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PREM 19/1553



PART ONE TWO

Confidential film

Visit of the Italian Prime Minister, Signor  
Cossiga, 29-30 January 1980 and ~~20/21~~<sup>25</sup> April  
29 August 1984

ITALY

Now PT2:

January 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>9 Jan 1980</del>							
<del>10.1.80</del>							
<del>14.1.80</del>							
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PREM 19/1553



PART 12 ends:-

CDP 10 PM 12/9/86

PART 23 begins:-

CDP 10 PM 3/10/86



PRIME MINISTER

cc: Mrs. Ryder

PRESIDENT COSSIGA

The Italian Embassy have just been in touch to say that Cossiga has with regret had to cancel his visit to the United Kingdom. Your lunch at Chequers on 28 September therefore falls.

---

CDD

ms

12 September 1985



file

09/28/85

PRIME MINISTER

LUNCH FOR PRESIDENT COSSIGA: SATURDAY 28 SEPTEMBER

You agreed to give lunch for President Cossiga at Chequers on 28 September. I attach a list of those who have so far accepted. Unfortunately both the Foreign Secretary and the Home Secretary are unable to attend.

You might like to consider inviting the following:

Dr. Anthony Kenny, who is Master at Balliol and a close friend of Cossiga

Lord and Lady Forte

Lady Elles and Mr. Elles

The Archbishop of Canterbury and Mrs. Runcie (Cossiga has a particular interest in English religious history)

Sir Geraint and Lady Evans

You may also wish to add a senior Minister:

Lord Gowrie?

Mr. Heseltine?

Mr. Jopling?

Charles Powell

2 September 1985



LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY  
THE PRIME MINISTER IN HONOUR OF HIS EXCELLENCY THE PRESIDENT  
OF THE REPUBLIC OF ITALY ON SATURDAY, 28 SEPTEMBER 1985  
at 1.00 PM FOR 1.15 PM

The Prime Minister

President Cossiga

Mr. Berlinguer

Private  
Secretary

His Excellency the Italian Ambassador  
and Mrs. Cagiati

Rt. Hon. Lord Thorneycroft  
and Lady Thorneycroft

Professor Sir John Rigby Hale  
and Lady Hale

Mr. Charles Powell  
and Mrs. Powell



D. R.

MR. POWELL *- on return*

Luncheon for President of Italy on 28 September

I attach the list of guests attending the luncheon to be given by the Prime Minister on Saturday, 28 September.

The following have refused:

The Foreign Secretary  
and Lady Howe

The Home Secretary  
and Mrs. Brittan

Professor Denis Mack Smith  
and Mrs. Mack Smith

I attach the original guest list so the Prime Minister can select some more names.

*Sue Goodchild*  
—

23 August 1985



Prime Minister

①



You agreed to  
give lunch at  
Chequers. This is  
rather a good list.  
Would you please  
tick those whom

Foreign and Commonwealth Office

London SW1A 2AH

31 July, 1985

Dear Charles, you would like to invite?  
CDP 3/7

Prime Minister's Lunch for President Cossiga: 28 September

In her letter of 22 July, Sue Goodchild asked for a list of suggested guests for the lunch the Prime Minister will host for President Cossiga on 28 September. This is attached.

Sue asked for 10 couples to choose from. We have in the event come up with rather more than 10 couples and have therefore offered you a wider choice.

Yours,

Peter Ricketts

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street



THE PRIME MINISTER'S LUNCH IN HONOUR OF PRESIDENT FRANCESCO COSSIGA  
OF ITALY: CHEQUERS 28 SEPTEMBER 1985

SUGGESTED GUEST LIST

Full name, title and Decorations	Address	Reason for Invitation
<i>refused away</i> ✓ 1. The Rt Hon Sir Geoffrey Howe QC, MP and Lady Howe	FCO - 233 5791 (PS)	Secretary of State for Foreign and Commonwealth Affairs
✓ 2. HE Signor Andrea Cagiati GCVO and Signora Cagiati	Italian Embassy 14 Three Kings Yard Davies Street London W1 629 8200	Italian Ambassador
<i>refused constituency</i> ✓ 3. The Rt Hon Leon Brittan QC, MP and Mrs Brittan	Home Office 50 Queen Anne's Gate London SW1 213 3384 (APS) 219 402 (H of Commons)	Home Secretary. Speaks Italian. There is a considerable interest in renewing negotiations to extend 1873 extradition treaty. Cossiga himself has been personally affected by terrorism. He was PM at time of Aldo Moro's assassination and subsequently resigned.
<i>acc</i> ✓ 4. The Rt Hon The Lord Thorneycroft CH and Lady Thorneycroft	House of Lords Tel 219 4093	Prominent personality in Anglo-Italian relations. Chairman, Pirelli General Cable Works Ltd. Chairman Pierlli Ltd.
or [The Rt Hon Lord Hailsham of Saint Marylebone, FRS and the Hon Miss Mary (C H) Hogg]	House of Lords Tel 219 3232	Lord High Chancellor. Cossiga's previous position as President of the Senate was roughly the equivalent.



Cossiga was also Professor of Constitutional Law and has considerable knowledge of English constitutional history.

5. Dr Anthony JP Kenny Balliol College  
FRSE, FBA and Mrs Kenny Oxford  
Oxford 249601

Master of Balliol College, Oxford. Friend of Cossiga. Numerous publications including one on Thomas More, which is a particular interest of Cossiga's.

✓ 6. Professor Sir John 26 Montpelier Row  
Rigby Hale FBA and Twickenham  
Lady Hale Middx  
892 9636

Professor of Italian University College London. Various Italian decorations Numerous historical works on Italy. Historian of Renaissance

[Perhaps both of these]  
or  
✓ Professor Denis Mack All Souls College  
Smith FBA, FRSL and Oxford  
Mrs Mack Smith Oxford 722251  
refused 6865 or  
White Lodge  
Osler Road  
Hendington  
Oxford  
Oxford 62878

Senior Research fellow. Historian of modern Italy Widely respected in Italy for his work. Holds several Italian awards. Books on Garibaldi, Cavour and Mussolini. Recently hosted lunch at Oxford for ex President Pertini.

[ 7. Rt Hon Denis Healey ] House of Commons  
CH, MBE, MP and Mrs SW1  
Healey 219 4060

Principal opposition spokesman on foreign affairs. Speaks good Italian.

or  
[ Rt Hon Merlyn Rees MP ] House of Commons  
and Mrs Rees SW1  
219 5044

(Opposition energy spokesman) As Home Secretary in 1977 was host to



Cossiga (who also entertained him during return visit).

- |  |   |  |
|--|---|--|
| 8. Rt Hon Roy Jenkins MP and Mrs Jenkins                   | 2 Kensington Park Gdns W11<br>727 5262<br>H of Coms<br>219 6219<br>(sec) 638 2481 | First leader, SDP<br>As Home Secretary in 1976 was host to Cossiga. Knows Italian leader from his days in Brussels.                                |
| OR<br>Rt Hon David Owen MP and Mrs Owen                    | 78 Narrow Street Limehouse E14<br>987 5541  | Leader, SDP  |
| 9. The Baroness Elles MEP and Mr Neil Elles                | 75 Ashley Gardens SW1<br>828 0175<br>219 3149                                     | Deputy Chairman, (European Democratic Group) European Parliament. Strong Italian connections Attended Italian Christian Democrat Conference Feb 84 |
| 10. Sir Geraint Evans CBE and Lady Evans                   | 17 High Cliffe<br>32 Albermarle Road Beckenham, Kent<br>650 3039 (sec)            | Former opera singer.   |
| OR<br>Signor Ugo Ughi and Signore Ughi                     | c/o Senger, 103 Randolph Avenue, London, W9 1DL<br>289 3736                       | World Famous Italian violinist Houses in London and Venice. English wife.  |
| OR<br>Norman del Mar Esq CBE and Mrs del Mar               | Witchings Hadley Common Herts<br>449 4836   | Anglo-Italian descent. Conductor and Professor of Conducting, Royal College of Music Has conducted at Montepulciano Festival.                      |
| 11. Most Rev and Rt Hon Robert Runcie MC PC and Mrs Runcie | Lambeth Palace London SE1 7JU   | Archbishop of Canterbury (Cossiga has particular interest in 19th century English religious history)   |

✓ 12. Private Secretary.





10 DOWNING STREET

THE PRIME MINISTER

3 September 1984

My dear Signor Cossiga.

Thank you so much for the really lovely flowers. What a very kind thought. It was a great pleasure to see you again and I should indeed love to take up your invitation when I next come to Rome.

With my best wishes to you and your family.

Yours sincerely  
Margaret Thatcher

His Excellency The Honourable Francesco Cossiga

dm



PRIME MINISTER

Signor Cossiga has sent you a large bunch of flowers with the attached card. A rough translation is as follows:-

"Thank you for your very warm and friendly welcome and for the interesting conversation which we had at 10 Downing Street. When you come to Rome I press you most strongly to let me know. I should be delighted to have you as my guest at the Palazzo Madama for lunch or dinner. Best wishes to you, your husband and your children. Best wishes also for your tasks and for your country. With friendship, your most devoted and affectionate Franco Cossiga."

I attach a thank you letter.

C.D.P.

31 August 1984



S

in Londra, il 30 agosto 1984

Gentile Primo Ministro e cara Amica,

La ringrazio per la Sua accoglienza  
tanto cordiale ed amichevole e per la interes-  
sante conversazione che abbiamo avuto a  
10, Downing Street.

Quando Ella verrà a Roma,  
le prego veramente di voler me lo far



sapere: desidererei moltissimo averla mia  
ospite a Pezzogno Madonna per un mese o  
per un anno! Auguri a lei, al suo Consorte  
ed ai suoi figliolo! Auguri per il suo lavoro  
e per il suo paese! Con amicizia,

Suo devotissimo ed affezionato amico

Francesco Costantini,  
suo amico.



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Foreign and Commonwealth Office

London SW1A 2AH

28 August 1984

*Dear Charles,*

Call by Signor Cossiga on the Prime Minister:  
29 August

/ As requested, I attach a note outlining some points  
/ which the Prime Minister might wish to make during her  
meeting with Signor Cossiga tomorrow together with a short  
political background brief on Italy. You already have a  
personality note on Signor Cossiga.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL





CALL BY SIG COSSIGA ON THE PRIME MINISTER : 29 AUGUST 1984

POINTS TO MAKE

1. Recall with pleasure my last visit to Rome in January this year for the Anglo-Italian Summit when we met briefly. Also recall President Pertini's visit here in February for the Genius of Venice exhibition.

EUROPEAN COMMUNITY

2. Well remember your own very helpful role in resolving the EC budget question in 1980 when Italy held the Presidency. Fontainebleau was a major achievement. However, some problems remain to be solved, particularly on the budget question. Detailed implementation of the measures agreed at Fontainebleau still has to be achieved. But we are now in a position to put the Community back on a firm footing.

3. We have produced a paper, 'Europe: The Future', outlining the direction we believe the Community should now take.

(A copy is attached in case the Prime Minister wishes to give this to Sig Cossiga.)

LIBYA

4. The UK government is extremely grateful to the Italian authorities for agreeing to act as protecting power for the British Interests Section in Tripoli. We know this is no easy task and involves risks for Italy's own interests.





5. We look forward to hosting the next Anglo-Italian Summit here in London in October. It is satisfying that we already have a significant degree of industrial collaboration, for example between Westland of the UK and Italy's Agnata on the EH 101 helicopter.

6. Glad the Anglo Italian Round Table was successfully launched in Rome in April. We look forward to hosting the return match in London next year.





## ITALY : POLITICAL BACKGROUND

1. The present 5 party Coalition Government of Signor Bettino Craxi, (Italy's first Socialist Prime Minister since the War), took office in August 1983. The Coalition partners are the Christian Democrats (DCs), Socialists (PSI), Republicans, Liberals and Social Democrats.
  
2. The balance of forces within the legislature means PSI support is essential for any Parliamentary majority which excludes the PCI and neo-Fascists. The leader of the PSI thus enjoys a relatively strong position. The PCI constitute the main opposition party in Parliament. They are, however, strongly represented in Government at regional and local level.
  
3. After one year in Government, Craxi's position is still relatively secure despite recent strains within the coalition. In the European elections (June), regarded as a test of domestic popularity for the coalition partners, Craxi and the Socialists polled a disappointing 11.2%. The winners were the PCI whose leader, Enrico Berlinguer, died a few days before the elections, gaining for the first time more votes (33.3%) than the DC (33%). While not recovering from their June 1983 election shock, when their vote dropped by 5% to 32.9%, DC morale has been boosted by the result. For a while a weakened Craxi was under pressure from his coalition partners over the P2 Masonic Lodge Affair which resulted in July in the resignation of the Social Democrat Minister of Budget, Longo, subsequently replaced by another Social Democrat, Romita. However, Craxi won a vote of confidence in the Chamber of Deputies on 1 August which he hopes will give him at least another year in office.
  
4. Craxi's top priority on taking office was domestic economic policy. His government tried to tackle the inherited public sector deficit, (at present 17 per cent and threatening to reach 20% of GDP in 1984 if firm corrective measures are not taken), but without much success. Inflation, (mean annual rate is currently 13%), is however dropping and they hope to bring it down to the 10% target by the end





of 1984. The economy is emerging from the recession thanks to export led recovery. In February the Government introduced a package of anti-inflationary measures which included legislation on incomes policy. The pay decree met with strong opposition from the Communist-led union CGIL, and the PCI in Parliament, before finally becoming law in June. In opting for confrontation with the Communists and forcing through the decree Craxi, who maintained that government should be allowed to govern, was accused of upsetting the traditional balance of consensus in Italian politics.

5. Italian foreign policy has taken on a higher profile under Craxi and Foreign Minister, Andreotti. The Italian contingent made a largely successful contribution to the Lebanese MNF. The Mediterranean area to which Italy regards herself as a bridge is an important feature of Italian foreign policy, partly for geographical and historic reasons but also because of her heavy reliance on energy imports. Italy now protects British interests in Libya. Craxi has proved so far to be a firm Atlanticist demonstrating Italy's steadiness as a NATO ally by his commitment to the stationing of Cruise missiles Comiso in Sicily in 1984. The Communist opposition never campaigned hard against deployment, which proceeded without serious domestic tension.

6. Urban terrorism by the Red Brigades and to a lesser extent by the extreme right, against which the security forces have had a number of successes, exists as a continuing, if now diminished, threat. Organised crime and drug trafficking are growing problems which preoccupy the government. The 'grey economy' continues to flourish accounting for perhaps as much as 20% of GDP.

7. Craxi visited London in September 1983 and in June 1984 for the Economic Summit. The last Anglo-Italian Summit was held in Rome on 26/27 January when the Prime Minister led a delegation of five Ministers. The next Summit has been provisionally arranged for 18/19 October. President Pertini visited London (22-24 February) to



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attend the Genius of Venice Exhibition at the Royal Academy. Lady Young visited Rome to attend the inauguration of the Anglo-Italian Round Table, on 26 May.

Foreign and Commonwealth Office

28 August 1984

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EUROPE - THE FUTURE

THE ATTACHED PAPER WAS GIVEN TO  
EUROPEAN COMMUNITY HEADS OF GOVERNMENT

BY THE PRIME MINISTER

AS A CONTRIBUTION TO DISCUSSION

AT THE EUROPEAN COUNCIL

HELD AT FONTAINEBLEAU ON 25/26 JUNE 1984



## EUROPE - THE FUTURE

### INTRODUCTION

1. At the European Council in Stuttgart an ambitious programme was decided, involving a review of almost every aspect of the Community's activities. The negotiation has not been easy; and that is not surprising. There will continue to be arguments over priorities and the allocation of resources. That would be true even in a full-fledged federation. The Community progresses by the process of argument and discussion necessary to resolve its differences.

2. The Community is now close to agreement on the issues determining the course of its future development. Some progress has been made towards financing Community activity in the longer term and establishing a fairer balance of contributions. Some steps have been taken towards limiting the future costs of the agricultural regime. The Ten have agreed to work on a series of new policies to promote the economic, social and political growth on which their future well being depends. The negotiations remain to be completed. Their completion will enable the Community to concentrate on longer term objectives, and on responding to the needs and aspirations of its 270 million inhabitants.



3. This means giving greater depth to the Community in both its internal and external activities. The European Community, which has the largest share of international trade in the world and the immense benefit of the ingenuity of its peoples, and of the diversity of its economies, has only just begun to take advantage of its great potential. The Common Market is a means to an end, described in the Treaty itself as, "a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living".

4. The Community's energies must also be turned outwards so that we can:

- (i) create the sense of common purpose and momentum needed to hold together a Community of 12;
- (ii) defend our collective interests in an increasingly troubled world;
- (iii) fulfil our international responsibility to the causes of freedom, democracy, prosperity and peace;

5. If the European Community is to be effective in the world, it must also be effective in the national life of each of its Member States.

/Strengthening



### Strengthening the Community

6. If the problems of growth, outdated industrial structures and unemployment which affect us all are to be tackled effectively, we must create the genuine common market in goods and services which is envisaged in the Treaty of Rome and will be crucial to our ability to meet the US and Japanese technological challenge. Only by a sustained effort to remove remaining obstacles to intra-Community trade can we enable the citizens of Europe to benefit from the dynamic effects of a fully integrated common market with immense purchasing power. The success of the United States in job creation shows what can be achieved when internal barriers to business and trade come down. We must create the conditions in which European businessmen too can build on their strengths and create prosperity and jobs. This means action to harmonise standards and prevent their deliberate use as barriers to intra-Community trade; more rapid and better coordinated customs procedures; a major effort to improve mutual recognition of professional qualifications; and liberalising trade in services, including banking, insurance and transportation of goods and people. If we do not give our service and manufacturing industries the full benefit of what is potentially the largest single market in the industrialised world, they will never be fully competitive at international level, and will be unable to create much needed jobs within the Community.



7. At the same time we must do more, and work harder, to make actions undertaken within the Community relevant to the lives of our people. A sustained effort will be required further to simplify and speed up customs and other formalities affecting the ease with which our citizens can travel across intra-Community borders. We should aim, for example, to allow European citizens to travel as freely and cheaply as the inhabitants of the United States. Important steps could be taken in that direction by increased competition and the de-regulation of air services.

8. The Common Agricultural Policy has succeeded in the objective of providing Europe with a strong agricultural base. Remarkable increases in productivity have been achieved. The preservation of the best elements of that policy requires a continuing effort to correct the distortions which manifest themselves in the form of massive and costly surpluses of certain products, imposing high storage costs and the need to dispose of them in ways which complicate trading relations with our OECD partners and are impossible to defend to our own citizens and tax payers. An important and courageous effort has been made to control surpluses in the dairy sector. A sustained, multi-year effort will be required to achieve a better balance between production and demand, thereby releasing resources for other purposes.



9. For in the next decade equal priority must be given to creating the right conditions for the development of a vigorous, efficient and cost effective industrial sector able to compete with the United States, Japan and the newly industrialised countries. To this end, we need to examine urgently whether more can be achieved, or can be achieved more economically, by action on a Community basis rather than nationally. Better cooperation on research and development will help avoid duplication and waste. In some cases Governments can cooperate directly to encourage industrial activity at European levels - as in the case of Airbus, ESPRIT and JET. The Commission has suggested that the Community now look at possible programmes in telecommunications and biotechnology. We should examine these and similar proposals carefully to see whether they will be more effective at the Community level. In doing so, we should give high priority to facilitating collaboration at the industrial level. Member Governments must act to limit the administrative and legal impediments to risk-sharing and investment, in order to allow European firms to compete and cooperate in a way which will enhance their ability to match the performance of their competitors.

10. Creating the right conditions for economic growth without due regard for the wider interests of our environment and of our consumers is not acceptable. The peoples of Europe must feel

/that



that the Community improves the quality of their lives. Many environmental problems require action going beyond the capabilities of individual Member States. They have to be tackled on the basis of serious analysis of the scientific evidence and with due regard to industrial costs and efficiency. This is an area in which the Community has an important role to play. The United Kingdom has already suggested that decisions should be taken urgently to bring about the elimination of lead in petrol. It is also time for a programme of research aimed at finding solutions to the problems caused by acid rain, and for controls on trans-frontier shipments of hazardous waste to continue to be developed.

11. At the cultural level, we should examine whether Governments cannot do more to encourage the learning of other Community languages. The European Foundation could play a useful role in this and in developing professional exchanges. Full access to each others' satellite broadcasting systems would help the process of cultural interchange in an eminently practical way of direct concern to mass audiences.

12. This process will require political direction. We should agree in the European Council that each Member Government should examine its priorities and policies in sectors covered by the Treaties in order to see in each case whether greater progress

/could



could be made by a cooperative approach at the Community level.

### A flexible Europe

13. The European Communities, with their corpus of institutional and legal structures, and their own resources, are and must remain the framework within which Community law applies. Action undertaken in the Community framework must continue to be on a basis of equal rights and equal obligations. But a certain flexibility of approach may be necessary in the coming decade, when the Community will have become larger, its membership more diverse, and in some areas of technological development, the industrial structures and interests of Member States more varied. For such practical reasons, it may sometimes make sense for participation in new ventures to be optional. This should not lead to rigid distinctions between different groups of participants. That would be particularly disillusioning for our new members who expect to be joining a democratic and homogeneous Community. Where ventures are launched by Member States with limited participation, it should be open to others to join in as and when they are able to do so. The possibility for action financed by the Community or with Community law as its legal base should be examined before it is decided to proceed on a more limited basis. The progress of all such work relevant to European integration should be monitored and open for discussion in a suitable high-level forum.

/Europe



### Europe in the World

14. It must be our objective to aim beyond the Common Commercial Policy through Political Cooperation towards a common approach to external affairs. Such a policy can only be achieved progressively: it must nevertheless be the aim before us.

15. The Community and its Member States already have at their disposal many of the elements for a common external policy. It is linked to other Western European countries through the EEC/EFTA agreements. The Lomé Convention binds the Community in a contractual relationship covering aid and trade with 64 developing countries. The Common Commercial Policy governs its trade relations with the rest of the world. The Community takes common action in international economic organisations. There is the network of Association and Cooperation agreements both with individual countries and with groups such as ASEAN and the Andean Pact. The growth of Political Cooperation enables the members of the Community increasingly to adopt common positions on world problems and to vote together in non-economic international bodies. Our aim for the future should be to bring about a greater coherence between these different elements. In that way a common external policy could be progressively achieved.

16. The US will remain central to European security and the

/management



management of East-West relations, and no less so in the management of the problems of the world economy and trade. Our task must be to ensure that Europe plays no less central a role in all those respects. By common action of the Community and the Ten, Europe must impress on the US that unilateral American action, eg on technology transfers, extra-territoriality, unitary taxation and, above all, protection for US industries will put the success of Alliance consultation and coordination at risk. Equally we must be ready in Europe to make progress towards the liberalisation of our trading practices, and to play a full part in strengthening the GATT trading system. Mechanisms for consultation and coordination between the Allies are already in place. What we need is the will on both sides to use them to get results: bilaterally, within the Alliance, and on behalf of the Community and its Member States.

17. Europe is more than Western Europe alone. By the end of this century we could see the Soviet Union with increasingly serious economic difficulties and growing problems in Eastern Europe. At that stage more than ever, a coherent and persuasive West European voice will need to be heard on the management of East-West relations. Europeans have their own interest in economic relations with the Soviet Union and East European countries, illustrated by the level and intensity of their political contacts with them. They should reflect on the special



status this gives them, and on the scope it offers for a more coordinated approach on wider questions, eg the encouragement of a more differentiated economic and social development in Eastern Europe. Steps of this kind will strengthen the European political entity and enable it to act more effectively in relation to the major international issues which legitimately concern it.

18. The Community must also use its weight to influence the other major industrialised economies to shoulder their share of responsibility for the world economy: the United States by paying more attention to the international consequences of its domestic economic policies, and Japan by integrating its financial markets into the world economy and raising the level of its manufactured imports to one comparable with other industrial democracies. The Community must act jointly with these major trading partners to promote the further liberalization of international trade and to extend the open trading system, including a well-prepared new GATT trade round. This would bring the many varieties of developing countries more effectively into the world trading system, and persuade the more advanced among them to take more responsibility for its good management. Our performance so far in encouraging development in the Lomé countries, in South-East Asia, in Latin America, and in many other countries through our food aid and non-associates programmes is commendable. But there



is room for better coordination between Member States, the Community and other donors to secure maximum political as well as developmental effectiveness from our aid.

19. In Political Cooperation, the Ten need to act with more vigour and greater purpose. Cooperation should not just be a matter of making declarations in the face of increasingly complex challenges. The Ten have the weight and must show more political will to act together: concentrate their efforts where their leverage is greatest and their interests most directly touched e.g. in the Middle East and Africa; and recognise that influence does not last if not backed by the necessary resources. Member States must take more seriously their solemn commitments to consult and take account of partners' views and work for common positions. The objective should be the progressive attainment of a common external policy.

#### Defence and Security

20. Our objective must be to strengthen the European pillar of the Alliance and improve European defence cooperation.

21. Europe already carries a heavy defence burden within the Alliance - although some of its members take a greater share of that burden than others. It contributes to security both on this Continent and in the wider world by a variety of political and economic as well as military instruments. This contribution is



far greater than is understood in the United States. If such views are not corrected, the temptation will grow for America, under pressure from the Congress, to look more toward interests outside Europe. Yet the US strategic commitment to Europe will remain an irreplaceable guarantee of Western security. If we wish to preserve it and ensure that our views continue to be given due weight by future US Administrations, the European Allies must find answers to some difficult questions: Are we able to take on a larger share of the responsibility for our defence? How should we respond to renewed public questioning of defence policy? Or the need to develop new technologies at a time of rising costs and resource constraints? The answers make it evident that such problems have to be tackled jointly.

22. Most work to coordinate European positions on this so far has been done in the NATO framework, particularly in the Eurogroup and the IEPG (which has the merit of including France), and there is still more that could be done to exploit the potential of these groupings. We must continue to work for the implementation of the Genscher/Colombo Solemn Declaration of 19 June 1983 which provides a helpful reaffirmation of the Community's political and economic objectives. But if we want early progress - and an early chance to demonstrate our seriousness - we must be willing to look at new openings including those offered by the WEU.



23. Procedure and new organisations are no substitute for content and action to solve existing problems. We have to be prepared to make efforts before we can pool them. Progress demands in particular that we focus on the resource allocation and defence industrial aspects of the problem. We should be able to achieve better value for money by common procurement and collaborative manufacturing projects, recognising (as past experience has always shown) that this process will give rise to very real political problems and difficulties for which there are no facile solutions. Individual projects are probably best organised on a case-by-case basis between those member countries with the capacity and wish to undertake them, making use of the framework of the IEPG. But the general prospects for them could be greatly improved by progress towards a more integrated European industrial and technological base, and by strengthening the Community's internal market. These are areas of proper Community concern which need our urgent attention.

#### Organisation and Institutions

24. There are several areas in which specific improvements can be made. With regard to the Community:

- (a) The Commission's role is central to the functioning of the Community. It is crucial that it should attract, and that Member States should appoint, individuals of the

/highest



highest calibre with a clear recognition of the tasks to be done. After enlargement the Commission still needs to be able to provide real jobs for people of the best quality. A Commission of 17 is liable to be too large for efficiency or to provide all members with serious portfolios.

(b) The Presidency also plays a key role in the management of the Community's business. Its effectiveness would be enhanced by greater cooperation between the Presidency in office and the preceding and succeeding Presidencies.

(c) An early European Council should consider adopting a new procedure under which each year the European Council would adopt a brief and succinct statement of priorities, with specific timings and targets, which would form the basis of the Community's activities for the following 12 months.

(d) When the Commission reviews its legislative proposals each year, there should be a thorough weeding out of hopelessly blocked items and unnecessary cases of obstruction brought to the notice of the Council.

(e) The voting provisions of the Treaty must be fully honoured. Unanimity must be respected in all cases where the Treaty so provides. The same applies for majority

/voting



voting. At the same time, Member States must be able to continue to insist where a very important national interest is at stake on discussion continuing until agreement is reached. But they should be required in each case to set out their reasons fully.

(f) The European Council should eschew the role of Court of Appeal from the Council. Its true and irreplaceable task is to provide strategic direction and political impetus for all areas of Community work and Member States' cooperation. For this, it might be enough for it to meet no more than twice a year, perhaps for two full days. Alternatively, one of the three annual meetings might be conducted on a more informal "Gymnich-type" framework without advisers. The primary responsibility for preparing European Councils should rest, as it does now, with Foreign Ministers.

(g) In a grouping of democratic European states the directly elected European Parliament must reflect with increasing responsibility the preoccupations and priorities of our peoples. Through the various procedures set out in the Solemn Declaration of June 1983, the Council and Member States need to work out ways of keeping the Parliament better informed, responding to its suggestions and bringing it to work in greater harmony with the main decision making



institutions of the Community.

(h) Once the post-Stuttgart negotiation has been completed it should be possible for Member Governments to take common action to present the Community to their peoples in a more favourable light. It is important that people should receive an objective picture of the present state of European integration. It would be desirable for Foreign Ministers, at an early informal meeting, to discuss this question and, if possible, to agree on some common themes for Governments to put forward in their presentation of the Community and of the issues under discussion in it.

#### Conclusions

25. The European Community and the Alliance jointly have brought an unprecedented period of peace and prosperity to the peoples of Europe. We cannot rest on the achievements of the post-war generation. Over the next decade Europe will face new economic and social challenges, and a continuing threat to her security.

26. Periodic expressions of pessimism about the future of the Community have never turned out to be justified. Europe needs to advance its internal development. The progress that has been made towards "an ever-closer union of the peoples of Europe" of which the Treaty of Rome speaks in its first paragraph is

/unlikely



unlikely to be reversed.

27. The objectives now must be to:

- strengthen democracy and reinforce political stability in Europe. This means bringing to a successful conclusion the accession negotiations with Portugal and Spain;
  
- develop a dynamic society in which industry thrives and activities which create wealth are encouraged. To do so, we must complete the internal market, particularly in the services sector;
  
- strengthen the European pillar of the Alliance and the contribution Europe makes to its own security;
  
- promote policies which will improve the quality as well as the standard of life in the Community;
  
- with due regard for the needs of economic and industrial efficiency, do more to promote the improvement and protection of the environment;
  
- agree urgently on certain organisational changes;
- adopt policies which will guarantee the relevance of the Community to the problems, particularly unemployment, which

/affect



affect our societies;

- take the necessary steps to strengthen the voice of the Community and make its influence felt in the world;
  
- heighten the consciousness among our citizens of what unites us.



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Foreign and Commonwealth Office

London SW1A 2AH

24 August, 1984

Dear Tim,

Tom  
FO at  
making brief  
CDF  
25/8.

