little substance in discussions during dinner between the Prime Minister and either Signor Forlani or Signor Colombo. But you may like to have a note of the few points which did arise. I have not given it any circulation: I leave it to you to decide whether to circulate it elsewhere.

Yours ever

Lucy

A C Galsworthy

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CONVERSATION AT SIGNOR FORLANI'S DINNER FOR PM AND LORD
CARRINGTON: 23 NOVEMBER 1980

1. Signor Forlani expressed anxiety about the effects of enlargement on other Mediterranean countries. The Community would have an excess of olive oil. But this was practically Tunisia's only export. If arrangements were not made, countries in Tunisia's position might be unwilling to co-operate in the Community on other matters, for instance, fisheries agreements. Signor Forlani confirmed that fisheries agreements with North African countries were very important for Italy. He asked how the common fisheries policy negotiations were going. The Prime Minister expressed optimism. Signor Forlani was clearly unbriefed on this subject.
2. There was some discussion on Japan. Signor Forlani explained the Alfa-Nissan agreement. It was on a small scale and could hardly damage European car interests. Nevertheless he personally did not believe the Japanese were putting capital into this project without expecting some greater opening of the market. It would have to be carefully watched.
3. The Prime Minister asked him about terrorism in Italy. Signor Forlani said very confidently that the Italians had had some notable successes against the terrorists. He was now confident that the fight against terrorism could and would be won. The Prime Minister expressed pleasure at this: he was the first Italian politician who had been willing to say this to her.
4. The Prime Minister asked Signor Forlani how he managed to run the Council of Ministers with representatives of four parties in it. Signor Forlani admitted that agreement in the Council of Ministers was generally impossible unless something had been worked out beforehand.
5. The Prime Minister had some discussion with Signor Colombo about his visit to Moscow. Nothing much of substance emerged, except that Signor Colombo said that he had found Brezhnev in rather better health than he had expected.
6. Finally both Lord Carrington and the Prime Minister expressed concern about the earthquake, and asked that Signor Forlani should let them know if there was anything which the UK could do.

BRITISH EMBASSY
ROME
24 November 1980

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26 NOV 1980



cc. Master sec.

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10 DOWNING STREET

From the Private Secretary

24 November 1980

Dear George,

Prime Minister's Visit to Italy

I enclose a record of part of the conversation which took place in Rome last night between the Prime Minister and the Prime Minister of Italy, Signor Forlani.

I am sending copies of this letter and its enclosure to Julian West (Department of Energy) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

George Walden, Esq.,
Foreign and Commonwealth Office.

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY, SIGNOR ARNALDO FORLANI, AT THE VILLA MADAMA IN ROME ON 23 NOVEMBER 1980 AT 2000 HOURS

Present:

Prime Minister	Signor Arnaldo Forlani
Foreign & Commonwealth Secretary	Signor Emilio Colombo
Mr. Michael Alexander	Signor Sergio Berlinguer

* * * * *

East/West Relations

Signor Forlani asked Signor Colombo to describe his recent visit to Moscow. Signor Colombo said that the climate had been extremely cordial. The Russians had made it clear that they wished to develop bilateral contacts with Western countries. They did not however wish to deal with Western groups e.g. the European Community - as such. Signor Colombo agreed with the Prime Minister that the Russians hoped to keep the West fragmented.

Signor Colombo had had five hours of talks with Mr. Gromyko and one and a half hours of talks with Mr. Brezhnev. Mr. Brezhnev was in good health. He had spent twenty minutes reading a prepared document and thereafter had participated actively in a lively discussion. Mr. Brezhnev had asked him to tell his colleagues in the West that the Russians wanted detente. He wanted better contacts with the West because of the opportunity it gave the Soviet Government to improve the living standards of their people. The Prime Minister asked whether Signor Colombo had accepted his hosts' line. Had he taxed them with the recent wave of oppression in the Soviet Union?

Signor Colombo said that he had concentrated on one problem: Afghanistan. Mr. Gromyko had replied on standard lines. Mr. Brezhnev had avoided giving any specific reply. They talked as though detente could be pursued quite separately from events in Afghanistan. They

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regarded the latter as a fait accompli. The Prime Minister commented that they wanted us to regard it in the same light.

Signor Colombo said that the Russians professed to be disappointed about progress in the various talks on disarmament. They had hoped for more from the talks in Geneva. They tended to explain the absence of progress by referring to the fact that we were now in a transitional period. Mr. Brezhnev hoped that the ratification of SALT II could be completed or at least that its main elements could be carried forward. The Russians were not inclined to pre-judge President Reagan's Administration. They had adopted a wait and see attitude.

Signor Colombo commented that he had been in Warsaw the day before his visit to Moscow. This had also been the day before the Polish Supreme Court's decision. He had told the Russians that the Italian Government had pursued a strict policy of non-interference in Polish affairs. They considered that this rule should be a rule for everybody. Interference by one state in the affairs of another was inconsistent with detente. Mr. Gromyko had agreed with him strongly and had said that the Polish problem was one for the Poles themselves to solve.

Middle East

Mr. Gromyko had also described the Iran/Iraq conflict as stupid and useless. In describing Soviet attitudes towards the conflict, Signor Colombo said that when the Deputy Prime Minister of Iraq had visited Moscow recently he had been refused arms and spare parts despite the existence of a Treaty of Co-operation between Iraq and the Soviet Union. Soviet spokesmen had not denied the existence of the Treaty but had referred to the fact that their Friendship Treaty with Iran was of far longer standing. The Prime Minister said it would not be surprising if it turned out that the Russians were withholding arms from Iraq and offering them to Iran. Signor Colombo said that he thought that the Russians were hoping to increase their influence in Iran. It was noteworthy that the Tudeh Party were emerging more clearly as the only

/organised

organised force in the midst of the increasing chaos in Iran. Soviet behaviour generally and in particular in the United Nations was consistent with a desire to keep their hands clean so that in due course they could intervene in Iran in support of the Tudeh Party. The only encouraging development was that as a result of the war with Iraq, the position of the army had been re-inforced.

Signor Colombo said that Britain and Italy would face a common problem if and when the hostages were released. What should they do about the spare parts which they would then be in a position to supply to Iran. The Prime Minister agreed that this was a difficult problem. She said that the British and Italian Governments should keep in very close touch. Signor Forlani agreed. He hoped that the release of the hostages might introduce an element of movement into the general situation and would thereby enable the conflict with Iraq to be ended.

The Prime Minister asked whether the Italians were still getting oil from Iraq. Signor Colombo said that they were. They had had an arrangement with the Iraqis for supply from other sources e.g. Saudi Arabia in the event of an interruption of supply. But the Iraqis were now supplying oil at between 70 and 80% of the pre-war level. Italy had been getting about 20 million tonnes a year i.e. about 20% of their total supply. The Prime Minister said that this was good news. If the oil was flowing on this scale it would take pressure off the spot market. It served to confirm other evidence that damage to the oil installations, including the pipelines, was not as great as had been previously assumed.

The discussion ended with a general talk about the new US Administration and about some of the possible office-holders in it. The Foreign and Commonwealth Secretary commented that it would be wrong to assume that Mr. Haig, who seemed to be the front-runner for the position of Secretary of State, was "just a General". He had run the White House for some time at the end of the Nixon presidency and was a very sophisticated man. The Prime Minister said that she doubted whether there would be much difference

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between a Reagan Presidency and a Carter Presidency on the great issues of peace and war. Both recognised the need to be as strong as the other side. Both would wish to try and establish a balance at a lower level. The conversation ended at 2030.

Paul

24 November 1980

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Italy.

SUBJECT.



see Master sub.

*Ireland: H-block Hunger Strike
Nov 79*

10 DOWNING STREET

From the Private Secretary

24 November, 1980.

*Subsequent correspondence on
Ireland, Nov 79, H-Block Hunger Strike.*

Prime Minister's Visit to Rome: Northern Ireland

During his talk with the Prime Minister at the Vatican this morning, Cardinal Casaroli raised the question of Northern Ireland. He said that he had received some new information this morning of which the Secretary of State for Northern Ireland would already be aware. This new information seemed to hold the prospect of some progress in the situation, although "an effort of imagination" would be required from HMG.

At Cardinal Casaroli's request, Monsignor Silvestrini explained that they had had a message which originated with the Chaplain of the Maze Prison, and which indicated that the prisoners on hunger strike were ready to propose a solution to the present impasse. There would of course have to be a compromise. But the hunger strikers were ready to give up the strike if their new demands were met. Monsignor Silvestrini said that he understood that the priest in question had been invited to London for a meeting with a senior Government official tomorrow, Tuesday, 25 November.

The Prime Minister said that of course she hoped a solution could be found. No good could come if the strike were pursued to the bitter end. Everyone, both inside the Maze and outside, would be harmed. Cardinal Casaroli agreed, but said that it was not always easy to strike a balance in these matters. He was conscious of the problems with public opinion to which the hunger strike was giving rise. The stress in the present situation was very great.

Cardinal Casaroli ended this part of the discussion by expressing gratitude for the tone of the Prime Minister's reply to the Pope's recent message about the situation.

I am sending a copy of this letter to Paul Lever (Foreign and Commonwealth Office).

Roy Harrington, Esq.,
Northern Ireland Office.

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M. O'D. B. ALEXANDER

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cc. Master set

10 DOWNING STREET

From the Private Secretary

24 November 1980

Dear Gunge,

Conversation between the Prime Minister and
the Prime Minister of Italy

As you know, no notetaker was present for the tête-à-tête discussion between the Prime Minister and Signor Forlani in Rome yesterday evening. This letter therefore gives only a brief summary of the discussion.

The two Heads of Government began with a discussion of Community problems. The Prime Minister repeated her gratitude for the help given by the Italian Presidency in finding a solution to Britain's budget problem in the spring. Referring to current problems, she said that it would be important to find solutions to the difficulties over New Zealand butter and the negotiations on a Common Fisheries Policy. However she was convinced that the worst of the immediate problems had now been resolved. She and Signor Forlani agreed that a two-speed Europe was unacceptable to them.

In a discussion of Italy's oil supply situation, Signor Forlani said that the cessation of oil supplies from Iran created substantial difficulties for Italy. They were now getting more oil from Saudi Arabia and some from Venezuela. Supplies from Iraq were returning to not far short of the level that had obtained before the war between Iran and Iraq. Signor Forlani had expressed some concern about his country's relations with Libya. Colonel Qadhafi was unbalanced. He might react badly to Italy's recent neutrality agreement with Malta. Italy's fishing agreements with Libya might be at risk.

The Prime Minister and Signor Forlani were both optimistic about the prospects for Governor Reagan's Administration.

The Prime Minister thought that Signor Forlani's views on the Middle East question and its handling at the forthcoming European Council were very similar to ours. Signor Forlani saw no need for a new initiative next week. The Foreign and Commonwealth Secretary thought that Signor Colombo might have more ambitious ideas than his Prime Minister. He seemed to be hoping that the Foreign Ministers would be instructed by the Heads of Government to construct a blueprint for the future.

/Signor Forlani

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Signor Forlani told the Prime Minister that Italy's economy had been very badly affected by the latest oil price rise. It was not merely that prices had gone up so sharply. Italy's oil imports tended to be invoiced in dollars, which had lately been a strong currency, while her exports had been paid for in currencies which were, relatively speaking, weak e.g. the deutschmark. The Prime Minister said that she had been impressed by one measure which the Italian Government were about to take to re-invigorate their economy. They were making arrangements for non-quoted companies to borrow through the market rather than through banks. Companies acting in this way would be excused tax on the borrowings. This would mean that they would have to pay an effective rate of about 14% at a time when inflation was running at about 20%.

I am sending copies of this letter to John Wiggins (HM Treasury), Kate Timms (MAFF), Julian West (Department of Energy), Stuart Hampson (Department of Trade) and David Wright (Cabinet Office).

Yours ever

Michael Alexander

George Walden, Esq.
Foreign and Commonwealth Office.

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With the compliments of

WESTERN EUROPEAN
DEPARTMENT

FOREIGN AND COMMONWEALTH OFFICE,
LONDON, SW1A 2AH

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- 9 DEC 1980
Minister
Thatcher MP ✓ 56

Visit of the Prime Minister
 the Rt. Honble. Mrs Thatcher MP
 to His Holiness Pope John Paul II
 on 24 November 1980

NBPA

Summary

Phms

1. Accompanied by Sir M Palliser, and others, Mrs Thatcher visited the Vatican on 24 November. She arrived in Rome the day before for talks with the Italian authorities. The Vatican were flexible in arranging the visit. (Paragraphs 1 - 2).
2. On arrival Mrs Thatcher and her party were conducted to the apartment of the Cardinal Secretary of State, with whom she reviewed the international scene and discussed Northern Ireland. (Paragraphs 3 - 4).
3. Mrs Thatcher was received by the Pope at 10.30 am. Their talk lasted longer than expected. The visit was welcomed by the Vatican and came at an opportune moment. (Paragraphs 5 - 6).



BRITISH LEGATION
TO THE HOLY SEE.
ROME.

(353/2)

2 December 1980

The Rt. Hon. The Lord Carrington KCMG MC
Foreign and Commonwealth Office
London SW1

My Lord

The Prime Minister's Visit to the Pope

1. Accompanied by the Permanent Under-Secretary of State, Sir Michael Palliser, Mr Michael Franklin, her Assistant Private Secretary, Mr Alexander, myself, and others, the Prime Minister paid an informal visit to the Vatican on Monday the 24th of November. The purpose of the visit was to call on His Holiness Pope John Paul II. This was arranged for 10.30 am and took place without advisers present.

2. Mrs Thatcher arrived in Rome on Sunday the 23rd of November for talks with the Italian authorities: plans had been made for her to call on the Pope the following afternoon. The Vatican welcomed the prospect of Mrs Thatcher's visit and the Secretariat went out of their way to enable it to take place despite the limited time available. When it became clear that the Prime Minister would have to be back in England earlier than planned, in order to attend that day's debate, the Vatican proved ready and willing to readjust the programme

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so that the Prime Minister would still have the opportunity of a private talk with the Pope.

3. The Prime Minister and her party left the Quirinal for the Vatican at 09.40 am on the 24th of November. Their arrival in the courtyard of San Damaso was marked by the presence of the Swiss Guard, drawn up in the Prime Minister's honour. The party descended from their cars and, accompanied by a Gentleman of His Holiness, proceeded to the first floor of the Secretariat building to call on the Cardinal Secretary of State. It was arranged that this call should, exceptionally, take place before the call on the Pope himself since the latter never receives visitors before 10.30 am and time was at a premium.

4. As reported in my telegram No. 46, the main subjects covered in the talk with Cardinal Casaroli were Northern Ireland; the role of the Community; developments at Madrid on the Conference for Security and Cooperation in Europe and the problem of securing freedom of religion. There was a brief discussion about the qualities of Governor Reagan and about the problems of the Middle East. Cardinal Casaroli said that the balance of terror between the United States and the USSR at least ensured some degree of detente and that this was better than none.

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C O N F I D E N T I A L



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5. After the call on the Secretary of State the party proceeded to the second floor where Mrs Thatcher was shown into the Pope's Private Library at 10.30 am. The Secretariat expected that the private talk with the Pope would last some twenty minutes. In fact it was nearer forty-five. After members of her party had been received, the Prime Minister was conducted to the main entrance on the courtyard of San Damaso, where the Swiss Guard presented arms as the Prime Minister left.

6. Although the visit was a brief and informal one, it was clearly welcome to the Vatican. The Pope's message to Mrs Thatcher of the 29th of October is evidence of the pressures on the Vatican as a result of the behaviour of the hunger strikers at the Maze prison. The fact that the Prime Minister has been able to discuss this and related matters privately and at length with the Pope will counter this pressure.

I am sending a copy of this despatch to Her Majesty's Ambassador to the Quirinal.

I am, my Lord
Yours faithfully

A handwritten signature in cursive script, appearing to read 'Mark Heath'.

Mark Heath

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PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

POINTS TO MAKE

1. Delighted Your Holiness to visit Great Britain in 1982. Ecumenical aspect of the visit will be of particular interest to Archbishop of Canterbury and leaders of other Christian Churches in Great Britain. Value of ecumenical movement. Need to promote contacts between Christians at all levels and in all places. Hopes that harmony between the different churches will be achieved by their pursuing in a positive spirit points on which they both agree and disagree.

NORTHERN IRELAND

2. Welcome attempts by Roman Catholic Clergy to persuade the prisoners to give up their hunger strike and protest. HMG will not give in to demands for political status: would encourage use of violence in pursuit of political aims and provoke violent confrontation between the two communities in Northern Ireland. Protesters have spurned HMG's humanitarian measures and insist political status. Unpleasant conditions in the cells of the dirty protesters self-inflicted: recognised by European Commission of Human Rights.

POLAND

3. Events in Poland of enormous significance both internally and for evolution of Eastern Europe generally. Watching

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them closely. But have made clear to Russians and others that we consider this an internal Polish affair to be resolved by Polish people themselves without external interference.

4. How do you and Cardinal Wyszynski [VEE-SHIN-SKI] see situation following his recent visit? What role is church likely to play?

5. Lord Carrington in Poland from 29-31 October. Impressed by Kania and Pinkowski's determination to try to achieve political solution.

6. Polish leaders emphasised in particular immense economic problems and have asked us to help. We have made clear we will consider their requests sympathetically.

OTHER TOPICS

7. Britain committed to European Community.

8. Your views on most urgent problems facing Christianity world wide? Impressions of your recent visit to the FRG?

STATUS OF THE APOSTOLIC DELEGATE (defensive)

9. Question under review. No decisions taken.

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PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

ESSENTIAL FACTS

PAPAL VISIT TO BRITAIN

1. The Pope has accepted an invitation from the two Roman Catholic hierarchies of England and Wales, and of Scotland, to pay a pastoral visit to the Roman Catholic Community in Great Britain during the summer of 1982. The Pope will not visit Northern Ireland. He visited the Republic of Ireland in September 1979 on his way to the USA. HM Government have welcomed the news of the visit. HM The Queen has also indicated publicly that if She is in the country at the time, She would naturally meet the Pope. The Pope has said that he will attach great importance to the ecumenical aspect of his visit, especially in the light of visits made to Rome by previous Archbishops of Canterbury and by leaders of other Christian Churches in Great Britain. Detailed arrangements for the visit have not yet been made.

NORTHERN IRELAND

2. Copies of the Pope's recent personal message to the Prime Minister about the hunger strike and the latter's reply are attached. (Annex B and C.)

(a) HUMANITARIAN ASPECTS

3. The ordinary prison regime in Northern Ireland is adequate and humane. The protesting prisoners have never been deprived of their basic rights (to exercise, reading material, visits, letters, washing and toilet facilities

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and so on). The fact that they have refused to take up these and other rights is not the government's fault. Their loss of 'privileges' (ie extra visits, extra letters, evening and weekend association, wearing their own clothes for part of the day and so on) is a direct and legitimate consequence of their refusal to abide by Prison Rules and of their attempt to reject the authority of the Prison Governor and, through him, of a democratically elected government.

4. The Government has accepted its duty to maintain the highest humanitarian standards compatible with the normal incidents of imprisonment. The European Commission of Human Rights declared inadmissible complaints by four of the protesters that they had been subjected to inhuman and degrading treatment and punishment in breach of the European Convention on Human Rights.

5. The Government has demonstrated its humanitarian concern in several ways in recent months. Since 26 March the awards against the protesting prisoners have been adjusted to enable them to take their daily exercise in PT kit, to have one privilege visit a month as well as the statutory one and to write and receive a letter each week instead of one a month. Since then they have been offered a limited amount of recreation each week (again in PT kit if they wish, a limited amount of association each week), easier access to library books (now available in the rooms where they hear Mass as well as in the individual wings and in the library) and the right to apply for compassionate

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home leave in circumstances such as the death of a close relative. They are also offered the choice of wearing pyjamas and dressing gowns instead of prison clothing when seeing outside medical specialists and can opt to take visits in conditions which preclude physical contact with the visitor if they wish to avoid the otherwise necessary visual body-search. If they were to conform with prison rules they would immediately earn the right to a much wider range of privileges.

6. Following the announcement on 23 October that all prisoners in Northern Ireland would be issued with civilian-type clothes as soon as possible, the protesters have sought to justify their refusal to take advantage of the facilities available to them on the grounds that to do so they have to wear prison uniform. When the new clothing is introduced they will be able - even if they maintain their protest and continue to lose all privileges - to wear civilian-type clothing to take their two visits each month, to use the toilet and wash facilities, to eat meals in the dining room, to take the exercise, recreation and association offered to them and to collect books and newspapers. The fact that they have spurned this offer underlines the self-inflicted nature of their deprivations. It also suggests that they are not interested in prison reform as such but in securing a concession which would apply only to them and which would therefore allow them to claim that they had been accorded the special status which they seek.

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(b) CONTACTS WITH THE CATHOLIC HIERARCHY

7. Cardinal Tomas O'Fiaich is the Roman Catholic Primate of All Ireland. He and Edward Daly, Bishop of Derry, both of whom share the aspiration of Irish unity by non-violent means, have expressed their grave concern over the conditions in which the protesting prisoners are living. The simplistic belief among Unionists that they share the PIRA's political aims, their refusal to acknowledge that the conditions are self-inflicted and the assurance that they have the means to pass on any Government proposal to the protesters has led to them being indentified with the protesters and this has exacerbated the polarisation of the Community in Northern Ireland. Mr Gerry Fitt MP, said on 10 November in the House of Commons that the Cardinal 'has not had a good effect on this controversy'.

8. Mgr Gaetano Alibrandi is the Papal Nuncio in Dublin. His pastoral responsibilities extend over the whole of Ireland. He shares Cardinal O'Fiaich's aspiration to Irish unity and we believe that his reporting to Rome is critical of HMG, particularly over the prisons protest issue.

9. Archbishop Bruno Heim, the Apostolic Delegate in London, is sympathetic to HMG's position. We believe him to be a helpful influence.

POLAND

10. Cardinal Wyszynski visited Rome from 23 October to 8 November.

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11. The Polish church had traditionally played a stabilising and conciliating role during periods of social unrest in Poland. It has maintained this line during the present crisis but has been in for some criticism from workers and from within the church hierarchy. Individual priests have also taken a much more radical line than their church leaders. A sermon by Wyszynski at the height of the crisis in August urging moderation (which the authorities published widely) was particularly resented and largely ignored. More recently Wyszynski has emphasised his support for the new unions. But the church will probably continue to take a cautious and moderating stance. Cardinal Wyszynski called on Kania for the first time on 22 October before leaving for Rome.

12. The Pope has made clear that his sympathies are with the strikers and may consider the Polish church to have erred too far on the side of caution. But he too has taken a comparatively restrained line.

13. Following the compromise reached on the registration of Solidarnosc, immediate tensions in Poland have eased. But the basic problem on incompatibility between genuinely free trade unions and the communist system remains unresolved. Further confrontations are thus likely sooner or later.

14. The Poles have reiterated the requests for economic assistance put to us in October. These include refinancing of officially guaranteed debt repayments and new credits on better terms. Similar approaches have been made to other Western creditors.

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OTHER TOPICS

COMMUNITY

15. The Pope may enquire about the Prime Minister's talks with Italian Government. He may ask how seriously to take the Opposition's threat of withdrawal from the Community. In view of the Vatican's interest in promoting the unity of Christian Europe, the Prime Minister may wish to assure the Pope of Britain's commitment to the European Community.

DISARMAMENT

16. On disarmament and deterrence, the Pope may seek the Prime Minister's views on the resurgence of CND in Britain.

CSCE

17. The Pope ^(was represented at) attended the opening session of the Madrid Review Conference ^{by Archbishop Silvestrini, his Foreign Minister} (covered in briefing for Anglo-Italian Consultations) as an observer. ^{The CSCE is covered in briefing for Anglo-Italian Consultations.}

MIDDLE EAST

18. See Holy See telegram No 42.

DIPLOMATIC REPRESENTATION

19. Despite the rupture caused by the Reformation, HM Government and the Holy See continued to send emissaries to each other when the need arose. The emissary sent to Rome at the outset of the First World War remained and there has been permanent British representation ever since. There has been a permanent Apostolic Delegation in London since 1938.

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20. In November 1979 the Government agreed to receive the Apostolic Delegate and his Counsellor as diplomatic agents within the meaning of the Diplomatic Privileges Act 1964. They are now entitled to all the privileges and immunities accorded to diplomats, and the premises, property and communications of the Apostolic Delegation are treated in the same way as those of a diplomatic mission. The Apostolic Delegation is otherwise different from a normal diplomatic mission in so far as the Apostolic Delegate is not accredited to the Court of St James in the same way as an Ambassador or other Head of a diplomatic mission, but is accredited by the Holy See to the two Roman Catholic hierarchies of England and Wales, and of Scotland.

21. HMG are currently considering the possibility of inviting the Vatican to promote their Representative in London to the ambassadorial status of a papal Pro-Nuncio during 1981 and simultaneously raising HM Legation to the Holy See to the status of a full Embassy. There is a risk, however, that if this issue is discussed prematurely with the Vatican and news of our intentions leaks, it might be seen as part of a coordinated plan and assume an importance both politically and in the religious world which it does not have.

PERSONALITY NOTES

22. Personality Notes on His Holiness Pope John Paul II and Sir Mark Heath are attached at Annex D.

Foreign and Commonwealth Office

18 November 1980

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ANNEX A

PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

THE VATICAN'S ROLE AND ITS FOREIGN RELATIONS: THE HOLY SEE

1. The Vatican has recently acquired greater influence in world affairs in the promotion of peace, disarmament and the war against poverty. In an energetic interpretation of his role, the present Pope has taken an active interest in such matters as East-West relations. The Pope recently sent a message to Heads of Government of the CSCE participating States on the question of individual human rights and religious freedom.

2. The Roman Catholic Church has world-wide influence where important British interests are at stake, eg Ireland, Eastern Europe, South America and the Middle East (especially Lebanon). The Vatican has consistently avoided being drawn into unhelpful comment on Northern Ireland, for example over the dirty protest at the Maze Prison. The Queen paid a State Visit to the Vatican on 17 October. Her third visit to a Pope.

FOREIGN RELATIONS

3. Since the Pope's spiritual sovereignty is more important than this temporal sovereignty it is the Holy See which normally takes part in international affairs and is represented at international conferences. The Vatican City is a member of such international bodies as the Universal Postal Union and the International Telecommunication Union where matters of a primarily administrative nature are discussed. In 1965 the Pope appointed Pro-Nuncios for the

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first time (ie papal envoys ranking as ambassadors but without de jure deanship and precedence in the resident diplomatic corps). The Holy See maintains full diplomatic relations with some 95 states and regions of the world. It also has delegates or observers at a number of governmental organisations and a nuncio to the European Community. In 1977 it secured observer status to the United Nations and was a signatory to the Final Act of the CSCE.

THE HOLY SEE

4. The Holy See is the actual seat of the Pope. It is however generally used as a portmanteau expression embracing the Pope as supreme Pontiff and those in government with him at the Roman Catholic Church's headquarters at the Vatican in Rome.
5. The 1929 Lateran Treaty with Italy established the independent State of the Vatican City, which constitutes the territorial extent of the temporal sovereignty of the Holy See (an area of 0.16 square miles). Italy's adherence to the Lateran Treaty was reaffirmed in the new Italian Constitution of 1947, which recognises the State of the Vatican City, as a neutral and inviolable territory.
6. The Pope, who is simultaneously head of the Roman Catholic Church in Rome and ruler of the State of the Vatican City, is elected by the College of Cardinals. He is elected for life, although he may exceptionally resign.