Charles Powell

The PM is seeing  
Cossiga at 10.30 on

Possibility of a Meeting between the PM and Sr Cossiga 29/8

You asked for a note on the pros and cons. In our judgement it would be useful, though not essential, for the Prime Minister to find the time to see Cossiga next week. He is President of the Italian Senate, and second only to the President in Italy in terms of their protocol. He is also one of the front-runners in the race to succeed Pertini when the latter retires as President of the Republic.

The Prime Minister will no doubt recall that Cossiga played a crucial role in resolving the EC budget problem during the Italian Presidency in 1980. He is known to have great admiration for her, which we believe - though you will know better - is in some measure reciprocated.

I enclose a copy of our personality report on him.

Yours Sincerely,  
Colin Budd

(C R Budd)  
Private Secretary

Tim Flesher Esq  
10 Downing Street

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COSSIGA, ONOREVOLE FRANCESCO

President of the Senate (Christian Democrat).

Born Sassari (Sardinia) 1928. Professor of constitutional law at the University of Sassari. Deputy for Cagliari since 1958. DC Provincial Secretary 1956-58. Member of the DC National Council since 1958. Under-Secretary at the Ministry of Defence in three successive governments from February 1966 to July 1969. Minister without Portfolio responsible for Public Administration in Moro's fourth government, 1974-76. Minister of the Interior in Moro's fifth government (January-August 1976).

It was as Minister of the Interior that Cossiga first caught the public eye. His handling of the Friuli earthquake relief operations, and television appearances at that time, enhanced his own reputation for efficiency and contributed to his party's success in the June 1976 election. Andreotti kept him on when he formed his single-party DC government in August 1976, as a Minister with a proven ability to get things done. He is a member of the leftish "Base" faction of the DC. Despite some criticism (mainly from the right-wing of his own party) of his handling of law and order he was reappointed in Andreotti's fourth government in March 1978. He resigned in May 1978, shortly after Moro's body was found, taking Ministerial responsibility for the failure of the security forces to come to grips with the Moro kidnapping. After others had failed, he succeeded in forming a second Government, including the PSI, in April 1980. But PCI opposition to the DC at this time was severe and Cossiga also had to cope with damaging scandals within his own party, including one concerning the terrorist son of Donat Cattin (qv) which touched Cossiga personally and hurt his Sardinian pride. In September the Government was defeated over its economic package and Cossiga, characteristically, resigned on principle rather than continue the struggle. He was not a tough or inspiring leader but his integrity and ability were much admired even by his political adversaries. He remained a Deputy but took life quietly from 1980-83. In 1983 he entered the Senate and was elected President of the Senate for the 9th Legislature. He therefore ranks second only to President Pertini in protocol terms.

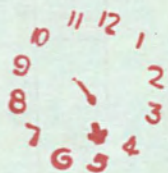
He is exceptionally friendly, and gives an impression of down-to-earth competence unusual in a DC politician. Considerable knowledge of constitutional history, including English, and military uniforms. Also a radio amateur.

Visited England in 1976 as the guest of Mr Roy Jenkins (then Home Secretary) and again in 1977 as the guest of Mr Merlyn Rees (whom he took great trouble to entertain personally during the return visit to Rome). He also met Mrs Thatcher. A sincere Anglophile: his role in solving the EC budget problem during the Italian Presidency in the first half of 1980 was of critical importance.

Cossiga is married, with one son and one daughter, whom he has sent to England to study. He is related to the PCI Party Secretary, Berlinguer. Speaks some English and French. His fall in 1980 embittered him and destroyed his health. His morale remains low, and he looks older than his years. The present job, prestigious but not stressful, suits him. He is tipped as one of the DC's front-runners for the Presidency when Pertini goes.

Awarded an Honorary GCMG during the 1980 State Visit.







TOP DOCUMENT ON FILE

To meet the next  
Cossiga bilateral \*



Caroline - Italy

The PM will give  
Cossiga a present at  
the bilateral Mtg. \*  
later in the year.

10 DOWNING STREET

From the Private Secretary

Mr Alexander

Do you want to keep  
this list for bring up  
renew them? Gillin

Campie will v. kindly <sup>to please</sup>  
go & buy Cossiga's present  
tomorrow morning. She will  
talk to the P.M. at 8.30 am  
& then see you & come  
before she goes. Some of the  
suggestions are:-

Dunkill HUMIDOR [Lyhe smoke]

APPREYS Chalk or leather  
bound classic [£100 approx]

Worcester coffee service

Cashmere Rug

Silver Photograph Frame

A piece of Georgian silver

et.c.

18/6.



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CC HURT

LPO.



CG

Italy

MAFF

10 DOWNING STREET

From the Private Secretary

25 April 1980

Dear Sir,

Signor Cossiga's Visit: 25 April

I attach copies of the records of the Prime Minister's discussions this afternoon with the Italian Prime Minister about Iran and about the Community Budget.

I am sending copies of this letter and both enclosures to John Wiggins (HM Treasury) and David Wright (Cabinet Office), and of the second enclosure only to Garth Waters (MAFF).

Yours ever

Michael Alexander

KAB

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

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cc Master Set  
Euro Pol Budget  
" CAP  
" Council  
Policy  
PES

PARTIAL RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY, SIGNOR FRANCESCO COSSIGA, AT NO. 10 DOWNING STREET AT 1500 ON FRIDAY 25 APRIL 1980

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Present:

Prime Minister	Signor Cossiga
Foreign and Commonwealth Secretary	Signor Ruggiero
Mr. M. Franklin	Signor Berlinguer
Mr. Michael Alexander	

European Council: Budget

Signor Cossiga regretted that his illness had prevented him making the trip earlier. As a result he would not be able to visit all the Community capitals. He had spent 2 hours with President Giscard, M. Barre and M. Francois-Poncet that morning. The meeting had been very useful. His interlocutors had been courteous but also very precise. The French had one particular interest: to secure agreement on an agricultural package. Their objectives were both to get the prices fixed and to control the overall expenditure on the CAP. In Signor Cossiga's view there should be no insurmountable difficulty in agreeing a farm price package. But there was a political problem in associating a solution of the agricultural price problem with a solution of the Budget problem. The trick was to so manage affairs that each set of problems were resolved simultaneously. If they were agreed simultaneously, the question of the inter-relationship between the two would become purely theoretical.

On agricultural prices, the French were seeking a settlement based on an increase of between 5 and 6%. A settlement in this range would have the effect of reducing German MCAs by 1 to 1.5%. The French also envisaged a co-responsibility levy of 1.5% with exceptions being made for small farmers. Finally, they wanted a super levy on milk. Signor Ruggiero interjected that this should be progressive and designed to penalise those farmers who put milk into intervention on a very large scale. Signor Cossiga thought that a super levy on the lines envisaged by the French would primarily

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affect the ~~the~~ Federal Republic and Benelux. (Mr. Franklin commented that it would also affect the UK.) He added that the French recognised that to increase farm prices above certain limits made the British budgetary problem worse because of the consequences of such price rises on the total size of the Budget.

Signor Cossiga said that the French wish to deal with farm prices before the Budget was a problem. Another problem was their wish to have a discussion about the principles underlying the Community. They had circulated a paper on this at the last Foreign Ministers' meeting. Signor Cossiga said that he had told the French that he recognised the principles to which they referred were drawn from Community documents. But there were other principles to which they did not refer notably Article 2 in the Treaty of Rome, which referred to the harmonious development of economic activities, and the other Articles referring to the need for the Community to be dynamic not static, for it to promote convergence, and for it to help members in difficulties. He had told them that he feared the attempt to draw up lists of principles would cause difficulties. He would not wish the discussion of the Community's principles to become an obstacle to progress on the Budget.

He had then discussed the problems of convergence and the Budget. Whether the British net contribution was 1400 or 1800 meu, the sum was enormous. The Council's point of departure was that a solution to the British problem must be found. The method was clear: on the one hand there was the corrective mechanism, on the other hand the need to increase Community expenditure in the United Kingdom. The Community's principles need not be in danger if, for instance, it was agreed that a revised corrective mechanism would run until a certain date; the fact that the date had been set would preserve the Community's principles. The Community had to recognise the fact that the British figure was excessively high and should not get mesmerised by arguments about own resources. He had told the French that it was difficult to contemplate failure when one considered the damage this would do to the image of the Community. How could the Community take decisions on major foreign policy issues if it was unable to solve its own problems? The Prime Minister said that if the present problem could not be resolved, the Community would break



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down. She would not agree to the fixing of new farm prices unless the Budget problem was solved simultaneously. France's position appeared to be the mirror image of hers. The difficulty was that farm prices could not be negotiated at the Summit: a procedure for resolving the two issues simultaneously was required. Signor Cossiga said that President Giscard agreed that the European Council could not discuss farm prices. Agreements on the Budget and on farm prices would have to be reached in parallel discussions.

Turning to the Budget itself, Signor Cossiga said that in response to his efforts to try to establish a band within which discussion of figures for budgetary solutions could take place, the French proposed a new approach. They had suggested guaranteeing for a certain period that the British imbalance would not increase above a certain point. They had suggested taking a figure, say that for Britain's net contribution in 1979, comparing it with the net cost at the end of 1980 (including the new farm prices) and setting up a mechanism so that the latter figure should be no higher than the former; i.e. the annual increase would be restored through the financial mechanism and Community investment. There would be a provision for reviewing the mechanism. This would render the British problem independent of farm price increases, would leave the Community's principles untouched and would give a guarantee to HMG that, however the Community evolved, HMG's net contribution would be unaffected. The French proposal would give Britain security. Moreover, the Community was already engaged in a process which would give increasing emphasis to the structural element in budgetary expenditure at the expense of the agricultural price element. This process would benefit the UK and would produce a permanent solution to the British problem in due course.

When the Prime Minister, summarising what Signor Cossiga had said, described the French position as being that Britain would pay no increase above the 1979 contribution, Signor Ruggiero said that the French proposal was more nuancé. The difference between the 1979 and the 1980 figure would be covered in whole or in part. The proportion had not been clearly defined. But Signor Ruggiero said his own impression had been that President Giscard had in mind a rebate amounting to the full amount of the difference. Mr. Franklin

/ pointed out

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D. R.  
**CONFIDENTIAL**

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pointed out that this meant deferring a decision of the full benefit that Britain would receive until it was clear what the difference between the 1979 and the 1980 contribution would be. The Prime Minister said that the value of the French approach would depend on finding the right starting point.

Signor Ruggiero thought that President Giscard had had a number of reasons for putting forward his new proposal. The Prime Minister had said in Strasbourg that Britain's budgetary contribution in 1980 would be intolerable. This might be said to imply that the 1979 contribution had been tolerable! The new approach should be attractive to Britain because it would give flexibility and security: if the total size of the Budget increased, and hence if Britain's contribution increased, the rebate would increase. Moreover, the fixing of a ceiling would mean that if Britain's eventual contribution for the year was greater than the present estimate of 1683 meua - as might well be the case - Britain's rebate might easily be more than 1000 meua. It seemed clear that the French were trying to be helpful. The Foreign and Commonwealth Secretary said that there was nothing wrong with the French idea except that the base figure they had chosen was too high and their present position on duration was unacceptable. The Prime Minister said that the French still envisaged far too large a British contribution. It would be essential to find some way of lowering the base line. Mr. Franklin suggested proposing that the base figure should be the average of the last 3 years rather than the last year alone. The Foreign and Commonwealth Secretary, agreeing with Mr. Franklin, said that we should accept the French approach but go for a base line calculated as an average of a number of previous years.

Signor Ruggiero said that all his contacts in recent weeks, including those with the Germans, had left him with the impression that the breaking point for the other members of the Community would be a rebate to Britain in the region of 900 to 950 meua. The Prime Minister said that this was not enough. Signor Ruggiero pointed out that such a result would amount to a rebate of 60% of Britain's net contribution. Such a result would have been unthinkable in November and no previous British Government would have had the slightest chance of achieving it. The Prime Minister observed that

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/ nonetheless



nonetheless Britain would remain the second highest contributor. It was no good saying that the Government would have done well. It was still not good enough. Signor Ruggiero wondered whether there was any possibility of achieving movement by describing figures in gross rather than net terms. Mr. Franklin observed that eventually one always came back to the net figures.

Signor Cossiga said that the French had introduced a new element into the situation. There would be a datum line unaffected by the evolution of the Community policies. The figure for Britain's contribution would be fixed even if there was provision for revision. The fact that Britain's contribution could get no worse would relieve a great deal of uncertainty. The Prime Minister said that duration remained very important. She could not afford to have a major row again in three years time. Mr. Franklin said that it must be clear that the new mechanism would continue if the restructuring of the budget had not taken place. The criteria should be that the mechanism should be prolonged if this was necessary to avoid the re-emergence of an unacceptable solution but <sup>that it</sup> could be revised to take account of restructuring. The Prime Minister commented that President Giscard was clearly trying to be helpful. Nonetheless the base line proposed was too high.

The Prime Minister said that it was necessary to decide how the negotiations should be carried out. The Foreign and Commonwealth Secretary said that President Giscard wished to get ahead with the discussion on a farm price package. Therefore Agricultural Ministers would have to meet within the next day or so. This would not be possible for the United Kingdom unless there were parallel financial discussions. Signor Cossiga said that the Presidency could of course propose ways of closing the gap. But this would risk involving the Heads of Government in bandying figures at the European Council. There was also the problem that the European Council had no competence to fix farm prices. Therefore the Agricultural Council must meet separately. He did not think it would be possible to give guidelines to Agriculture Ministers to fix prices after the European Council. Therefore the

/ Agricultural



Agricultural Council would have to meet and continue discussions while the European Council was meeting and report on progress so that the Presidency could formulate proposals against that background. The Presidency would put forward a final proposal when all other issues had been resolved. In that way there would be no surprises on one side or the other.

Signor Cossiga said that he understood the British Government's need for parallelism ~~in~~ <sup>the</sup> between/discussions on farm prices and on the budget. But it would be too dramatic to have Ministers of Foreign Affairs meeting on the following day in parallel with Agriculture Ministers. The Foreign and Commonwealth Secretary suggested that Signor Ruggiero's group should meet in parallel with a group of senior agriculture officials. Ministers could be brought into the negotiations at a later stage. There would then be two meetings of officials rather than one of officials and one of Ministers. Signor Cossiga said that where agricultural questions were concerned the only level at which useful discussions could be held was among Ministers. The Prime Minister stressed that whether it was Ministers or officials, everything that might be agreed on farm prices would be provisional until the results of the discussions on the budget were available. Signor Cossiga said that he understood that the Prime Minister wanted parallelism in regard to the level as well as the timing of the discussions. The Prime Minister agreeing, said that she must be able to see progress in both fora. She had learned never to give anything away in Community discussions. Signor Cossiga said that he had never thought of allowing the Agriculture Ministers to reach agreement without a parallel agreement on budgetary matters. He wanted to get them working, under his overall direction, partly because he did not want the European Council to get into figures and partly because he did not trust the Ministers to follow guidelines.

Signor Ruggiero said that he hoped the preparatory working parties could identify the positions of the minority and of the majority on both farm prices and on the budget. Their reports could then go to the European Council to agree on a compromise position. After some further discussion, the Prime Minister

/ said that



D. P.  
**CONFIDENTIAL**

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said that the meeting had reached a provisional decision that two groups of permanent officials should meet in parallel in Luxembourg the following day to discuss farm prices and, under Signor Ruggiero's chairmanship, the budget problem. Assuming they made progress, Agriculture Ministers would aim to arrive early on Sunday morning. Signor Cossiga suggested that the Agriculture Ministers might arrive in time to dine together on the Saturday evening. The Prime Minister said she would have no objection to this provided it was understood that they could do nothing then. In the end no final decision was taken about the precise timing of the Agriculture Ministers' first meeting.

The discussion ended at 1710.

*Ants*

25 April 1980

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PARTIAL RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY, SIGNOR FRANCESCO COSSIGA, AT NO. 10 DOWNING STREET AT 1500 ON FRIDAY 25 APRIL 1980

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Present:

- |  |                   |
|--|-------------------|
| Prime Minister                         | Signor Cossiga    |
| The Foreign and Commonwealth Secretary | Signor Ruggiero   |
| Mr. M. Franklin                        | Signor Berlinguer |
| Mr. Michael Alexander                  |                   |

European Council: Iran

Signor Cossiga said that he hoped the problems of US/Iranian relations would not interfere too much with the work of the Council. The Prime Minister said that she was wondering whether there should not be an early Summit meeting with President Carter. June seemed too long to wait. She would be hoping to discuss this at the European Council. Signor Cossiga said that he agreed that it would be difficult to wait until June. Neither President Giscard nor Monsieur Barre nor Monsieur Francois-Poncet had commented on the Iranian problem during their talk with Signor Cossiga in Paris earlier that morning. The Foreign and Commonwealth Secretary said that the British Government had been told in advance of the possibility of an attempt to rescue the hostages because of Diego Garcia. Signor Cossiga said that he had not known anything at all. He had held a secret meeting with his military advisers only the day before to discuss means of getting Italian subjects out of Iran in an emergency; and how the Italian Government should respond to any US request for assistance related to military movements, e.g. a request for over-flying rights. He had been told by senior American officials that a rescue attempt looked impossible.

The Prime Minister said that the line which it had been proposed Ambassadors should take with President Bani Sadr on Tuesday would have to be reconsidered. The Foreign and Commonwealth Secretary agreed. Signor Cossiga said that the validity of the actions which the Foreign Ministers of the Nine had agreed earlier in the week would <sup>also</sup> have to be reconsidered. The dangers of allowing the United

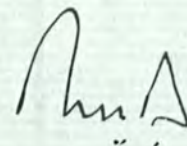


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- 2 -

States to feel isolated would have to be borne in mind. However, things could not continue for much longer in the present manner. It was not that the requests being made by the United States were difficult to meet - though they were. The problem was that they seemed unlikely to be useful. Italy was willing to pay a price to help her ally but wanted to achieve results. Sanctions would put at risk Italo/Iranian trade to the value of \$3 billion. There were still 1800 Italian citizens (including 900 dependants) in Iran. There were 130 technicians whom the Iranian Government considered essential in keeping the oil and electricity generating industries going. These last were potential hostages. If the Italian Government paid a high price to help the Americans, and if nothing was achieved, it would be very embarrassing. The Prime Minister agreed but said that one could not abandon one's friends in the hour of need. Signor Cossiga said he felt the same.

The Prime Minister said that the international situation would have to be high on the agenda of the European Council. Perhaps the agenda could start with a discussion of the Budget problem following which officials could be sent away to pursue the matter and the Heads of Government could discuss Iran. It might also be a good idea for Heads of Government and Foreign Ministers to dine together. Signor Cossiga said that it would certainly be necessary to have a meeting to discuss the international situation. It could not be done simply at the dinner table. The Prime Minister and Signor Cossiga agreed that the best course might be for the dinner arrangements to remain as previously envisaged but for the Heads of Government and Foreign Ministers to assemble for a special session after dinner to discuss Iran. This could be announced publicly.



25 April 1980

**CONFIDENTIAL**





Foreign and Commonwealth Office

London SW1A 2AH

24 April 1980

Dear Michael,

Signor Cossiga's Visit

I attach a revised Steering Brief for the Prime Minister's use for Signor Cossiga's visit tomorrow. There are no changes in the Annexes attached to the original Steering Brief.

I also attach a supplementary brief on Iran.

Yours etc

(P Lever)  
Private Secretary

Michael Alexander Esq  
10 Downing Street  
London



Top Copy with M's  
Briefing for Luxembourg  
April 1980, Encl.

~~Subject with briefing for  
Cossiga Visit - Italy  
Jan 80. Visit of Italian PM~~

Ref A02023

PRIME MINISTER

Community Budget

At your meeting at 10 am tomorrow you will want to focus the discussion first on your meeting with Signor Cossiga; and second on the European Council itself.

2. What is now our assessment of the prospects for settling the budget issue this time? Does the lack of progress in the Agriculture Council rule out any prospect of a budget settlement or is the French position tactical? Signor Cossiga will have seen President Giscard when he arrives in London and you have talked to him on the telephone. The Italians have been considering whether to call the Agriculture Ministers together again on Saturday, or to try to produce another Presidency document on agriculture for the European Council. We have told them that the former would achieve nothing but that we would welcome the latter; and that you are quite ready to talk about agriculture prices in Luxembourg if necessary. Clearly the European Council cannot reach a detailed settlement on agricultural prices; but it could perhaps reach agreement in principle as a basis for instructions to the Agriculture Council. This possibility is something Sir Donald Maitland could discuss if he paid another visit to Paris.

3. On the meeting with Signor Cossiga, you will want to judge how much to reveal of your position in the light of what he can tell you about Giscard's. No doubt you will want to confirm what Sir D Maitland told Signor Berlinguer last week. The Italians may say that the biggest difficulty will be over duration. You will want to rehearse our difficulties, but you could ask whether any flexibility on this point would substantially increase the sum available. On CAP prices, now that we know the highest bid is 5 per cent, you could let him know that, in the context of a budget settlement, we could move, provided that the increase on surplus products is kept very low and the financial consequences are minimal? On sheepmeat, I have sent you a separate minute.



4. On the handling of the budget issue on the European Council itself, you will want to ensure that Signor Cossiga brings it on early on Sunday afternoon. The best way from our point of view might be for him to start the proceedings by reporting on his conversations and setting out the situation as we see it. This would maximise the chances of getting down to business straight away and preventing President Giscard insisting on talking about Community principles (or CAP prices) first. Whether we should want Cossiga to come forward with specific proposals you can only judge when you hear what he has in mind. In any case it is not an occasion for long restatements of position. They are known, and we want to depart from the assumption that, at any rate in some degree, everyone accepts the need to find a solution. But in case it proves useful for you to make a scene-setting statement, I attach a "workshy" draft which has been prepared in consultation with FCO and Treasury officials.

5. I am copying this to the Foreign and Commonwealth Secretary.

ROBERT ARMSTRONG

24 April 1980



Community BudgetDraft initial speaking note for the Prime Minister

The period since Dublin allowed us all more time to explore possible solutions and while it has not diminished the size or the gravity of the imbalance in Britain's net contribution to the Community budget, I hope and believe that it has increased our chances of resolving the problem. Grateful for the efforts made by the Presidency in spite of internal political preoccupations. We were not able to agree in Dublin but resolved to try and do so in a spirit of compromise.

2. As a result of the work in the different Councils we are now virtually agreed on the method by which the British budget problem will be solved - a combination of improvement to the Financial mechanism and the introduction of special expenditure measures in the United Kingdom under Article 235. What remains for us to do is to decide first, how much needs to be done under these two heads in 1980? I accept that the United Kingdom should be a modest net contributor. Second, how to determine the figures for subsequent years so as to prevent the re-emergence of a similarly unacceptable situation resulting from the effects of inflation or increases in the Community budget



compared with the situation to-day? Thirdly, for how long should these measures last? No doubt Mr President you intend to go into each of these points. I am ready to search for a reasonable compromise on each of them, and I am sure my colleagues will approach it in the same way. But can I at this point just make three general comments?

3. The first is to counsel all of us against looking for an easy way out. Of course, this problem is unwelcome to you. I know that you all have your domestic problems and your financial difficulties as we do. But I must point out that the present arrangement does not just create a political problem for my Government; it threatens a major crisis within the Community. And the cost to each of our partners separately of adequately dealing with the problem will be very much smaller than the cost which the United Kingdom is bearing now and can no longer continue to bear. We should be doing Europe no service if we shirked the problem so that it returned in future years to plague us. Even so, I accept that the solution should be temporary. This is why we suggested a commitment to restructuring the Budget so that it will no longer be necessary to have a special arrangement for the United Kingdom. But ~~restructuring~~<sup>restructuring</sup> will take time. That is why we need a special arrangement for the United Kingdom now; and its duration must be sufficient to enable the Community to achieve Budget restructuring.



4. My second general comment is to assure you that the British Government has no wish to undermine the Community's acquis. We are not seeking a juste retour. We accept the CAP and the own resources system. What we are doing is asking our partners to correct an inequity which the own resources system and the Community budget arrangements were never intended to create; and inequity which simply cannot be justified to 56m citizens of the Community. We have no wish to call into question in any way the achievements of the Community. How could it be otherwise for a Government which is completely determined to remain full and active members of the Community?

5. Lastly, we are aware as you are that the Community has other problems to deal with and must make progress in these areas of Community business too. I am ready to discuss them. We too wish to see progress on energy questions and on the elaboration of a sound common fisheries policy. We are ready to consider suitable Community arrangements for sheepmeat. Agricultural prices for this year must indeed be settled. We have a report from the Agriculture Ministers on prices and economy measures. I am ready to discuss it, and if we can make progress



on this front too, so much the better. But let us see how far we can get on the budget issue first. [I am sure Mr President that, after your recent activities, you will have some helpful suggestions as to how we should now proceed.]



24 APR 1980







cc Ewo PD: PG4. CAP

Ref A02022

PRIME MINISTERPreparations for the European Council - Sheepmeat

below . — The penultimate paragraph of the Minister of Agriculture's Assistant Private Secretary's letter of 23 April to Mr Alexander records the Minister's view that you should not give Signor Cossiga any indication in advance of the European Council that we might be ready to agree to intervention as part of a Community regime for sheepmeat.

2. It is clear that the French are putting in a maximum bid and that we shall not want to concede all their demands (which, as the Minister says, appears to amount to Community-wide intervention all year round). Nor will some other countries want to do so. But that is a different question from what should be said to Signor Cossiga. After the meeting of Personal Representatives on 2 April, the Italians circulated a text which might be acceptable to us in the context of a satisfactory settlement of our Budget problem. It contains safeguards which I have underlined and reads as follows -

"The European Council considers that the future market organisation for sheepmeat, based on principles of free circulation and financial solidarity, must provide appropriate income protection for the farmers concerned through recourse to private storage measures and producer premiums as well as, if the need arises and on a temporary basis, through intervention purchases for certain qualities of meat, this measure being confined to limited periods and certain areas of the Community."

3. When you see Signor Cossiga tomorrow, you might mention during the discussion that, while we could not accept the text on sheepmeat circulated at this week's Agriculture Council by the French, we might be able to accept the Ruggiero text in the context of a satisfactory Budget settlement. In this





way you would indicate the limits of our flexibility. It could be a mistake to say nothing to Cossiga on this point, sheepmeat being an area where concessions are less costly to us than in other areas where the French and others have made a link.

ROBERT ARMSTRONG

*(approved by Sir R Armstrong  
and signed in his absence)*

CONQUEROR  
LONDON

24 April 1980





Copy on Ewood  
 PE & CAP Prime Minister.

You may wish to discuss  
 this at your briefing meeting at 1000  
 tomorrow.

Treasury Chambers, Parliament Street, SW1P 3AG

AKH  
 24/4

Rt Hon Peter Walker MBE MP  
 Minister of Agriculture  
 Fisheries and Food  
 Ministry of Agriculture  
 Fisheries and Food  
 Whitehall Place  
 London  
 SW1A 2HH

24 April 1980

Dear Minister,

GREEN POUND REVALUATION

I have seen the Lord Privy Seal's letter of 17 April and your reply of 18 April. *both attached*

It looks conceivable, though far from certain, following the Agricultural Council, that the European Council conclusions could include some broad indication of the overall level of CAP price increases to be agreed this year. This increase would probably be somewhat higher than we would otherwise have accepted. The Prime Minister would face a difficult task in defending such an outcome to the UK public, even in the context of a satisfactory settlement on the budget, and her position would, I judge, be eased if she could at the same time announce that the green pound was to be revalued so that only part of the price increase would apply in the UK.

I am glad to see that you do not rule out a revaluation of the green pound in principle. You give two reasons for opposing a change now. The first is that the 5% devaluation which was made in December has not yet worked through to all commodities. I should have thought that this was, if anything, an argument which suggested that it was better to revalue now rather than later. It must surely be less disruptive for a price rise to be countermanded than for it to be implemented and then reversed. The second is that sterling is volatile. This is true but this may always be the case. What we do know now is that the exchange rate used to calculate the MCAs which will be due to come into force next Monday, when the broad lines of the price fixing may be agreed by the European Council, is about 2½% above the current green rate. Thus it would be possible for a revaluation of the green rate of that amount to be agreed in principle at that meeting.



Apart from the major presentational point I see a number of arguments for such a course:

- a) When we agreed the 5% devaluation in December an important consideration was that it would strengthen our hand in holding out for a price freeze for CAP commodities in structural surplus. We may now need to relax that stand and it is therefore reasonable to reverse in part the devaluation decision.
- b) A willingness to revalue the green pound should help the Prime Minister to maintain a consistent line on common prices and thus may help to minimise any concession that is needed to secure a budget settlement. If we are not ready to revalue she will have the difficult task of explaining to the other heads of government why we believe that common prices should be restrained but that UK farmers should be supported at above the common price.
- c) Demonstrating our willingness to revalue should contribute to a satisfactory final decision on the awkward problem of the franchise. Once we have demonstrated by our actions that we do not propose to apply positive MCAs other than for short periods we should find it easier to convince the other member states (and commentators in the UK) that our position on the franchise is not dictated by a wish to over-protect UK agriculture but by our view of the need to avoid trade distortions on the odd occasions when, due to fluctuations in exchange rates, positive MCAs are needed on a temporary basis.

Of course, if the European Council does not resolve the CAP/Budget issue and the price fixing is further delayed we should postpone a decision on the point. But I suggest we should now take a decision to revalue, contingent on agreement at the European Council which includes a general increase in prices, so that it could be announced by the Prime Minister when she reports to the House on her return.

I am sending copies of this letter to the Prime Minister, other members of OD(E) and to Sir Robert Armstrong.

*Yours sincerely,*

*John Biffen*

Mr. JOHN BIFFEN

[Approved by the Chief Secretary  
and signed in his absence]





*Top Copy a Ewo PD - CAP*

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD *16/4*  
 WHITEHALL PLACE, LONDON SW1A 2HH

From the Minister

CONFIDENTIAL

The Rt Hon Sir Ian Gilmour Bt MP  
 Lord Privy Seal  
 Foreign and Commonwealth Office  
 Downing Street  
 London SW1

*f.a.*  
*Prime Minister*  
*The franchise argument becomes ever more obscure. But you may like to glance at the last two paras of the Walker's letter.*  
 18 April 1980

*I can't see why we are making such a fuss*

*16/4*

Dear Lord Privy Seal

13. Thank you for your letter of 17 April about the franchise for positive MCAs.

I do not agree with the implication in your letter that it would be a concession on the part of other member states to reduce the franchise for variable positive MCAs from 1½% to 1%. The advice I have been given is that the Commission are on very dubious legal ground in continuing to apply the 1½% franchise after the Regulation providing for it expired on 31 March. An alternative way of proceeding would therefore be to bring a case against the Commission under Article 173 of the Treaty. Indeed it is likely that action by traders here to secure the payment of MCAs which they consider legally due to them will in any case result in the issue coming before the Court as a result of a reference under Article 177. It therefore follows that agreement to any further Regulation on the subject would be a concession on my part to extricate the Commission out of the legally difficult situation into which they have got themselves with the connivance of the other member states.