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7. The central government of the Holy See is vested in the Pope who is supreme, and in the College of Cardinals who at present number 136. The affairs of the Catholic Church are administered through the Secretariat of State, the Council for the Public Affairs of the Church under the Cardinal Secretary of State, through a number of Sacred Congregations, each under the direction of a Cardinal, and through special Tribunals, Offices, Commissions and Secretariats.

8. The Pope appoints a Papal Commission, under a President who is a Secretary of State of the Roman Curia, to administer the affairs of the Vatican City.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 35 OF 30 OCTOBER 1980

INFO ROME (A)

ULSTER PRISONERS:

1. I WAS SUMMONED TO THE VATICAN THIS MORNING BY MONSIGNOR SILVESTRINI TO BE HANDED THE TEXT OF THE FOLLOWING PERSONAL MESSAGE FROM THE POPE TO THE PRIME MINISTER.

BEGINS:

I AM RECEIVING DISTURBING NEWS ABOUT THE TENSION IN THE MAZE PRISON IN NORTHERN IRELAND, WHERE A NUMBER OF PRISONERS HAVE BEGUN A HUNGER STRIKE.

I AM AWARE THAT THE SECRETARY OF STATE FOR NORTHERN IRELAND, MR ATKINS, HAS ALREADY BEEN ASKED TO EXAMINE THE PROBLEM AND TO SEEK POSSIBLE SOLUTIONS.

IN THE SPIRIT OF THE CALL FOR PEACE AND RECONCILIATION WHICH I MADE AT DROGHEDA DURING MY PASTORAL VISIT TO IRELAND LAST YEAR, I WOULD EXPRESS MY DEEP CONCERN ABOUT BOTH THE TRAGIC CONSEQUENCES WHICH THE AGITATION COULD HAVE FOR THE PRISONERS THEMSELVES AND ALSO THE POSSIBLE CRAVE REPERCUSSIONS UPON THE WHOLE SITUATION IN NORTHERN IRELAND.

I WOULD ASK YOU TO CONSIDER PERSONALLY POSSIBLE SOLUTIONS IN ORDER TO AVOID IRREVERSIBLE CONSEQUENCES THAT COULD PERHAPS PROVE IRREPARABLE.

IOANNES PAULUS PP. II

ENDS:

2. I EXPLAINED THE POSITION ON POLITICAL STATUS TO MONSIGNOR SILVESTRINI. HE HAD WITH HIM A LETTER FROM ME TO MONSIGNOR TONUCCI WITH WHICH I HAD SENT THE SUBSTANCE OF FCO TELEGRAMS NUMBERS 36 TO BIS NEW YORK AND GUIDANCE NO 110. I ALSO WENT OVER THE POINTS ON CIVILIAN CLOTHES.

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3. WHEN I ASKED WHAT FURTHER PRACTICAL STEPS HE THOUGHT WE COULD TAKE IN ADDITION TO THE CONCESSION ON CLOTHING HE WAS SILENT. HE SAID THAT (I) FOR THEIR PART THE CLERGY WOULD CONTINUE TO URGE THE PRISONERS TO GIVE UP THE STRIKE AND (II) THE MESSAGE WAS A PERSONAL ONE FROM THE POPE HIMSELF.

HEATH

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PS/MR HURD
PS/MR RIDLEY
PS/MR BLAKER

PS/PUS
SIR A ACLAND
CHIEF CLERK
MR ADAMS
MR BULLARD
MR FERGUSON
LORD N G LENNOX
MR BRAITHWAITE

ADDITIONAL DISTRIBUTION

NORTHERN IRELAND

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ANNEX C

10 DOWNING STREET

THE PRIME MINISTER

13 November 1980

Thank you for your personal message about the hunger strike at the Maze prison in Northern Ireland. The British Government fully share your concern that the hunger strike, and the wider protest at the Maze prison, be brought to an end as soon as possible.

Of the seven hunger strikers, six are members of the Provisional IRA; one is a member of the Irish National Liberation Army. All were convicted in open court of very serious crimes, including murder, attempted murder, armed robbery and explosives offences. Their hunger strike is in pursuit of a demand for a political status which would involve their receiving privileges greater than those available to other convicted criminals in Northern Ireland. I have made it clear that the British Government cannot and will not accede to this demand. To do so would be to accept that political motivation in some way excuses such serious crimes; it would encourage the use of violence as a means of obtaining political objectives; and it would be likely to provoke a violent confrontation between the two communities in the North.

Nevertheless, my colleagues and I are fully aware of the increase in tension which may be created both by the hunger strike itself and by the ruthless exploitation of it for propaganda purposes. We shall be quick to grasp any practical

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opportunity to ease the situation. Over the past few months we have made a number of changes in prison rules; these could have led to a significant improvement in the appalling conditions in which the protesting prisoners choose to live. But they have not taken advantage of these changes. Recently we announced our intention to abolish conventional prison uniform for all prisoners in Northern Ireland and to substitute a range of ordinary civilian clothing provided by the prison authorities. Since one of the features of prison life to which the protesting prisoners say that they most object is the obligation to wear prison uniform, the decision is an indication of the Government's willingness to approach this difficult problem with flexibility and fairness and in a genuinely humanitarian spirit. But it too has been dismissed out of hand.

You may be sure that we very much welcome the efforts of the clergy in Northern Ireland to persuade the prisoners both to give up the strike and to end their protest; and I hope you will be able to give your full support to this objective.

Should you wish, I shall of course be happy to discuss this problem with you during my visit to Rome later in the month.

(SGD) MT

His Holiness Pope John Paul II

PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

PERSONALITY NOTES

- (a) His Holiness Pope John Paul II (Karol Wojtyla)
- (b) Cardinal Agostino Casaroli, Secretary of State
- (c) Sir Mark (Evelyn) Heath

HIS HOLINESS POPE JOHN PAUL II (KAROL WOJTYLA)

Born at Wadowice in the diocese of Krakow on 18 May 1920. After studying Arts at the Jagiellonian University, Krakow he worked first as a quarryman and then in a chemical factory. At the same time he studied theology secretly.

He was ordained priest on 1 November 1946, and sent to Rome where he obtained a Doctorate of Theology for a thesis on the virtue of Faith in the writings of St John of the Cross.

Back in Poland he taught at the Catholic University Lublin, and at the Theology Faculty, Krakow. He was nominated vicar cooperator and assistant of University students and graduates. His ministry came at a particularly difficult time politically. His articles and essays bear witness to the intensity of his cultural and teaching activity. They are mainly concerned with the problems of youth and Christian ethics.

Pius XII nominated him titular bishop of Osubi and Auxiliary of the Apostolic Administrator of Krakow on 4 July 1958. In June 1962 he was elected Vicar Capitular; he was appointed Archbishop of Krakow on 13 January 1964 and created Cardinal on 26 June 1967. He took possession of the Church of S Cesareo al Palatino on 21 February 1968.

He was very active during the Second Vatican Council where he was given the task of drawing up Chapter VI of the Constitution Gaudium et Spes. He stressed the principle 'The human person is the end and not the instrument of the

social order: religion is the apex and the perfecting of personal life and of the aspiration to truth'.

He took part in all the Assemblies of the Synod of Bishops; was a member of the Council of the General Secretariat; he was Vice-President of the Polish Episcopal Conference and President of the Episcopal Commission for ecclesiastical studies and for the lay apostolate.

He was held in high regard by Pope Paul VI. His most important works, in addition to 'Love and Responsibility' and a monograph on Max Scheler, are: 'Person and Act'; 'The Foundations of the Renewal of the Second Vatican Council'; and 'A Sign of Contradiction', a series of discourses addressed to bishops assembled at the Vatican.

Archbishop Wojtyla was elected Pope on 16 October 1978, the first non-Italian for over four centuries. At his inauguration on 22 October he said he would eschew temporal affairs, continue his predecessor's policies, implement the reforms of the Second Vatican Council and promote collegiality in the running of the Church (ie allow the bishops some say in the direction of it).

He has so far proved an outstanding Pope acclaimed by millions in Italy and on his extensive travels elsewhere. He has visited the Dominican Republic, Mexico, Poland, Ireland, the USA, Turkey, France, Brazil and most recently, the FRG.

The Pope is an accomplished linguist. He speaks Italian, French, German and Spanish. His English has improved greatly (he is said to be working on the papers for his prospective visit to Britain) and he acquired some knowledge of Portuguese for the highly successful visit to Brazil in June 1980. He also speaks Russian.

CARDINAL AGOSTINO CASAROLI

Secretary of State.

Born Piacenza 1914. After some 20 years in the Secretariat of State he was appointed Under-Secretary for Extraordinary Affairs in 1961. He represented the Holy See at the Vienna Diplomatic Conferences in 1961 and 1963, but has not served abroad. His charitable activities are particularly concerned with juvenile delinquents.

An able diplomat. Visited Hungary and Czechoslovakia in 1963 and 1964. Yugoslavia in 1965, Poland in 1967 and 1974 and the USSR in 1971 for discussions with the Communist Governments, and Czechoslovakia in 1973 for the consecration of four new bishops. He was promoted archbishop and appointed Secretary of the Council for the Public Affairs of the Church in July 1967, a post which is virtually the equivalent of Foreign Minister. Attended the Helsinki Conference on European Security in 1973 and 1975, and the special Assembly of the United Nations for disarmament in 1978. He was appointed Pro-Secretary of State on his elevation to Cardinal in May 1979.

He speaks English and is a good conversationalist.

We have always found him affable, friendly and accessible.

SIR MARK (EVELYN) HEATH KCVO CMG

HM Minister to the Holy See since April 1980.

Born 1927. Educated at Marlborough College and Queen's College Cambridge. Royal Navy 1945-48. University 1948-50. Entered Foreign Service through Normal Competition 1950 and became Third Secretary, Information Research Department. Third Secretary Djakarta 1952; Second Secretary Copenhagen 1956. Far Eastern Department, Foreign Office 1958. Southern Department, Foreign Office 1960. Promoted sur place to First Secretary.

First Secretary and Head of Chancery, Sofia 1962. First Secretary - on secondment to CRO - Ottawa 1964. Assistant Head of AM&T Department, FCO 1968. Head of Commodities Department FCO on promotion to Counsellor 1970. Counsellor and Head of Chancery Paris, OECD 1971. On secondment to Cabinet Office (Defence and Overseas Secretariat) 1974. Head of WAD and Ambassador (non-resident) to Chad, FCO 1975. Diplomatic Service Inspector, FCO 1978.

Married to Margaret Bragg since 1954. Two sons and a daughter.



Programme for the Visit of the Prime Minister,
the Right Honourable Margaret Thatcher, PC MP
to His Holiness Pope John Paul II
Monday the 24th of November, 1980

- 09.55 Arrive Courtyard of San Damaso.
Greeted by a contingent of the Swiss Guard and Gentlemen of His Holiness, and escorted by the latter to the first floor of the Papal Apartments.
- 10.00 Call on Cardinal Casaroli. The Prime Minister's advisers are invited to attend the subsequent conversation.
- 10.25 The Prime Minister takes her leave and is escorted, with her advisers, to the second floor.
- 10.28 Greeted by the Prefect of the Pontifical Household, Monsignor Martin, and escorted by him to the Private Library.
- 10.30 The Prime Minister is welcomed at the threshold by His Holiness. Her advisers remain in the Sala degli Ambasciatori.

/ 10.50

10.50 The Prime Minister's advisers
will be presented to His Holiness
by the Prime Minister.

10.55 The Prime Minister and her
advisers withdraw.
The Prefect of the Pontifical
Household takes his leave and
the Prime Minister and party are
escorted in the lift by the
Gentlemen of His Holiness to the
Courtyard of San Damaso.

11.00 The Prime Minister and her party
enter their cars and are seen off
by the Gentlemen of His Holiness
and the contingent of the Swiss
Guard.



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CASAROLI, CARDINAL AGOSTINO

SECRETARY OF STATE

Born Piacenza 1914. After some 20 years in the Secretariat of State he was appointed Under-Secretary for Extraordinary Affairs in 1961. He represented the Holy See at the Vienna Diplomatic Conferences in 1961 and 1963, but has not served abroad. His charitable activities are particularly concerned with juvenile delinquents.

An able diplomat. Visited Hungary and Czechoslovakia in 1963 and 1964. Yugoslavia in 1965, Poland in 1967 and 1974 and the USSR in 1971 for discussions with the Communist Governments, and Czechoslovakia in 1973 for the consecration of four new bishops. He was promoted archbishop and appointed Secretary of the Council for the Public Affairs of the Church in July 1967, a post which is virtually the equivalent of Foreign Minister. Attended the Helsinki Conference on European Security in 1973 and 1975, and the special Assembly of the United Nations for disarmament in 1978.

He was appointed Pro-Secretary of State on his elevation to Cardinal in May 1979.

He speaks English and is a good conversationalist.

We have always found him affable, friendly and accessible.



Foreign and Commonwealth Office

London SW1A 2AH

21 November 1980

Dear Michael,

Prime Minister's call on the Pope

You asked for copies of:-

- (1) Cardinal Hume's pastoral letter of 14 November;
- (2) The speeches made by the Pope during his visit to the Republic of Ireland in 1979;
- (3) The Pope's message to Irish Bishops.

/ These are attached. Could we have (2) back please in due course?

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
No 10 Downing Street
LONDON SW1

North America DepartmentVisit by Mr Muskie

Mr Streator of the American Embassy telephoned me this morning to confirm that Mr Muskie would be in London from about 7.30 pm on Friday 12 December (after the NATO Council in Brussels) until about noon on Sunday 14 December. Mr Streator implied that this would be in the nature of a farewell visit. He said that the Ambassador would like to give Mr Muskie dinner on the evening of 12 December, and mentioned Lord and Lady Carrington, Sir Michael and Lady Palliser, Mr and Mrs Pym and Sir Robert and Lady Armstrong, as possible guests. I said that I thought Lord Carrington might like to offer the dinner, and Mr Streator subsequently confirmed that the Ambassador would be content with this (we should need to invite Mr Watson, former head of IBM and now US Ambassador in Moscow, to our dinner, since Mr Streator mentioned that he would have been on the Ambassador's list. Other members of the Muskie party are likely to be Mr George Vest and one other senior official).

Mr Streator said that Mr Muskie would very much like to call on the Prime Minister even if this meant going down to Chequers. He quite understood that Saturday would not be ideal for Mrs Thatcher, but clearly hoped that something could be managed. He stressed that there was no need to do anything for Mr Muskie on Saturday evening, when the Ambassador planned to take him to the theatre.

I doubt whether Lord Carrington will wish to go through the motions of holding official talks with Mr Muskie on Saturday, though he will be equally anxious to ensure that Muskie is correctly treated.

I should be grateful for your advice.

* Mrs Muskie will
accompany her husband.
ew.

G. G. H. Walden

(G G H Walden)
Private Secretary

21 November 1980

cc:

PS	Lord Bridges	Hd News Dept
PS/LPS	Mr Day	Defence Dept
PS/Mr Hurd	Mr J Moberly	PCD
PS/Mr Ridley	Mr P Moberly	Sir N Henderson (via Heads of Mission)
PS/PUS	Mr Fergusson	
Sir A Acland	Lord N Gordon Lennox	
Sir J Graham	EESD	
Mr Bullard	Planning Staff	bcc Mrs B Alexander W, Downing Street

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TO IMMEDIATE FCO
TELNO 624 OF 21 NOVEMBER 1980
INFO SAVING TO HOLY SEE (PASSED)

MY TELNOS 622 AND 623: ANGLO/ITALIAN SUMMIT

1. TO CONFIRM MY TELECONS WITH SIR R ARCULUS AND VEREKER (WED).
2. PRESIDENT PERTINI HAS INVITED THE PRIME MINISTER TO HAVE BREAKFAST AT THE QUIRINALE AT 0845 ON MONDAY MORNING 24 NOVEMBER. PROTOCOL HAVE SINCE TOLD US THAT COLOMBO AND YOURSELF ARE LIKELY TO BE INCLUDED IN THE INVITATION.
3. THE PRESS CONFERENCE AT PALAZZO CHIGI (WHICH IS CLOSE TO THE QUIRINALE) IS BEING RETIMED FOR 0920. THIS WILL ALLOW HALF AN HOUR BEFORE THE PRIME MINISTER NEEDS TO LEAVE FOR HER APPOINTMENTS AT THE VATICAN AT 1000 AND 1030 (IT IS NOT FAR FROM CHIGI).
4. IT IS CONFIRMED THAT FORLANI WILL MEET THE PRIME MINISTER AT THE AIRPORT ON SUNDAY AFTERNOON. THERE WILL BE MILITARY HONOURS. FORLANI IS LIKELY TO ACCOMPANY MRS THATCHER ON THE DRIVE TO VILLA MADAMA IN THE FIRST ARMoured CAR. SINCE THERE WILL HAVE TO BE AN INTERPRETER IN FRONT, WE PROPOSE THAT THE PRIME MINISTER'S DETECTIVE OCCUPY AN IMMEDIATELY FOLLOWING CAR, FOLLOWED BY YOURSELF AND HM AMBASSADOR IN THE SECOND ARMoured CAR.
5. ON MONDAY MORNING, SIR M HEATH WILL ACCOMPANY THE PRIME MINISTER FROM THE PRESS CONFERENCE TO THE VATICAN. SIR R ARCULUS WILL ACCOMPANY HER FROM THE VATICAN TO THE AIRPORT FOR TAKE-OFF AT 1130. THERE WILL AGAIN BE MILITARY HONOURS AND SHE WILL BE SEEN OFF BY A MEMBER OF THE GOVERNMENT.

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DESKBY 211500Z ROME AND HOLY SEE

FM FCO 211345Z NOV 80

TO IMMEDIATE ROME

TELEGRAM NUMBER 566 OF 21 NOVEMBER

AND TO IMMEDIATE HOLY SEE (ROME PASS)

FROM WED

PRIME MINISTER'S VISIT TO ROME: 23-24 NOVEMBER

1. AS YOU KNOW FROM TELECONS WITH THE DEPARTMENT, THE PRIME MINISTER WILL NOW HAVE TO LEAVE ROME EARLIER THAN EXPECTED ON THE MORNING OF 24 NOVEMBER IN ORDER TO RETURN TO LONDON FOR THE DEBATE ON THE ADDRESS. MESSAGES OF EXPLANATION HAVE BEEN SENT.
2. THE PRIME MINISTER HAS AGREED TO THE ITALIAN PROPOSAL THAT SHE SHOULD ARRIVE AT FIUMCINO AIRPORT AT 1700 ON 23 NOVEMBER AND THAT TALKS SHOULD BEGIN AT 1815. WE ARE MOST GRATEFUL TO THE ITALIANS FOR PROPOSING THIS RE-ARRANGEMENT OF THE PROGRAMME. WE UNDERSTAND THAT SIGNOR FORLANI PROPOSES TO GIVE A LARGER DINNER WITH WIVES AT 2100 AS PREVIOUSLY ARRANGED AND DOES NOT FAVOUR THE IDEA OF A WORKING DINNER.
3. THE PRIME MINISTER HAS AGREED TO THE VATICAN'S PROPOSAL THAT HER CALL ON THE POPE SHOULD BE RE-ARRANGED FOR 1030 ON 24 NOVEMBER. WE ASSUME THAT THIS WILL MEAN TAKING OFF FROM ROME AT APPROXIMATELY 1130 INSTEAD OF 1040 AS WE HAD EARLIER PROPOSED. WE UNDERSTAND THAT A CALL ON CARDINAL CASAROLI IS NOW PROPOSED FOR 1000 BEFORE THE CALL ON THE POPE. THE PRIME MINISTER IS CONTENT TO MAKE AN EARLIER START TO MEET SIGNOR FORLANI'S WISH FOR A PRESS CONFERENCE. THIS WOULD PRESUMABLY MEAN:
0830 - 0915 BREAKFAST WITH PRESIDENT PERTINI:
0920 - 0950 JOINT PRESS CONFERENCE AT SIGNOR FORLANI'S OFFICE.
4. THE SECRETARY OF STATE EXPECTS TO LEAVE ROME BY RAF AIRCRAFT AT ABOUT 1400, AFTER LUNCH. GRATEFUL IF YOU COULD INFORM BRUSSELS WHEN AIRCRAFT TAKES OFF. UNLESS ANY PARTICULAR POINTS ARISE ON THE SUNDAY EVENING WHICH THE TWO FOREIGN MINISTERS WISH TO FOLLOW UP, WE DO NOT FORESEE ANY NEED TO ARRANGE FURTHER TALKS WITH SIGNOR COLOMBO ON THE MONDAY MORNING. LORD CARRINGTON DOES NOT

1

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EXPECT TO ACCOMPANY THE PRIME MINISTER FOR HER CALL ON THE POPE.

CARRINGTON

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MR BULLARD

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TELEGRAM NUMBER 622 OF 20 NOVEMBER 1980
INFO SAVING HOLY SEE (A)

PS / No 10

MY TELECONS WITH VEREKER (WED): ANGLO/ITALIAN SUMMIT

1. ITALIANS UNDERSTAND WHY PRIME MINISTER NOW NEEDS TO RETURN TO UK ON MORNING OF 24 NOVEMBER. THEY WOULD WELCOME IT IF HER ARRIVAL ON THE PREVIOUS AFTERNOON COULD BE BROUGHT FORWARD AS YOU HAVE OFFERED. FOLLOWING IS PROVISIONAL REVISED PROGRAMME, ON WHICH I HOPE WE CAN GIVE THEM COMMENTS EARLY TOMORROW MORNING.

SUNDAY 23 NOVEMBER

1700 PRIME MINISTER'S PARTY ARRIVE AT FIUMICINO (NOTE CHANGE OF AIRFIELD: THE PRESIDENT WILL BE LANDING AT CIAMPINO AROUND THE SAME TIME). FORLANI EXPECTED TO MEET, UNLESS HE HAS TO BE AT CIAMPINO. MILITARY HONOURS (TO BE CONFIRMED). DRIVE DIRECT TO VILLA MADAMA (TRANSPORT PLAN IN MIFT), WHERE A BEDROOM AND BATHROOM WILL BE SET ASIDE FOR THE PRIME MINISTER TO CHANGE.

1815 THREE CONCURRENT CONVERSATIONS:

- (A) PRIME MINISTER/FORLANI (TETE-A-TETE)
- (B) SECRETARY OF STATE/COLOMBO (TETE-A-TETE)
- (C) OFFICIAL DELEGATIONS

THESE WILL MERGE INTO A PLENARY ON CONCLUSION OF TETE-A-TETES.

2030 FOR 2100 FORLANI'S DINNER FOR PRIME MINISTER, BRITISH PARTY, ITALIAN MINISTERS AND OFFICIALS AND THEIR WIVES (GUEST LIST IN MIFT).

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/MONDAY

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MONDAY 24 NOVEMBER

0900 OR 0915 JOINT PRESS CONFERENCE AT PALAZZO CHIGI.

1000 CALL ON CARDINAL SECRETARY OF STATE (TO BE CONFIRMED)

1030 CALL ON THE POPE (TO BE CONFIRMED BY THE VATICAN)

1130 DEPARTURE FROM CIAMPINO REPEAT CIAMPINO.

2. WED PLEASE SHOW TO SIR R ARCULUS.

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MR BULLARD

MR FERGUSSON

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 TELNO 42 OF 17 NOVEMBER 1988
 INFO ROUTINE ROME

PS
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 Mr Bullard

~~Hd/WK~~
 Hd/News

Re

MY TELNO 36: PRIME MINISTER'S CALL ON THE POPE

1. I CALLED THIS MORNING ON MONSIGNOR SILVESTRINI, SECRETARY OF THE COUNCIL FOR THE PUBLIC AFFAIRS OF THE CHURCH. I ASKED FOR THE APPOINTMENT LAST WEEK IN ORDER TO DISCUSS CARDINAL WYSZYNSKI'S VISIT AND THE CHURCH IN POLAND. (YOUR TELNO 34). I TOOK THE OPPORTUNITY FOR A WIDER DISCUSSION OF THE CURRENT POLITICAL SCENE AND OF THE TOPICS WHICH THE VATICAN ARE MOST LIKELY TO DISCUSS.
2. ON POLAND MGR. SILVESTRINI EXPRESSED HIS INTEREST IN THE ACCOUNT OF YOUR VISIT TO WARSAW LAST MONTH. HE AGREED THAT THE POSITION REMAINED DELICATE. THE VATICAN WERE GIVING DISCREET SUPPORT TO THE AUTHORITIES IN ORDER TO PROTECT THE INTERESTS OF THEIR OWN PEOPLE. THEY SHARED YOUR ASSESSMENT OF THE IMPORTANCE OF THE ECONOMIC BACKGROUND. THE POLES FACED A HEAVY TASK IF THEY WERE TO COVER THEIR FINANCIAL COMMITMENTS. HE THOUGHT THAT HELP FROM THE WEST WOULD BE IMPORTANT.
3. MGR. SILVESTRINI SAID LITTLE ABOUT THE VISIT OF CARDINAL WYSZYNSKI EXCEPT TO REFER TO THE POPE'S PUBLIC STATEMENTS. ACCORDING TO THE PRESS CARDINAL WYSZYNSKI EXTENDED HIS STAY IN ROME AND MADE CLEAR HIS WISH TO HAND OVER TO A SUCCESSOR. MGR. SILVESTRINI SIMPLY SAID THAT WYSZYNSKI LEFT ROME IN A CONFIDENT FRAME OF MIND. HE MEANT THAT THE VATICAN AND THE CARDINAL WERE REASONABLY CONFIDENT THAT THE PRESENT COURSE COULD BE MAINTAINED AND THAT INTERVENTION COULD BE AVOIDED.

BE AVOIDED.


4. MGR. SILVESTRINI ADDED THAT POLAND WAS A SUBJECT OF PARTICULAR SENSITIVITY TO THE VATICAN AND EXPRESSED SOME DOUBT WHETHER THE POPE WOULD BE ANXIOUS TO DISCUSS IT WITH THE PRIME MINISTER.

5. OTHER SUBJECTS WHICH MGR. SILVESTRINI THOUGHT SHOULD FIND A PLACE ON THE AGENDA ARE BROADLY THOSE LISTED IN MY TELEGRAM UNDER REFERENCE. HE MENTIONED THE POPE'S VISIT TO BRITAIN IN 1982, MIDDLE EAST PROBLEMS, DEFENCE AND THE MADRID CSCE CONFERENCE FROM WHICH HE HAD JUST RETURNED. HOWEVER, THE MAIN SUBJECT IS LIKELY TO BE NORTHERN IRELAND. THE POPE'S MESSAGE TO THE PRIME MINISTER ABOUT THE HUNGER STRIKE AT THE MAZE PRISON WAS ALMOST CERTAINLY SENT AT THE INSTANCE OF CARDINAL O'FLAICH. THE FACT THAT THE VATICAN ADVISED THE POPE TO SEND IT DESPITE THE QUANTITIES OF BRIEFING WE HAVE BEEN GIVING THEM ON THE SUBJECT AND THAT WE KNOW THE DESK OFFICER RESPONSIBLE IS SEIZED OF AND SYMPATHISES WITH HMGS POSITION IS A REFLECTION OF THE VATICAN'S DIFFICULTIES IN THIS AREA.