However, subject to the Prime Minister's views, I would be prepared to try to work towards a compromise at the next Council under which the franchise for variable positive MCAs would be set at 1% for a period of, say, 2 months and the rules about the application of small fixed negative MCAs should also be made applicable to positive MCAs. There would need to be an undertaking that the whole franchise problem would be studied at working level meanwhile and looked at again by the Council before the expiry of this period.

On the rest of your letter I of course agree that if sterling were to go on rising, there could come a point where we might need to consider a revaluation of the green pound. But I would be totally opposed to this being done at the moment, before even the effect of the December devaluation has worked through to all commodities.

/Sterling is .....



Sterling is clearly volatile at the moment and has fallen by about 1½% from the rate which justified the introduction of the positive MCA of 2.1% on 7 April. In fact, this has led to the removal of the MCA from the beginning of next week. Your statement that Community philosophy is to avoid the creation of new MCAs omits an important word: the decision of the European Council of December 1978 was that no new permanent MCAs were to be created, and it remains to be seen whether our MCAs will be permanent.

As for food prices, even a 5% rise in CAP common prices could add barely 0.25% to the RPI. Against this, our farmers' incomes have already been reduced to the lowest level in real terms for very many years and, unless sterling should fall again to the point where a further green pound devaluation is possible, farmers face a severe cost-price squeeze over the coming year.

I am copying this letter to the Prime Minister, other members of UD(E) and to Sir Robert Armstrong.

Yours sincerely

David Jones

for PETER WALKER

Approved by the Minister  
and signed in his absence





Copy a Ewo Pd: Pt 4; CAP

Foreign and Commonwealth Office  
London SW1

17 April 1980

*Paul Peter.*

You wrote to the Prime Minister on 11 April about our position on MCAs and the franchise. We discussed this at the Prime Minister's meeting on 15 April, but I thought it might be useful to let you have our thoughts in writing before next week's Agriculture Council.

We are most unlikely to get agreement to the whole of what we are proposing. Not only are the Commission opposed, but in addition France, Germany and others of our partners are unlikely to agree. As you say, sooner or later we are going to have to go for a compromise. This might be on the lines suggested informally during the last meeting of the Agriculture Council involving the reduction of the franchise from 1.5% to 1% (which I was encouraged to see from the record of the Special Committee meeting on 16 April is still likely to be on offer). I see no objection to us attempting in addition to obtain the abolition of the de minimis rule by which an MCA has to amount to 1% before being payable. I doubt, however, whether we will get very far with this and we may have to settle for the reduction in the franchise alone.

As to the timing, I do not feel that it would be a particularly attractive or helpful issue to raise in the European Council /itself.

The Rt Hon Peter Walker MBE MP  
Minister of Agriculture, Fisheries & Food  
Whitehall Place  
London SW1A 2HH



itself. Apart from MCAs being far too detailed and technical a matter for discussion between Heads of Government, I doubt whether our partners would see what we are proposing as a concession at all; they may well regard it as a concession on their part to agree to any reduction in the franchise. I feel therefore that any deal we try to strike is best handled in the Agriculture Council.

There is one further aspect of MCAs which we ought to consider in connection with the European Council and that is the fact that we now have, perhaps intermittently, a positive MCA, which has the effect of keeping up prices to our own farmers. It seems clear that we shall have to agree to some increases in most agricultural prices in the context of a settlement of the budget question. The press and popular reaction to the position we have taken over the franchise indicates that any increase in agricultural prices, and therefore food prices generally, however small, will be badly received in this country. We ought therefore to keep in mind the option of revaluing the green pound back to parity. This would mean that our farmers would not benefit from the whole of the Community's price increases, but would have the effect on the other hand of ensuring that such increases did not result in too great increases in the shops. Such a move would also be attractive to our partners, given that the Community orthodoxy is to avoid the creation of new positive MCAs. It is, in my view, this consideration which lies behind French opposition to the abolition of the franchise, rather than any more direct consideration of trading advantage or particular wish to be difficult to the UK.

I am copying this letter to the Prime Minister, members of OD(E) and to Sir Robert Armstrong.

*yes ✓  
lan*



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From the Minister's Private Office

*EC Euro Pd: Pt 3 Luxembourg Council*  
*Euro Pd: Pt 4 CAP*  
Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

*plw brief for Cossiga meeting.*

Michael Alexander Esq  
Private Secretary  
10 Downing Street  
London SW1

23 April 1980

*Dear Michael*

PREPARATIONS FOR EUROPEAN COUNCIL - MUTTON

It is not clear whether the postponed meeting between the Prime Minister and Signor Cossiga is likely to be set up before the European Council.

In case it is, and in view of paragraph 26 of the brief, my Minister considers that the Prime Minister should know the outcome of discussions last Friday with French officials.

It is clear that the French are going for a régime which includes intervention throughout the Community all the year round. The intervention level would be at 85% of a "guide price" initially based on the present French price level and seasonalised to reflect the pattern of marketings over the year. They consider that this would provide a "safety net" at about the market equilibrium price with free circulation. Export restitutions would also be used as necessary. These arrangements, along with voluntary restraint agreements with third country suppliers, would constitute the permanent régime to be implemented from the outset.

In addition the French want premiums to make up the market revenues of producers, notably in France, to pre-régime levels. These premiums would be phased out, perhaps over two or three years, as inflation carried market prices in the Common Market up to the present French levels. There would be no premium payments to British producers, the French arguing these would not be justified because our producers would get improved prices after the opening of the French market and would, along with all other Community producers, benefit from the common support arrangements.

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The French insisted that all parts of this régime - internal and external - would have to be put into effect before they would remove their present national import restrictions. They have thus decided to take a hard line on the type of régime they want which would go well beyond the limited use of intervention in the Autumn which the Commission suggested. If adopted by the Community, the French approach would seriously prejudice the prospects of successfully negotiating Voluntary Restraint Agreements with third country suppliers.

In my Minister's view, this reinforces the argument against giving Signor Cossiga, in advance of the European Council, any hint that we might be ready to move on intervention. He recognises, of course, that we shall need to make a move in the context of a firm budget settlement. But this is a card we can only play once. Moreover, even if we eventually have to make a concession to the French, we must do all we can to limit the role intervention would play in a mutton régime. We are revising the detailed briefing on mutton for the European Council.

I am copying this letter to the Private Secretaries to the Secretaries of State for Scotland, Wales and Northern Ireland, members of OD(E) and Sir Robert Armstrong.

*Yours sincerely*

*David Jones*

D E JONES  
Assistant Private Secretary

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VISIT OF THE PRIME MINISTER OF ITALY

25 APRIL 1980

- |             |                                 |
|-------------|---------------------------------|
| Brief no. 1 | Steering brief                  |
| Brief no. 2 | European Community Questions    |
| Brief no. 3 | Iran                            |
| Brief no. 4 | Afghanistan                     |
| Brief no. 5 | East-West Relations             |
| Brief no. 6 | The Italian political situation |





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VISIT OF THE PRIME MINISTER OF ITALY

25 APRIL 1980

BRIEF NUMBER 1: STEERING BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. Signor Francesco Cossiga, President of the Italian Council of Ministers (Prime Minister), will be paying his postponed visit to London on the afternoon of 25 April as part of a tour of some Community capitals. His revised itinerary is expected to include Paris, London and Brussels on Friday 25 April and Hamburg on Saturday 26 April. He is not at present planning to visit Dublin or Copenhagen in the course of this tour. Signor Cossiga last visited London on 29/30 January for the last in the series of Anglo/Italian bilateral talks. Now that he has been re-appointed Prime Minister of a new coalition government, Signor Cossiga's postponed tour is intended to clear the ground for decisions to be taken on the UK Budget problem and related items at the European Council meeting in Luxembourg on 27/28 April.

BRITISH OBJECTIVES

2. Our main objective is to enlist Signor Cossiga's support on the Budget; stressing the political importance of getting a settlement at Luxembourg, including satisfactory arrangements not only on

/amount

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amount but duration and dynamism; and making clear that what we might be prepared to agree on other outstanding Community issues, in particular CAP prices and sheepmeat, is dependent on the solution of the budget problem.

3. As was the case in January our other objective will be to promote our tactical alliance with the Italians by building on the working relationship already established between the Prime Minister and Signor Cossiga. One contribution to this is to show that we take Italian views seriously on current major international issues, particularly Iran and Afghanistan. The Italian government continues to be sensitive about anything which suggests the establishment without their participation of a ''directorate'' of major powers.

#### PROBABLE ITALIAN OBJECTIVES

4. These are likely to be:

- i) to promote a compromise solution to the Budget problem that costs as little as possible, can be presented as ''communautaire'' and puts a time limit on any solution; and parallel compromise progress on related issues, especially CAP prices and sheepmeat but also fisheries and energy. The Italians will also want to ensure that any commitment on budget restructuring should envisage increased Community expenditure on Mediterranean agriculture.

/ii)

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- ii) To review East/West relations in the light particularly of events in Iran and Afghanistan and of President Carter's growing insistence on a greater measure of support from the United States's allies.

#### STRATEGY AND TACTICS

5. Signor Cossiga's English is not good enough to allow him to do without interpretation, and this will affect the amount of business which can be done in the time available. At the tête-à-tête (which will comprise most, if not all, of the discussion) it is likely that Signor Cossiga will make the running by explaining to the Prime Minister the purpose of his present round of discussions and his views on the prospects for the forthcoming European Council. Should there be any disposition on his part to widen the discussion, the Prime Minister may wish at an appropriate moment to refer briefly to Iran and Afghanistan, taking account of the discussion by the Foreign Ministers of the Nine in Luxembourg and the possibility that there may need to be further discussion during the European Council. She may also wish to refer briefly to the successful outcome of the Schild case and, if appropriate, to President Tito.

6. When dealing with the Budgetary issue, the Prime Minister will wish to begin by thanking Signor Cossiga for his help so far and by restating our requirements on the budget problem itself and our willingness to make parallel progress on other issues compatible

/with

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with UK interests. She might then invite Signor Cossiga to say what solutions the Presidency envisage and what he understands is now the position of our other partners. She might also enquire how he plans to organise discussion at the European Council.

PROGRAMME

7. Signor Cossiga is due to arrive in London at 12.30pm on 25 April. He is to go straight to Admiralty House for lunch at 1.15pm for 1.30pm to be given by the Secretary of State (guest list attached at Annex D).

8. The talks are to take place at No 10 Downing Street from approximately 1500 to 1700. Signor Cossiga will be accompanied by Signor Berlinguer (his diplomatic adviser), Signor Ruggiero (Chef de Cabinet to Signor Colombo, the new Foreign Minister), Signor Squillante of the Ministry of Foreign Affairs, the Italian Ambassador, Signor Cagiati, and an interpreter, Dr Reinert. The Prime Minister is likely to be accompanied by Lord Carrington, a note-taker and an interpreter. Signor Berlinguer will act as note-taker at the tête-à-tête. It has been arranged that Lord Bridges, Mr Hannay and Mr Franklin (Cabinet Office) will have parallel talks with Signors Ruggiero, Squillante and Cagiati at the Cabinet Office during the tête-à-tête.

9. A personality note on Signor Cossiga is at Annex A. A list of briefs is at Annex B and some facts and figures on Italy at Annex C.

/RESUME

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RESUME OF BRIEFS

EUROPEAN COMMUNITY QUESTIONS

BUDGET

10. All our partners appear to accept that a solution of the budget problem should be based on the three elements identified in Dublin;

- (a) revision of the existing Financial Mechanism;
- (b) increased Community expenditure in the UK;
- (c) longer term restructuring of the budget (the main aim of which would be to reduce the proportion absorbed by the CAP and to release resources for other Community policies).

Revised Financial Mechanism: There is something close to a consensus on the removal of the balance of payments qualifying criterion, the tranche system of repayment and the ceiling of 3% of the budget on total repayments. But we want the door left open for the removal of other constraints so that the new mechanism can be fully effective. We have not yet raised this with our partners. How best to do so could be discussed at the PM's briefing meeting at 10.00am on Friday. It may be desirable to warn Signor Cossiga of what we intend.

Supplementary Community Expenditure: The Finance Council on 21 April reached broad agreement on method, ie the Article 235 Regulation proposed by the Commission. But there is no agreement yet on amount, duration and dynamism. These are the main outstanding problems.

/Structural

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Structural Reform: We believe a commitment to reduce CAP expenditure to 55% of the budget by 1986 is realistic and does not mean reducing the money available for agriculture in real terms. Some commitment on restructuring is crucial if the UK's problem is not to re-emerge.

#### BUDGET-RELATED ITEMS

##### CAP prices and Sheepmeat

The Prime Minister will wish to decide whether she should hint to Signor Cossiga our readiness to be flexible over limited intervention for sheepmeat in the context of a solution to our budget problem. On agricultural prices/economies it is uncertain whether a progress report by the Agriculture Council will go forward to Heads of Government. The Prime Minister might point out that the European Council should not be expected to concern itself with negotiation of a detailed price settlement. The Council should limit itself to setting out the parameters, perhaps including an upper limit on average price increases, and general principles by which the Agriculture Council should in future be guided. Any concessions we might be prepared to make would have to be closely related to the outcome of the budget negotiation at the European Council.

##### Fisheries

The Prime Minister could tell Signor Cossiga that we accept that a reference to fisheries may be made at the European Council. We could go along with general undertakings to make progress on CFP

/but

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but it is important to avoid over-detailed language.

Energy

If necessary the Prime Minister could explain our position in helpful terms as set out in the Brief.

OTHER ITEMS

Apart from the current major international issues, the other main subjects which the European Council may discuss are the economic and social situation in the Community, the European Monetary Fund, the Three Wise Men's Report and energy. But we have made it clear that we expect the European Council to concentrate on the budget.

IRAN

11. Important that Nine implement measures agreed by Foreign Ministers on 22 April. Must attract wider support from other friendly states. If allies do not support America, danger of more severe measures which could upset entire region.

AFGHANISTAN

12. Neutrality proposal has won wide-spread approval. We now need to generate committed support from in particular the Non-Aligned and the Islamic world. In this respect Islamic Conference in May could be critically important. Vital that we keep the French on board. They now appear to be back-tracking on the neutrality concept.

/EAST

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EAST/WEST RELATIONS

13. European-Atlantic solidarity in situations which the Russians can exploit has always been of great importance. Afghanistan has demonstrated this; and it has been further emphasised by the situation of the American hostages in Tehran. The European Council will be a useful opportunity to demonstrate that solidarity. This brief also covers developments in NATO post-Afghanistan.

Foreign and Commonwealth Office

24 April 1980

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ANNEX D

GUEST LIST FOR SECRETARY OF STATE'S LUNCHEON IN HONOUR  
OF ITALIAN PRIME MINISTER AT ADMIRALTY HOUSE ON  
FRIDAY 25 APRIL AT 1.15PM FOR 1.30PM

Guest List

Signor F Cossiga

Signor S Berlinguer

Signor R Ruggiero

Signor A Squillante

Signor A Cagiati

Dr Reinert

Sir Michael Palliser

Lord Bridges

Mr Hannay

Mr Franklin

Private Secretary

Host





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VISIT OF THE PRIME MINISTER OF ITALY

22 APRIL 1980

BRIEF NUMBER 1: STEERING BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. Signor Francesco Cossiga, President of the Italian Council of Ministers (Prime Minister) will be visiting London en route to Dublin as part of a tour of Community capitals on the morning of 22 April. Signor Cossiga last visited London on 29/30 January for the last in the series of Anglo/Italian bilateral talks. Now that he has been re-appointed Prime Minister of a new coalition government Signor Cossiga's present tour is intended to clear the ground for decisions to be taken on the UK Budget problem and related items at the European Council meeting in Luxembourg on 27/28 April.

BRITISH OBJECTIVES

2. Our main objective is to enlist Signor Cossiga's support on the Budget; stressing the political importance of getting a settlement at Luxembourg, including satisfactory arrangements not only on amount but duration and dynamism; and making clear that

/what

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what we might be prepared to agree on other outstanding Community issues in particular CAP prices, and sheepmeat is dependent on the solution of the budget problem.

3. As was the case in January our other objective will be to promote our tactical alliance with the Italians by building on the working relationship already established between the Prime Minister and Signor Cossiga. One contribution to this is to show that we take Italian views seriously on current major international issues, particularly Iran and Afghanistan. The Italian government continues to be sensitive about anything which suggests the establishment without their participation of a 'directoriate' of major powers.

#### PROBABLE ITALIAN OBJECTIVES

4. These are likely to be:

- i) to promote a compromise solution to the Budget problem that costs as little as possible, can be presented as 'communautaire' and puts a time limit on any solution; and parallel compromise progress on related issues, especially CAP prices and sheepmeat but also fisheries and energy. The Italians will also want to ensure that any commitment on budget restructuring should envisage increased Community expenditure on Mediterranean agriculture.

/ii)

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- ii) To review East/West relations in the light of events in Iran and Afghanistan and of President Carter's growing insistence on a greater measure of support from the United States's European allies.

STRATEGY AND TACTICS

5. Signor Cossiga's English is not good enough to allow him to do without interpretation, and this will affect the amount of business which can be done in the time available. At the tête-à-tête (which will compromise most, if not all, of the discussion) it is likely that Signor Cossiga will make the running by explaining to the Prime Minister the purpose of his present round of discussions and his views on the prospects for the forthcoming European Council. Should there be any disposition on his part to widen the discussion, the Prime Minister may wish at an appropriate moment to refer briefly to Iran and Afghanistan, taking account of the discussion by the Foreign Ministers of the Nine that day in Luxembourg and the possibility that there may need to be further discussion during the European Council. She may also wish to refer briefly to the successful outcome of the Schild case.

6. When dealing with the Budgetary issue, the Prime Minister will wish to begin by thanking Signor Cossiga for his help so far and by restating our requirements on the budget problem itself and our willingness to make parallel progress on other issues compatible

/with

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with UK interests. She might then invite Signor Cossiga to say what solutions the Presidency envisage and what he understands is now the position of our other partners. She might also enquire how he plans to organise discussion at the European Council.

#### PROGRAMME

7. Signor Cossiga is due to arrive in London on the evening of 21 April. He is to arrive at No 10 Downing Street at 9.15am on 22 April and to leave for Dublin (where he is due for lunch) at 11.15. Signor Cossiga is likely to be accompanied only by Signor Berlinguer (his diplomatic adviser), as well as Signor Ruggiero (Chef du Cabinet to Signor Colombo, the new Foreign Minister) and perhaps the Italian Ambassador, Signor Cagiati. The Prime Minister is likely to be accompanied only by notetakers and interpreters. It has been arranged that Lord Bridges and Mr Franklin (Cabinet Office) will have a talk to Signors Berlinguer and Ruggiero during the tête-à-tête.

8. A personality note on Signor Cossiga is at Annex A. Interpreters will be provided on both sides. A list of briefs is at Annex B and some facts and figures on Italy at Annex C.

#### RESUME OF BRIEFS

##### European Community Questions

#### BUDGET

9. All our partners appear to accept that a solution of the budget problem should be based on the three elements identified in

/Dublin;

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Dublin;

- (a) revision of the existing Financial Mechanism;
- (b) increased Community expenditure in the UK;
- (c) longer term restructuring of the budget (the main aim of which would be to reduce the proportion absorbed by the CAP and to release resources for other Community policies).

Revised Financial Mechanism: There is something close to a consensus on the removal of the balance of payments qualifying criterion, the tranche system of repayment and the ceiling of 3% of the budget on total repayments. But we want the door left open for the removal of other constraints so that the new mechanism can be fully effective. The best tactics may be to get the European Council to instruct the Commission to produce detailed proposals for revising the Mechanism.

Supplementary Community Expenditure: There seem to be no fundamental objections on method, ie the Article 235 Regulation proposed by the Commission. But there is no agreement yet on amount, duration and dynamism. These are the main outstanding problems.

Structural Reform: We believe a commitment to reduce CAP expenditure to 55% of the budget by 1986 is realistic and does not mean reducing the money available for agriculture in real terms. Some commitment on restructuring is crucial if the UK's problem is not to re-emerge.

/BUDGET-

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BUDGET-RELATED ITEMS

CAP prices and Sheepmeat

The Prime Minister may like to indicate that we would be ready to be flexible over sheepmeat in the context of a solution to our budget problem. She will need to point out that it is unreasonable to expect us to commit ourselves on agricultural prices at the Agriculture Council on 21/22 April. Any concessions we might be prepared to make would have to be closely related to the outcome of the budget negotiation at the European Council.

Fisheries

The Prime Minister could tell Signor Cossiga that we accept that a reference to fisheries may be made at the European Council. We could go along with general undertakings to make progress on CFP, but it is important to avoid over-detailed language.

Energy

If necessary the Prime Minister could explain our position in helpful terms as set out in the Brief.

OTHER ITEMS

10. Apart from the current major international issues, the other main subjects which the European Council may discuss are the economic and social situation in the Community, the European Monetary Fund, the Three Wise Men's Report and energy. But we

/have

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have made it clear that we expect the European Council to concentrate on the budget.

PREPARATIONS FOR THE EUROPEAN COUNCIL: PROGRAMME FROM 21 TO 27 APRIL

11. The French are seeking substantial progress on the budget and related issues at the Finance, Foreign Affairs and Agriculture Councils on 21/22 April. They also want a joint Foreign Affairs/Finance Council on 21 April (we question the utility of this). It is not yet clear what progress these Councils will be able to make but our own preference is for the main work to be done by officials. But we will be trying at one or other of the Councils to reach agreement on a revised Financial Mechanism and the method of an Article 235 Regulation for supplementary expenditure in the UK. It is very important for the work of the Ruggiero official group to continue. A further meeting is foreseen for 23 or 24 April.

Iran

12. Important that Nine implement measures agreed by Foreign Ministers on 21 April. Must attract wider support (Japan and other friendly states). If allies do not support America, danger of more severe measures which could upset entire region.

Afghanistan

13. Neutrality proposal has won wide-spread approval. We now need to generate committed support from in particular the Non-Aligned and the Islamic world. In this respect Islamic

/Conference

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Conference in May could be critically important. Vital that we keep the French on board. They now appear to be back-tracking on the neutrality concept.

East/West Relations

14. European-Atlantic solidarity in situations which the Russians can exploit has always been of great importance. Afghanistan has demonstrated this; and it has been further emphasised by the situation of the American hostages in Tehran. The European Council will be a useful opportunity to demonstrate that solidarity. This brief also covers developments in NATO post-Afghanistan.

Foreign and Commonwealth Office

18 April 1980

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ANNEX A

COSSIGA, Onorevole Francesco

Prime Minister since 4 August 1979 (Christian Democrat).

Reappointed to head a new coalition government on 4 April 1980.

Born Sassari (Sardinia) 1928. Professor of constitutional law at the University of Sassari. Deputy for Cagliari since 1976.

Minister of the Interior in Moro's Fifth Government (January-August 1976) after Forlani had refused to take that job as well as his own (Defence), when the previous holder (Gui) had to be dropped because of the Lockheed scandal.

It was as Minister of the Interior that Cossiga first caught the public eye. His handling of the Friuli earthquake relief operations, and television appearances at that time, enhanced his own reputation for efficiency and contributed to his party's success in the June 1976 election. Andreotti kept him on when he formed his single-party Christian Democrat government in August 1976, as a Minister with a proven ability to get things done. He is a member of the leftish 'Base' faction of the DC, whose members are generally thought most likely to favour closer relations with the Communists. He is also, as it happens, related to the PCI Party Secretary, Berlinguer (though Cossiga himself has never declared himself in favour of the Communists in government).

/Despite

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Despite some criticism (mainly from the right-wing of his own party) of his handling of the law and order situation, he was reappointed in Andreotti's Fourth Government in March 1978. He resigned in May 1978, shortly after Moro's body was found, taking Ministerial responsibility for the failure of the security forces to come to grips with the Moro kidnapping. His resignation won him respect as a minister who was prepared to take responsibility for the shortcomings of his subordinates.

During this period as Minister for the Interior he showed himself well disposed towards Britain and Anglo/Italian cooperation in the security field was closer. Despite his relative lack of international and European experience he was therefore a good choice of Prime Minister from Britain's point of view. Since coming to power he has shown himself willing to give a firm lead to the political parties over the TNF issue, but has been unable to introduce effective economic measures due to the fragility of his political force in Parliament.

He is exceptionally friendly, and gives an impression of down-to-earth competence unusual in a DC politician.

Visited England in 1976, 1977 and January 1980.

Married with one son and one daughter, whom he has sent to England to study. Speaks some English and French.

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ANNEX B

LIST OF BRIEFS

Brief No 1	Steering Brief
Brief No 2	European Community Questions
Brief No 3	Iran
Brief No 4	Afghanistan
Brief No 5	East/West Relations
Brief No 6	The Italian Political Situation

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ANNEX C

ITALY - BASIC STATISTICS (1978 and EEC Commission Forecasts for 1979)

		<u>Italy</u>	<u>UK</u>
Population (millions)	1978	56.7	55.9
	1979	57.0	55.8
Labour Force (millions)	1978	21.8	26.4
	1979	22.0	26.6
Unemployed (per cent of civilian labour force)	1978	7.1	5.7
	1979	7.7	5.6
Gross Domestic Product (billion European Units of Account)	1978	204.4	242.7
	1979	232.6	288.9
Gross Domestic Product per head (EUA)	1978	3604	4343
	1979	4082	5175
Annual Rate of Growth of Volume of GDP (per cent)	1978	+2.6	+3.3
	1979	+4.3	+0.3
Annual Rate of Growth of Industrial Production	1978	+2.1	+3.1
	1979	+4.9	+1.6
Consumer Prices (changes over year earlier) (per cent)	1978	+12.7	+8.5
	1979	+15.2	+12.8
Balance of Payments on Current Account (million EUA)	1978	+4909	+667
	1979	+2840	-614
<u>Trade</u>			
British exports to Italy	1978	£1124 million	
	1979	£1469 million	
British imports from Italy	1978	£1935 million	
	1979	£2493 million	

/Defence

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Defence

Spending	= 2.4 GNP
Total armed forces	= 365,000 plus 84,500 Carabinieri

Sources: European Economy

Commission of the European Communities (July 1979,  
November 1979)

Overseas Trade Statistics of the UK (December 1978,  
November 1979 and provisional December 1979 totals)

IISS The Military Balance (1979 - 1980)

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VISIT BY THE PRIME MINISTER OF ITALY

22 APRIL 1980

Brief No 2: EUROPEAN COMMUNITY QUESTIONS

Brief by the Foreign and Commonwealth Office

POINTS TO MAKE

GENERAL

1. Grateful for Signor Cossiga's personal help so far. This last minute tour crucial.
2. With good will all round, a settlement is within reach. But some important differences remain.
3. For UK, settlement vital. Domestic political considerations. Ready to compromise but room for manoeuvre narrow. Amount must be adequate and must avoid recurrence of problem especially in run-up to UK General Election. Risk of making UK membership of Community an electoral issue. Bad for UK and for Community.
4. Ready to make parallel progress on other issues (CAP prices, sheepmeat). But what I shall be able to agree is dependent on solution of budget problem.
5. Budget problem has bedevilled UK membership from the start. Want to get it out of way once and for all. Then we can all concentrate on major economic and political problems facing the Community as a whole. Here our interests are the same.
6. What solutions does Signor Cossiga envisage?
7. What is his understanding of position of our other partners?
8. How does he intend to organise discussion at the European Council? Important not to spend too much time on first item (Economic and Social Situation) before first discussion of budget.

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/BUDGET





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BUDGET

9. Ruggiero Group has made important advance. Important not to circumvent work of Group.

10. Three main elements of final solution now generally agreed.

A) Revised Financial Mechanism

11. Important to agree at an early stage of the European Council that the Financial Mechanism should be extended for a further period, suspending a number of the present restrictions, in particular those discussed at Dublin last year:

- (i) balance of payments qualifying criterion;
- (ii) tranche system of rebate;
- (iii) 3% of budget ceiling on total rebate.

12. Some further amendment required to make mechanism fully effective. Perhaps best for Commission to look into this and other details after European Council. Duration must be decided. Review in 1986, following precedent of 1975 arrangement ie review after 6 years. 5 years is the minimum ie including calendar year 1984.

B) Receipts

13. Accept Article 235 solution as basis for action on this aspect.

14. Key questions to be decided: amount for 1980 and how to prevent problem returning in future years.

15. Amount. Willing to accept modest net contribution in interest of reaching an early and acceptable solution. Recent indications that some partners within striking distance of acceptable figure. Must emphasise very little room for manoeuvre. Stretching already what might be acceptable to British Parliament. Now look to our partners to make an equal effort to close the gap.

16. Durability and Dynamism: Very important to prevent problem arising in future years. There is also problem of UK General Election. Therefore the new Regulation should last at least until end of calendar year 1984 ie. 5 years. Convenient if it were to be reviewed in 1986 together with Financial Mechanism. Neither fixed figure nor 3 or 4 years duration acceptable. If the figure is fixed, an unacceptable situation could reemerge in what will be

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a period of high inflation and a rising Community Budget, thus bringing issue into political arena before next election.

17. Open to suggestions as to how dynamism might be achieved. We have put forward idea of formula expressing UK receipts per head in 1980 as proportion of Community average which would be sustained in subsequent years. Would ensure UK receipts neither too much nor too little, and would take account of development of Community policies favouring less prosperous Member States. But ready to look at alternative ideas which partners may have.

18. Emphasise do not want any solution which undermines Community principles. Simply seeking to create safety net to prevent our falling back into this problem.

C) Restructuring

19. Third aspect of solution suggested at Dublin. The firmer the Community's commitment on restructuring, the less likely a re-emergence of UK problem becomes. Reduction of CAP guarantee expenditure to 55% of budget by 1986 seems realistic. Does not mean reducing present level of money available for FEOGA guarantee in real terms. Others appear to be willing to agree that non agriculture expenditure should grow faster than agriculture expenditure. Difficult to see why in these circumstances, a percentage goal cannot be agreed.

BUDGET RELATED SUBJECTS

Cap Prices/Economy Package

20. Not opposed to discussion at European Council. Already made it clear that we are prepared to see parallel progress on issues of interest to others.

21. But essential to reduce surpluses and contain cost of CAP. Best way to do this is to contain price increases, especially for

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/products





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products in surplus. Any price rise is bound to increase our net budget contribution and the cost to our partners of our solution.

22. Prices/Economies currently under discussion in Agriculture/Council. Others have made link with budget problem. Not reasonable to expect us to settle at Agriculture Council in advance of agreement to reduce UK net contribution.

23. Up to Presidency to ensure issues are put to Heads of Government in suitable form. This could be a progress report from the Agriculture Council or a Presidency compromise.