6. MGR. SILVESTRINI MADE ONLY PASSING REFERENCE TO THE MIDDLE EAST. THEY ARE CONCERNED ABOUT THE STATUS OF JERUSALEM AND THE PROTECTION OF THE HOLY PLACES. THEY WERE INTERESTED IN M. THORN'S RECENT VISIT AND KING HUSSAIN IS A REGULAR VISITOR HERE. THE IRAQI/IRANIAN WAR IS OF COURSE OF PARTICULAR CONCERN TO THEM.

7. MGR. SILVESTRINI INDICATED THAT THE POPE'S TALK WITH THE PRIME MINISTER WOULD BE WITHOUT ADVISERS SINCE THIS WAS HIS NORMAL PRACTICE. MGR. SILVESTRINI IS CONSULTING THE SECRETARY OF STATE, CARDINAL CASAROLI, ON WHOM THE PRIME MINISTER WOULD NORMALLY CALL AFTER SEEING THE POPE. SIR MICHAEL PALLISER WOULD CERTAINLY BE WELCOME TO ATTEND THIS MEETING. MGR. SILVESTRINI WOULD ALSO PROBABLY ATTEND ON THE VATICAN SIDE.

HEATH



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PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

POINTS TO MAKE

1. Delighted Your Holiness to visit Great Britain in 1982. Ecumenical aspect of the visit will be of particular interest to Archbishop of Canterbury and leaders of other Christian Churches in Great Britain. Value of ecumenical movement. Need to promote contacts between Christians at all levels and in all places. Hopes that harmony between the different churches will be achieved by their pursuing in a positive spirit points on which they both agree and disagree.

NORTHERN IRELAND

2. Welcome attempts by Roman Catholic Clergy to persuade the prisoners to give up their hunger strike and protest. HMG will not give in to demands for political status: would encourage use of violence in pursuit of political aims and provoke violent confrontation between the two communities in Northern Ireland. Protesters have spurned HMG's humanitarian measures and insist political status. Unpleasant conditions in the cells of the dirty protesters self-inflicted: recognised by European Commission of Human Rights.

POLAND

3. Events in Poland of enormous significance both internally and for evolution of Eastern Europe generally. Watching

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them closely. But have made clear to Russians and others that we consider this an internal Polish affair to be resolved by Polish people themselves without external interference..

4. How do you and Cardinal Wyszynski [VEE-SHIN-SKI] see situation following his recent visit? What role is church likely to play?

5. Lord Carrington in Poland from 29-31 October. Impressed by Kania and Pinkowski's determination to try to achieve political solution.

6. Polish leaders emphasised in particular immense economic problems and have asked us to help. We have made clear we will consider their requests sympathetically.

OTHER TOPICS

7. Britain committed to European Community.

8. Your views on most urgent problems facing Christianity world wide? Impressions of your recent visit to the FRG?

STATUS OF THE APOSTOLIC DELEGATE (defensive)

9. Question under review. No decisions taken.

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PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

ESSENTIAL FACTS

PAPAL VISIT TO BRITAIN

1. The Pope has accepted an invitation from the two Roman Catholic hierarchies of England and Wales, and of Scotland, to pay a pastoral visit to the Roman Catholic Community in Great Britain during the summer of 1982. The Pope will not visit Northern Ireland. He visited the Republic of Ireland in September 1979 on his way to the USA. HM Government have welcomed the news of the visit. HM The Queen has also indicated publicly that if She is in the country at the time, She would naturally meet the Pope. The Pope has said that he will attach great importance to the ecumenical aspect of his visit, especially in the light of visits made to Rome by previous Archbishops of Canterbury and by leaders of other Christian Churches in Great Britain. Detailed arrangements for the visit have not yet been made.

NORTHERN IRELAND

2. Copies of the Pope's recent personal message to the Prime Minister about the hunger strike and the latter's reply are attached. (Annex B and C.)

(a) HUMANITARIAN ASPECTS

3. The ordinary prison regime in Northern Ireland is adequate and humane. The protesting prisoners have never been deprived of their basic rights (to exercise, reading material, visits, letters, washing and toilet facilities

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and so on). The fact that they have refused to take up these and other rights is not the government's fault. Their loss of 'privileges' (ie extra visits, extra letters, evening and weekend association, wearing their own clothes for part of the day and so on) is a direct and legitimate consequence of their refusal to abide by Prison Rules and of their attempt to reject the authority of the Prison Governor and, through him, of a democratically elected government.

4. The Government has accepted its duty to maintain the highest humanitarian standards compatible with the normal incidents of imprisonment. The European Commission of Human Rights declared inadmissible complaints by four of the protesters that they had been subjected to inhuman and degrading treatment and punishment in breach of the European Convention on Human Rights.

5. The Government has demonstrated its humanitarian concern in several ways in recent months. Since 26 March the awards against the protesting prisoners have been adjusted to enable them to take their daily exercise in PT kit, to have one privilege visit a month as well as the statutory one and to write and receive a letter each week instead of one a month. Since then they have been offered a limited amount of recreation each week (again in PT kit if they wish, a limited amount of association each week), easier access to library books (now available in the rooms where they hear Mass as well as in the individual wings and in the library) and the right to apply for compassionate

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home leave in circumstances such as the death of a close relative. They are also offered the choice of wearing pyjamas and dressing gowns instead of prison clothing when seeing outside medical specialists and can opt to take visits in conditions which preclude physical contact with the visitor if they wish to avoid the otherwise necessary visual body-search. If they were to conform with prison rules they would immediately earn the right to a much wider range of privileges.

6. Following the announcement on 23 October that all prisoners in Northern Ireland would be issued with civilian-type clothes as soon as possible, the protesters have sought to justify their refusal to take advantage of the facilities available to them on the grounds that to do so they have to wear prison uniform. When the new clothing is introduced they will be able - even if they maintain their protest and continue to lose all privileges - to wear civilian-type clothing to take their two visits each month, to use the toilet and wash facilities, to eat meals in the dining room, to take the exercise, recreation and association offered to them and to collect books and newspapers. The fact that they have spurned this offer underlines the self-inflicted nature of their deprivations. It also suggests that they are not interested in prison reform as such but in securing a concession which would apply only to them and which would therefore allow them to claim that they had been accorded the special status which they seek.

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(b) CONTACTS WITH THE CATHOLIC HIERARCHY

7. Cardinal Tomas O'Fiaich is the Roman Catholic Primate of All Ireland. He and Edward Daly, Bishop of Derry, both of whom share the aspiration of Irish unity by non-violent means, have expressed their grave concern over the conditions in which the protesting prisoners are living. The simplistic belief among Unionists that they share the PIRA's political aims, their refusal to acknowledge that the conditions are self-inflicted and the assurance that they have the means to pass on any Government proposal to the protesters has led to them being identified with the protesters and this has exacerbated the polarisation of the Community in Northern Ireland. Mr Gerry Fitt MP, said on 10 November in the House of Commons that the Cardinal 'has not had a good effect on this controversy'.

8. Mgr Gaetano Alibrandi is the Papal Nuncio in Dublin. His pastoral responsibilities extend over the whole of Ireland. He shares Cardinal O'Fiaich's aspiration to Irish unity and we believe that his reporting to Rome is critical of HMG, particularly over the prisons protest issue.

9. Archbishop Bruno Heim, the Apostolic Delegate in London, is sympathetic to HMG's position. We believe him to be a helpful influence.

POLAND

10. Cardinal Wyszynski visited Rome from 23 October to 8 November.

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11. The Polish church had traditionally played a stabilising and conciliating role during periods of social unrest in Poland. It has maintained this line during the present crisis but has been in for some criticism from workers and from within the church hierarchy. Individual priests have also taken a much more radical line than their church leaders. A sermon by Wyszynski at the height of the crisis in August urging moderation (which the authorities published widely) was particularly resented and largely ignored. More recently Wyszynski has emphasised his support for the new unions. But the church will probably continue to take a cautious and moderating stance. Cardinal Wyszynski called on Kania for the first time on 22 October before leaving for Rome.

12. The Pope has made clear that his sympathies are with the strikers and may consider the Polish church to have erred too far on the side of caution. But he too has taken a comparatively restrained line.

13. Following the compromise reached on the registration of Solidarnosc, immediate tensions in Poland have eased. But the basic problem on incompatibility between genuinely free trade unions and the communist system remains unresolved. Further confrontations are thus likely sooner or later.

14. The Poles have reiterated the requests for economic assistance put to us in October. These include refinancing of officially guaranteed debt repayments and new credits on better terms. Similar approaches have been made to other Western creditors.

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OTHER TOPICS

COMMUNITY

15. The Pope may enquire about the Prime Minister's talks with Italian Government. He may ask how seriously to take the Opposition's threat of withdrawal from the Community. In view of the Vatican's interest in promoting the unity of Christian Europe, the Prime Minister may wish to assure the Pope of Britain's commitment to the European Community.

DISARMAMENT

16. On disarmament and deterrence, the Pope may seek the Prime Minister's views on the resurgence of CND in Britain.

CSCE

17. The Pope attended ^{the opening session of the Madrid Review Conference (covered in briefing for Anglo-Italian Consultations) as an observer. *The CSCE is covered in briefing for Anglo-Italian Consultations.*}

MIDDLE EAST

18. See Holy See telegram No 42.

DIPLOMATIC REPRESENTATION

19. Despite the rupture caused by the Reformation, HM Government and the Holy See continued to send emissaries to each other when the need arose. The emissary sent to Rome at the outset of the First World War remained and there has been permanent British representation ever since. There has been a permanent Apostolic Delegation in London since 1938.

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20. In November 1979 the Government agreed to receive the Apostolic Delegate and his Counsellor as diplomatic agents within the meaning of the Diplomatic Privileges Act 1964. They are now entitled to all the privileges and immunities accorded to diplomats, and the premises, property and communications of the Apostolic Delegation are treated in the same way as those of a diplomatic mission. The Apostolic Delegation is otherwise different from a normal diplomatic mission in so far as the Apostolic Delegate is not accredited to the Court of St James in the same way as an Ambassador or other Head of a diplomatic mission, but is accredited by the Holy See to the two Roman Catholic hierarchies of England and Wales, and of Scotland.

21. HMG are currently considering the possibility of inviting the Vatican to promote their Representative in London to the ambassadorial status of a papal Pro-Nuncio during 1981 and simultaneously raising HM Legation to the Holy See to the status of a full Embassy. There is a risk, however, that if this issue is discussed prematurely with the Vatican and news of our intentions leaks, it might be seen as part of a coordinated plan and assume an importance both politically and in the religious world which it does not have.

PERSONALITY NOTES

22. Personality Notes on His Holiness Pope John Paul II and Sir Mark Heath are attached at Annex D.

Foreign and Commonwealth Office

18 November 1980

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ANNEX A

PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

THE VATICAN'S ROLE AND ITS FOREIGN RELATIONS: THE HOLY SEE

1. The Vatican has recently acquired greater influence in world affairs in the promotion of peace, disarmament and the war against poverty. In an energetic interpretation of his role, the present Pope has taken an active interest in such matters as East-West relations. The Pope recently sent a message to Heads of Government of the CSCE participating States on the question of individual human rights and religious freedom.

2. The Roman Catholic Church has world-wide influence where important British interests are at stake, eg Ireland, Eastern Europe, South America and the Middle East (especially Lebanon). The Vatican has consistently avoided being drawn into unhelpful comment on Northern Ireland, for example over the dirty protest at the Maze Prison. The Queen paid a State Visit to the Vatican on 17 October. Her third visit to a Pope.

FOREIGN RELATIONS

3. Since the Pope's spiritual sovereignty is more important than this temporal sovereignty it is the Holy See which normally takes part in international affairs and is represented at international conferences. The Vatican City is a member of such international bodies as the Universal Postal Union and the International Telecommunication Union where matters of a primarily administrative nature are discussed. In 1965 the Pope appointed Pro-Nuncios for the

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first time (ie papal envoys ranking as ambassadors but without de jure deanship and precedence in the resident diplomatic corps). The Holy See maintains full diplomatic relations with some 95 states and regions of the world. It also has delegates or observers at a number of governmental organisations and a nuncio to the European Community. In 1977 it secured observer status to the United Nations and was a signatory to the Final Act of the CSCE.

THE HOLY SEE

4. The Holy See is the actual seat of the Pope. It is however generally used as a portmanteau expression embracing the Pope as supreme Pontiff and those in government with him at the Roman Catholic Church's headquarters at the Vatican in Rome.

5. The 1929 Lateran Treaty with Italy established the independent State of the Vatican City, which constitutes the territorial extent of the temporal sovereignty of the Holy See (an area of 0.16 square miles). Italy's adherence to the Lateran Treaty was reaffirmed in the new Italian Constitution of 1947, which recognises the State of the Vatican City, as a neutral and inviolable territory.

6. The Pope, who is simultaneously head of the Roman Catholic Church in Rome and ruler of the State of the Vatican City, is elected by the College of Cardinals. He is elected for life, although he may exceptionally resign.

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7. The central government of the Holy See is vested in the Pope who is supreme, and in the College of Cardinals who at present number 136. The affairs of the Catholic Church are administered through the Secretariat of State, the Council for the Public Affairs of the Church under the Cardinal Secretary of State, through a number of Sacred Congregations, each under the direction of a Cardinal, and through special Tribunals, Offices, Commissions and Secretariats.

8. The Pope appoints a Papal Commission, under a President who is a Secretary of State of the Roman Curia, to administer the affairs of the Vatican City.