24. The Commission's proposals reflect the agreement at the Economic and Finance Council on 11 February for 'a prudent price policy'. This should be basic principle for the Community in this and future years. But no question of our conceding increases unless we get satisfactory resolution of our budget problem.

#### Sheepmeat

25. Would like to see problem resolved quickly: potentially damaging to Community. Ready to negotiate constructively.

26. [Given our determination not to concede intervention except for a firm Budget settlement, it will be for the Prime Minister to decide to what extent she should hint to Signor Cossiga our willingness to move in such circumstances]

27. We cannot agree to unbinding of the GATT-bound tariff. This already gives Community 20% preference. Voluntary restraint agreements should be quite adequate to meet French concerns.

#### Fisheries

28. We want comprehensive CFP settlement. Signs of progress at last in Fisheries Council.

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/Direct





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Direct linkage to budget would be counter-productive by alienating industry and Parliament whose support is essential if progress to be made. But accept that, if progress made on budget, some reference to fisheries needed at European Council.

29. Careful drafting of Presidency Conclusions necessary. Useful work in progress in Ruggiero group. Text acceptable to all looks possible. Leave it to officials to pursue details.

#### ENERGY

##### 30. North Sea Oil and the Budget Negotiations

We recognise the importance of progress in energy and other fields. But energy is a separate matter from the Budget negotiations and should be treated on its merits. North Sea oil already makes a significant contribution to Community energy needs. In 1979 57% of our total exports (one third of our total production) went to other Community countries.

##### 31. Community discussions on energy matters

We are ready to discuss constructively energy issues in the Community. The Commission paper of proposals for a Common Energy Policy is a useful and interesting contribution to our thinking. The ideas it contains, which are complex, deserve further study.

##### 32. Venice Economic Summit

We are working closely with the Italian Government on arrangements for the forthcoming Economic Summit in Venice. This will give us an opportunity to look at longer term energy problems, and we hope discussion will focus on these rather than on short term targets.

#### EMS

33. We fully support EMS. We would like to join exchange rate

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/mechanism





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mechanism when conditions allow. Vital conditions are that UK money supply be under control and that our level of inflation has been substantially reduced.

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## ESSENTIAL FACTS

## EUROPEAN COUNCIL AGENDA

1. The Italian Presidency have now confirmed that the following subjects will be discussed at the European Council:

- (a) Economic and Social Situation (including the European Monetary Fund).
- (b) Convergence and Budgetary Questions.
- (c) Energy.
- (d) Thre Wise Men's Report.

The order of discussion will be for the Council itself to settle. The Prime Minister may wish to stress to Signor Cossiga the importance of not letting discussion on (a) run on too long.

## BUDGET

2. Following the Italian postponement of the Council, a working group was set up under the chairmanship of Sig Renato Ruggiero whose main work so far has been to try to reach agreement on a draft text of a European Council communique covering the points which others wish to link with our budget solution. The Group has met once, and is to meet again on 24 April, and possibly once more before the Council (copy of latest draft communique attached).

A

3. But the French now want preparations to be carried forward by Ministers in the Finance, Foreign Affairs and Agriculture Councils on 21/22 April. They have also proposed a joint Foreign Affairs/Finance Council on 21 April.

4. We fail to see the value of a joint Council and should prefer to avoid a substantive discussion of the UK budget issues at the Finance Council. But if there is such discussion, we see advantage in the Council reaching agreement on a revised Financial Mechanism and on the method of an Article 235 Regulation for supplementary expenditure in the UK. If the Finance Council does not discuss the subject substantively, then our aim is for the Foreign Affairs

/Council





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Council to make progress on those two aspects. Either way we want officials to continue preparations in the Ruggiero Group.

5. On amount, there are indications that a consensus is forming around 1000 mEUA as maximum level of settlement. Only the Dutch have so far mentioned a higher figure (1200 mEUA). Some mention the 1000 mEUA as a gross figure rather than a net, but no serious disposition to challenge the point that we are talking about a net figure.

6. On duration no partner showing willingness to go beyond 3 to 4 years except Italy. In official talks Ruggiero accepted political argument that coincidence with general election or major debate just before election would be damaging.

7. On increased Community expenditure in UK, neither Commission nor partners have raised difficulties over additionality. This may come later. Germans inclined to adopt legalistic approach over scope of regulations of this kind (they have done over EMS interest rate subsidies for the Irish and the RDF). But this issue unlikely to emerge before or at European Council.

#### CAP PRICES/ECONOMY PACKAGE

8. There will be further negotiations on the Commission's proposals for 1980/81 farm support prices and economies in CAP at the Agriculture Council on 21/22 April. The Commission have proposed average increases of 2.4%, but they estimate that the effects of the combined package would be a saving of £450m in a full year (most of it accounted for by revenue from co-responsibility levies on milk). Negotiations at previous Councils have revealed considerable differences of view on individual measures, but a consensus seems to be emerging among other Member States for an average increase in prices of around 4-5%. Our own position has been to argue against price increases for products in surplus, but Ministers have agreed that we should be prepared to make concessions on prices if necessary for a satisfactory solution of our budget problem.





9. The Italians are keen to achieve substantial progress on the prices/ economies package at the Agriculture Council and the French are pressing for us to make concessions on prices at that Council in advance of a solution to our budget problem. The Prime Minister will wish to make it clear to Sig Cossiga that we consider this unreasonable and that we must deal with both problems in parallel.

10. At the same time, it would be helpful to give Sig Cossiga some indication that we are prepared to be flexible on prices if that is the necessary quid pro quo for a budget solution. A hint that we are ready to contemplate the Commission's proposed level of increases will signal a spirit of compromise though no doubt other Member States will press at the European Council for further movement.

11. At its meeting on 11 February the Economic and Finance Council agreed a statement endorsing a prudent pricing policy and the need for substantial savings. It also agreed on 17 March to submit this statement to the European Council.

#### Sheepmeat

12. The French refuse to accept a sheepmeat regime which does not include Community-financed intervention and are unlikely to agree to a satisfactory budget solution unless we make some concession on this point. As the major Community producer and consumer of lamb, any regime should take account of our interests. A full intervention regime would not. We should therefore only be prepared to negotiate on Community measures which provide for a limited form of intervention at a modest level as well as Community-financed premium aid initially favourable to France as the price of French endorsement of a satisfactory and final budget solution. It should also be conditional on:

(a) permanent removal of French import restrictions;

/(b)





- (b) arrangements to ensure a fair distribution of resources;
- (c) no unbinding of the GATT tariff (to protect the position of New Zealand).

The details would be best negotiated by Agriculture Ministers.

13. During the course of negotiations, the Commission have suggested as one element of a compromise to meet French concerns that there should be provision for extending private storage to public intervention agencies; we have hitherto opposed it. Though not strictly intervention, it comes very close to it. However, the level of aid proposed by the Commission does not satisfy the French.

#### FISHERIES

14. The last Fisheries Council (29 January) recorded the first real agreement for some years on elements of the revised Common Fisheries Policy. Prospects for progress, in the fisheries forum itself are better than for some time, but there are difficult negotiations ahead.

15. We wish to keep fisheries separate from the budget. But we accept that if progress made on budget others will want some reference to Fisheries at the European Council. This is acceptable, providing the conclusions are sufficiently general not to prejudice our position on the substantive issues. Work by officials in the Ruggiero Group continues, and may well produce language for the Presidency conclusions which would be acceptable to all. We should avoid detailed discussion with Cossiga.

16. UK/Italian fisheries interests do not, in general, conflict.

/ENERGY





## ENERGY

17. North Sea Oil

Italy has not been in the forefront of those EC countries criticising our North Sea oil policies.

Exports: In 1979, 57% of UK oil exports (one third of total production) went to other Community countries. From 1978 to 1979 the volume of North Sea oil supplied to other Member States doubled to 22m tonnes and this year it will be higher still.

Prices: prices for North Sea oil follow but do not lead world market prices for similar high quality but low sulphur crudes.

Production: production is already at the highest level compatible with good oilfield management and cannot be increased in the short term.

EC Companies Interest in North Sea: companies of EC countries other than the UK have a substantial share in activities on the UK Continental Shelf. The Italian company, AGIP, has an interest in 11 different licenses.

Crisis: we fully subscribe to the emergency sharing schemes of the Community and the IEA.

Commission Proposals:

18. The Commission paper proposes a major new Community energy initiative to reduce oil dependence and develop other energy sources. It suggests a combination of:

- (a) harmonising energy (particularly oil products) prices and taxation;
- (b) Community programme to support investment in energy saving, oil substitution, and developments of alternative energy sources, financed by
- (c) new Community energy taxation, possibly combining

/an





an oil import levy with an equivalent oil production tax.

19. These ideas are extremely complex. Discussion at the Council is likely to be preliminary; we expect other countries to have reservations and would prefer them to lead criticism.

Venice Economic Summit

20. The Summit in June is to be preceded by an IEA Ministerial Meeting (probably 21/22 May) and a meeting of the EC Energy Council (probably 13 May). Preparatory work suggests that the Italians and the French and Germans share our view that Venice provides an opportunity to look at medium and long term energy problems.

FOREIGN AND COMMONWEALTH OFFICE

18 April 1980



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AG

## REVISED DRAFT EUROPEAN COUNCIL COMMUNIQUE

### WORKING TRANSLATION

#### CONVERGENCE AND BUDGETARY PROBLEMS

I. The European Council, in addressing the problems relating to convergence and the budget, reaffirmed the fundamental importance of the following principles:-

a. The Community achievements attained by the implementations of the Treaties must not be weakened nor questioned. In this framework, the European Council stressed, in particular, the validity of the principles underlying the CAP and the own-resources system;

b. the Community has an evolutionary and dynamic character. It is therefore necessary to use the potential of the Treaties to develop common policies in order, on the one hand, to face up to the challenge of the '80s and, on the other, to promote, by reducing the existing disparities between the economies of the Member States, a harmonious growth of these economies. The European Council is convinced that in this way not only can new forms of solidarity among the Member States be established but also the existing forms will be strengthened;

c. though Member States are primarily responsible for a greater convergence of their economic achievements, the Community's policies can and must play a supporting role within the framework of an increased solidarity. To this end a greater effort must be made to reinforce the economic potential of the less prosperous countries of the Community;

d. in accordance with the conclusions of the Final Communiqué of the European Summit held in Paris on 9-10 December 1974, the Community

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Institutions must ensure that, during the process of bringing about convergence in the economies of the Member States, situation, unacceptable for one Member State and incompatible with the proper functioning of the Community do not arise.

II.1 The European Council expressed its conviction that the problem of Britain's share in the budget stems essentially from the following three factors - a lower share in intra-Community trade on the part of the United Kingdom than on the part of the other Member States, an excessive increase in FEOGA guarantee expenditure in recent years, and an inadequate development of expenditure on other Community policies.

To resolve the problem of Britain's share in the budget on a lasting basis, it is therefore necessary to tackle vigorously the above-mentioned factors without at the same time putting in question the basic principles of the common agriculture policy and the own-resources system.

In the meantime, the European Council recognises the need for immediate and temporary measures in favour of the United Kingdom. In this connection it has examined the proposal of the Commission concerning certain adjustments of the 1976 financial mechanism and the adoption of supplementary measures for spending in the United Kingdom.

II.2 With regard to the financial mechanism, the European Council called on the Community's Institutions to extend the mechanism for a period of years and to waive the restrictions relating to the balance of payments (article 4), the tranche repayment system (article 3) and the ceiling of 3 per cent of the budget applicable to the repayments due (article 6).

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II.3 Supplementary expenditure measures, being designed to contribute to the achievement of the objectives of the Community, can be adopted through a regulation based on article 235 of the Treaty. They must be compatible with Community policies, foster the convergence of economies and be in line with the general interest of the Community.

The financial participation of the Community in such programmes will amount to                    meua for 1980 and the following years.

The European Council called on the Commission to submit formal proposals to the Council along the lines indicated in paragraph V of its communication of 20 March 1980.

III. In the context of the strengthening of the Community policies designed to increase the economic potential of the less prosperous countries, and taking into account the financial efforts required also from Italy and Ireland within the framework of the measures in favour of the United Kingdom, the European Council considers that the volume of resources to be used as interest rebates should be increased from 200 to                    meua a year, extended to                    and made more flexible in its intervention ceiling as well as in its field of application.

The European Council notes the proposal of the Commission regarding the second tranche of the New Community Instrument and likewise hopes that the field of application of this Instrument may be enlarged so as to enable it to be used more effectively for investments in the less prosperous regions of the Community.

IV. In order for the budgetary resources of the Community to make a contribution to facing up to the demands of the Community in the 80s as well as to greater convergence of Member States' economies, it appears necessary to attain a balanced development of the budgetary appropriations envisaged for

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the different common policies. Accordingly, the European Council called on the Community Institutions to ensure, within their respective fields of competence, that in future the rate of increase of general and structural investment policies shall be considerably greater than the rate of growth in the total budget of the Community, emphasising the negative consequences for the future of the Community if this principle is not respected.

In this context the European Council also called on the Commission to submit proposals for the development of Community policies, taking into account the need for more harmonious consideration of the situation and interests of all Member Countries. These proposals should be submitted to the Community Institutions in time for decisions to be taken during 1981 and in any case before the last European Council of that year.

### COMMON AGRICULTURAL POLICY

1. The European Council reaffirmed the validity of the basic principles of the common agricultural policy, which remains a fundamental element of the economic integration of the Community.

It is obviously necessary to correct the present situation wherever distortions, such as certain production surpluses, emerge. In this context the European Council, fully endorsing the conclusions of the ECOFIN Council of 11 February 1980, is glad to note the results attained by the last Council of Ministers of Agriculture which constitute significant progress towards the need to arrive at a better organisation of the common agricultural policy with a view to improving the balance of the markets, rationalising expenditure and achieving substantial economies, especially in the sector of surplus products.

2. The European Council recognised the need to maintain a prudent agricultural price policy such as to take account of the economic and

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budgetary situation as well as the need to ensure the maintenance of a reasonable income for farmers.

3. The European Council stressed the importance of developing and improving the agriculture structures policy, particularly in the less prosperous regions of the Community. This should also contribute to rationalising overall expenditure. Taking account also of the prospect of enlargement, such measures should bring about a greater Community participation in regional investment programmes having rural aims, particularly as regards Mediterranean areas.

4. The European Council reaffirmed the need to establish a common organisation of the market in the sheepmeat sector and stressed that obstacles to the free movement of sheepmeat within the Community must be removed.

To this end it invited the Community Institutions to work out immediately an agreement on the adoption of a regulation.

The European Council considers that the future market organisation for sheepmeat, based on principles of free circulation and financial solidarity, must provide appropriate income protection for the farmers concerned through recourse to private storage measures and producer premiums as well as, if the need arises and on a temporary basis, through intervention purchases for certain qualities of meat, this measure being confined to limited periods and certain areas of the Community.

## FISHERIES

The European Council invited the Community Institutions to pursue actively the examination of problems relating to fisheries with the aim of completing the introduction of a common fisheries policy by 31 December 1980.

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The European Council considers that this policy should be based on the following principles:

- a. The rational and non-discriminatory management of resources;
- b. a fair distribution of catch quotas, taking account of the particular needs of the inhabitants of certain regions of the Community, of the loss of fishing opportunities in Third Country waters and of the need to promote the reconstitution of stocks;
- c. the adoption of structural measures involving Community financial participation;
- d. the establishment, on a secure basis, of fisheries relations with Third Countries and the implementation without delay of agreements already negotiated.

ENERGY

[To be inserted in the Energy Section of the Final Communiqué of the European Council.]

The European Council noted with satisfaction that the Member States producing hydrocarbons had confirmed the commitments undertaken in the framework of the Community's oil supply crisis provisions.

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Foreign and Commonwealth Office

London SW1A 2AH

24 April 1980

*Dear Michael,*

Visit by the Prime Minister of Italy,  
25 April : Brief No 2: European  
Community Questions

You have asked for Brief No 2 to be up-dated by letter.

BUDGET

Finance Council, 21 April

The Prime Minister could welcome the broad agreement reached by the Finance Council on 21 April on the method by which Community expenditure in the UK should be increased. / The Communique (Paris telegram No 386 enclosed) of the French Council of Ministers on 23 April described the Finance Council as having allowed Ministers 'to finish their preparations for the European Council'. This is satisfactory.

Foreign Affairs Council, 22 April

The Foreign Affairs Council on 22 April discussed a draft Presidency Report setting out the issues for the European Council. They also discussed inconclusively procedures for approving supplementary expenditure in the UK. If this aspect is raised by Signor Cossiga, the Prime Minister could say that we believe that procedures will no doubt be decided in the light of the Commission draft regulation, when it is brought forward. But the regulation must be quick acting and we must not create a new bureaucratic machine.

The Foreign Affairs Council also considered a draft French text reaffirming fundamental Community principles which the French want to include in the Presidency's final Conclusions of the European Council. If this subject is raised, the Prime Minister could take the line that we are content in principle for the European Council to reaffirm Community principles, but that we have difficulty with some aspects of the French draft; and we hope that the Presidency will prepare their own draft, taking account of French ideas to the extent that they are acceptable to others.

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### Revised Financial Mechanism

Agreement has not yet been reached on this. Near consensus remains on the three changes discussed at Dublin. But there are still two problems:

(a) The French are arguing that a fixed ceiling on any refund is indispensable. If this is raised, the Prime Minister could point out to Signor Cossiga that the existing Mechanism already limits any refund to the size of the UK's VAT contribution. A fixed ceiling would not be acceptable.

(b) We have not yet raised with our partners the need to strip the Mechanism of one of the other restrictions that it at present contains (the 85% of Community average Government cut-off). The Prime Minister will have seen the material on this problem in the Treasury Brief on the EC budget contribution (EGH(L)(80)3, pages 24-29). How best to handle this aspect could be discussed at the PM's briefing meeting tomorrow morning. It may be necessary to warn Signor Cossiga of what we intend.

### Ruggiero Group

The Group's meeting planned for 24 April was cancelled. No further meeting is being arranged. But the Group may reconvene in the margins of the European Council. Meanwhile, work has continued in COREPER.

### CAP PRICES AND SHEEPMEAT

The Prime Minister will already have seen Mr Walker's account of the developments in the Agriculture Council on 21-24 April. On prices/economies, she might make the following point (instead of the points in paragraphs 22 and 23 of the brief which have been overtaken):-

'Welcome decision of Agriculture Council to produce progress report on prices/economies for European Council. But latter should not be expected to take decisions on detail. Best for Council to restrict itself to setting out general parameters and principles by which Agriculture Council should be guided in future negotiations'.

The French have said today in COREPER that the text of the progress report is unacceptable to them despite the consensus reached at the Agriculture Council. The issue is still being discussed and we await a report from UKREP Brussels. We shall let you know as soon as possible tomorrow whether this need affect the briefing.

/On sheepmeat

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On sheepmeat, we see no reason to change the points to make. We understand, however, that the Minister of Agriculture remains of the view that Signor Cossiga should not be given any hint of possible concessions on intervention in advance of the European Council (Jones's letters of 18 and 23 April to Richardson and you respectively).

It is precisely because the French are being maximalist over sheepmeat that we see value in hinting to Cossiga that we might have some limited degree of flexibility. We are not suggesting that the intervention card should be played, merely that the Prime Minister should let Signor Cossiga know it is in our hand ready to be played if it proves essential for achievement of a satisfactory budget solution. At the same time, we need to warn Cossiga that we are not in any circumstances prepared to agree the current excessive sort of intervention arrangements being demanded by the French.

I am copying this letter to the Private Secretaries to Members of OD(E) and to Sir Robert Armstrong.

Yours GJA

(P Lever)  
Private Secretary

Michael Alexander Esq  
10 Downing Street

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GRS 220  
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PRIORITY OTHER EC POSTS

FRANCE: COUNCIL OF MINISTERS 23 APRIL: COMMUNITY ISSUES.

1. FOLLOWING IS TRANSLATION OF EXTRACTS FROM COMMUNIQUE. BEGINS. "THE MINISTER OF AGRICULTURE GAVE AN ACCOUNT OF PROGRESS MADE IN THE EC AGRICULTURAL COUNCIL WHICH MET ON 21 APRIL AT BRUSSELS. THE GOVERNMENT EXPRESSED ITS CONSIDERABLE CONCERN OVER THE WAY IN WHICH THE NEGOTIATIONS WERE GOING. THE PRESIDENT OF THE REPUBLIC UNDERLINED THAT THE EUROPEAN COUNCIL WHICH WOULD BE MEETING ON 27 AND 28 APRIL AT LUXEMBOURG WOULD BE IN NO POSITION TO REACH A CONCLUSION ON ALL THE SUBJECTS UNDER DISCUSSION IF THE AGRICULTURAL PRICE-FIXING, WHICH IS CONCERNED WITH THE COMMUNITY'S DAILY LIFE, DOES NOT MAKE ENOUGH PROGRESS BETWEEN NOW AND THEN FOR IT TO NEED NO MORE THAN POLITICAL CONFIRMATION.

THE MINISTER OF THE ECONOMY GAVE AN ACCOUNT OF THE FINANCE COUNCIL WHICH WAS HELD IN LUXEMBOURG ON 21 APRIL 1980. THIS MEETING IN PARTICULAR ALLOWED MINISTERS OF ECONOMY AND FINANCE TO FINISH THEIR PREPARATIONS FOR THE EUROPEAN COUNCIL ON 28 APRIL. THE MINISTERS REAFFIRMED THEIR ATTACHMENT TO COMMUNITY PRINCIPLES AND ALMOST ALL OF THEM UNDERLINED THAT AS A RESULT ANY MEASURES WHICH WERE TAKEN IN FAVOUR OF THE UK COULD ONLY BE FOR A REASONABLE AMOUNT AND A LIMITED PERIOD." ENDS.

HIBBERT.

FILES  
ECD (I)  
ECON D  
FRD  
NEWS D  
PS  
PS/LPS  
PS/FUS  
SIR D MAITLAND  
LORD BRIDGES  
MR HANNAY  
MR FERGUSSON



CONFIDENTIAL

PRIME MINISTER'S BRIEFING MEETING, 25 APRIL, 10.00 a.m.

REVISION OF 1975 FINANCIAL MECHANISM

POINTS TO MAKE

1. What importance does the Chancellor attach to stripping the financial mechanism of more than the three restrictions discussed at Dublin?
2. Our partners probably think we would be content with lifting the three restrictions only. Our partners will not understand if we try to slip this in at the Council.
3. If we are to seek agreement on further changes at Luxembourg, the Prime Minister should warn Cossiga of what we want.
4. If we insisted on this point, it could prevent agreement on the package as a whole.

/ESSENTIAL FACTS

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## ESSENTIAL FACTS

1. The facts are set out on pages 24-29 of the Treasury budget brief. The most important limitation, apart from the three discussed at Dublin, is the criterion that the Member State seeking a refund should have a GNP per head less than 85% of the Community average. In a worst case this could prevent us benefiting from a revised mechanism. But it is for the Chancellor to say how serious the risk is. Attached is a note with our own estimate.

2. At the Finance Council on 21 April the Chancellor did not specifically raise the point, although he was advised to do so if he attached importance to it. Our partners are probably assuming that we would be content with the lifting the the three restrictions discussed at Dublin. They would certainly take amiss any attempt by us to raise further points at this stage; and a row at the European Council would be inevitable.

European Community Department (Internal)

24 April 1980





## FINANCIAL MECHANISM: 85% GNP CRITERION

1. The Central Treasury forecast indicated that even with enlargement to twelve we should remain within a safe distance of the 85% hurdle (tables attached). However, the dramatic rise in the exchange rate from 1979 to 1980 (the £/EUA exchange rate was 1.55 EUA to the £ in 1979; for 1980 so far the average has been 1.65 EUA) together with further growth in the inflation differential between the UK and the rest of the Nine (on UK estimates 18% compared with 10%, on Commission estimates 22%/11%) could bring us close to 85% of Community average per capita GNP if sustained for the rest of the year. But even on worst assumptions, it seems unlikely that we could actually pass 85% this year.

2. However, this is not an easy field in which to make predictions. The figures will hinge on the inter-relationship of three factors which have all moved erratically over the last year: the exchange rate, the growth rate and the economy, and the inflation rate differential. The best guess of FCO Economists is that provided we can get agreement to using the three-year lagged share (i.e. our average GNP share over the previous three years) we should be able to keep well below the 85% hurdle even after enlargement, since it is most unlikely that we will be able to sustain the present high rate of inflation and high exchange rate for a substantial period of time. The likelihood of a sudden increase in the UK growth rate compared with that of the rest of the Community is small (our present estimate is UK growth -2%, rest of the Community +2%; Commission estimate is -2.5%, rest of Community +1.2%).

European Community Department (Internal)

24 April 1980



CONFIDENTIAL

VISIT BY THE PRIME MINISTER OF ITALY

25 APRIL 1980

BRIEF 3: IRAN

Brief by the Foreign and Commonwealth Office

POINTS TO MAKE

1. Important that Nine implement measures agreed by Foreign Ministers on 22 April. Must attract as wide support among other friendly states as possible. If allies do not support America, danger of more severe measures which could upset entire region.

2. What is Italian Government's attitude to sanctions?

- Italy's present level of business with Iran?
- Will it cancel existing contracts?
- Will it offer compensation to firms affected?
- Is Italy more vulnerable over sanctions under international law or Italian domestic law?
- Does Italian constitution render Italian Government immune to legal suits by affected firms?

Foreign and Commonwealth Office

24 April 1980

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REFERENCES

Statement of 22 April of EC Foreign Ministers' meeting in Luxembourg.

ESSENTIAL FACTS

US measures

1. US announced on 7 April following measures against Iran:
  - (a) implementation of economic sanctions (minus food and medicines);
  - (b) expulsion of Iranian diplomats and military students in US;
  - (c) refusal of visas to Iranians to enter US;
  - (d) listing Iranian debts in the US with the possibility of setting those off against frozen Iranian assets.
  
2. On 17 April President Carter announced following further sanctions on Iran:
  - (a) A request to Congress to use the \$8 bn in Iranian assets, frozen since 14 November, to pay for recent US military operations in the area and for reparations to the families of the 53 hostages;
  - (b) A ban on all financial transfers to persons or entities in Iran, except in transactions involving the hostages or gathering of news;
  - (c) A ban on all Iranian imports into the US. Oil shipments were barred by Mr Carter last November;
  - (d) No travel by Americans to Iran except for news purposes;
  - (e) Impounding of military equipment which Iran had on order from the US. This would be used either by the US services or offered for sale abroad.

He did not announce a ban on exports of food and medicine (as expected), but said these could be the next economic sanctions if present measures are ineffective. He also warned of the possibility of military action if political and economic sanctions fail.

/3.

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EC support for US action

3. This embodied in statement of 22 April (Annex A attached).

Further EC action

4. EC Ambassadors returning to Tehran following Luxembourg statement, and due to make further approach to Bani Sadr on 28 April.

British community and Embassy

5. Embassy now reduced to Ambassador plus four staff. Community of c. 300-350 strongly advised to leave Iran, if no pressing reason to stay, in light of Embassy reduction.

North Sea Oil

6. Misleading press reports since Luxembourg meeting that UK would make up an oil short-fall from North Sea. But no commitment made to make special arrangements for distribution of oil short of IEA trigger. About half North Sea oil already exported to wide range of IEA and EC countries.

IEA Trigger mechanism

7. If in the event of a loss of Iranian oil supplies, some IEA member countries experience sufficient oil supply shortage, IEA emergency sharing mechanism is triggered. UK would play full part in ensuring sharing arrangements provided for would work effectively.

Hostages

8. Red Cross visited all 50 hostages on 14 April and reported them in fair shape. Second stage for National Assembly elections now set for 9 May.





# Verbatim Service

ANNEX A

VERBATIM SERVICE Q44/80.

TUESDAY

22ND APRIL 1980

FOLLOWING IS THE FULL TEXT OF COMMUNIQUE ISSUED BY EC FOREIGN MINISTERS TODAY 22 APRIL:

## DECISION BY THE FOREIGN MINISTERS OF THE NINE ON IRAN

1. THE FOREIGN MINISTERS OF THE NINE MEMBER STATES OF THE EUROPEAN COMMUNITY MEETING IN LUXEMBOURG ON 22 APRIL DISCUSSED THE IMPLICATIONS OF THE RECENT EVENTS IN IRAN IN THE LIGHT OF THE REPORTS BY THEIR AMBASSADORS FOLLOWING THE DEMARCHE TO THE PRESIDENT OF IRAN DECIDED UPON BY THE FOREIGN MINISTERS AT THEIR MEETING IN LISBON ON 10 APRIL.
2. THE FOREIGN MINISTERS EXPRESSED THE SOLIDARITY OF THE NINE WITH THE GOVERNMENT AND PEOPLE OF THE UNITED STATES AT THIS TIME OF TRIAL.
3. WHILE WELCOMING THE VISIT BY THE ICRC TO THE HOSTAGES ON 14 APRIL AND NOTING THE ASSURANCES GIVEN BY PRESIDENT BANI SADR AS TO THE LIVING CONDITIONS OF THE HOSTAGES THE FOREIGN MINISTERS EXPRESSED THEIR PROFOUND REGRET THAT THE IRANIAN GOVERNMENT HAS BEEN UNABLE TO GIVE PRECISE ASSURANCES ABOUT THE DATE AND METHODS BY WHICH THE HOSTAGES WOULD BE RELEASED. THE IRANIAN GOVERNMENT CONTINUES TO IGNORE THE CLEAR CALL OF THE UN SECURITY COUNCIL AND THE INTERNATIONAL COURT OF JUSTICE TO BRING TO AN END A FLAGRANT VIOLATION OF INTERNATIONAL LAW AND RELEASE THE HOSTAGES.
4. SINCE THE HOSTAGES WERE FIRST DETAINED, THE NINE, IN FULL RESPECT OF THE INDEPENDENCE OF IRAN AND THE RIGHT OF THE IRANIAN PEOPLE TO DETERMINE THEIR OWN FUTURE, HAVE INSISTED THAT THEY MUST BE RELEASED. THE FACT THAT AFTER SIX MONTHS THEY ARE STILL DETAINED, DESPITE THE EFFORTS OF THE NINE AND THE CLEAR CONDEMNATION BY THE COMMUNITY OF NATIONS, IS INTOLERABLE FROM A HUMANITARIAN AND LEGAL POINT OF VIEW.
5. THE FOREIGN MINISTERS OF THE NINE, DEEPLY CONCERNED THAT A CONTINUATION OF THIS SITUATION MAY ENDANGER INTERNATIONAL PEACE AND SECURITY, HAVE DECIDED TO SEEK IMMEDIATE LEGISLATION WHERE NECESSARY IN THEIR NATIONAL PARLIAMENTS TO IMPOSE SANCTIONS AGAINST IRAN IN ACCORDANCE WITH THE SECURITY COUNCIL RESOLUTION ON IRAN, DATED 10 JANUARY 1980, WHICH WAS VETOED AND IN ACCORDANCE WITH THE TENETS OF INTERNATIONAL LAW.

THEY BELIEVE THAT THESE LEGISLATIVE PROCESSES SHOULD BE COMPLETED BY 17 MAY, THE DATE OF THEIR INFORMAL MEETING IN NAPLES. IN THE ABSENCE OF DECISIVE PROGRESS ON THE RELEASE OF THE HOSTAGES, THEY WILL THEN PROCEED IMMEDIATELY TO THE COMMON IMPLEMENTATION OF SANCTIONS.

MINISTERS CONSIDER THAT, PENDING THE ENTERING INTO FORCE OF THE MEASURES MENTIONED ABOVE, NO NEW EXPORT OR SERVICES CONTRACT WITH PERSONS AND ORGANISATIONS IN IRAN SHOULD BE



CONCLUDED AS OF FROM NOW.

STEPS WILL BE TAKEN WITHIN THE COMMUNITY IN ORDER THAT THE IMPLEMENTATION OF THE MEASURES DECIDED UPON SHOULD NOT OBSTRUCT THE PROPER FUNCTIONING OF THE COMMON MARKET.

6. THE FOREIGN MINISTERS DECIDED MEANWHILE TO PUT INTO EFFECT WITHOUT DELAY THE FOLLOWING MEASURES, TO THE EXTENT THAT THEY ARE NOT ALREADY IN FORCE:

(I) REDUCTION IN EMBASSY STAFFS IN TEHRAN.

(II) A REDUCTION IN THE NUMBER OF DIPLOMATS ACCREDITED BY THE GOVERNMENT OF IRAN IN THEIR COUNTRIES.

(III) THE REINTRODUCTION OF A VISA SYSTEM FOR IRANIAN NATIONALS TRAVELLING TO MEMBER COUNTRIES OF THE NINE.

(IV) THE WITHHOLDING OF PERMISSION FOR THE SALE OR EXPORT OF ARMS OR DEFENCE-RELATED EQUIPMENT TO IRAN.

7. THE FOREIGN MINISTERS DECIDED IMMEDIATELY TO CONTACT THE GOVERNMENT OF THE UNITED STATES THROUGH THE PRESIDENCY AND TO INFORM IT OF THE DECISIONS TAKEN BY THEM.

8. THE FOREIGN MINISTERS OF THE NINE, BELIEVING THAT THIS SITUATION SHOULD BE A MATTER OF CONCERN TO THE WHOLE INTERNATIONAL COMMUNITY, CALL UPON OTHER GOVERNMENTS TO ASSOCIATE THEMSELVES WITH THESE DECISIONS.

9. THE FOREIGN MINISTERS INSTRUCTED THEIR AMBASSADORS TO RETURN TO TEHRAN IN THE INTERVAL IN ORDER TO CONVEY THE PRESENT DECISION TO THE IRANIAN GOVERNMENT, TO FOLLOW THE SITUATION, AND TO UNDERTAKE ALL POSSIBLE EFFORTS TO ALLEVIATE AND IMPROVE THE LIVING CONDITIONS OF THE HOSTAGES PENDING THEIR RELEASE.

THEY EXPRESS THE HOPE THAT THE IRANIAN AUTHORITIES WILL TAKE ACTION ACCORDINGLY

ENDS VERBATIM SERVICE 044/80 L.P.S.





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VISIT BY THE PRIME MINISTER OF ITALY

22 APRIL 1980

BRIEF NUMBER 3: IRAN

Brief by the Foreign and Commonwealth Office

POINTS TO MAKE

1. Important that Nine implement measures agreed by Foreign Ministers on 21 April. Must attract wider support (Japan and other friendly states). If allies do not support America, danger of more severe measures which could upset entire region.

Implementation

2. We would agree to whatever most convenient for rest of Nine.

Important to take action now.

Foreign and Commonwealth Office

18 April 1980

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ESSENTIAL FACTS

US measures

1. US announced on 7 April following measures against Iran:
  - (a) implementation of economic sanctions (minus food and medicines);
  - (b) expulsion of Iranian diplomats and military students in US;
  - (c) refusal of visas to Iranians to enter US;
  - (d) listing Iranian debts in the US with the possibility of setting those off against frozen Iranian assets.
  
2. On 17 April President Carter announced following further sanctions on Iran:
  - (a) A request to Congress to use the \$8 bn in Iranian assets, frozen since 14 November, to pay for recent US military operations in the area and for reparations to the families of the 53 hostages;
  - (b) A ban on all financial transfers to persons or entities in Iran, except in transactions involving the hostages or gathering of news;
  - (c) A ban on all Iranian imports into the US. Oil shipments were barred by Mr Carter last November;
  - (d) No travel by Americans to Iran except for news purposes;
  - (e) Impounding of military equipment which Iran had on order from US. This would be used either by the US services or offered for sale abroad.

/He

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He did not announce a ban on exports of food and medicine (as expected), but said these could be the next economic sanctions if present measures are ineffective. He also warned of the possibility of military action if political and economic sanctions fail.

EC support for US action [pending outcome of EC Foreign Ministers' Council meeting in Luxembourg on 21/22 April]

3. EC Foreign Ministers considering two proposals:

- (a) British draft for six joint measures to be taken immediately against Iran, and ordering others, including certain measures foreseen in vetoed January Security Council Resolution (text at Annex A);
- (b) French suggestion that Nine take no action at this stage, but give Iran a final warning that economic and diplomatic relations will be broken off entirely unless hostages released at once by new Iranian Parliament in May/June.

Previous EC action

4. Ministers of Nine agreed at Lisbon to send a message to Bani Sadr through their Embassies in Tehran urging release of hostages. Ambassadors subsequently reported back to capitals in person. Sir J Graham returned to Tehran 16 April.

Hostages

5. Red Cross visited all 50 hostages on 14 April and reported them in fair shape. Second stage for National Assembly elections set for 2 May but this may now slip. According to one Revolutionary Council spokesman, the hostage issue may not be debated until July.

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ANNEX A.

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TO IMMEDIATE UKREP BRUSSELS

TELEGRAM NUMBER 444 OF 17 APRIL

INFO IMMEDIATE PARIS, BONN, TEHRAN, WASHINGTON, SALISBURY  
ROUTINE BRUSSELS, COPENHAGEN, THE HAGUE, LUXEMBOURG, DUBLIN,  
TOKYO, UKMIS NEW YORK AND UKDEL NATO.

M I P T.

DRAFT STATEMENT BY FOREIGN MINISTERS OF THE NINE MEETING IN  
LUXEMBOURG: 21 APRIL.

1. THE FOREIGN MINISTERS OF THE NINE COUNTRIES OF THE EUROPEAN  
COMMUNITY MEETING IN LUXEMBOURG ON 21 APRIL DISCUSSED THE  
IMPLICATIONS OF RECENT EVENTS IN IRAN IN THE LIGHT OF THE REPORTS  
BY THEIR AMBASSADORS FOLLOWING THE DEMARCHE TO THE PRESIDENT OF  
IRAN DECIDED UPON BY THE FOREIGN MINISTERS AT THEIR MEETING IN  
LISBON OF 10 APRIL.

2. THEY EXPRESSED THEIR PROFOUND REGRET THAT THE IRANIAN GOVERNMENT  
WAS UNABLE TO GIVE PRECISE ASSURANCES ABOUT THE DATE AND METHODS  
BY WHICH THE HOSTAGES WOULD BE RELEASED.

3. THEY DECIDED THAT THE GRAVE SITUATION RESULTING FROM THE  
CONTINUED ILLEGAL DETENTION OF THE HOSTAGES REQUIRED THE ADOPTION  
BY THE COMMUNITY AND MEMBER STATES IN CONCERT WITH OTHER STATES,  
OF THE FOLLOWING MEASURES AS SOON AS POSSIBLE:

(I) REDUCTION, WHERE POSSIBLE, IN EMBASSY STAFFS IN TEHRAN AND/OR  
THE RECALL OF AMBASSADORS:

(II) A REDUCTION IN THE NUMBER OF DIPLOMATS ACCREDITED BY THE  
GOVERNMENT OF IRAN IN THEIR COUNTRIES:

(III) THE RE-INTRODUCTION, WHERE NOT ALREADY IN FORCE, OF A  
VISA SYSTEM FOR IRANIAN NATIONALS TRAVELLING TO MEMBER  
COUNTRIES OF THE NINE:

(IV) THE WITHOLDING OF PERMISSION FOR THE SALE OR EXPORT OF ARMS  
OR DEFENCE-RELATED EQUIPMENT TO IRAN:

(V) CO-OPERATION



(V) CO-ORDINATION OF VIEWS ON THE PURCHASE OF IRANIAN OIL  
(IN PRACTICE THIS WILL MEAN THE DISCOURAGEMENT OF COMPANIES  
BUYING MEMBER STATES WITH OIL FROM BUYING IRANIAN OIL: BUT  
THIS WOULD NOT BE MADE PUBLIC):

(VI) CO-ORDINATION OF VIEWS ON THE SIGNATURE OF ECONOMIC AGREEMENTS OR SERVICE CONTRACTS WITH IRAN (IN PRACTICE THIS WILL MEAN DISCOURAGEMENT OF COMPANIES FROM SIGNING SUCH AGREEMENTS, THOUGH THIS WOULD NOT BE MADE PUBLIC).

4. THE FOREIGN MINISTERS FURTHER DECIDED THAT THE COMMUNITY AND MEMBER STATES SHOULD TAKE ALL NECESSARY PREPARATORY STEPS FOR THE IMPLEMENTATION OF OTHER MEASURES INCLUDING CERTAIN MEASURES IN THE SECURITY COUNCIL RESOLUTION ON IRAN THAT WAS VETOED IN JANUARY.

5. THE FOREIGN MINISTERS DECIDED THAT THE COMMUNITY INSTITUTIONS AND THE EUROPEAN POLITICAL CO-OPERATION MACHINERY SHOULD BE ASKED TO GIVE URGENT EFFECT TO THESE DECISIONS, ACCORDING TO THE RESPECTIVE COMPETENCE OF THE COMMUNITIES AND OF THE MEMBER STATES.

6. THEY DECIDED THAT A FURTHER MESSAGE SHOULD BE CONVEYED TO THE PRESIDENT OF IRAN THROUGH THEIR EMBASSIES IN TEHRAN, EXPRESSING THEIR GRAVE DISQUIET AT THE INABILITY OF THE IRANIAN GOVERNMENT TO SET A DATE FOR THE RELEASE OF THE HOSTAGES AND EXPLAINING THE CONSEQUENT OBLIGATION OF THE COMMUNITY AND MEMBER STATES TO TAKE THE MEASURES DESCRIBED.

CARRINGTON

NNNN





VISIT BY THE PRIME MINISTER OF ITALY

22 APRIL 1980

BRIEF NUMBER 4: AFGHANISTAN

Brief by the Foreign and Commonwealth Office

Points to Make

Neutrality and Non-Aligned Proposal

1. Understand our officials have been exchanging ideas. At recent E.C. Asian Working Group meeting Italians produced constructive and imaginative paper. We are studying it. Obviously better not to publish too much detail at this stage since that offers targets for the Russians.
2. Aim now should be to build on wide measure of approval already secured for European idea, and obtain committed support from, in particular the Islamic and Non-Aligned countries.
3. Islamic Conference in Islamabad in May will be very important. We hope that the Conference will declare its support.

Olympics

4. Important to Soviet Union for political and propaganda reasons. Boycott therefore very effective; it cannot be hidden from Russian people. British Government doing everything possible to dissuade athletes from going. Decision of United States Olympic Committee not to go will be influential, and will diminish value of medals won at Moscow.

Foreign & Commonwealth Office

18 April 1980





### Essential Facts

1. Italians have produced a paper on a ''procedure'' for attaining a neutral and non-aligned Afghanistan. But we think it best to avoid detail at this stage. That would only limit our flexibility and offer easy targets for the Soviet Union. The paper will be discussed again within the political cooperation machinery.
2. We need to get away from the proposal being seen as a ''European'' idea. It is essential that committed support be generated among the Islamic and Non-Aligned countries. Habib Chatty, Secretary General to the Islamic Conference, spoke warmly of the proposal when he saw Lord Privy Seal in London on 3 April. If the Conference in May issues a strong statement in favour of neutrality that could be a turning point.
3. Posts accredited to members of the Islamic Conference have been asked to explain our views and to suggest that the forthcoming Conference could usefully declare its support.





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VISIT BY THE PRIME MINISTER OF ITALY

22 APRIL 1980

BRIEF NUMBER 5: EAST/WEST RELATIONS

Brief by the Foreign and Commonwealth Office

Points to Make

1. Russians on defensive. We must keep up pressure for withdrawal from Afghanistan and not drift back to business as usual.
2. 25th Anniversary of Warsaw Pact in mid-May may well be used to launch a 'peace offensive' designed to divert attention from Afghanistan. Allied unity essential for effective conduct of East-West relations (as well as Iran etc). Disunity will encourage the Russians to probe further. This would make East-West relations even worse and could lead to greater dangers.
3. (If Cossiga mentions a possible NATO summit) We are not aware of any specific US proposal. But need for a concerted Western response on Afghanistan prompted US proposal for strengthening the meeting of the Alliance's Defence Policy Committee on 14 May by inclusion of Foreign Ministers. Lord Carrington will be there despite conflicting engagements. We hope others will too.

/4.

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4. Our response on Afghanistan is set firmly in context of increasing defence budgets annually by 3 per cent and maintenance of the priorities in the Long Term Defence Programme. We must stick firmly to the balanced package of Theatre Nuclear Force modernisation and arms control agreed by NATO in December. The idea of a moratorium is dangerous: it would undermine the modernisation programme, freeze the existing disparity and remove any incentive for the Russians to negotiate seriously.

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ESSENTIAL FACTS (may be used freely except para 4)

1. A Warsaw Pact summit is expected on the 25th Anniversary of the Pact on 14/15 May. The Russians have been slow to mount their expected post-Afghanistan 'peace offensive' designed to divert attention from Afghanistan and to split the West. There have been indications that the summit will launch proposals designed for this. The proposals may well be more eye-catching than substantial.
2. The Americans have made clear that they are prepared to shoulder the main burden of any new defence measures outside the NATO area after Afghanistan, but that this would lead to diversion of resources from the NATO area, particularly in times of crisis. The UK has stressed the need for all NATO countries to commit themselves to the 3 per cent annual increase in defence budgets. We have also argued against the distortion of existing priorities for defence improvements in the Long Term Defence Programme already being implemented. The Italians have said in NATO that they were planning to meet the 3 per cent target in 1980 but this may be more an aspiration than an intention.
3. The Americans have suggested that the Ministerial Defence Policy Committee meeting in Brussels on 13-14 May should be attended on the second day by Foreign as well as Defence Ministers. We have agreed. But the Italian Foreign Minister is said to have another engagement that day.

/4.

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4. In an earlier message to the Prime Minister, President Carter proposed a NATO summit. Having discussed this with Chancellor Schmidt, the Prime Minister replied that she saw difficulties over such a proposal and the Americans appear to have dropped the idea, at least for the time being. We have heard that the Italians, much to American annoyance, have got wind of this American proposal. A defensive line is included in the briefing to cover this point.

5. Chancellor Schmidt floated on 13 April the idea that, in order to help launch TNF arms control negotiations, both sides should renounce for a definite number of years the stationing of additional medium range weapons. The proposal, in effect for a moratorium, may weaken the resolve of the Belgians, who are due to take a decision by June on TNF basing in Belgium. It could also be divisive in the Alliance, encouraging those who think that NATO is not doing enough to break the present stalemate over TNF negotiations. Finally, it will make any Warsaw Pact suggestion of a moratorium (eg at their May Summit) much more difficult to handle.

Foreign and Commonwealth Office

18 April 1980

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VISIT BY THE PRIME MINISTER OF ITALY

22 APRIL 1980

Brief No 6

THE ITALIAN POLITICAL SITUATION

Brief by Foreign and Commonwealth Office

1. Signor Cossiga was sworn in on 4 April on reappointment as Prime Minister, at the head of a new coalition Government which includes the Socialists. His previous Government, which depended on Socialist abstentions, had looked fragile since the beginning of this year. Following a Socialist Central Committee Meeting in January, the Party Secretary, Signor Craxi, came under increasing pressure from left-wingers in his party to commit the Socialists to the inclusion of the Communist Party in Government. In March the Socialists and Republicans made it clear they would no longer keep the Government in office by abstaining on crucial parliamentary issues. Rather than face defeat on a key vote, Signor Cossiga decided to hand in his resignation in Mid-March. President Pertini gave Signor Cossiga a mandate to form a new Government and within 16 days - a record by recent Italian standards - Cossiga succeeded in forming a 3-party coalition made up of 16 Christian Democrats, 9

/Socialists

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Socialists and 3 Republicans. By bringing in the Socialists, Cossiga succeeded in forming a Government which will have a majority in Parliament without outside support, for the first time since 1974. This should greatly strengthen Cossiga's personal position.

2. The inclusion of Socialists and Republicans in place of Social Democrats and Liberals in Cossiga's new Government might be expected to produce a more leftward-looking Government. On the other hand, the new coalition is effectively an anti-Communist alliance which has been made possible through the success of the anti-Communist (and pro-Socialist) right wing of the Christian Democrat Party at the Christian Democrat Party Congress in February, and Craxi's success in re-establishing his authority over the pro-Communist left wing of the Socialist Party, whom he has succeeded in persuading to join a coalition against the Communists.

3. To this extent the new Government represents a strengthening of the forces of the right in both the major coalition parties. This trend is apparent in the composition of the Government: members of the centre and right factions predominate among the Christian Democrat Ministers, and there is only one anti-Craxi left-winger among the 9 Socialists.

Foreign and Commonwealth Office  
17 April 1980

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PRIME MINISTER FROM MICHAEL ALEXANDER

AM yes  
K. Amis

The Italian Ambassador has just rung to say that Mr. Cossiga would like to visit London on Friday. He is proposing to arrive at noon and leave about 6 p.m.

I assume that you would not wish to cancel the lunch you will be giving for Herr Strauss. I told the Ambassador that I thought it would be difficult for you to offer lunch to Mr. Cossiga: he entirely understood and thought that Mr. Cossiga would be content to lunch at the Embassy. If you agree with this, I will apologise again to the Italians about lunch, and say that you look forward to seeing Mr. Cossiga at No.10 at 1530, and would be available for talks until 1730.

23/4/80



for  
● Print



(2)  
print

10 DOWNING STREET

Prime Minister

I rang the Italian Ambassador  
to enquire - on your behalf - after  
Signor Cossiga's health + to ask  
whether there was any news of  
his trip. Cagiani said that Signor  
Cossiga was not altogether better  
but hoped to take a decision later  
to-night or to-morrow morning about  
his tour: he is determined to make  
it. I asked the Ambassador to pass  
on your best wishes to the Prime  
Minister + to say that you looked forward  
to seeing him here if + when he was  
well enough.

Print 22/4





Ministry of Agriculture, Fisheries and Food  
Whitehall Place London SW1A 2HH

From the Minister's Private Office

CONFIDENTIAL

M J Richardson Esq  
Private Secretary to the Lord Privy Seal  
Foreign and Commonwealth Office  
Downing Street  
London SW1

*Ln*  
*Am*  
18 April 1980

*Dear Mike*

VISIT OF ITALIAN PRIME MINISTER: 20/21 APRIL

My Minister has seen the draft brief on sheepmeat for Signor Cossiga's visit. He is concerned at the suggestion that the Prime Minister should at this stage inform Signor Cossiga of our willingness to consider a limited form of intervention if essential for endorsement of a budget solution. In terms of the budget negotiations, intervention is a single card which can only be played once. An indication of our willingness to change our position on intervention at this stage is likely to be seized on to lever greater concessions out of us later.

My Minister has therefore asked that the relevant sentence in the speaking notes and the corresponding sentence in the background notes should be removed from the brief. He would prefer the background note to say that we cannot give Signor Cossiga any indication of our willingness to show flexibility on the question of intervention in advance of the European Council.

I am copying this letter to the Private Secretaries to Members of the OD(E) and to Sir Robert Armstrong.

*Yours sincerely*

*David Jones*

D E Jones  
Assistant Private Secretary





CONFIDENTIAL

Foreign and Commonwealth Office

London SW1A 2AH

17 April 1980

M D M Franklin Esq., CB CMG  
Cabinet Office.

*has read*

*Dear Michael,*

Thank you for your letter of April 17 <sup>below</sup> about Signor Cossiga's visit. I should much like to join you and Signor Ruggiero at 9.15 a.m. on April 22, for a further discussion about the latest draft of the European Council communiqué. Please let me know whether you would like me to wait in your room until summoned, or whether it would be simplest if I met you and Signor Ruggiero in the No 10 ante-room, if there is no objection on the part of the Prime Minister's Office.

*Yours ever*  
*Tom*

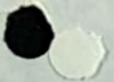
(Bridges)

cc. Mr Alexander No 10  
Mr Wright  
Mr Hannay  
Mr Elliott



118 APR 1950

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~~01532~~ 233-7256

CABINET OFFICE  
70 WHITEHALL  
LONDON SW1A 2AS

17 April 1980

QZ 01532

*h4*  
*Phunt*

*Dear Tom,*

This is to confirm that I have provisionally arranged with Signor Ruggiero (through the good offices of Mr Galsworthy in the Rome Embassy) that, during the time when the Prime Minister is having her tête-à-tête with Signor Cossiga on Tuesday morning, he and I would discuss the latest draft of the final communiqué. If you would be free to join us you would be very welcome. I imagine that Signor Ruggiero will arrive with Signor Cossiga at No. 10 at 9.15: I would plan to meet him there and either bring him to my room here or talk to him at No. 10 depending on the chances of his being called into the Prime Minister's meeting at some point.

As to the substance of what we should say, Harry Walsh is preparing a brief in the light of the meeting we had here earlier this week (a copy has gone in draft to David Hannay).

*Yours ever*  
*Michael*

M D M FRANKLIN

The Lord Bridges CMG  
Foreign and Commonwealth Office  
LONDON SW1

cc Mr Alexander No 10  
Mr Wright  
Mr Hannay  
Mr Elliott



18 APR 1960





Covering RESTRICTED

*Wally*



Foreign and Commonwealth Office

London SW1A 2AH

17 April 1980

*to Paul Lever  
- 17/4*

*Dear Michael,*

VISIT OF SR COSSIGA

The penultimate paragraph of your letter of 16 April mentioned that the Italian Ambassador should be reminded that the correct channel for making arrangements for meetings between overseas leaders and the Prime Minister is through the Foreign and Commonwealth Office. You will see from the attached record of a meeting the Lord Privy Seal had with the Ambassador yesterday that this point has now been made.

*to Paul Lever*

*Yours ever,  
Myles*

M A Wickstead

M O'D B Alexander Esq  
10 Downing Street



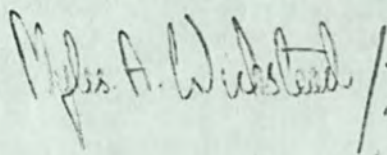
Mr Spreckley

CALL BY ITALIAN AMBASSADOR ON LORD PRIVY SEAL

The Italian Ambassador called at 5 pm yesterday at his request to discuss reactions to President Carter's recent message with the Lord Privy Seal. Little of substance was said. It was agreed that the relatively hardline position of the Germans was in part because of their inability to be more forthcoming on Afghanistan; the French position remained unclear. It was agreed that something to help the Americans had to come out of the Foreign Affairs Council next week. They agreed that the June summit should be given a political dimension. The Ambassador asked the Lord Privy Seal about the Prime Minister's reference in the House on 14 April (Hansard col 795) to a possible earlier meeting. The Lord Privy Seal said that he thought the need for this would be most unlikely, but that of course we would not rule it out.

The visit of Sr Cossiga was also briefly mentioned; the Lord Privy Seal spoke firmly to the Ambassador about the proper channel of communication for such visits being the FCO. The point was taken by the Ambassador.

In view of his letter of 16 April to Paul Lever, I am sending a copy of this minute to Michael Alexander at No 10.



M A Wickstead

17 April 1980

cc: PS  
PS/PUS  
Mr J Moberly  
Mr Alexander, No 10



177 APR 1980







✓ CO HMT  
CO  
Italy  
MB

. 10 DOWNING STREET

From the Private Secretary

16 April 1980

BF 18-4-80  
(for Sunday)

VISIT OF SIGNOR COSSIGA

As I have already told you on the telephone, the Prime Minister has agreed to an Italian proposal that Signor Cossiga should call on the Prime Minister on the morning of Tuesday 22 April. The meeting will begin at 9.15 a.m. Signor Cossiga will have to leave at 11.15 since he is due in Dublin for lunch. I understand that Signor Cossiga will probably be accompanied to London by Signor Ruggiero and Signor Berlinger. The Prime Minister will wish her discussion with Signor Cossiga - or at least the major part of it - to be tête-à-tête except for note takers and interpreter.

Signor Cossiga will be announcing his tour of European capitals in Rome tomorrow morning: I have agreed that we will refrain from confirming the visit till then.

It would be helpful if briefing for the meeting could reach this office by 6.00 p.m. on Sunday 20 April. I will let you know later whether or not the Prime Minister would wish to have a briefing meeting on Monday morning. (It would have to be before lunch since the Prime Minister will then be leaving for a speaking engagement in Birmingham).

On a more general point, I think it would be helpful if you could find a way of reminding the Italian Ambassador that the correct channel for making arrangements for meetings between overseas leaders and the Prime Minister is through the Foreign and Commonwealth Office.

I am sending copies of this letter to John Wiggins (H.M. Treasury) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

SP

Paul Lever, Esq.,  
Foreign and Commonwealth Office.



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(1)

Ref. A01944

MR. ALEXANDER

Prime Minister.  
The timing looks about right (+ will add interest to Prime Andrew's day). Agree?

Visit of Signor Cossiga

Yes out 15/4

After Sir Robert Armstrong had left this evening for the Venice Summit preparatory meeting, the Italian Ambassador telephoned to let him know that Signor Cossiga wishes to visit London for talks with the Prime Minister on the morning of Tuesday, 22nd April. This visit would be one stage in his round of visits to Community partners before the European Council meeting at the end of the month.

2. Signor Cossiga would be arriving from Paris late on the evening of Monday, 21st April and would be available for talks with the Prime Minister at any time on the morning of Tuesday. He would have to leave for Dublin in time for lunch there.

3. I said that I would see that you were informed of this proposal and that he was given a reply very soon.

4. I am sending a copy of this minute to Paul Lever, Michael Richardson and John Wiggins.

(D.J. Wright)

15th April, 1980

cc Euro PR  
- Community Budget  
- Pt 7





UNITED KINGDOM OF GREAT BRITAIN



115 APR 1980

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8 7 6 5 4 3 2 1

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LONDON

( )

115 APR 1980



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British Embassy  
Via XX Settembre 80A 00187 Rome  
Telex 61049 Telephone 4755.441

*Mr Adams*  
~~PRIME MINISTER~~ *Haly*  
*We could wish that Sr Cossiga's tenure was more secure.*

D A S Gladstone Esq  
WED  
FCO

*ms*

Your reference  
Our reference  
Date 7 February 1980

*Dear David,*

SIGNOR COSSIGA AND THE PRIME MINISTER

1. Peter Nicholls of The Times, has been asked to produce a syndicated article for the Italian press about the European credentials of the Prime Minister. The Italian editor who commissioned the article gave Peter Nicholls a rather hostile steer. I spent some time earlier this week taking Nicholls through the Prime Minister's European record in order to counter negative arguments.
2. Nicholls rang me on 5 February to say that he has had parallel briefing at the Palazzo Chigi and had seen Cossiga. The Italian Prime Minister had told him categorically that he regarded Mrs Thatcher's European credentials as beyond doubt. Perhaps she sometimes expressed her arguments in a rather individual way but the same might be said for other heads of Government of the Community. All in all said Nicholls, Signor Cossiga had spoken very warmly about Mrs Thatcher.
3. Yesterday evening, 6 February, I saw on Italian television, a short programme at the peak watching hour, about Cossiga's travels abroad. These were inevitably concentrated on his visits to Washington and London and more stress was laid on London. In answer to questions Cossiga paid a tribute to the British people for their attachment to tradition and love of liberty. The questioner also asked him for his impressions of the Prime Minister, given that she was no doubt the first lady Head of Government he had met. Cossiga said in effect that the Prime Minister combined all her innate qualities of charm and femininity with those of an exceptional negotiator.
4. When the Ambassador called on the Communist Mayor of Rome the other day the latter complained that the Prime Minister appeared to have bewitched Cossiga!

*Yours ever,*  
*Adams*

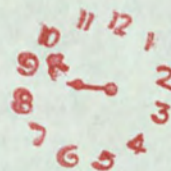
W J Adams

cc: Michael Alexander Esq  
*Neko.*

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11 FEB 1960





SUBJECT.

Italy

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T22/80<sup>T</sup>



TMP  
file  
CFOO

10 DOWNING STREET

THE PRIME MINISTER

4 February 1980

Dear Signor Cossiga.

The beautiful flowers you sent me arrived today and I am most grateful to you for the thought. We very much enjoyed your visit.

With all best wishes,

Yours sincerely  
Margaret Thatcher

His Excellency Signor Francesco Cossiga



Francesco Cossiga

London, il 30.1.1980

Con il più vivo interesse per la  
spedizione e cordiale ospitalità e per  
i colloqui così utili e ricchi di amicizia  
e fraternità. Aff. mio e dev. mio

fr. Longo





DSG  
ccfw

10 DOWNING STREET

THE PRIME MINISTER

4 February 1980

Dear Signor Ruffini,

The beautiful flowers you sent me arrived today and I am most grateful to you for the thought. *We greatly enjoyed your visit.*

With all best wishes,

*Yours sincerely*  
*Margaret Thatcher*

His Excellency Signor Attilio Ruffini.

*DS*



Ministro degli Affari Esteri

con i miei più  
vivi ringraziamenti,  
ed il mio migliore  
apprezzamento per la  
sua così cortese ospitalità

A. Ruffini



GR 470

UNCLASSIFIED

FM ROME 311540Z JAN

TO PRIORITY FCO

TELEGRAM NUMBER 101 OF 31 JANUARY 1980

INFO ROUTINE WASHINGTON AND ALL EEC POSTS

*Italy  
ms*

SIGNOR COSSIGA'S VISIT TO LONDON: ITALIAN PRESS

1. THE VISIT HAS BEEN WIDELY REPORTED IN THE ITALIAN PRESS OVER THE LAST THREE DAYS.

2. TODAY, MOST PAPERS SEE SIGNOR COSSIGA'S ROLE AS THAT OF A MEDIATOR BETWEEN BRITAIN ON THE ONE HAND AND FRANCE AND GERMANY ON THE OTHER, SEEKING TO PERSUADE THE PRIME MINISTER OF EUROPE'S NEED TO SPEAK WITH A COMMON VOICE, PARTICULARLY ON RECENT EVENTS IN IRAN AND AFGHANISTAN AND ON THE POLICY OF DETENTE. IT IS ALSO REPORTED THAT COSSIGA HOPES TO FIND A COMPROMISE SOLUTION TO BRITAIN'S EEC BUDGET PROBLEM.