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FM HOLY SEE 081450Z OCT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 35 OF 31 OCTOBER 1983

INFO TRALE (4)

ULSTER PRISONERS:

1. I WAS SUMMONED TO THE VATICAN THIS MORNING BY MONSIGNOR SILVESTRINI TO BE HANDED THE TEXT OF THE FOLLOWING PERSONAL MESSAGE FROM THE POPE TO THE PRIME MINISTER.

BEGINS:

I AM RECEIVING DISTURBING NEWS ABOUT THE TENSION IN THE MAZE PRISON IN NORTHERN IRELAND, WHERE A NUMBER OF PRISONERS HAVE BEGUN A HUNGER STRIKE.

I AM AWARE THAT THE SECRETARY OF STATE FOR NORTHERN IRELAND, MR ATKINS, HAS ALREADY BEEN ASKED TO EXAMINE THE PROBLEM AND TO SEEK POSSIBLE SOLUTIONS.

IN THE SPIRIT OF THE CALL FOR PEACE AND RECONCILIATION WHICH I MADE AT BROGHEDA DURING MY PASTORAL VISIT TO IRELAND LAST YEAR, I WOULD EXPRESS MY DEEP CONCERN ABOUT BOTH THE TRAGIC CONSEQUENCES WHICH THE AGITATION COULD HAVE FOR THE PRISONERS THEMSELVES AND ALSO THE POSSIBLE GRAVE REPERCUSSIONS UPON THE WHOLE SITUATION IN NORTHERN IRELAND.

I WOULD ASK YOU TO CONSIDER PERSONALLY POSSIBLE SOLUTIONS IN ORDER TO AVOID IRREVERSIBLE CONSEQUENCES THAT COULD PERHAPS PROVE IRREPARABLE.

IOANNES PAULUS PP. II

ENDS:

2. I EXPLAINED THE POSITION ON POLITICAL STATUS TO MONSIGNOR SILVESTRINI. HE HAD WITH HIM A LETTER FROM ME TO MONSIGNOR TONUCCI WITH WHICH I HAD SENT THE SUBSTANCE OF FCO TELEGRAMS NUMBERS 36 TO BIS NEW YORK AND GUIDANCE NO 110. I ALSO WENT OVER THE POINTS ON CIVILIAN CLOTHES.

RESTRICTED

/ 3.

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3. WHEN I ASKED WHAT FURTHER PRACTICAL STEPS HE THOUGHT WE COULD TAKE IN ADDITION TO THE CONCESSION ON CLOTHING HE WAS SILENT, HE SAID THAT (I) FOR THEIR PART THE CLERGY WOULD CONTINUE TO URGE THE PRISONERS TO GIVE UP THE STRIKE AND (II) THE MESSAGE WAS A PERSONAL ONE FROM THE POPE HIMSELF.

HEATH

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ANNEX C

10 DOWNING STREET

THE PRIME MINISTER

13 November 1980

Thank you for your personal message about the hunger strike at the Maze prison in Northern Ireland. The British Government fully share your concern that the hunger strike, and the wider protest at the Maze prison, be brought to an end as soon as possible.

Of the seven hunger strikers, six are members of the Provisional IRA; one is a member of the Irish National Liberation Army. All were convicted in open court of very serious crimes, including murder, attempted murder, armed robbery and explosives offences. Their hunger strike is in pursuit of a demand for a political status which would involve their receiving privileges greater than those available to other convicted criminals in Northern Ireland. I have made it clear that the British Government cannot and will not accede to this demand. To do so would be to accept that political motivation in some way excuses such serious crimes; it would encourage the use of violence as a means of obtaining political objectives; and it would be likely to provoke a violent confrontation between the two communities in the North.

Nevertheless, my colleagues and I are fully aware of the increase in tension which may be created both by the hunger strike itself and by the ruthless exploitation of it for propaganda purposes. We shall be quick to grasp any practical

/opportunity

opportunity to ease the situation. Over the past few months we have made a number of changes in prison rules; these could have led to a significant improvement in the appalling conditions in which the protesting prisoners choose to live. But they have not taken advantage of these changes. Recently we announced our intention to abolish conventional prison uniform for all prisoners in Northern Ireland and to substitute a range of ordinary civilian clothing provided by the prison authorities. Since one of the features of prison life to which the protesting prisoners say that they most object is the obligation to wear prison uniform, the decision is an indication of the Government's willingness to approach this difficult problem with flexibility and fairness and in a genuinely humanitarian spirit. But it too has been dismissed out of hand.

You may be sure that we very much welcome the efforts of the clergy in Northern Ireland to persuade the prisoners both to give up the strike and to end their protest; and I hope you will be able to give your full support to this objective.

Should you wish, I shall of course be happy to discuss this problem with you during my visit to Rome later in the month.

(SGD) MT

His Holiness Pope John Paul II

ANNEX D

PRIME MINISTER'S PRIVATE CALL ON THE POPE: 24 NOVEMBER 1980

PERSONALITY NOTES

- (a) His Holiness Pope John Paul II (Karol Wojtyla)
- (b) Cardinal Agostino Casaroli, Secretary of State
- (c) Sir Mark (Evelyn) Heath

HIS HOLINESS POPE JOHN PAUL II (KAROL WOJTYLA)

Born at Wadowice in the diocese of Krakow on 18 May 1920. After studying Arts at the Jagiellonian University, Krakow he worked first as a quarryman and then in a chemical factory. At the same time he studied theology secretly.

He was ordained priest on 1 November 1946, and sent to Rome where he obtained a Doctorate of Theology for a thesis on the virtue of Faith in the writings of St John of the Cross.

Back in Poland he taught at the Catholic University Lublin, and at the Theology Faculty, Krakow. He was nominated vicar cooperator and assistant of University students and graduates. His ministry came at a particularly difficult time politically. His articles and essays bear witness to the intensity of his cultural and teaching activity. They are mainly concerned with the problems of youth and Christian ethics.

Pius XII nominated him titular bishop of Osubi and Auxiliary of the Apostolic Administrator of Krakow on 4 July 1958. In June 1962 he was elected Vicar Capitular; he was appointed Archbishop of Krakow on 13 January 1964 and created Cardinal on 26 June 1967. He took possession of the Church of S Cesareo al Palatino on 21 February 1968.

He was very active during the Second Vatican Council where he was given the task of drawing up Chapter VI of the Constitution Gaudium et Spes. He stressed the principle 'The human person is the end and not the instrument of the

social order: religion is the apex and the perfecting of personal life and of the aspiration to truth'.

He took part in all the Assemblies of the Synod of Bishops; was a member of the Council of the General Secretariat; he was Vice-President of the Polish Episcopal Conference and President of the Episcopal Commission for ecclesiastical studies and for the lay apostolate.

He was held in high regard by Pope Paul VI. His most important works, in addition to 'Love and Responsibility' and a monograph on Max Scheler, are: 'Person and Act'; 'The Foundations of the Renewal of the Second Vatican Council'; and 'A Sign of Contradiction', a series of discourses addressed to bishops assembled at the Vatican.

Archbishop Wojtyla was elected Pope on 16 October 1978, the first non-Italian for over four centuries. At his inauguration on 22 October he said he would eschew temporal affairs, continue his predecessor's policies, implement the reforms of the Second Vatican Council and promote collegiality in the running of the Church (ie allow the bishops some say in the direction of it).

He has so far proved an outstanding Pope acclaimed by millions in Italy and on his extensive travels elsewhere. He has visited the Dominican Republic, Mexico, Poland, Ireland, the USA, Turkey, France, Brazil and most recently, the FRG.

The Pope is an accomplished linguist. He speaks Italian, French, German and Spanish. His English has improved greatly (he is said to be working on the papers for his prospective visit to Britain) and he acquired some knowledge of Portuguese for the highly successful visit to Brazil in June 1980. He also speaks Russian.

CARDINAL AGOSTINO CASAROLI

Secretary of State.

Born Piacenza 1914. After some 20 years in the Secretariat of State he was appointed Under-Secretary for Extraordinary Affairs in 1961. He represented the Holy See at the Vienna Diplomatic Conferences in 1961 and 1963, but has not served abroad. His charitable activities are particularly concerned with juvenile delinquents.

An able diplomat. Visited Hungary and Czechoslovakia in 1963 and 1964. Yugoslavia in 1965, Poland in 1967 and 1974 and the USSR in 1971 for discussions with the Communist Governments, and Czechoslovakia in 1973 for the consecration of four new bishops. He was promoted archbishop and appointed Secretary of the Council for the Public Affairs of the Church in July 1967, a post which is virtually the equivalent of Foreign Minister. Attended the Helsinki Conference on European Security in 1973 and 1975, and the special Assembly of the United Nations for disarmament in 1978. He was appointed Pro-Secretary of State on his elevation to Cardinal in May 1979.

He speaks English and is a good conversationalist.

We have always found him affable, friendly and accessible.

SIR MARK (EVELYN) HEATH KCVO CMG

HM Minister to the Holy See since April 1980.

Born 1927. Educated at Marlborough College and Queen's College Cambridge. Royal Navy 1945-48.

University 1948-50. Entered Foreign Service through Normal Competition 1950 and became Third Secretary, Information Research Department. Third Secretary Djakarta 1952; Second Secretary Copenhagen 1956. Far Eastern Department, Foreign Office 1958. Southern Department, Foreign Office 1960. Promoted sur place to First Secretary.

First Secretary and Head of Chancery, Sofia 1962. First Secretary - on secondment to CRO - Ottawa 1964. Assistant Head of AM&T Department, FCO 1968. Head of Commodities Department FCO on promotion to Counsellor 1970. Counsellor and Head of Chancery Paris, OECD 1971. On secondment to Cabinet Office (Defence and Overseas Secretariat) 1974. Head of WAD and Ambassador (non-resident) to Chad, FCO 1975. Diplomatic Service Inspector, FCO 1978.

Married to Margaret Bragg since 1954. Two sons and a daughter.



Foreign and Commonwealth Office

London SW1A 2AH

20 November 1980

Dear Michael,

The Prime Minister's Private Call on The Pope: 10.30
on 24 November

The Prime Minister has arranged to pay a private call on the Pope at 10.30 on 24 November, following her consultations with the Italian Government. I enclose a brief.

brief in
attached
with folder. copy attached.

I attach a copy of a telegram from our Minister at the Holy See recording a conversation with the Secretary of the Vatican Council for Public Affairs about the agenda for the talk. Obviously the Pope will wish to talk about his visit to the Roman Catholic Community in Great Britain in 1982. He may also talk about his visit to the FRG. But the main subject is likely to be Northern Ireland. The briefing contains a longish background section on Northern Ireland, much of which will already be familiar to the Prime Minister, but we have felt it advisable to include this in view of the Pope's recent message to the Prime Minister about the hunger strike at the Maze Prison

The Pope's views on Poland will, of course, be of particular interest, not least in the light of Cardinal Wyszynski's recent visit to Rome (23 October - 8 November), but he may be reluctant to talk freely about what is for him a very sensitive subject. He may prefer to talk about Polish problems obliquely in a CSCE context, on which he addressed a circular letter to participating Heads of State in early September.

The Pope may ask about European Community developments, in view of the Vatican's interest in promoting the unity of Christian Europe, and about developments in the Middle East. He may seek the Prime Minister's views on the resurgence of CND in Britain.

ANNEX A /

I attach at Annex a Background Brief on the Vatican's Role and its Foreign Relations.

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Yours etc

Paul

(P Lever)
 Private Secretary

M O'D B Alexander Esq
 10 Downing Street
 LONDON



Italy

Foreign and Commonwealth Office

London SW1A 2AH

20 November 1980

Dear Michael,

Anglo-Italian Consultations: 23/24 November

Signor Forlani is to give a dinner on 23 November following the Prime Minister's arrival in Rome. The Prime Minister may be called upon to say a few words on this occasion. I accordingly attach some brief speaking notes.

President Pertini was to have given a lunch for the Prime Minister the following day, but this has had to be cancelled because of the Prime Minister's plans to return earlier than expected for the debate on the address.

Yours etc

Paul

(P Lever)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON

SPEAKING NOTES FOR THE PRIME MINISTER:

DINNER TO BE GIVEN BY SIGNOR FORLANI, 23 NOVEMBER

1. Great pleasure to be back in Rome again. Glad to continue with you the regular series of consultations begun with your predecessor. Supplemented by exchanges between Foreign Ministers and between other pairs of Ministers. Successful State Visit by The Queen showed that relations between Italy and the United Kingdom based on a foundation of popular support and mutual affection.

[redacted] We shall continue to work together for the development of a healthy and balanced Community.

2. Our talks this evening have been most illuminating. Drink to you and to ever closer Anglo-Italian collaboration.

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TO IMMEDIATE FCO

TELEGRAM NUMBER 612 OF 17 NOVEMBER 1980

INFO SAVING WASHINGTON, EC POSTS AND UKDEL NATO

p/w briefs

PRIME MINISTER'S VISIT TO ITALY.

1. THE PRIME MINISTER AND YOURSELF ARE DUE HERE ON 23 NOVEMBER. YOU MAY WISH TO HAVE AN ASSESSMENT OF THE PRESENT POSITION OF THE ITALIAN GOVERNMENT AND THE NEW PRIME MINISTER, SIGNOR FORLANI.

2. FORLANI IS PREOCCUPIED WITH INTERNAL DIFFICULTIES. THE FORMATION OF HIS ENLARGED COALITION ENDED A GOVERNMENT CRISIS BUT DID NOT SOLVE THE PROBLEMS OF GOVERNING ITALY. NOR DID IT CHANGE IN ANY IMPORTANT RESPECT, ITALIAN FOREIGN POLICY. ITALIAN GOVERNMENTS COME AND GO WITH DISTRESSING FREQUENCY, BUT ITALY'S FRIENDS AND ALLIES CAN NEVERTHELESS RELY ON A FAIR DEGREE OF CONTINUITY IN POLICY. THIS TIME THERE IS THE ADDED REASSURANCE THAT COLOMBO AND THE MINISTER OF DEFENCE, LAGORIO, REMAIN IN OFFICE.