3. CORRIERE DELLA SERA (INDEPENDENT) SAYS THAT THE TALKS ACHIEVED POSITIVE RESULTS AND QUOTES MRS THATCHER AS APPRECIATING THE NEED FOR EUROPE TO SPEAK WITH ONE VOICE. IT STRESSES THE DEGREE OF IDENTITY OF ANGLO/ITALIAN VIEWS ON THE SOVIET THREAT AND THE VALUE OF THE DETAILED DISCUSSION ON THE BRITISH BUDGET PROBLEM.

4. A SIMILAR IMPRESSION IS GIVEN BY LA STAMPA (INDEPENDENT) WHICH MAINTAINS THAT THIS IS THE FIRST TIME SINCE THE ENLARGEMENT OF THE COMMUNITY THAT BRITAIN HAS EXPRESSED A STRONG INTEREST IN RE-ENFORCING POLITICAL CONSULTATION BETWEEN EUROPEAN GOVERNMENTS: THIS IS A GOOD OMEN FOR THE FUTURE OF EUROPE.

LA STAMPA ALSO PRAISES THE ARRANGEMENTS FOR THE PRESS CONFERENCE AND QUOTES LONG EXTRACTS FROM THE PRIME MINISTER'S AND SIGNOR COSSIGA'S REPLIES ON THE INTERNATIONAL CRISIS, ON AFGHANISTAN AND ON THE BRITISH BUDGET PROBLEM.



5. IL POPOLO (CHRISTIAN DEMOCRAT) SPEAKS OF THE AGREEMENT BETWEEN THE TWO LEADERS THAT EUROPE MUST FIND A COMMON PLATFORM IN RESPONDING TO SOVIET POLICY AND COMMENTS THAT THE ONLY DIFFERENCES ARE ON THE MEANS NOT THE SUBSTANCE. THIS OPINION IS SHARED BY RESTO DEL CARLINO (INDEPENDENT) WHOSE MAIN HEADLINE SPEAKS OF THE NEED TO ESTABLISH A HOT LINE BETWEEN EUROPE AND THE US IN ORDER TO FORMULATE QUICKLY A COMMON STRATEGY IN TIMES OF CRISIS.
6. IL GIORNALE (RIGHT-WING) HAS AN ARTICLE WITH THE HEADLINE: "MRS THATCHER FIRM AGAINST THE USSR: COSSIGA AGREES BUT SAYS LET'S DECIDE AMONG THE NINE". IT DESCRIBES MRS THATCHER AS APPARENTLY CONCILIATORY AND READY TO NEGOTIATE BUT FIRM IN MAINTAINING THE ENTIRETY OF HER DEMANDS ON THE BUDGET PROBLEM. THIS REPORT ADDS THAT THE PRIME MINISTER'S PRESTIGE AND POPULARITY ARE INCREASING MORE AND MORE, AND NOT ONLY IN HER OWN COUNTRY.
7. BY CONTRAST, IL SOLE - 24 ORE, (FINANCIAL), REPORTS THE TALKS AS BEING A "FAILURE" AND DESCRIBES THE BRITISH POSITION TOWARDS THE SOVIET UNION AS "SO RIGID, IT MAKES OTHER SEEMS SOFT, IF NOT EVEN CONCILIATORY".
8. L'UNITA (COMMUNIST), PAESE SERA (COMMUNIST) AND AVANTI (SOCIALIST) PREDICTABLY SEE THE TALKS AS A FAILURE AND ARE PARTICULARLY CRITICAL OF THE PRIME MINISTER FOR ALLYING HERSELF WITH THE UNITED STATES RATHER THAN HER EEC PARTNERS AND FOR HER REFUSAL TO COMPROMISE ON THE EEC BUDGET.

ARCULUS

DEPARTMENTAL DISTN.

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CABINET OFFICE

COPIES TO:

PS/NO 10 DOWNING STREET



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FM F.C.O. 311909Z JAN 80

TO IMMEDIATE ROME

TELEGRAM NUMBER 60 OF 31 JANUARY  
INFO PRIORITY TO OTHER EEC POSTS.

COMMUNITY BUDGET: ACTION FOLLOWING UPON PRIME MINISTER'S MEETING  
WITH SIGNOR COSSIGA, 29/30 JANUARY

1. AT THE END OF SIGNOR COSSIGA'S VISIT IT EMERGED FROM A  
RATHER CONFUSED DISCUSSION THAT THE IMMEDIATE PATTERN OF ACTION  
WAS AS GIVEN BELOW. WE CONFIRMED WITH ITALIAN OFFICIALS  
THAT THIS WAS THE UNDERSTANDING OF THEIR MINISTERS.

- (A) THE ITALIANS HAD NO NATURAL OPPORTUNITY TO TELL THE FRENCH  
ABOUT SIGNOR COSSIGA'S TALKS WITH THE PRIME MINISTER. THEY  
AGREED THEREFORE THAT I SHOULD DO THIS WHEN I SEE M. FRANCOIS-  
PONCET OVER THE WEEKEND. IF THE DISCUSSION WITH HIM IS  
GOING WELL I SHALL SPEAK TO HIM ON THE LINES OF PARAGRAPH 7  
OF MY TELEGRAM NO 59 TO BONN. WE SHALL LET YOU KNOW WHETHER  
I DID OR DID NOT DO THIS SO THAT YOU CAN TELL THE ITALIANS.
- (B) THE ITALIANS WILL TAKE ADVANTAGE OF GENSCHER'S VISIT TO ROME  
ON 1 FEBRUARY TO GIVE HIM A FULL ACCOUNT. PLEASE ARRANGE TO  
SPEAK TO RUGGIERO AT CLOSE OF PLAY TOMORROW. WE WOULD LIKE  
AN ACCOUNT OF WHAT PASSED AND TO KNOW WHETHER THERE IS  
ANYTHING OF WHICH I SHOULD BE AWARE BEFORE I GO TO PARIS.
- (C) SIGNOR COSSIGA WOULD ARRANGE TO SEE THE PRESIDENT OF THE  
COMMISSION SOON: HE WAS PLANNING TO VISIT PARIS ON 12/13  
FEBRUARY AND TO TOUR THE OTHER MEMBER STATES DURING  
FEBRUARY, ENDING UP WITH A FURTHER VISIT TO LONDON AT  
THE END OF THE MONTH.

2. WE SHALL BE CONSIDERING ANY FURTHER BILATERAL CONTACTS WHEN  
I GET BACK FROM THE FOREIGN AFFAIRS COUNCIL NEXT WEEK.

CARRINGTON

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# CONFIDENTIAL

GR 1100

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[FRAME & GENERAL]

FM FCO 311909Z JAN 80

TO IMMEDIATE BONN

TELEGRAM NUMBER 59 OF 31 JANUARY

AND TO ALL OTHER EEC POSTS

MIPT

COMMUNITY BUDGET: VISIT OF SIG. COSSIGA

1. SIG. COSSIGA HAD TWO AND A HALF HOURS OF TALKS WITH THE PRIME MINISTER ON 29 JANUARY.
2. THE PRIME MINISTER EMPHASISED THAT HER ROOM FOR MANOEUVRE WAS LIMITED. SHE PROPOSED ACTION IN THREE PARTS: THE REMOVAL OF CONSTRAINTS ON THE 1975 FINANCIAL MECHANISM, ACTION ON RECEIPTS AND IN THE LONGER TERM RE-STRUCTURING OF THE BUDGET TO REDUCE THE PROPORTION OF IT ABSORBED BY THE CAP. ON DURATION, SHE SAID THAT A SOLUTION SHOULD LAST UNTIL BRITAIN'S PER CAPITA GNP CAME UP TO THE COMMUNITY AVERAGE. SHE ACCEPTED THAT BRITAIN SHOULD REMAIN A SMALL NET CONTRIBUTOR, BUT THAT THE UK CONTRIBUTION OUGHT TO BE BELOW THAT OF THE MEMBER STATE WITH THE NEXT HIGHEST GNP PER CAPITA. THE GAP BETWEEN THE UK CONTRIBUTION AND THAT OF THE NEXT MEMBER STATE IN GNP RANKING SHOULD BE PROPORTIONATE TO THE DIFFERENCE IN THEIR GNP LEVELS.
3. THE PRIME MINISTER SAID THAT BRITISH REPRESENTATIVES WERE CONDUCTING NEGOTIATIONS IN A SPIRIT OF GENUINE COMPROMISE, BUT UNLESS AGREEMENT ON SOMETHING NEAR THE POSITION OUTLINED ABOVE COULD BE OBTAINED SOON, THERE WOULD BE NO POINT IN AN EARLY MEETING OF THE EUROPEAN COUNCIL. BRITISH PUBLIC OPINION WAS RESENTFUL, AND THE CONTRIBUTION TO THE COMMUNITY BUDGET WAS ONLY PART OF THE PICTURE: THERE WAS ALSO OUR SHARE OF EUROPEAN DEFENCE COSTS.
4. SIG. COSSIGA SAID THAT PROGRESS HAD ONLY BEEN ACHIEVED IN DUBLIN BECAUSE OF THE PRIME MINISTER'S STRONG LINE. HE SAID THAT ITALY HAD FOUGHT TO SECURE BRITAIN'S ENTRY AND WOULD ALSO FIGHT TO MAKE HER FEEL AT HOME IN THE COMMUNITY. HE SAID THAT HE AND SIG. RUFFINI

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/WOULD



# CONFIDENTIAL

WOULD PLAY A POSITIVE ROLE. HE WOULD SHORTLY BE SPEAKING AGAIN TO MR JENKINS. IF THE COMMISSION DOCUMENT DID NOT PROVIDE FOR AN ADEQUATE BASIS FOR AGREEMENT HE WOULD TRY TO SECURE MODIFICATIONS. HE THOUGHT THAT IT WOULD BE EASIER AS A FIRST STEP TO AGREE ABOUT METHOD RATHER THAN FIGURES. HE SAID THAT THE UK PROBLEM COULD NOT BE SOLVED IN A SINGLE YEAR. HE SUGGESTED WORKING FOR A MEDIUM TERM SOLUTION (RE-STRUCTURING) AND A SHORT TERM SOLUTION TO TIDE BRITAIN OVER. THE FIRST THING WOULD BE TO REVISE THE FINANCIAL MECHANISM. THE SECOND, WHICH WAS WHERE BRITAIN AND ITALY HAD COMMON INTERESTS, WAS TO RE-STRUCTURE THE CAP.

5. THE PRIME MINISTER AGREED THAT THE PROBLEM OF SURPLUSES HAD TO BE DEALT WITH, BUT SOME MEMBER STATES WOULD FIGHT HARD TO RETAIN THE PRESENT CAP. IT WAS ESSENTIAL FOR HEADS OF GOVERNMENT TO GIVE A DIRECTIVE STATING A TIMESCALE FOR A SOLUTION. SHE RE-EMPHASISED THAT A TIDING-OVER ARRANGEMENT LASTING TWO OR THREE YEARS WOULD NOT BE ADEQUATE. THE FINANCIAL MECHANISM SHOULD BE EXTENDED UP TO 1986 (IE. THREE YEARS BEYOND THE EXPIRY OF THE PRESENT ARRANGEMENT) BUT SOMETHING WOULD ALSO HAVE TO BE DONE ABOUT RECEIPTS. SIG. COSSIGA SUGGESTED THAT THE BRITISH CASE SHOULD BE PRESENTED IN A COMMUNAUTAIRE WAY. FOR INSTANCE IN THE COMMUNITY, THE EUROPEAN PARLIAMENT COULD PLAY AN IMPORTANT ROLE. THE PRIME MINISTER STRESSED THAT THE COMMUNITY HAD A WORLD ROLE TO PLAY IF ITS MEMBERS STUCK TOGETHER. BRITAIN HAD TAKEN A LEAD IN TACKLING THE PRESENT SOUTH WEST ASIA CRISIS. SHE HAD ALSO INSTRUCTED THAT BRITISH REPRESENTATIVES SHOULD CONTINUE WORK AS NORMAL IN ALL COMMUNITY ORGANS. SHE SAID THAT THE QUESTION OF THE PARLIAMENT WAS DIFFICULT. SHE DOUBTED WHETHER THEY SHOULD HAVE MORE POWERS (WHICH THEY WANTED) BUT IT WAS IMPORTANT TO LISTEN TO THEM. SIG COSSIGA SAID THAT HE HOPED BRITAIN WOULD TAKE A POSITIVE ATTITUDE TO PROGRESS ON ALL FRONTS IN THE COMMUNITY.

6. SIG COSSIGA SAID THAT THE ITALIANS WOULD BE READY TO BEAR THE COST TO THEM OF THE REVISED FINANCIAL MECHANISM (ABOUT 70 MEUA). HE HOPED THIS WOULD GIVE THE LEAD TO OTHERS ALSO TO MAKE SOME SACRIFICE FOR BRITAIN.

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# CONFIDENTIAL

7. THE PRIME MINISTER GAVE SIG COSSIGA A PAPER DESIGNED TO PROVIDE, WITHIN THE FRAMEWORK OF THE DUBLIN CONCLUSIONS, A BASIS FOR HIS CONSULTATIONS WITH OTHER COMMUNITY PARTNERS. IT INDICATED THAT A SATISFACTORY SETTLEMENT MIGHT CONTAIN:

(A) REMOVAL OF CONSTRAINTS FROM THE FINANCIAL MECHANISM (AND ITS EXTENSION WITH REVIEW CLAUSE NO LATER THAN END OF SIXTH YEAR).

(B) SUPPLEMENTARY MEASURES. WE CAN DECIDE ON METHODS IN THE LIGHT OF COMMISSION'S PROPOSALS. SUBJECT TO REVIEW AT THE SAME TIME AS FINANCIAL MECHANISM.

(C) UK WILLING TO ACCEPT BEING MODEST NET CONTRIBUTOR. BUT FINANCIAL MECHANISM PLUS RECEIPTS SHOULD BE SUCH THAT UK WOULD REMAIN ONLY MODEST NET CONTRIBUTOR NOT ONLY FOR 1980 BUT FUTURE YEARS.

(D) OUR NET CONTRIBUTION SHOULD BE BELOW THAT OF MEMBER STATE HAVING NEXT HIGHEST GNP PER HEAD. DIFFERENCE IN NET CONTRIBUTIONS SHOULD BE AT LEAST PROPORTIONATE TO DIFFERENCE IN RELATIVE LEVELS OF GNP PER HEAD.

(E) MEDIUM TERM RESTRUCTURING OF BUDGET TO ENSURE THAT BY 1986 CAP NOT GREATER THAN 55 PER CENT. COUNCIL SHOULD TAKE ACCOUNT OF THE IMPLEMENTATION OF THIS PROPOSAL AT TIME OF REVIEW OF FINANCIAL MECHANISM.

8. IN THE CONTINUED TALKS ON THE MORNING OF 30 JANUARY (ATTENDED ALSO BY MYSELF AND THE LORD PRIVY SEAL AND SIG RUFFINI), THE ITALIANS EMPHASISED THAT SOME WAY SHOULD BE FOUND TO OFFSET THE COST TO THE FRENCH OF A SOLUTION TO THE BRITISH PROBLEM. THIS MIGHT BE DONE THROUGH AGREEMENT TO A SHEEPMEAT REGIME. THE PRIME MINISTER AGREED THAT THE SHEEPMEAT ISSUE SHOULD BE SOLVED. THE LORD PRIVY SEAL THOUGHT THAT AGREEMENT COULD BE ACHIEVED ON A LIGHT REGIME, BUT NOT A HEAVY ONE.

9. MUCH OF THIS CONVERSATION WAS TAKEN UP WITH A WIDER DISCUSSION OF THE FUTURE OF THE COMMUNITY. SIG COSSIGA SAID HE INTENDED TO REMIND OTHER MEMBER STATES OF THE POLITICAL NECESSITY OF BRITISH

/MEMBERSHIP.



# CONFIDENTIAL

MEMBERSHIP. HE ALSO SAID THE COMMUNITY NEEDED TO ESCAPE FROM THE "INFERNAL MECHANISM" WHICH WAS TURNING THE COMMUNITY INTO A PROTECTED AGRICULTURAL MARKET. ENLARGEMENT COULD NOT BE CONTEMPLATED UNTIL THINGS HAD BEEN SET RIGHT. THE PRIME MINISTER STRESSED THAT THE COMMUNITY NEEDED TO SOLVE ITS INTERNAL PROBLEMS IN ORDER TO PRESENT A UNITED FACE TO THE WORLD.

10. I MENTIONED THE IMPORTANCE WE ATTACHED TO KNOCKING ON THE HEAD THE IDEA OF ASSOCIATE STATUS FLOATED BY THE FRENCH. SIG COSSIGA AGREED THAT THIS WAS AN UNACCEPTABLE IDEA.

CARRINGTON

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CONFIDENTIAL

RS 230

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[FRAME & GENERAL]

M F C O 311909Z JANUARY 80

TO IMMEDIATE BONN  
TELNO 58 OF 31 JANUARY  
AND TO OTHER EEC POSTS.

COMMUNITY BUDGET: PRIME MINISTER'S MEETING WITH  
SIG. COSSIGA, 29/30 JANUARY.

1. MIFT CONTAINS A SUMMARY, STRICTLY FOR YOUR OWN INFORMATION, OF THE PRIME MINISTER'S DISCUSSIONS WITH SIGNOR COSSIGA ON THE UK BUDGET PROBLEM.
2. IN SPEAKING TO LOCAL CONTACTS YOU SHOULD TAKE THE LINE IN PARAGRAPH 3 BELOW.
3. THE PM AND SIGNOR COSSIGA HAD A LONG AND DETAILED DISCUSSION OF THE MAIN ISSUES. SIGNOR COSSIGA, WHO HAS A FULL UNDERSTANDING OF OUR THINKING AND APPROACH, WILL NOW UNDERTAKE A SERIES OF CONTACTS WITH COMMUNITY GOVERNMENTS AT THE HIGHEST LEVEL IN A DETERMINED EFFORT TO REACH AGREEMENT AT THE NEXT EUROPEAN COUNCIL. HE WILL OF COURSE ALSO BE IN TOUCH WITH THE COMMISSION AND WILL TAKE FULL ACCOUNT OF THEIR PAPER EXPECTED SHORTLY.
4. (FOR BONN: YOUR TELNO. 73). WE LEARNT IN STRICT CONFIDENCE FROM THE ITALIANS DURING SIGNOR COSSIGA'S VISIT THAT HERR GENSCHER WILL BE IN ROME TOMORROW. IT WAS AGREED THAT THE PRESIDENCY WOULD USE THIS OCCASION TO GIVE THE GERMANS A FULL ACCOUNT OF THE PRIME MINISTER'S MEETING WITH SIG. COSSIGA. IN TALKING WITH THE GERMANS THEREFORE YOU SHOULD NOT GO BEYOND THE LINE IN PARAGRAPH 3 ABOVE.
5. (FOR PARIS) I WILL GIVE M GRANCOIS PONCET AN APPROPRIATE ACCOUNT AT THE WEEKEND.

CARRINGTON  
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Italy



Foreign and Commonwealth Office

London SW1A 2AH

31 January 1980

Comments passed to Mr Richardson

for Mr. [unclear] 31/1

Jean Michael

SIGNOR COSSIGA'S VISIT

I attach three draft telegrams which we propose to send following Signor Cossiga's visit and for which we would be grateful for clearance, if possible by tonight. You will see that the second telegram is a summary of your records of the meetings, cutting out any mention of figures.

Yours ever

Michael

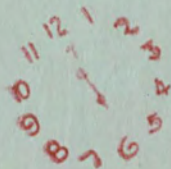
M J Richardson  
Private Secretary to the  
Lord Privy Seal

M O'D B Alexander Esq  
10 Downing Street  
London

CONFIDENTIAL



31 JAN 1980





File No. ....  
 Department ECD(I)  
 Drafted by  
 (Block Capitals) .....  
 Tel. Extn. ....

OUTWARD  
 TELEGRAM

**A**

Security Classification	CONFIDENTIAL
Precedence	IMMEDIATE
DESKBY	.....Z

FOR COMMS. DEPT. USE	Despatched	(Date) .....	POSTBY.....Z
		(Time) .....Z	

PREAMBLE

(Time of Origin) .....Z(G.M.T.) (Restrictive Prefix).....  
 (Security Class.) CONFIDENTIAL (Caveat/Privacy Marking).....  
 (Codeword) ..... (Deskby).....Z

TO IMMEDIATE BONN Tel. No. .... of .....  
 (precedence) (post)

AND TO (precedence/post) IMMEDIATE OTHER COMMUNITY POSTS AND UKREP BRUSSELS

AND SAVING TO.....

REPEATED TO (for info).....

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[TEXT]  
 COMMUNITY BUDGET: PRIME MINISTER'S MEETING WITH SIG. COSSIGA, 29/30 JANUARY

1. MIFT contains a summary, strictly for your own information, of the Prime Minister's discussions with Signor Cossiga on the UK budget problem.
2. In speaking to local contacts you should take the line in paragraph 3 below.
3. The PM and Signor Cossiga had a long and detailed discussion of the main issues. Signor Cossiga, who has a full understanding of our thinking and approach, will now undertake a series of contacts with Community Governments at the highest level in a determined effort to reach agreement at the next European Council. He will of course also be in touch with the Commission and will take full account of their paper expected shortly.
4. (For Bonn: Your telno. 78). We learnt in strict confidence from the Italians during Signor Cossiga's /visit



It that Herr Genscher will be in Rome tomorrow.

It was agreed that the Presidency would use this occasion to give the Germans a full account of the Prime Minister's meeting with Sig Cossiga. In talking with the Germans therefore you should not go beyond the line in paragraph 3 above.

5. (for Paris) I will give M Francois Poncet a full account at the weekend.



File No. ....

Department EC(D.I.)

Drafted by  
(Block Capitals) .....

Tel. Extn. ....

OUTWARD  
TELEGRAM

B

Security Classification <b>CONFIDENTIAL</b>
Precedence IMMEDIATE
DESKBY .....Z

FOR  
COMMS. DEPT.  
USE

Despatched (Date) .....  
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[TEXT] MIPT.

COMMUNITY BUDGET: VISIT OF SIG. COSSIGA

*two and a half*

1. Sig. Cossiga had ~~over 2 1/2~~ hours of talks with the Prime Minister on 29 January. ~~In discussing these talks with contacts, you have discretion to draw on points in the following account.~~ *Cossiga visit*

2. The Prime Minister emphasised that her room for manoeuvre was limited, ~~given economic problems at home.~~ She proposed action in three parts: the removal of constraints on the 1975 financial mechanism, action on receipts and in the longer term re-structuring of the budget to reduce the proportion of it absorbed by the CAP. On duration, she said that a solution ~~was required which should last until Britain's per capita GNP came up to the Community average, though~~ She accepted that Britain should remain a small net contributor, but that the UK contribution ought to be below that of the Member State with the next highest GNP per capita. The gap between the UK contribution and that of the next Member State in GNP ranking should be proportionate to the /difference

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difference in their GNP levels.

3. The Prime Minister said that British representatives were conducting negotiations in a spirit of genuine compromise, but unless <sup>(agreement on</sup> something near the position <sup>(sum,</sup> outlined above could be obtained, there would be no point in an early meeting of the European Council. British public opinion was resentful, <sup>at</sup> of the fact that the contribution to the Community budget was only part of the picture: there was also our share of ~~NATO~~ *European defence costs*, ~~costs and of keeping troops stationed in the FRG.~~

4. Sig. Cossiga said that progress had only been achieved in Dublin because of the Prime Minister's strong line. He said that Italy had fought to secure Britain's entry and would also fight to make her feel at home in the Community. He said that he and Sig. Ruffini would play a positive role. He would shortly be speaking again to Mr Jenkins. If the Commission document did not provide an adequate basis for agreement he would try to secure modifications. He thought that it would be easier as a first step to agree about method rather than figures. He said that the UK problem could not be solved in a single year. He suggested working for a medium term solution (re-structuring) and a short term solution to tide Britain over. The first thing would be to revise the financial mechanism. The second, which was where Britain and Italy had common interests, was to re-structure the CAP.

5. The Prime Minister agreed that the problem of surpluses had to be dealt with, but some Member States would fight hard to retain the present CAP. It was essential for Heads of Government to give a directive stating a timescale for a form. She re-emphasised that a <sup>ing</sup>tidy-over arrangement lasting two or three years would not be adequate. The financial mechanism should be extended up to 1986 (ie. three years beyond the expiry of the present arrangement) but something would also have to be done about receipts. Sig. Cossiga suggested that the British case should be presented in a communautaire way. For instance, if the UK were willing to take advantage of <sup>in</sup>allies in the Community, the European Parliament could play an important role. The Prime Minister stressed that the /Community

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Community had a world role to play if its members stuck together. Britain had taken a lead in tackling the present South West Asia crisis. She had also instructed that British representatives should continue work as normal in all Community organs. She said that the question of the Parliament was difficult. She doubted whether they should have more powers (which they wanted) but it was important to listen to them. Sig Cossiga said that he hoped Britain would take a positive attitude to progress on all fronts in the Community.

6. Sig Cossiga said that the Italians would be ready to bear the cost to them of the revised financial mechanism (about 70 mEUA). He hoped this would give the lead to others also to make some sacrifice for Britain.

7. The Prime Minister gave Sig Cossiga a paper designed to provide, within the framework of the Dublin conclusions, a basis for his consultations with other Community partners. It indicated that a satisfactory settlement might contain:

(a) Removal of constraints from the Financial Mechanism (and its extension, with review clause no later than end of sixth year).

(b) Supplementary measures. We can decide on methods in the light of Commission's proposals. Subject to review at the same time as Financial Mechanism.

(c) UK willing to accept being modest net contributor. But Financial Mechanism plus receipts should be such that UK would remain only modest net contributor not only for 1980 but future years.

(d) Our net contribution should be below that of Member State having next highest GNP per head. Difference in net contributions should be at least proportionate to difference in relative levels of GNP per head.

(e) Medium term restructuring of budget to ensure that by 1986 CAP not greater than 55%. Council should take account of the implementation of this proposal at time of review of Financial Mechanism.

/8.

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8. In the continued talks on the morning of 30 January (attended also by myself and the Lord Privy Seal and Sig Ruffini), the Italians emphasised that some way should be found to offset the cost to the French of a solution to the British problem. This might ~~be done~~ <sup>be done through</sup> ~~lie in~~ agreement to a sheepmeat regime. The Prime Minister agreed that the sheepmeat issue should be solved. The Lord Privy Seal thought that agreement could be ~~found to~~ <sup>achieved on</sup> a light regime, but ~~by~~ <sup>not</sup> a heavy one.

9. Much of ~~the~~ <sup>this</sup> conversation was taken up with a wider discussion of the ~~the~~ future of the Community. Sig Cossiga said he intended to remind other member states of the political necessity of British membership. He ~~said~~ <sup>also</sup> the Community needed to escape from the "infernal ~~mechanism~~ machine" which was turning the Community into a protected agricultural market. Enlargement could not be ~~contemplated~~ <sup>had been</sup> ~~until~~ things ~~could be~~ set right. The Prime Minister ~~agreed~~ <sup>stressed</sup> that the Community needed to solve its internal problems in order to present a united face to the world.

10. I mentioned the importance we attached to knocking on the head the idea of associate status floated by the French. Sig Cossiga agreed that this was an unacceptable idea ~~and~~ <sup>made it more difficult to find a satisfactory solution to</sup> the budget problem.



File No. ....

Department EID(I) .....

Drafted by  
(Block Capitals) J. N. T. SPRECKLEY .....

Tel. Extn. 5612 .....

OUTWARD

TELEGRAM

(C)

Security Classification <b>CONFIDENTIAL</b>
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[TEXT]

COMMUNITY BUDGET: ACTION FOLLOWING UPON PRIME MINISTER'S MEETING WITH SIGNOR COSSIGA, 29/30 JANUARY

1. At the end of Signor Cossiga's visit it emerged from a rather confused discussion that the immediate pattern of action was as given below. We confirmed with Italian officials that this was the understanding of their Ministers.

(a) The Italians had no natural opportunity to tell the French about Signor Cossiga's talks with the Prime Minister. They agreed therefore that I should do this when I saw <sup>ee</sup> M. François-Poncet over the weekend. If the discussion with him is going well I shall speak to him on the lines of paragraph 7 of my telegram No B to Bonn. We shall let you know whether I did or did not do this so that you can tell the Italians.

/(b)

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Copies to:—



(b) The Italians will take advantage of Genscher's visit to Rome on 1 February to give him a full account. Please arrange to speak to Ruggiero at close of play tomorrow. We would like an account of what passed and to know whether there is anything of which I should be aware before I go to Paris.

(c) Signor Cossiga would arrange to see the President of the Commission soon; he was planning to visit Paris on 12/13 February and to tour the other member states during February, ending up with a further visit to London at the end of the month.

2. We shall be considering any further bilateral contacts when I get back from the Foreign Affairs Council next week.

NOTHING TO BE WRITTEN IN THIS MARGIN



Italy

file

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10 DOWNING STREET

From the Private Secretary

30 January 1980

Dear John,

Visit of Signor Cossiga :  
Community Budget

I enclose a copy of an extract from a letter recording the discussion at today's lunch between the Prime Minister and Signor Cossiga.

I am sending a copy of this letter with its enclosure to Garth Waters (Ministry of Agriculture, Fisheries and Food) and, without its enclosure, to George Walden (Foreign and Commonwealth Office).

Yours ever

Michael Alexander

A.J. Wiggins, Esq.,  
HM Treasury.

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10 DOWNING STREET

*From the Private Secretary*

30 January 1980

*Dear Brian,*

Visit of Signor Cossiga: Iran

I enclose a copy of an extract from a letter recording the discussion at the lunch the Prime Minister gave today for Signor Cossiga.

I am sending a copy of this letter with its enclosure to John Wiggins (HM Treasury) and Stuart Hampson (Department of Trade) and, without its enclosure, to George Walden (Foreign and Commonwealth Office).

*Yours ever*

*Richard Alexander*

B.M. Norbury, Esq.,  
Ministry of Defence.

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57A



eg. Master Sect  
Iran (Sit<sup>n</sup>) Pt 4  
Euro Pol (Budget) Pt 5  
Afghanistan (Sit<sup>n</sup>) Pt 3

10 DOWNING STREET

From the Private Secretary

30 January 1980

Dear George,

Visit of Signor Cossiga

As you know, the Prime Minister offered Signor Cossiga a working lunch today. The lunch was attended on the British side by the Foreign and Commonwealth Secretary, the Lord Privy Seal, Sir Ronald Arculus, Sir Michael Palliser, Sir Robert Armstrong and me. Signor Cossiga was accompanied by Signor Ruffini, Signor Gardini, Signor Squillante and the Italian Ambassador. The discussion touched on three issues: exports of military equipment to Iran, Britain's budgetary problem and the co-ordination of European and American policy on East/West relations.

Iran

Signor Ruffini explained that the Italian involvement in trade with Iran was second only to that of the United States. The Italian Government had guaranteed credits for trade with Iran to the tune of 1400 billion lire, i.e. approximately £1 billion. They were, naturally, extremely reluctant to place this at risk. Signor Cossiga said that nonetheless and although the helicopters which they were contracted to supply to Iran were ready for despatch, the Italian Government intended to withhold them until the American hostages were released. Given the strength of American feeling on the subject they felt they had no choice but to act in this way. In response to a question from the Foreign and Commonwealth Secretary about penalties they might incur, Signor Cossiga said he preferred not to think about the matter. The Prime Minister stressed the importance of the British, French and Italian Governments, all of whom had similar problems, acting together on this question. Signor Cossiga agreed.

Community Budget

The Foreign and Commonwealth Secretary said that there was a problem about the next steps in the discussions in Europe about the British contribution to the Community budget. He would be seeing the French Foreign Minister in a day or two; Chancellor Schmidt and President Giscard would be meeting early the following week; and he would be seeing Herr Genscher a few days subsequently. What should he say about the discussions that had taken place in London? In particular should he mention the figure for Britain's net contribution which the Prime Minister had given to Signor Cossiga?

/Signor Cossiga

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Signor Cossiga explained, again, his preference for an early meeting with the President of the Commission, in order to ensure that the Commission's paper was in the right form, followed by a "pilgrimage" around Europe's capitals. He expressed some concern at the prospect of the Foreign and Commonwealth Secretary mentioning figures to M. Francois Poncet. The immediate result of this might be that the French would take up a defensive and unhelpful posture. The figures should not appear abruptly; to force the pace might be dangerous. Moreover it was essential that they should come from the Italians and be presented as a compromise developed by them rather than as a British proposal. Signor Cossiga said that he himself intended to say that he was unaware of any British compromise proposal. So far as he knew, the British were still asking for 1200 mua or more. The Foreign and Commonwealth Secretary said that he would stall in his forthcoming talks. The Prime Minister agreed with Signor Cossiga's proposed course of action but stressed that the figure of 250 mua which she had mentioned was her compromise. She had started from a position of broad balance i.e. the position which France already enjoyed, and had now agreed to be a net contributor. She did not want there to be discussions about a compromise figure for the British contribution lying between 250 mua and 600 mua. Signor Ruffini, to whom these remarks were addressed, said that he had taken the point!

#### East/West Relations

Signor Cossiga said that he attached great importance to the need for Europe and the United States to co-ordinate their policies on East/West relations in the light of the Soviet invasion of Afghanistan. There must be no impression that Europe was going off on its own. Equally the United States had to be brought to understand the particular problems which individual European Governments, e.g. that of the Netherlands, were encountering.

Signor Cossiga said that he felt eventually the subject would have to be discussed at Heads of Government level. President Carter shared this view. However it was not easy to decide on the forum. There would, for instance, be difficulties in meetings in NATO at Foreign Minister or Head of Government level because this would be interpreted as an escalation of the situation. The Schloss Gymnich formula for meetings between the President of the Community and the President of the United States would not be practicable in present circumstances. A summit involving the Japanese would give rise, on the Soviet side, to fears of encirclement.

Signor Ruffini commented that a meeting of the Six (i.e. the countries involved in the London meeting chaired by Mr. Christopher) might work well if the Nine had co-ordinated their position in advance. The Foreign and Commonwealth Secretary, while agreeing on the need for a forum small enough to be effective and sufficiently representative to make possible US participation, observed that the meeting of the Six had not been a great success. The Americans had simply taken note of the discussions and then made their own decisions without further consultation.

/The Prime Minister



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- 3 -

The Prime Minister commented that she was not unduly concerned about the Soviet reaction to a meeting involving Japan. Japanese participation could be very important. However the prime consideration was that any meeting that took place should produce agreement. This would be the only way to impress the Soviet Union. To organise a meeting before agreement was in sight would be a recipe for disaster. This meant that it would have to be very carefully prepared. There would have to be early agreement on the agenda, the questions to be resolved, etc. Papers would have to be written. It would have to be decided soon who should write these papers.

As regards timing of a Heads of Government meeting, the Prime Minister expressed doubt as to whether the preparation could be completed much before June. She noted that there was already a Summit meeting taking place in Venice in that month. Signor Cossiga was clearly doubtful whether this would be soon enough. But after further discussion the following programme was agreed:-

- (a) the Foreign Ministers of the Nine would have a preliminary discussion of the problems at their meeting on Tuesday. They would
- (b) commission a preliminary paper on the problems. This might be based on a draft already prepared by the Nine's experts on East/West relations;
- (c) discussion would continue of a possible forum in which Europe and the United States could be associated in the medium term. Particular account would be taken of the problem of French sensitivities; and
- (d) the longer term objective would be for an informal discussion among Heads of Government in the margins of the Summit meeting in Venice in June. This might take place over a meal.

Signor Cossiga undertook to discuss this programme in the very near future with Chancellor Schmidt and President Giscard. He would try to arrange for the Foreign and Commonwealth Secretary to be briefed before his meeting with M. Francois Poncet at the weekend.

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

*Yours ever*

*Michael Alexander.*

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

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cc Master Setcc 720  
Afghanistan (Sit<sup>u</sup>) A3  
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M.01  
JS

RECORD OF A MEETING, IN PLENARY SESSION, BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE ITALIAN COUNCIL OF MINISTERS, SIGNOR COSSIGA, AT 10 DOWNING STREET ON 30 JANUARY 1980 AT 1115 HOURS

Present

Prime Minister	Signor Cossiga
Foreign and Commonwealth Secretary	Signor Ruffini
Lord Privy Seal	HE Signor Cagiati
Sir Robert Armstrong	Signor Gardini
Sir Michael Palliser	Signor Squillante
Sir Ronald Arculus	Signor Bucci
Sir Michael Franklin	Signor Ruggiero
Mr. C.W. Whitmore	Signor Bottiglieri
Mr. Julian Bullard	Signor Santarelli
Mr. David Hannay	Signor Berlinguer
Mr. Bernard Ingham	Signor Lcy
Mr. Michael Alexander	Signor Masala
Mr. David Gladstone	Signor Santini
	Signor Ortona

\* \* \* \* \*

The Prime Minister said that in the restricted session, most time had been spent on the Community Budget. Signor Cossiga had said he would try to resolve the problem as President. There had been no time for discussion of world affairs and she would be interested in an account of Signor Cossiga's visit to Washington.

Signor Cossiga said he had thought it important as President of the Community to accept promptly the invitation from Washington, although he had stressed that he had no mandate from the Nine. Apart from stressing the importance of a close military relationship as a principal component in US/Italian relations, he had told President Carter that Italian foreign policy rested on three institutional bases: the Atlantic Alliance, the European Community and US/Italian relations. These three were inextricably linked. He had gone on to explain that Italian foreign policy had a security and a detente component. The former embraced the security of the West as a whole and not

/just



just Italy; the latter was an essential component in the political and military balance between East and West. Detente was an essential instrument for achieving a more secure peace, but it was not an umbrella under which the Soviet Union could extend its influence. A political and military balance in Europe was an essential component of detente. Moreover, detente was indivisible: there could be no global detente if it did not hold in each separate region of the world. If the process was now temporarily suspended, that was not the fault of the West. The US and Europe had conducted an honest policy of detente.

The Prime Minister said she agreed with the general framework set out by Signor Cossiga in every particular. Signor Cossiga said that apart from a short spell at the time of Mussolini, the United Kingdom and Italy had been in agreement since 1848.

Signor Cossiga said he had told President Carter that there was a general crisis against the background of which individual problems had to be judged. The common thread which linked the problem areas in the world (S.E. Asia, Caribbean, Middle East, Afghanistan) was Soviet involvement in each of them. What was the Soviet Union seeking? Why had it invaded Afghanistan when that country was already under its political control? The object had presumably been to send a message to the countries of the region, to the United States and to the West generally, that the Soviet Union was ready to resort to military force in pursuit of its interests. Perhaps there were internal reasons, too. He thought that Afghanistan was also linked to the TNF modernisation issue. He did not understand why Brezhnev in his East Berlin speech had claimed that there was balance between East and West. Perhaps in Soviet eyes an underlying imbalance (in their favour) in Europe was now an integral part of a balance in the world as a whole. If so, it implied that, as far as the Russians were concerned, Western Europe did not matter. It was a pawn, a marginal factor in the relationship with the United States. The less

/Europe



Europe mattered the happier the Russians were. The invasion of Afghanistan, and the consequent threat to Western oil supplies, could be seen as promoting the basic imbalance in Europe.

The Prime Minister interjected that the United States must also be affected: the West as a whole would be in a hopeless position to fight without oil.

Signor Cossiga said that the invasion of Afghanistan did not necessarily mean that the Soviet Union wished to interrupt detente. But they certainly intended to exploit the situation to gain advantages elsewhere. He had emphasised to President Carter that, whereas on the Eastern side only the Soviet Union conceived and executed policy, in the West there was more than one. It was impossible to ignore Western European interests. In Europe there was a strand of neutralist thought, as the TNF debate had shown. Therefore, it was essential for the United States and Western Europe to forge a unified strategy. This would help to prevent Europe becoming more neutralist. Moreover, once there was such a strategy, Europe could, where appropriate, pursue different tactics. There were areas where Western Europe was better equipped than the United States. He instanced relations with Iran, Iraq and the PLO. It was not the United States that had solved the Rhodesia problem. Some European countries had better relations with states in South America than did the USA. However, the key point was that it was dangerous for each country to pursue its own policy except in the context of a common strategy. History showed that wars broke out owing to the mistaken assessments of others. Would Hitler have started World War II had he foreseen that the United States and Britain would unite against him? The Soviet Union must be clear about the closeness of links between Europe and the USA. On the other hand, it was also very important not to arouse unnecessary fears in the Soviet Union. All totalitarian states feared attack and encirclement.

/Signor Cossiga



Signor Cossiga said he had told President Carter that one must have a global strategy vis-a-vis the Soviet Union. One could not take a fresh initiative every day without giving the impression of an absence of coherent strategy. The aims of that strategy must be firstly to convince the Soviet Union that the West would maintain its own security, and secondly to find a way of continuing detente. The alternative to detente was war or the cold war, and he doubted whether Europe was ready for either. The West had invested much in detente: many links had been created between East and West. Some progress had been made. But detente separated from security was capitulation. Detente had to offer advantages to both sides. It could be used by the West to expose Soviet aims to the Third World: by contrast, if Europe abandoned detente, this would tend to increase Soviet influence in the Third World. In MBFR and CSCE the Soviet Union would be on the defensive following Afghanistan, and <sup>might</sup> thus provide political capital which could be put to good use in e.g. Italy, the FRG and the Netherlands.

Signor Cossiga said he had therefore proposed to President Carter that there should be a high level Western meeting to evaluate the situation. A global strategy could not be sustained if the Europeans were not associated with its formulation and execution. Such a high level meeting would be a signal to the Soviet Union that <sup>they would not divide Europe and the US.</sup> President Carter had favoured bringing forward the Venice Summit. Signor Cossiga thought that the inclusion of Japan would enhance Soviet fears of encirclement. He therefore favoured a meeting of the Six.

The Prime Minister asked whether Signor Cossiga thought that the Western response to Afghanistan had been adequate. The Soviet Union was watching to see whether the Europeans supported the United States with action.

Signor Cossiga thought the response had not been adequate because it was not united. In his view, the unity of the response was more important than the level.

/The Prime Minister



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- 5 -

The Prime Minister asked what more could be done? The British Government had taken and announced a number of measures. Signor Cossiga said that he had cancelled the Ivanov mission to Italy though this was contrary to Italian economic interests. However, the day after he had conveyed his decision to Ivanov, he had visited France. The Prime Minister said that Gromyko would not be coming to Britain.

Signor Cossiga said that Italy was doing its bit but the Soviet Union would be bound to see disunity in the varying Western responses. The United States had made a mistake in raising the Olympics issue because sporting concerns were not prepared to see sport mixed with politics. The Prime Minister said HMG had supported the US administration on this issue because if one was cutting off cultural contacts it was only logical to include sport.

Lord Carrington said that it was striking that the Nine Foreign Ministers had not met immediately after the Soviet invasion of Afghanistan because of Christmas. He would be discussing ways of preventing this happening again at the political cooperation meetings the following week. They would also discuss the Italian Presidency's ideas. But he thought it a mistake to set up high level meetings without knowing what one wished to achieve. The ground must be carefully prepared.

The Prime Minister said that a system was needed which would cope with any emergency. Asked by Signor Cossiga how one could coordinate European and American views, Lord Carrington said this could best be done in NATO. He saw a danger of establishing too many fora.

Signor Ruffini said that the USA sometimes took measures, announced them, and expected their allies to follow. Some form of consultation machinery was needed to ensure that this did not happen.

/The Prime Minister



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- 6 -

The Prime Minister suggested that the press should be told that the Heads of Government had discussed the Community Budget together with the problem of responding quickly and in concert with the USA to world crises. They could also say that they had reviewed world problems.

The discussion ended at 1200.

*Ans*

30 January 1980



CONFIDENTIAL



JS  
cc CO  
TSY  
MAPP  
MOJ

10 DOWNING STREET

*From the Private Secretary*

30 January 1980

*Dear George,*

VISIT BY SIGNOR COSSIGA

I enclose the records of the Prime Minister's talks in restricted and plenary session with Signor Cossiga here this morning.

I am sending copies of this letter, and of both records, to David Wright (Cabinet Office); of the record of the restricted session only to John Wiggins (HM Treasury) and Garth Waters (Ministry of Agriculture); and of the plenary session only to Brian Norbury (Ministry of Defence).

*Yours ever*

*Richard Alexander*

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



CONFIDENTIAL

JS

cc 720  
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Tsy  
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Evapol (Budget) Pt 5

RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE PRESIDENT OF THE ITALIAN COUNCIL OF MINISTERS, SIGNOR COSSIGA, AT NO. 10 DOWNING STREET ON 30 JANUARY 1980 AT 1000 HOURS

Present

Prime Minister	Signor Cossiga
Foreign and Commonwealth Secretary	Signor Ruffini
Lord Privy Seal	Signor Ruggiero
Mr. M.O'D.B. Alexander	Signor Berlinguer

\* \* \* \* \*

Signor Cossiga said that he had examined the paper which had been given to Signor Berlinguer the evening before describing ways in which Britain's receipts from the Community budget could be increased. He noted that the areas mentioned included transport, coal mines, Northern Ireland and depressed urban areas. The Italian delegation had done some sums. They calculated that there was now a difference of 400 mua between what the Prime Minister had said she was prepared to accept as Britain's net contribution and the figure which, in the judgement of the Italian delegation, other members of the Community might at present be prepared to envisage. The Prime Minister commented that 400 mua was not a very large sum when divided among the other members of the Community. Signor Ruffini referred to the difficulty which the Italian Government might encounter with Italian public opinion when it became known that they were prepared to finance their share of the revised corrective mechanism. The Prime Minister observed that whenever people said that it was difficult for the other members of the Community to find the necessary money, they should be reminded how difficult it was for Britain to find the very large sums she was at present expected to contribute. She repeated that, despite the country's relative poverty, Britain was prepared to be a net contributor to the extent of 200-250 mua. This figure had been arrived at by reference to the contribution of the next richest member of the Community in terms of per capita GNP, i.e. France. The difference which existed, according to the Italian delegation, between this figure and that to which the other members of the

/Community



Community would agree, was very large from the British point of view. It would be quite unreasonable to expect Britain to pay so much. It was necessary to be very clear about this. There was still a long way to go.

Signor Cossiga said that he was not suggesting that it was for Britain to bridge the gap. Nor did he intend to say that the British Government was prepared to make a net contribution of 200-250 mua. He would go no further than saying that he had the impression that HMG might be prepared to consider figures in this area but that he knew nothing for certain. The Prime Minister said that she would be content with this approach.

The Prime Minister asked how Signor Cossiga saw the tactics. She thought that Chancellor Schmidt held the key to the situation. It would be impossible to get a satisfactory solution without him. This was both because he would have to meet a substantial part of the cost of a solution and also because he would influence President Giscard. Signor Ruggiero said that France would be extremely interested in the cost to her of any solution. He recalled that President Giscard's support for the creation of a Regional Fund had only been secured by offering France a 21 per cent share in the Regional Fund. The key to the budgetary problem might lie in a settlement of the difficulties over a sheepmeat regime. Agreement on a sheepmeat regime would give France a useful sum of money. They might be prepared to regard this as an offset to the cost of a solution to the British problem. The French had always seen the Community as an organisation from which they should benefit. Increasingly they found themselves at a mid-point between the less wealthy and the more wealthy members. They calculated that, following enlargement, their position would be changed to that of a net contributor. For the moment they were seeking to preserve a position of balance in relation to the Community budget. A solution to the sheepmeat problem might make it possible to reconcile this objective with a French contribution to Britain's budgetary problem. The Prime Minister said that the sheepmeat issue could and should be solved. But a solution based on significantly increased intervention would



not be acceptable to Britain. Britain was the biggest producer of sheepmeat in the Community and should benefit from any regime. France was perfectly capable of solving her domestic problem herself. France was already in balance and was seeking to remain there: Britain was significantly poorer and was prepared to be a net contributor. She hoped that people in Europe understood the deep resentment in this country about the requirement laid on Britain to pay and pay for the Community budget. Signor Cossiga indicated that he understood. The Lord Privy Seal said that Britain recognised that a settlement of the sheepmeat problem on its merits would be very helpful to the budget negotiation as a whole. A heavy intervention regime would not be acceptable. But agreement could be found on a much lighter regime.

Signor Cossiga said that he wanted to speak clearly and frankly about Britain's membership of the Community. Not everyone had regarded Britain's entry favourably. Italy took the view that Britain's entry had made the Community a more balanced organisation. Italy had fought for Britain's entry because Europe's development without Britain was inconceivable. Italy was on very friendly terms with Germany and felt a great respect for France. But Europe was not comprised only of France and Germany. The Italian Government did not wish the present argument to develop involuntarily into a trap in which Britain would be pushed towards the edge of the Community. He did not wish to make any accusations or to judge the intentions of others. But in the search for a solution of the budgetary problem he intended to remind the other members of the political necessity of British membership. The idea of a special status for the United Kingdom was unacceptable to the Italian Government and they would reject it. Signor Cossiga said that, in pursuing a solution, he would not wish to appear as a partisan of the United Kingdom. He had to produce a solution acceptable to all the members. But he believed that the political argument was one which all the members would recognise. Europe could hardly claim a more powerful voice in world affairs while they were quarrelling amongst themselves.

/Signor Cossiga



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Signor Cossiga said that on the economic side the principal problem facing the Community was the need to escape from the "infernal mechanism" which was turning the Community into a protected agricultural market. Britain's present position was the product of a distorted mechanism: Italy might well be the next victim. It was impossible to contemplate enlargement until the mechanism had been set right. The Community would have to have a general review of its functioning. The United Kingdom's difficulty was part of a general problem. Of course, a short-term cure for Britain's problem had to be found as well as a long-term cure. But it was as well to recognise that all the members of the Community were likely to fall sick. It was essential to prevent an epidemic. Looking at the problem in this way might make it easier to find the allies who would be essential if an answer acceptable to all was to be found.

As regards tactics, Signor Cossiga said that he intended to see the President of the Commission shortly. The Commission could not be allowed to prejudice the negotiations now in prospect. He did not intend to allow the Commission to interfere with the mandate he had received from the other Heads of Government in Dublin. Having seen Mr. Jenkins, he would go on to see Chancellor Schmidt and President Giscard. He would not, however, plan to meet with President Giscard until Chancellor Schmidt had had a chance to consult him. Signor Cossiga said that he would have a number of arguments to deploy in seeking Chancellor Schmidt's help. They had assisted each other in dealing with the Theatre Nuclear Force issue. They were the only two members of the Community to have a border with the Communist bloc. Italy's willingness to sacrifice 70 m.u.a. entitled them to ask for sacrifices from others.

Signor Cossiga said that in approaching Chancellor Schmidt he thought it essential that he should be in a position to say that the United Kingdom was not merely trying to solve its own problem but wished to put the Community in a position where it could act on the international stage and develop its own philosophy further. The Prime Minister said that the need for the Community

/to act



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to act together politically was a predominant element in her thinking. The Community had to approach world problems in unison. There was no question of the UK considering leaving the Community. No-one, she hoped, wanted them to leave. Equally, no-one was going to be allowed to push the UK out of the Community. What she expected from the Community was what every member was entitled to expect - fair treatment. Until the unfairness was removed, the Community would not be able to act together in the way the Prime Minister would wish. She much regretted this and had been particularly disappointed by the Community's response to the present crisis (Signor Cossiga agreed). The need for greater unity was very real. The Prime Minister said she was happy to leave it to Signor Cossiga to decide, against this background, when the next meeting of the European Council should be held. It was important that he should bear in mind the need to avoid another Dublin. The Prime Minister intended to be very firm about Britain's requirement. She did not want, for everyone's sake, to go through a similar experience again.

The Foreign and Commonwealth Secretary said that it was essential that the proposal which had been floated by the French for some kind of associate status for the UK should not be pursued. It was absolutely unacceptable to the United Kingdom. The longer it remained in currency, the less likely was it that a satisfactory solution to the budgetary issue would be found. Signor Cossiga said that he was completely convinced on this point. The Lord Privy Seal said that he doubted whether the French Government meant the proposal seriously. Although it had appeared in the French press, it had not been mentioned by Monsieur Francois-Poncet during his recent visit to Paris. The French probably saw the idea as a means of making it easier for them to adopt a rigid position on the budget. The Foreign and Commonwealth Secretary said that this was all the more reason for getting rid of the proposal.

Signor Ruffini said that he thought that an important step forward had been taken in the course of the talks between the

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two Prime Ministers. But he wondered if the discussion of figures could be carried a little further. Would it be acceptable for the Italians to indicate that there might be room for a two-stage approach? The first stage would involve the finding of 300 mua in ad hoc policies on the expenditure side of the budget, in addition to the 520 mua produced by the corrective mechanism. The second stage would produce an additional 400 mua in a well-defined period of time through further investment policies. Was it necessary for the problem to be solved all at once, or could a graduated approach be adopted? The Prime Minister said that she had to have an immediate solution. She needed a result during the British financial year ending on 5 April 1981. She did not disagree about the longer term problem. Indeed, if a way were not found to balance the budget more satisfactorily, the Community itself would not survive. But the immediate problem also had to be solved. It had been raised by Mr. Callaghan when he was Prime Minister. The situation had deteriorated steadily since. It was not fair to ask the United Kingdom to go on bearing such a burden.

The remaining members of the delegation joined the discussion at 1115.

*Phinds*

30 January 1980



LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE  
PRIME MINISTER IN HONOUR OF HIS EXCELLENCY THE HONOURABLE  
FRANCESCO COSSIGA, PRESIDENT OF THE COUNCIL OF MINISTERS OF THE  
ITALIAN REPUBLIC ON WEDNESDAY, 30 JANUARY 1980 AT 1.00 PM  
FOR 1.15 PM

---

The Prime Minister

His Excellency The Honourable Francesco Cossiga . . . President of  
the Council of Ministers of the  
Italian Republic

His Excellency The Honourable Attilio Ruffini Minister for  
Foreign Affairs

His Excellency the Italian Ambassador

Ambassador Walter Gardini Political Director of the Foreign  
Office

Signor Arnaldo Squillante . . . Chef de Cabinet of the Prime Minister

The Rt. Hon. Lord Carrington

Sir Rt. Hon. Sir Ian Gilmour, MP

Sir Robert Armstrong

Sir Michael Palliser

Sir Ronald Arculus

Mr. Michael Alexander





File B

cc Ewo Pd (P+S)  
'Community Budget'

10 DOWNING STREET

From the Private Secretary

30 January 1980

Visit of Signor Cossiga

Further to my letter to you of 29 January enclosing a record of yesterday evening's conversation between the Prime Minister and Signor Cossiga, I enclose for ease of reference the text of the piece of paper which the Prime Minister handed over.

I am sending copies of this letter and enclosure to John Wiggins (HM Treasury), Garth Waters (MAFF) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

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

KRB



U, K.

UNITED KINGDOM BUDGET PROBLEM

1. The communique of the Dublin European Council provided the framework for a possible solution. There are no issues of principle outstanding. A satisfactory settlement might contain the following elements.

2. First, the removal of the existing constraints on the operations of the Financial Mechanism. The Regulation embodying this Mechanism (1172/76) should be extended with the existing review clause replaced by a new one with a similar timescale i.e. a review not later than the end of the sixth year.

3. Second, there must be supplementary measures, as foreseen in the Dublin communique, leading to greater participation by the United Kingdom in Community expenditure. We can decide on the method or methods in the light of the Commission's proposals. They would be subject to review at the same time as the Financial Mechanism.

4. Thirdly, we are willing to accept that the United Kingdom should be a modest net contributor to the Community Budget. The combination of the Financial Mechanism and the improved receipts in the UK from Community expenditure should be devised in such a way that the UK would remain a modest net contributor not only for 1980 but in future years.



5. The United Kingdom believes that its net contribution should be below that of the Member State having the next highest GNP per head in the Community. The difference should be at least proportionate to the difference in levels of GNP per head.

6. For the medium term, the European Council should instruct the Commission to make proposals for achieving a better balance within the Community budget and ensuring that, by 1986, the proportion devoted to the Common Agricultural Policy (FEOGA Guarantee Section) would not exceed 55 per cent of the total. The Council should take account of the effect of implementing such proposals on the United Kingdom's net contribution at the time of the review of the Financial Mechanism and the supplementary measures.

7. I hope you can agree that this would represent a reasonable compromise and will be willing to consult our partners on this basis.



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DESKBY 291200Z

FM ROME 291010Z JAN

TO IMMEDIATE FCO

TELEGRAM NUMBER 94 OF 29 JANUARY 1980

MY TELNO 83: SIGNOR COSSIGA'S VISIT TO LONDON:  
ITALIAN POLITICAL SITUATION

1. ONE DOMESTIC SUBJECT WHICH WILL BE ON SIGNOR COSSIGA'S MIND WHEN HE ARRIVES IN LONDON TODAY IS THE PACKAGE OF ANTI-TERRORIST MEASURES WHICH IS CURRENTLY UNDER DISCUSSION IN PARLIAMENT. IN THE FACE OF FILIBUSTERING BY THE FAR-LEFT RADICALS, SIGNOR COSSIGA WAS OBLIGED TO ANNOUNCE YESTERDAY EVENING THAT THE VOTE ON THE MEASURES WILL BE A VOTE OF CONFIDENCE. HE STRESSED THAT THIS WAS BEING DONE FOR PURELY TECHNICAL REASONS IN ORDER TO LIMIT DEBATE (SINCE EACH SPEAKER WILL NOW BE LIMITED TO ONE INTERVENTION) AND ENSURE THAT THE MEASURES ARE PASSED INTO LAW BEFORE THEIR EXPIRY ON 14 FEBRUARY.

2. IT IS NOT LIKELY THAT THE COMMUNISTS AND SOCIALISTS WILL WANT TO ASSOCIATE THEMSELVES WITH FRINGE ELEMENTS OF THE FAR-LEFT AND FAR-RIGHT IN ORDER TO BRING THE GOVERNMENT DOWN ON THIS ISSUE. NEVERTHELESS THE VOTE OF CONFIDENCE WHICH IS EXPECTED TO TAKE PLACE IN 4 OR 5 DAYS TIME, INTRODUCES A NEW ELEMENT OF UNCERTAINTY.

3. ADVANCE COPIES TO:-

NO 10. ALEXANDER

P.S.

PS/LPS

PS/PUS

LORD BRIDGES

MR BULLARD

MR HANNAY

HEAD OF W.E.D.

HEAD OF EID(I)

HEAD OF EID(E)

4. WED PLEASE PASS ADVANCE COPY ALSO TO SIR R ARCULUS.

GOODISON  
DEPTL DISTN  
WED  
EID

[COPIES SENT TO NO 10 DOWNING ST]  
(ADVANCED AS REQUESTED)

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He B



10 DOWNING STREET

From the Private Secretary

29 January 1980

Dear George,

Visit of Signor Cossiga

I enclose a record of the tete-a-tete conversation between the Prime Minister and Signor Cossiga which took place here at No. 10 earlier this evening. You should be aware that in the course of the conversation the Prime Minister handed to Signor Cossiga the piece of paper discussed at OD last week about our budget contribution. The text did not include a figure for our net contribution.

I am sending copies of this letter and enclosure to John Wiggins (HM Treasury), Garth Waters (MAFF) and David Wright (Cabinet Office). I am also sending a copy of this letter together with a copy of the first page of the record to John Chilcot (Home Office) and Roy Harrington (Northern Ireland Office).

Yours ever

Richard Alexander

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

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of Master Set  
EWS Pd (Budget) Pts

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
PRESIDENT OF THE COUNCIL OF MINISTERS OF THE ITALIAN REPUBLIC,  
SIGNOR COSSIGA, AT 10 DOWNING STREET ON 29 JANUARY 1980 AT 1700.

Present:

The Prime Minister  
Mr. M.O'D.B. Alexander

Signor Cossiga  
Signor Berlinguer

\* \* \* \* \*

The Schild Case

Signor Cossiga said that he had good news for the Prime Minister about the Schild case. Mrs Schild was free and staying at the home of a friend of Signor Cossiga's. She was in good health. It was hoped to free the Schild's daughter, Annabel, within the next day or so. Mrs Schild said that her daughter was well. Signor Cossiga said that a friend of his, whom he had introduced into the case after the Prime Minister's visit to Rome, was conducting the negotiations and was confident of the outcome. Signor Cossiga, who was at pains to stress how few people were aware of the present situation, added that there had been a slight disagreement between Mr. Schild and the police about the handling of the case. The police had thought that it would be possible to secure the liberation of the Schilds without payment. Signor Cossiga implied that he was sceptical about this. He stressed that the case would not be closed with the release of the prisoners. The Prime Minister said that the news was the best she had had for some time. Signor Cossiga's intervention had clearly been of crucial importance.