3. FORLANI'S PROSPECTS ARE NOT PARTICULARLY GOOD, EVEN MEASURED BY THE SHORT LIFE EXPECTANCY (8 MONTHS ON AVERAGE) OF POST-WAR ITALIAN GOVERNMENTS. BUT HE HAS SOME ASSETS, AND THERE IS A WIDESPREAD VIEW THAT HE IS BETTER PLACED POLITICALLY THAN WAS COSSIGA. PICCOLI, THE PARTY SECRETARY, IS WORKING HARD TO UNITE THE DC BEHIND HIM. FORLANI IS TRUSTED BY THE RIGHT BUT IS EXPECTED ALSO TO MAINTAIN SOME FORM OF DIALOGUE WITH THE COMMUNISTS, WITHOUT ENVISAGING THEIR ENTRY INTO GOVERNMENT. HE HAS ALSO TO KEEP THE SOCIALISTS IN THE COALITION WITHOUT CONCEDING TOO MUCH TO THEIR LEADER, CRAXI. THIS SORT OF PARTY MANAGEMENT IS MEAT AND DRINK TO FORLANI AS TO MOST CHRISTIAN DEMOCRAT AND OTHER ITALIAN POLITICIANS. BUT IT DOES LEAVE HIM WITH LESS TIME FOR INTERNATIONAL PROBLEMS OR MACRO ECONOMICS.

4. HE HAS RUN QUICKLY INTO RATHER SERIOUS DOMESTIC WORRIES, INCLUDING A MAJOR FINANCIAL SCQFDAL OVER A DIESEL OIL TAX FRAUD WHICH CONTINUES TO MAKE HEADLINES. THE SUMS OF MONEY SAID TO BE INVOLVED ARE HUGE AND THOUGH NOTHING HAS BEEN PROVED, IT SEEMS LIKELY TO CONFIRM THE PUBLIC'S DEEP CONVICTION THAT THEIR POLITICAL SYSTEM IS CORRUPT. AS YET IT POSES NO THREAT TO FORLANI COMPARABLE TO THE DONAT CATTIN AFFAIR WHICH BEGAN COSSIGA'S DOWNFALL. BUT AS THE RAMIFICATIONS OF THE FRAUD AND SUBSEQUENT ATTEMPTS TO COVER IT UP ARE REVEALED (INCLUDING EVEN ALLEGATIONS THAT FORLANI HIMSELF AS MINISTER OF DEFENCE IN 1975 WAS INVOLVED), FORLANI IS LARGELY PREOCCUPIED WITH IT.

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/ 5. MEASURES

5. MEASURES HAVE BEEN TAKEN TO DEAL WITH IMMEDIATE ECONOMIC PROBLEMS (MY SAVING TELNO 41, NOT TO UKDEL NATO), BUT THE GOVERNMENT IS DUE TO PRESENT ITS 3-YEAR STRATEGY BY THE END OF THE YEAR, AND THERE ARE ALREADY TENSIONS BETWEEN THE SOCIALISTS AND THE OTHER PARTIES IN THE GOVERNMENT. WITH THE RECESSION NOW BEGINNING TO HAVE ITS EFFECT HERE, THE WINTER WILL BE DIFFICULT. BUT THE GOVERNMENT HAS THE ADVANTAGE THAT THE MAJOR DISPUTE AT FIAT HAS BEEN SETTLED IN WHAT IS GENERALLY REGARDED AS A VICTORY FOR MANAGEMENT OVER THE UNIONS, AND THE LATTER MAY BE MORE CAUTIOUS IN FZKVURE CONFRWATATIONS.

6. AGAINST THIS BACKGROUND, FORLANI WILL BE LOOKING AT FOREIGN POLICY ISSUES WITH ONE EYE ALWAYS ON THEIR DOMESTIC REPERCUSSIONS. HE WILL BE AS SENSITIVE AS HIS PREDECESSORS TO ANY SUGGESTION THAT ITALY IS BEING LEFT OUT OF GREAT POWER CONSULTATIONS (ESPECIALLY IN THE LIGHT OF REPORTS OF THE GISCARD/SCHMIDT MEETING). ON COMMUNITY POLICIES, THE ITALIANS HAVE NOT YET WORKED OUT THEIR IDEAS ON RESTRUCTURING BUT WILL LOOK FOR MEASURES THAT CAN PROMOTE CONVERGENCE AND MEET THE NEEDS OF MEDITERRANEAN PRODUCERS. THEY WILL CONTINUE TO BE FUNDAMENTALLY COMMITTED TO MAKING THE COMMUNITY WORK, AND RECOGNISE THAT THIS MEANS THAT IT HAS TO SERVE THE INTERESTS OF ALL ITS MEMBERS INCLUDING THE U.K. ON EAST/WEST RELATIONS COLOMBO WILL BE FRESH FROM HIS VISITS TO MOSCOW, WARSAW AND MADRID. THE ITALIANS HAVE BEEN ROBUST OVER TNF AND THE LINE TO TAKE AT MADRID, BUT FORLANI HAS TO TAKE ACCOUNT OF THE ATTITUDE OF THE COMMUNIST PARTY WHO WANT CONSULTATION ON THIS AND OTHER ASPECTS OF FOREIGN POLICY AS PART OF THEIR PRICE FOR LESS VEHEMENT OPPOSITION.

7. I CANNOT SAY WHETHER THE PRIME MINISTER WILL FIND FORLANI AS SATISFACTORY AN INTERLOCUTOR AS HIS PREDECESSOR. BUT OUR SHARED INTERESTS WITH ITALY ON THE ISSUES OF THE DAY ARE NO LESS THAN BEFORE. ITALIAN POLICY HAS SHOWN A DEGREE OF CONSISTENCY OVER THE YEARS AND IF THE PRIME MINISTER CAN ESTABLISH A WORKING RELATIONSHIP WITH FORLANI THIS, TOGETHER WITH YOUR UNDERSTANDING WITH COLOMBO, WILL STAND US IN GOOD STEAD AT THE EUROPEAN COUNCIL AND ELSEWHERE. THE ITALIANS WILL TRY TO HELP US WHEN THEY CAN, PROVIDED THAT WHAT WE WANT IS NOT DIAMETRICALLY OPPOSED TO THEIR INTERESTS. RUGGIERO IN BRUSSELS SHOULD BE A USEFUL ALLY WHENEVER WE CAN WORK TOGETHER.

SEE MIFT.

FCO PASS SAVING ADDRESSEES.

ARCULUS

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TO IMMEDIATE FCO

TELEGRAM NUMBER 613 OF 17 NOVEMBER

INFO SAVING TO WASHINGTON, EC POSTS AND UKDEL NATO

PRIME MINISTER'S VISIT TO ITALY: MIPT

1. I CALLED ON THE FOREIGN MINISTER SIGNOR COLOMBO ON 17 NOVEMBER.
2. HE SAID THE AGENDA WE HAD PROPOSED WAS PERFECTLY ACCEPTABLE TO HIM. (HE DID NOT, AS THE POLITICAL DIRECTOR DID ON SATURDAY MORNING NOTE THAT WE HAD OMITTED AFRICA).
3. FOR HIS PART, HE WOULD LIKE TO GIVE YOU AN ACCOUNT OF HIS RECENT VISIT TO MOSCOW AND ALSO OF HIS CONVERSATIONS IN WARSAW. THE ITALIANS THOUGHT WE SHOULD ALL HELP THE POLES. THEY WANTED REPHASING OF THEIR DEBTS FOR 1981 TO 1983 AND ADDITIONAL CREDITS MEANWHILE. HE HAD TOLD GROMYKO THAT ITALY WOULD HELP POLAND IF ASKED BUT THIS WAS NOT AN INTERVENTION IN POLAND'S INTERNAL AFFAIRS.
4. HE WOULD ALSO BE GLAD TO GIVE HIS IMPRESSIONS OF MADRID. HE THOUGHT IT WAS WORTH WHILE HAVING GONE. WE MUST MAKE IT DIFFICULT FOR THE RUSSIANS TO PUT ANY BLAME ON THE WESTERN CAMP.
5. HE GAVE ME A LECTURE ABOUT NOT EXCLUDING ITALY FROM ANY FUTURE GUADELOUPE-TYPE CONFERENCE. I REPLIED IN THE SAME TERMS AS YOU DID TO THE RECENT REPRESENTATIONS OF AMBASSADOR CAGIATI IN LONDON. COLOMBO REPLIED HOWEVER THAT THERE WAS SOMETHING IN THE RUMOURS. HE SAID, IN LANGUAGE THAT WAS STRONG FOR HIM, THAT ITALY DID NOT WANT ANY MORE OF THIS. IN PARTICULAR IT WAS VERY EMBARRASSING DOMESTICALLY AND THE COMMUNISTS AND RADICALS EXPLOITED THESE SITUATIONS. THE ITALIANS WERE TIRED OF BEING REFERRED FROM ONE PARTNER TO ANOTHER. THE PRACTICE COULD EASILY BE STOPPED IF THERE WAS A WILL. THIS WOULD CERTAINLY BE RAISED WITH MRS THATCHER.

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/ 6. I ASKED

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6. I ASKED SIGNOR COLOMBO WHETHER THERE WOULD BE ANY CHANGES IN ITALIAN POLICY BECAUSE OF SIGNOR FORLANI'S NEED TO PREVENT THE PCI FROM MAKING TOO MUCH TROUBLE. THEY WERE FOR EXAMPLE ALWAYS ASKING FOR CONSULTATION ON FOREIGN AFFAIRS. SIGNOR COLOMBO GAVE A MOST CATEGORICAL ASSURANCE THAT THERE WOULD BE NO CHANGE IN THE ORIENTATION OF ITALIAN FOREIGN POLICY. IT WAS POSSIBLE THAT THEY MIGHT GO THROUGH THE MOTIONS OF TALKING TO THE PCI BUT NOTHING HAD BEEN DECIDED. THERE WAS NO NEED FOR ANY CHANGE AND THERE WOULD BE NONE. HOWEVER THEY DID WANT TO AVOID THE EMBARRASSMENT OF INTERNATIONAL MEETINGS FROM WHICH ITALY WAS EXCLUDED.

FCO PASS SAVING WASHINGTON, EC POSTS AND UKDEL NATO.

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Foreign and Commonwealth Office

London SW1A 2AH

17 November 1980

b/w briefs

Dear Michael,

The New Italian Government

The usual briefing on the Italian internal political scene is of course being provided as part of the Prime Minister's briefing material for the Anglo-Italian Consultations on 23/24 November. But you may wish to see the enclosed copy of Sir Arculus' Despatch of 28 October on the new Italian Government.

Yours etc

Paul

(P Lever)

Private Secretary

Michael Alexander Esq
10 Downing Street
LONDON SW1



SUMMARY OF ROME DESPATCH (014/5) OF THE 28TH OF OCTOBER
1980

THE NEW ITALIAN GOVERNMENT

1. The crisis caused by the fall of Signor Cossiga's Government on 27 September lasted only 21 days. Signor Forlani now leads an enlarged coalition. (Paragraphs 1-2)
2. The Christian Democrats offered 3 reluctant candidates from the centre/right of the party. President Pertini, determined that the crisis should not be prolonged, was content to choose Signor Forlani. (Para 3)
3. Signor Craxi strengthened his position as leader of the Socialist Party and agreed on a tactical pact with the Social Democrats, who were keen to re-enter the Government. This eased Signor Forlani's task. After placating the minority group within his own party he got agreement to a quadripartite coalition not including the Liberals. (Paragraphs 4-5)
4. Formation of the new Government was delayed until The Queen had left Rome. Most key Ministers are unchanged, except at Agriculture and the Treasury. (Para 5)
5. There is relief that a long vacuum has been avoided. The Government's programme contains little that is new. Signor Forlani will try to expose less flank to the Communists than Cossiga did. For the Socialists, Signor Craxi is already trying to make use of their weight in the coalition. (Paragraphs 7-9)
6. Signor Forlani has stronger Party following than his predecessor; his Parliamentary majority is bigger; and the damaging FIAT dispute is over. But the difficulties of managing the coalition remain. (Para 10)



BRITISH EMBASSY,
ROME.

(014/5)

28 October 1980

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

My Lord,

THE NEW ITALIAN GOVERNMENT

1. In my telegram No.519 I reported the fall, on 27 September, of Signor Cossiga's second Government, Italy's 39th since the war. The background is now familiar: Cossiga was tired, and his government out of steam. The Christian Democrat (DC) ruling party were divided and ill-disciplined; the Communist (PCI) opposition was unrelenting; the economic measures on which the vote took place were contentious in substance and in form.

2. With Cossiga's fall most commentators predicted a longer crisis, say a month. But only twenty-one days later, as soon as The Queen left Rome, Signor Forlani was able to go to President Pertini with a new enlarged coalition. He secured a handsome majority of 112 in the vote of confidence in the Lower House on 25 October, and once the Senate vote of confidence is also passed Parliamentary life can restart. My purpose in this despatch is to describe, if not fully to explain, how President Pertini - who was in a hurry - and Signor Forlani - who was reluctant to be drafted - produced so prompt a solution.

/3.



3. The Christian Democrats have held the Prime Ministership since the war and expected to receive the first mandate to form a government. It was President Pertini himself who picked Cossiga but this time he accepted a list from the DC. This contained three possible candidates, all from the centre/right of the Party which is now in the ascendancy over the Zaccagnini/Andreotti minority: Piccoli (Party Secretary), Forlani (Party Chairman) and Fanfani (President of the Senate). All were reluctant candidates. Fanfani has his eye on the Presidency when Pertini goes. Piccoli is a Party man at heart, and the position of Party Secretary suits him perfectly. Forlani, who has a reputation for laziness, must initially have regarded the prospects of the Prime Ministership as too uncertain. None of the three seemed likely to offer much by way of new policies. Faced with this unpromising material President Pertini was determined that the crisis should not be prolonged; he brought this home to the Parties, and especially the Christian Democrats, and on 2 October chose Forlani. The President told me he was now pleased with his choice.

4. Forlani's essential task was to court the PSI without conceding so much that his Christian Democrat colleagues would take fright; many of them fear Craxi's ambition and that the PSI will erode the electoral support of the Christian Democrats. Craxi quickly signalled his willingness to keep the PSI in government and took two steps which made the task of cobbling together a coalition much easier. First, by resigning as Party Secretary, he forced the election



of a new Executive containing a higher proportion of his supporters with himself again as leader, at the expense of the left wing, perhaps 30% of the Party. Then on 7 October he agreed on a "unity of action" pact with the strongly anti-Communist Social Democrats led by Longo. Its objectives were limited and I do not think it represents a lasting re-alignment in Italian politics; the history of the Socialists and Social Democrats is full of splits and temporary reconciliations. Nevertheless, such a pact would not have been possible a year ago and shows how far the PSI under Craxi have moved away from any idea of a broad left alliance. Tactically, it enabled Craxi to demand and get parity for the lay Parties in the new coalition: they and the Christian Democrats each have 13 Ministers. It also suited the Social Democrats, always avid for Ministerial office and the patronage which goes with it (since the war they have been the Christian Democrats' most regular coalition partner).

5. On 9 October the Christian Democrat Executive gave Forlani a green light to proceed with his four-party coalition. To placate the minority there was an undertaking to pursue a more flexible line towards the PCI, and perhaps also a promise of better representation in the Party for the factions of Andreotti and Zaccagnini (Forlani's post of Chairman is vacant and another Vice Secretary could also be appointed). The only remaining uncertainty was whether the small right wing Liberal Party would also join the coalition. As usual the Socialists opposed this and Forlani decided that the cost of including



them outweighed the benefits. Even so, a quadripartite coalition is likely to prove at least as difficult to manage, for all its increased majority, ~~as~~ Cossiga's tripartite model. ⁴⁵

6. The week of the State Visit was spent in consultation on the programme of the new Government: we were told by Piccoli and others that the process was prolonged to avoid the embarrassment of a new Government being sworn in while The Queen was in Rome, and indeed the President made it clear to me that he had this difficulty in mind. Forlani spent much of the week rewriting his list of Ministers; apart from the new Social Democrats, the pack he shuffled is much the same as before. Pertini told me he had insisted that Colombo be retained as Foreign Minister. Other key Ministers at Defence, the Interior, Budget and Finance also remained; Pandolfi, the Treasury Minister, was made scapegoat for failure of the economic decree. Apart from Cossiga himself, the greatest loss from our point of view is the experienced Agriculture Minister, Marcora, though with the problems of enlargement of the European Community to be tackled it may be that a less skilful defence of Italian farmers' interests will be no bad thing.

7. With the formation of a new administration the mood in Rome was one of relief that a long political vacuum had been avoided; no-one wanted a repeat of 1979, with no real Government for six months and early general elections. As usual during the crisis, attention was concentrated on combinations and personalities rather than on how the new Government might tackle the serious problems facing Italy. Many



will conclude that nothing has changed and that in a few months there will be another crisis when Forlani fails to rally his Party or coalition partners in Parliament. Forlani's speech in Parliament on 22 October had little new; there was a commitment to re-enact the economic measures which caused his predecessor to fall; the rest was vague, though it did provide reassurance that basic Italian foreign policies will remain unchanged.

8. Much depends on the style of opposition chosen by the Communist Party. To keep his party base content, their leader Berlinguer needs to stick in public at least to his slogan of "either in Government or in opposition". But he knows that the first alternative is for the present a pipe dream. Meanwhile, Forlani has a limited mandate to pursue a less rigid line towards them; both sides hint obscurely at the possibility of compromise and understanding. Forlani is not likely to go too far, but will try to expose less flank to the PCI than Cossiga.

9. As for the Socialists, Craxi sees the present coalition as another step on the road to his Prime Ministership. He had consolidated his position during the crisis, but will need to demonstrate to the Party Congress due next March that a year in Government has brought them results better than those of the centre/left coalitions of the 60s and early 70s. His bargaining position within the majority is strong and he has already begun to throw his weight about much as he did in the latter days of the Cossiga Government.



10. Forlani does start with some advantages. Not only has he stronger following in the Party than Cossiga but there may be some residual feeling of shame at the way Cossiga was let down. An agreement of a kind has ended the strike at FIAT after more than a month - one of the most damaging industrial disputes in Italy since 1969. The inclusion of the Social Democrats converts a majority of 50 in the Chamber to 90, although the problems of absenteeism and rebel voters remain (Cossiga's majority too was in theory adequate). Forlani is not an inspiring leader and may not impress the Prime Minister when they meet next month. But the main policies of the previous Government are unlikely to change and this is in our interest. As I write, the first dispute within the coalition has already begun and the difficulties of reconciling the various points of view are all too apparent. Further judgement on Forlani's prospects must await his performance in office.

11. I am sending copies of this despatch to Her Majesty's Ambassadors at Washington and European Community Posts, to Sir Michael Butler at UKREP Brussels, Sir Clive Rose at UKDEL NATO, to HM Minister to the Holy See, and HM Consuls-General in Naples and Milan.

I have the honour to be
Your Lordship's obedient Servant.

(R Arculus)

CONFIDENTIAL

fa. Hunt
Cabinet Office,
Whitehall,
London, SW1.

PS(80) 24

29th October, 1980

Dear Private Secretary,

Anglo-Italian Consultations: 23rd-24th November 1980

This letter sets out the briefing arrangements for the Anglo-Italian consultations which are to take place in Rome on 23rd-24th November.

The objectives for the Summit, 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. Instructions on format are at Annexes C and D. Those preparing briefs should note carefully the details on the format of briefs set out in Annex C, particularly b. on the structure of briefs. They should also note that the Prime Minister has asked that the briefs should not be too long.

60 copies of each brief should be sent to the Cabinet Office as soon as they are ready, and should in any event arrive no later than 12 noon on Friday, 14th November. They should be addressed to Mrs. M. Wagner in Committee Section, who should be consulted (tel. 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 Brian Cubbon, Sir Peter Carey, Sir Kenneth Clucas, Sir Donald Maitland, Sir Brian Hayes, Sir Kenneth Couzens and Mr. Robin Ibbs, and to Michael Alexander, No. 10.

Yours sincerely,

(Signed) D.J. WRIGHT

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Anglo-Italian Consultations: 23rd-24th November 1980

BRITISH OBJECTIVES

1. Following the success of the State Visit, to establish good working relations between the Prime Minister and the Italian Prime Minister, in particular by showing that we take seriously Italian views on major current international issues.
2. To discuss Community issues in preparation for the next European Council meeting (on 1-2 December); and to exchange views on restructuring the Community budget within the 1 per cent ceiling, including the reform of the CAP.
3. To discuss and so far as possible agree on the implications of the result of the United States elections for Transatlantic and East-West relations.

PROBABLE ITALIAN OBJECTIVES

1. To consolidate the institution of regular bi-annual Anglo-Italian Summit meetings and to establish a good working relationship with the Prime Minister.
2. To compare notes on the probable policies and attitudes of the new United States Administration.
3. To concert policy on current world political issues and in particular to review British and Italian views on the Middle East in the light of the Iran-Iraqi war, and on East-West relations in the light of developments in Afghanistan and Poland.
4. To elicit British thinking on European Community enlargement and restructuring.
5. To exchange views on world economic issues and in particular Western policy towards the developing world.

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ANNEX B

LIST OF BRIEFS FOR ANGLO-ITALIAN CONSULTATIONS:
23rd-24th NOVEMBER 1980

<u>PMVD(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In Consultation with</u>
1.	Steering Brief	FCO	As appropriate
2.	United States Policies following the Presidential Election	FCO	As appropriate
3.	Middle East:		
	(a) Iran-Iraq and the Gulf	FCO	As appropriate
	(b) Arab-Israel	FCO	As appropriate
4.	European Community Questions:		
	(a) Steering Brief on European Community Questions	FCO	As appropriate
	(b) Restructuring the Community Budget	FCO	Treasury, MAFF Cabinet Office
	(c) CAP Reform and Prices	MAFF	FCO Treasury Cabinet Office
	(d) 1981 Budget	FCO	As appropriate
	(e) Fisheries	MAFF	FCO Cabinet Office
	(f) Political Co-operation	FCO	
5.	East-West Relations (including Poland, China, Cambodia and CSCE)	FCO	As appropriate
6.	Afghanistan-Pakistan	FCO	As appropriate
7.	Defence and Disarmament Questions (including CDE)	FCO	MOD
8.	International Economic and Financial Questions:		
	(a) World Economy (Background)	Treasury	FCO
	(b) Relations with developing countries	FCO	As appropriate
	(c) Trade Questions including the threat of Japanese competition	Trade	Treasury FCO

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<u>PMVD(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
9.	International Energy Questions	Energy	Treasury FCO
10.	Regional Questions (including Italy-Malta and Italy-North Africa)	FCO	As appropriate
11.	Bilateral Questions:		
	(a) General Bilateral Relations	FCO	As appropriate
	(b) Anglo-Italian Trade	FCO	Trade Treasury
	(c) Co-operation in combating terrorism	FCO	Home Office
	(d) Consultations	FCO	

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 pay particular attention to ensuring that the following instructions are fully observed:

Content

- 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 with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.

Layout

- 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. As shown in the specimen at Annex D, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg PMVD(80) 7) with the date of production below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- f. At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- g. Briefs should be reproduced throughout on white paper, with each page bearing a security classification at top and bottom (as in Annex D). Care should be taken that the reproduction method employed results in clear readable copies.

h. It is important that on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered - and ready for immediate circulation.

Updating

i. If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the form described at e. above, with the brief number (eg PMVD(80) 10 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. Revised briefs and corrigenda should be similarly treated.

j. 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

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

PMVD(80) Serial No as specified in ANNEX B

COPY NO in red

Date of production

ANGLO-ITALIAN CONSULTATIONS
23-24 NOVEMBER 1930

SUBJECT / Insert subject on capitals

Leave 1½"
margin

Brief by name of originating Department, eg Foreign and Commonwealth Office

At the foot of the last page:-
left hand side

Originating Government Department eg Foreign and Commonwealth Office or Department of Industry, not a subordinate section or division

Date of origin

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PART 1 ends:-

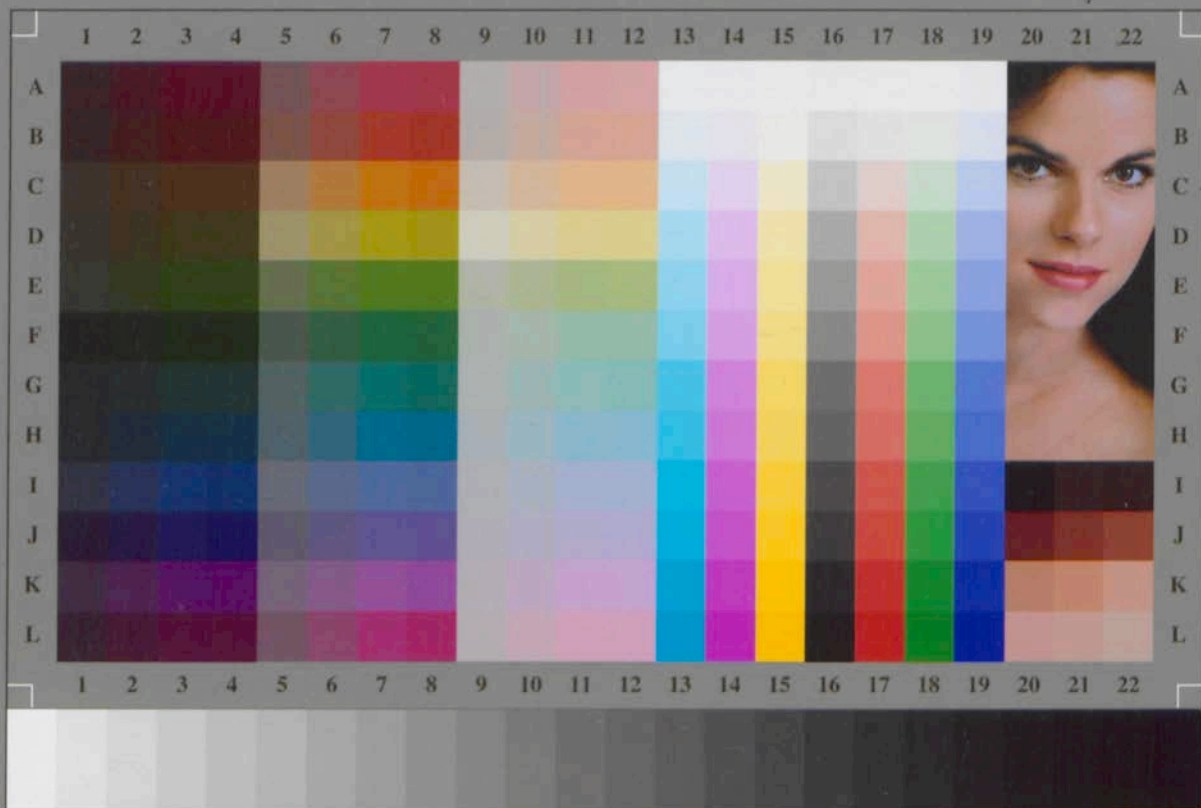
Fin Rome 445 8.10.79

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