Terrorism

Signor Cossiga reminded the Prime Minister of their discussion in Dublin about two small guided missiles which had fallen into the hands of an Italian terrorist group and which he had feared might be for use in Northern Ireland. It had now been established that the missiles had been intended for use in Italy. The organisation responsible had had links with the George Habbash organisation. The terrorists had now been arrested and sentenced and the missiles recovered.

/ The Community Budget

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The Community Budget

The Prime Minister said that until the budget problem was solved, it would be difficult for the Community to address itself to the other pressing problems facing the world. She therefore suggested that it should be the first item on their agenda. She thanked Signor Cossiga for the help which he had given her in Dublin at the previous meeting of the European Council. He had played a most helpful role in preventing a breakdown. He now had the task of deciding whether an early Council should be held. It was essential that the position should be "almost sorted out" before the Council assembled. It would be fatal for Europe to have another meeting like that which had taken place in Dublin.

The Prime Minister said that she was very anxious to resolve the problem. She had great economic problems at home. Inflation was running at 18 per cent. Expenditure had to be reduced. There had already been one round of expenditure cuts on next year's budget: there would have to be a second round. This meant that she had very little room for manoeuvre in seeking a solution to the budgetary difficulty. The meeting in Dublin had shown the way the problem should be tackled. The contributions could be dealt with through the removal of the existing constraints on the established financial mechanism. Action would be necessary on the receipts side of the budget since the UK's receipts were only a fraction of the Community average. The UK had proposed supplementary measures which would lead to greater expenditure in the UK. (Signor Cossiga interjected at this point that Italy vigorously supported the UK on this problem. Italy had been in the black in 1978, in the pink in 1979 and would be in the red in 1980. Something was not working properly.) The Prime Minister said that, thirdly, there would have to be a long term restructuring of the budget so that the CAP did not take up anything like its present proportion of the budget as a whole. This would take time but the attempt had to be put in hand. It would be three or four years before the proportionate expenditure on the CAP could be reduced to a reasonable level.

/ Signor Cossiga

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Signor Cossiga asked whether this meant that the Prime Minister would be content with a solution that covered the next three years. The Prime Minister said that she would want a solution that would deal with the problem until Britain's per capita GNP had come up to the Community's average. She regretted that the British figure was at present so low: if Britain had more money, she would be prepared to pay more. Even so, she accepted that it was right that Britain should be a small net contributor. However that contribution ought to be below that of the member with the next highest GNP figure per head. The gap between the British contribution and that of the member immediately above it in the GNP ranking should be proportionate to the difference in GNP levels. This would mean a British net contribution of between 200 and 250 mua. This was not a large sum but it would be fair given Britain's economic position.

The Prime Minister said that she thought the message about Britain's budgetary problem was slowly getting through to the other members but it was a slow business. Britain's representatives were conducting the negotiations in a spirit of genuine compromise but they had little room for manoeuvre. Unless a solution could be found that was "somewhere near" the figure she had proposed or "in that range" there would be no point in an early meeting of the Council. She did not want the Community to tear itself apart in the present world situation. Signor Cossiga should be under no illusion about the gravity of the problem and about the reaction in this country to its continuance. Public opinion was conscious not only that Britain was contributing too much to the Community budget but that this was being done at a time when we were bearing a very full share of NATO costs and were keeping a large number of troops stationed in the Federal Republic.

The Prime Minister asked Signor Cossiga how he thought the situation was developing. Signor Cossiga said that such progress as had been made at Dublin had only been possible because of the strong line taken by the Prime Minister. He and his Foreign Minister, Signor Ruffini, had come to London determined to do what they could to help. They had three reasons for this:

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- (a) their country's friendship with the UK. This was a constant in Italian policy;
- (b) the interests of the Community itself. Italy had fought to secure Britain's entry and would also fight to make her feel at home in the Community;
- (c) the seriousness of the world situation as a whole. This demanded that the Community should show itself able to overcome its internal problems.

The Italians were better placed than many members of the Community to understand the British difficulty because they had for long suffered from a similar problem themselves. They knew about the difficulty of justifying to domestic public opinion how money contributed to the Community was being spent.

Signor Cossiga said that he had a mandate from the Dublin Council meeting to ascertain whether the conditions existed for an early meeting. He did not regard the process of ascertaining opinion as a question of taking notes. He and Signor Ruffini intended to try to play a positive role. He had already seen the President of the Commission and, against the rules, the two Italian Commissioners. The Commission was producing a paper on 6 February. He intended, as he was entitled to do, to see Mr. Jenkins again before then. If in his judgement the Commission document did not constitute a possible basis for agreement, he would try to secure modifications in it - even if this involved his breaking the rules once more. So far as he knew, the document was more concerned with methods and figures. It seemed to him that if agreement could be found about methods this would be an important step in the right direction. Once the Commission document was available, he and Signor Ruffini would be prepared to travel throughout the Community to discuss it.

Signor Cossiga said that he thought the Community's budgetary policy was objectively mistaken: the greatest problem was the CAP. The difficulty about the CAP was that its application meant the member states were divided into winners and losers. It was the sort of policy which should not be conducted between states anywhere, and still less within the Community. Of course it was inevitable that countries should lose or gain in some aspect of their relationships with other countries. What was not acceptable



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was to allow a situation to arise where one country was a permanent loser and on every front. The final solution to the present difficulties lay in a permanent restructuring of Community policies. The difficulties derived from the distortion of those policies.

Signor Cossiga said that he recognised Britain's short-term problem but he did not think that it could be solved in a single year. At the same time, he recognised that the Prime Minister could not wait three or four years for a solution. It would be necessary therefore to work on two lines:

- (a) a medium and long-term solution which would involve a modification of the budget. (The Prime Minister interjected that by 1985/6 the CAP should be reduced to 55 per cent of the budget); and
- (b) a short-term solution which would tide Britain over the interim.

On the short-term issue, Signor Cossiga said that the first thing to look at would be the adaptation of the existing corrective mechanism. He recalled that he and Mr. Lynch had put down reserves on this in Dublin because they wished to be absolved from bearing their share of the cost. The Italian Government now intended to lift that reserve. This would cost them 70 mua, ie 50 per cent of what they had received on entering the European Monetary System. They had taken this step because of the importance they attached to resolving the British problem and in order to make a point to Chancellor Schmidt and President Giscard. If Italy could make a sacrifice, so could they.

Turning to the receipts side of the problem, Signor Cossiga said that action here would mark a beginning in the task of transforming the Community. There were areas where he thought Britain and Italy had common interests. They were both concerned to know more about how the money in areas of the budget other than the CAP was spent. However, the Prime Minister would be familiar with the resistance offered by the Commission to detailed examination of expenditure and receipts under this heading. But it would have to be accepted that money should be spent on things other than milk.

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/ Signor Cossiga



Signor Cossiga said that an important weapon in his armoury would be the general political situation. Things were not the same as at the time of Dublin. The question of solving the British problem had taken on a new dimension. It was now a question of the Community's credibility.

Signor Cossiga asked the Prime Minister for her comments on what he had been saying. The Prime Minister said that she did not, of course, know what was in the Commission paper. But it was essential that it should attempt to solve the problem permanently, not merely for two or three years. It would be in the interests neither of Britain nor of Europe for the British Government to accept anything other than a full and proper settlement. This meant that a lot would have to be done in the immediate future. But it was worth recalling that the problem had been first raised by Mr. Callaghan and that by May she herself would have been in office for a year. Signor Cossiga acknowledged the point.

Turning to the longer-term, the Prime Minister said that the CAP had to be dealt with. If it was not tackled, it would break the Community. It made no sense to use the budget to create surpluses which were subsequently sold off cheaply. This was the Community's underlying fault. Signor Cossiga described the situation as ridiculous. The Prime Minister said that nonetheless some other members of the Community would fight very hard to retain the CAP in its present form. It would take a long time to sort out. It would be essential for Heads of Government to give a directive setting a timescale for the reform of the CAP: Signor Cossiga had spoken in Rome of allowing three years. Unless reform was achieved, the problem now afflicting Britain would affect someone else.

The Prime Minister said that she doubted whether the problem would be resolved in three years. She had noted that Mr. Jenkins had thought in terms of the corrective mechanism being perhaps extended for one year beyond its due date in 1982. This would not be enough. The corrective mechanism would have to be extended for three further years, ie for six years from now. At the end of that time it should be reviewed again. There were thus two things that needed to be done to the corrective mechanism: the existing



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restraints had to be removed and it had to be extended for three years beyond 1982.

This, however, could only be one part of the solution. Receipts had to be increased. Britain was asking that the Commission should identify ways in which more money could be produced. It was difficult to put a figure on how much would be required because the figures changed from year to year. The best ways to express the British requirement might be to say that receipts should be increased in such a way that in the end Britain was a net contributor of about 200/250 mua. If Britain's GNP increased, Britain would be prepared to contribute more. However, <sup>the</sup> calculation was not, of course, based exclusively on the GNP criterion. If it had been, Britain would be entitled to be a net beneficiary. The Prime Minister said that she did not want anyone to be under the illusion that she would be prepared to settle for a comparatively small sum in the coming year. She could not do so. She had to deal not only with Britain's domestic economic problems but also with popular resentment of the scale of the British contribution. She would not be prepared to settle for "a bit more than 520 mua". But she was prepared to agree that Britain should be a net contributor.

Signor Cossiga said that it would be essential for Britain and Italy to establish that their position was consistent with Community philosophy. After all, that philosophy did not envisage widening differences in the economies of member states. The great danger was that the British request would be seen as implying a lack of commitment to the development of the Community. Another problem would flow from the vested interests which had grown up around the present policies. A campaign to reduce the weight of the CAP and reduce surpluses would have to be fought in the name of the development of other areas of the budget. It would not be enough simply to criticise the CAP. New ideas would have to be advanced in order that others could see the prospect of sharing in the benefits. The attitudes of the European Parliament were relevant in this connection. The European Parliament might be an important ally. The arguments about preserving the rights of the existing Community institutions "smelt of milk". Signor Cossiga said that he thought that it was very important that he should be

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/ able to say



able to say in his discussions in Europe that the UK did not consider its difficulties as internal but as an aspect of the development of the Community. If, for instance, he could make this point it would ensure that Britain was not isolated in the European Parliament: indeed it would encourage the Parliament to make an effort on Britain's behalf.

The Prime Minister said that Britain's search for a solution to the budgetary problem displayed no lack of commitment. Indeed, it could be argued that the lack of commitment was being shown by the wealthy members who were refusing to pay their share of the budget. Britain, although among the less wealthy, was prepared to contribute. Britain believed in the Community. The Community had a great role to play in the world if the members could stick together. It was in this belief that Britain had tried to give a lead in tackling the present crisis in South West Asia. Her instructions after the European Council meeting in Dublin had been that work should continue as normal in all organs of the Community. Discussions on fish and energy had continued as before. It was regrettable that the sheepmeat issue had not been resolved but Britain had not been obstructive. British representatives had pursued the effort to find a common approach. The Prime Minister said that Signor Cossiga's reference to the European Parliament raised a difficult question. The Parliament wanted more powers. It was doubtful whether it should have them. But it was important to listen to the Parliament. Shortly before the European Council in Dublin, the United Kingdom had voted with the Council of Ministers against the Parliament and British MEPs had been extremely angry. The Prime Minister felt that she had let the MEPs down without improving her case in Dublin. She regretted the incident.

Signor Cossiga said that it would be very important psychologically to be able to show that progress had been made in dealing with energy, fish and sheepmeat. What was achieved in these areas would be weighed against what was achieved on the budget. It would be very helpful if Britain could be seen to be taking a positive attitude. The Prime Minister repeated that Britain had not been negative on sheepmeat or on the other problems. On the contrary, British representatives had been co-operative.



D. R.

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She had incurred a good deal of criticism as a result. Signor Cossiga commented that it was essential to stop a tendency which was developing for Heads of Government to fill that role only within their own countries. No-one knew, for instance, what Ministers for Agriculture had got up to at their meetings. He sometimes thought they were the only ones with real power in the Community at present. Decisions of Heads of Government had to be respected. It was not enough that they should only be valid if endorsed by other Ministers. The Prime Minister agreed.

Signor Cossiga asked for further details of British thinking on ways in which action could be taken in those parts of the budget dealing with structural policy in order to increase Britain's receipts. The Prime Minister undertook to let him have the details the following day.

The discussion ended at 1940.

29 January 1980

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CONFIDENTIAL

(2)



Prime Minister

Ants

29/1

Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

29 January, 1980

Dear Michael,

COMMUNITY BUDGET: MEASURES TO INCREASE COMMUNITY EXPENDITURE  
IN THE UK

Following the Prime Minister's meeting this evening with Signor Cossiga, you asked me for some material <sup>by 3. Cossiga</sup> about specific Community expenditures which might be undertaken in the UK as a means of improving UK receipts from the Community Budget.

I have consulted those concerned in the Treasury and the Foreign Office. The most useful document is that used by the Lord Privy Seal on his recent tour of Community capitals. A copy of this paper, as telegraphed to Community posts is attached. This paper sets out in broad terms a number of areas currently involving heavy public expenditure in the UK where we believe there could be a new or greater role for the use of Community funds. If you thought something still more specific would be helpful, we have prepared some more detailed tables about expenditure in 1980-81 in areas of urban decline and on regional infrastructure. A copy of this more detailed information, which has hitherto been made available only to the Commission, is also attached.

I am copying this letter to Michael Richardson in the Lord Privy Seal's Office and copy to Michael Franklin (Cabinet Office).

Yours sincerely

John Wiggins

A. J. WIGGINS

M. O'D. B. Alexander, Esq.,  
No. 10 Downing St.

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COMMUNITY BUDGET: SUPPLEMENTARY MEASURES TO INCREASE COMMUNITY EXPENDITURE IN THE UK

1. THE DUBLIN EUROPEAN COUNCIL REQUESTED THE COMMISSION QUOTE TO PURSUE THE EXAMINATION OF THE PROPOSALS FOR DEVELOPING SUPPLEMENTARY COMMUNITY MEASURES WITHIN THE UNITED KINGDOM WHICH WILL ALSO LEAD TO GREATER PARTICIPATION BY THE UNITED KINGDOM IN COMMUNITY EXPENDITURE UNQUOTE.

2. THE UNITED KINGDOM ATTACHES GREAT IMPORTANCE TO THIS APPROACH AS A MEANS OF CONTRIBUTING TO A SOLUTION TO THE PROBLEM OF EXCESSIVE UK NET PAYMENTS TO THE COMMUNITY BUDGET WHICH ARE ESTIMATED BY THE COMMISSION TO REACH IN 1980, 1814 MEUA WITH EXPORTER BENEFITS, OR 1552 MEUA WITH IMPORTER BENEFITS (THE HIGHEST NET CONTRIBUTION BY ANY MEMBER STATE BY A CONSIDERABLE MARGIN ON EITHER INTERPRETATION). THE LOW LEVEL OF COMMUNITY EXPENDITURE IN THE UK IS A CRITICAL ASPECT OF THE PROBLEM. THOUGH THE COMMISSION ESTIMATES THAT OUR CONTRIBUTION IN 1980 WILL BE IN THE REGION OF 21% OF THE COMMUNITY TOTAL, IT ESTIMATES THAT OUR RECEIPTS ARE LIKELY TO BE ONLY 9.6%. WE ENVISAGE THAT ADDITIONAL MONEY FROM THE COMMUNITY BUDGET WOULD BE PAID TO THE UNITED KINGDOM FOR USE FOR PURPOSES FULLY IN LINE WITH COMMUNITY PRINCIPLES AND COMMUNITY POLICIES. THESE PURPOSES COULD BE SPECIFICALLY LINKED TO COMMUNITY OBJECTIVES, SUCH AS STRENGTHENING OF TRANSPORT INFRASTRUCTURE LINKS BETWEEN COMMUNITY COUNTRIES, REGIONAL AND CONVERGENCE OBJECTIVES, AND COMMUNITY OBJECTIVES ON REDUCING DEPENDENCE ON IMPORTED ENERGY, ETC.



THERE ARE VARIOUS POSSIBLE APPROACHES WHICH COULD ACHIEVE THIS:

(A) THE UNITED KINGDOM BELIEVES THAT OF THE POSSIBILITIES, THERE IS GREAT MERIT IN INTRODUCING INTO THE EXISTING FINANCIAL MECHANISM AN ADDITIONAL PROVISION DEALING WITH EXPENDITURE. THIS WOULD BE A SIMPLE AND EFFECTIVE APPROACH TO THE PROBLEM. MONEY MADE AVAILABLE UNDER SUCH A PROVISION MIGHT BE ALLOCATED TO PARTICULAR AREAS OF SPENDING, AGREED BETWEEN THE COMMISSION AND THE BRITISH GOVERNMENT, WHICH ARE THOUGHT PARTICULARLY SUITABLE FOR COMMUNITY SUPPORT:

(B) WE ALSO WISH TO WORK CLOSELY WITH THE COMMISSION AND OUR PARTNERS IN EXPLORING OTHER FORMS OF SUPPLEMENTARY MEASURES WHICH COULD MEET OUR NEEDS. THESE MEASURES COULD TAKE THE FORM OF ENLARGING EXISTING FUNDS TO THE BENEFIT OF THE UNITED KINGDOM, BUT THERE ARE GREAT DIFFICULTIES WITH THIS COURSE. A MASSIVE INCREASE IN THE STRUCTURE OF FUNDS IS NEEDED TO PROVIDE ANY SIGNIFICANT BENEFIT FOR THE UK. FOR EXAMPLE, IN THE CASE OF THE REGIONAL FUND, AN INCREASE OF 1000 MEUA IN THE TOTAL FUND NEED TO PROVIDE ONLY AN EXTRA 100 MEUA EXPENDITURE IN THE UK. COMMISSION FIGURES OF OCTOBER 1979 SHOWS THAT EVEN IF REGIONAL SPENDING WERE RAISED FIVE TIMES FOR 1980, THE UK NET CONTRIBUTION WOULD ONLY BE REDUCED BY ABOUT 500 MEUA:

(C) INCREASED COMMUNITY EXPENDITURE COULD ALSO BE ACHIEVED THROUGH A SPECIAL NEW FUND WHOSE LEGAL BASIS WOULD BE AN UMBRELLA INSTRUMENT UNDER ARTICLE 235. THE SPENDING COULD BE ALLOCATED TO AREAS OF PARTICULAR INTEREST TO THE COMMUNITY.

4. SPECIFIC AREAS FOR INCREASED COMMUNITY EXPENDITURE WHICH CURRENTLY INVOLVE HEAVY PUBLIC EXPENDITURE IN THE UNITED KINGDOM AND WHERE WE BELIEVE THERE COULD BE A NEW OR GREATER ROLE FOR THE USE OF COMMUNITY FUNDS ARE DISCUSSED IN MORE DETAIL BELOW: THEY INCLUDE TRANSPORT INFRASTRUCTURE, ENERGY, REGIONAL POLICY IN NORTHERN IRELAND AND ELSEWHERE. IN ITS PAPER FOR THE EUROPEAN COUNCIL THE COMMISSION MENTIONED COAL INVESTMENT AND TRANSPORT INFRASTRUCTURE AS EXAMPLES OF AREAS IN WHICH COMMUNITY FUNDS MIGHT BE INVOLVED.



THE FOLLOWING NOTES TAKE ACCOUNT OF THESE AND OTHER COMMENTS FROM THE COMMISSION AND FROM OUR PARTNERS. WE ARE READY TO CONSIDER ANY FURTHER SUGGESTIONS THE COMMISSION MAY WISH TO PUT FORWARD.

#### TRANSPORT INFRASTRUCTURE

5. THERE IS A STRONG CASE FOR COMMUNITY PARTICIPATION IN FINANCING TRANSPORT INFRASTRUCTURE IN THE UNITED KINGDOM, PARTICULARLY PROJECTS WHICH WOULD STRENGTHEN LINKS WITH OTHER COMMUNITY COUNTRIES AND WHICH WOULD HELP TO CONTRIBUTE TO ECONOMIC CONVERGENCE BY REDUCING THE DISADVANTAGES OF THE PERIPHERAL LOCATION OF THE UNITED KINGDOM IN REGARD TO THE COMMUNITY AS A WHOLE. SUCH A ROLE FOR THE COMMUNITY WOULD ACCORD WITH THE GENERAL PRINCIPLES AND SPECIFIC OBJECTIVES OF THE COMMISSION'S RECENT GREEN PAPER ON TRANSPORT INFRASTRUCTURE AND WITH THE REGIONAL FUND. MOTORWAY, RAIL, AIRPORT AND CERTAIN PORT LINKS REQUIRE LARGE SCALE INVESTMENT IN THE NEXT FEW YEARS: EXAMPLES ARE THE M25 LONDON ORBITAL MOTORWAY (£375 MILLION), IMPROVEMENTS TO THE M20 LONDON-DOVER MOTORWAY (£70 MILLION), THE WEST MIDLANDS-EAST COAST ROAD LINK (£70 MILLION) AND NEW CONTAINER TERMINALS AT FELIXSTOWE (£20 MILLION). EXPANSION OF THE TERMINAL BUILDINGS AT NEWCASTLE AND BIRMINGHAM AIRPORTS WILL INVOLVE AN EXPENDITURE OF SOME £50 MILLION.

#### REGIONAL INFRASTRUCTURE

6. THE COMMUNITY ALREADY CONTRIBUTES THROUGH THE ERDF TO PUBLIC EXPENDITURE ON REGIONAL INFRASTRUCTURE WITHIN THE UNITED KINGDOM, BUT RECEIPTS FROM THE COMMUNITY ACCOUNT FOR LESS THAN 2% OF TOTAL EXPENDITURE IN THIS SECTOR. THE ASSISTED AREAS OF THE UNITED KINGDOM REQUIRE VERY LARGE SCALE CAPITAL INVESTMENT IN SEWERAGE, WATER, TRUNK ROAD IMPROVEMENTS, OTHER PUBLIC SERVICES, EDUCATION AND SCIENCE, HOSPITALS AND URBAN DEVELOPMENT.

#### MINIMISING THE COMMUNITY'S DEPENDENCE ON IMPORTED ENERGY

7. IN ADDITION TO ITS CONTRIBUTION THROUGH NORTH SEA OIL - ABOUT A THIRD OF WHICH IS EXPORTED TO OTHER COMMUNITY COUNTRIES - THE UK ALSO MAKES A SIGNIFICANT CONTRIBUTION THROUGH OUR INDIGENOUS COAL RESERVES IN MINIMISING THE COMMUNITY'S DEPENDENCE ON IMPORTED



ENERGY. THIS REQUIRES INVESTMENT, BOTH TO OPEN NEW MINES AND TO GENERATE MORE ELECTRICITY. SUBSTANTIAL INVESTMENT WILL HAVE TO BE MADE IN THE ELECTRICITY AND COAL SECTORS OVER THE NEXT FEW YEARS.

#### URBAN AREAS IN DECLINE

8. THE UNITED KINGDOM HAS A PARTICULARLY ACUTE PROBLEM OF URBAN/INDUSTRIAL AREAS SUFFERING FROM PROBLEMS RELATED TO DECLINING INDUSTRIES, ESPECIALLY IN AREAS WHERE THERE ARE HIGH CONCENTRATIONS OF SHIPBUILDING, DOCKLANDS, AND STEEL, SUBSTANTIAL INVESTMENT WILL BE REQUIRED IN THE LONDON DOCKLANDS OVER THE NEXT FEW YEARS AND COULD TOTAL £400 MILLION. THE COMMUNITY ALREADY HAS LIMITED MEASURES, FOR EXAMPLE IN THE NON-QUOTA SECTION OF THE REGIONAL FUND AND IN THE SOCIAL FUND, FOR THESE PROBLEMS, BUT THESE ARE SMALL RELATIVE TO THE NEEDS EXPENDITURE IN THE UNITED KINGDOM IN THESE AREAS. THERE IS A PARTICULAR NEED TO ENCOURAGE NEW ECONOMIC ACTIVITY AND SOCIAL DEVELOPMENT IN THESE AREAS

#### NORTHERN IRELAND

9. NORTHERN IRELAND SUFFERS FROM SOME OF THE WORST SOCIO-ECONOMIC PROBLEMS IN THE COMMUNITY, PARTLY BECAUSE OF ITS LOCATION ON THE PERIPHERY OF THE COMMUNITY. INCOME PER HEAD IS ABOUT 60% OF THE COMMUNITY AVERAGE AND UNEMPLOYMENT IS 11% RISING TO 24% IN SOME AREAS. MANUFACTURING INDUSTRY EMPLOYMENT HAS DECLINED BY 18% SINCE 1974 AND THERE IS A HIGH DEPENDENCE ON SECTORS SUCH AS SHIPBUILDING AND MAN-MADE FIBRES WHICH ARE IN CRISIS. SOME NORTHERN IRELAND SCHEMES WOULD HAVE A CROSS-BORDER DIMENSION. IMPROVEMENTS IN ROADS AND RAILWAYS WOULD BENEFIT THE REPUBLIC OF IRELAND BY IMPROVING COMMUNICATIONS WITH NORTHERN IRELAND AND THE REST OF THE COMMUNITY.



CONFIDENTIAL

GENERAL

10. THERE WILL BE OTHER PROJECTS COMING FORWARD SHORTLY, FOR WHICH THERE ARE NO PLANS IN THE NEXT FINANCIAL YEAR AND WHICH WOULD FIT WELL INTO A COMMUNITY PROGRAMME. A CHANNEL TUNNEL, SHOULD THE TWO GOVERNMENTS CONCERNED DECIDE THAT ONE SHOULD BE BUILT, WOULD COME INTO THIS CATEGORY. GIVEN THAT THE SOLUTION TO THE UK BUDGET PROBLEM WILL NEED TO RAISE THE LEVEL OF COMMUNITY EXPENDITURE IN THE UK FOR A NUMBER OF YEARS, IT MAKES SENSE TO LOOK WELL INTO THE FUTURE.



NOTES TO TABLES

1. The attached tables give more details of expenditure in urban areas in decline and on the improvement of regional infrastructure. The figures given are for capital expenditure alone. All the expenditure listed is on projects intended to improve the UK's economic and social infrastructure. Spending designed to foster industrial renewal more directly (e.g. support for reconstruction in particular industries such as steel and shipbuilding) has not been included.

2. Tables 1 and 2 show expenditure, chiefly by local authorities, in declining urban areas. We have assumed that this category could be appropriately defined to include all areas of severe urban decay whether or not they lie within the Assisted Areas. Table 1 gives estimates of infrastructure investment in all areas designated under the Inner Urban Areas Act (1978) as facing acute problems of structural decay and industrial decline. There are many other urban areas which are not designated under the Act which nevertheless face severe problems (e.g. Shotton, Garnock Valley). Table 2 identifies a smaller number of areas where the problems of urban decay are exceptionally serious. This table includes all the areas covered by the very rough estimate for spending in urban areas in industrial decline which was suggested earlier to the Commission. The previous estimate has been reconsidered, and further areas added - ie. Urban South Wales, Yorkshire and Humberside and Teesside.



3. It should be stressed that these figures are somewhat speculative. They are <sup>also</sup> subject to reduction in the current round of public expenditure savings. With the exception of Scotland, the figures show spending by local authorities and water authorities only. The Scottish figures include expenditure by the Scottish Development Agency, the Scottish Special Housing Association and the Health Service.

4. Tables 3 and 4 are revised and more detailed versions of the information on regional infrastructure expenditure which was given in Annex C of the previous note. Estimates of spending in 1980/81 are available for Scotland, Wales and North Ireland, but cannot be shown individually for the English assisted areas. Table 4 shows the historic shares in total spending of those English regions which will be assisted on the definitions which will be relevant in 1982; this gives only a very rough guide as to how the total for the English assisted areas may be split in the future. (The fact that tables 3 and 4 include regional investment in coal and electricity generation should not be taken as implying that, in our view, Community support for these sectors should be considered only in a regional context. We continue to regard all investment in coal and electricity generation as potentially appropriate for Community support, whether or not the expenditure occurs in the Assisted Areas.)



TABLE 1: SELECTED CAPITAL EXPENDITURE IN URBAN AREAS FACING ACUTE PROBLEMS OF STRUCTURAL DECAY AND INDUSTRIAL DECLINE<sup>1</sup>

(Expenditure in 1980/81; £m at 1979 Survey Prices ie Nov 1978)

DESIGNATED URBAN AREAS IN	DESIGNATED DISTRICTS (INCLUDING COUNTY EXPENDITURE IN THE DISTRICTS)					LA TOTAL <sup>2</sup>	WATER AUTHORITIES	TOTAL	ME at 1979 Prices (£m)
	HOUSING	EDUCATION	TRANSPORT	TOWN & COUNTY PLANNING	OTHER				
Northern England	55	10	50	10	10	135	15	150	255
Yorkshire & Humberside	85	15	15	10	15	145	15	160	270
East Midlands	25	5	5	-	5	40	5	45	75
West Midlands	65	5	5	10	10	95	5	100	170
South East (London)	315	20	45	15	50	440	10	450	765
North West	165	15	20	10	25	235	15	250	425
Wales	25	10	10	5	15	65	na	65	110
Scotland	145	10	40	10	80 <sup>4</sup>	285	20 <sup>5</sup>	305	520
Northern Ireland	20	15	5	5	20	65	included in "other"	65	110
<b>Total (United Kingdom)</b>	<b>900</b>	<b>105</b>	<b>195</b>	<b>75</b>	<b>230</b>	<b>1505</b>	<b>85</b>	<b>1590</b>	<b>2700</b>

Notes

1. Designated Districts under the Urban Areas Act 1978 plus Belfast
2. Local Authorities capital expenditure (excluding investment on Personal Social Services and Public Protection)
3. On the working assumption that £1 at 1979 prices = 1.7 EUA at 1980 prices
4. Including spending by Scottish Development Agency, Health Service
5. Water and Sewerage are local authority functions in Scotland



TABLE 2: SELECTED CAPITAL EXPENDITURE IN THE DESIGNATED URBAN AREAS BUT WHICH ARE ALSO LOCATED IN THE ASSISTED AREAS OR THE INNER CITY PARTNERSHIP AREAS OF EXCEPTIONAL NEED

(Expenditure in 1980/81 £m at 1979 Survey Prices)

URBAN LOCAL AUTHORITIES IN <sup>1</sup>	HOUSING	EDUCATION	TRANSPORT	TOWN & COUNTY PLANNING	OTHER	TOTAL	Totals at 1980	MEUA prices
INNER LONDON PARTNERSHIP AREAS <sup>2</sup>	220	10	35	10	35	310	525	
BIRMINGHAM PARTNERSHIP AREAS	40	5	5	5	5	60	100	
MANCHESTER/SALFORD PARTNERSHIP	65	5	10	-	5	85	145	
TYNESIDE	40	5	30	10	5	90	150	
CLYDESIDE	135	10	35	10	80	270	460	
TEESSIDE AND SUNDERLAND	20	5	10	5	5	45	75	
MERSEYSIDE	45	5	5	-	10	65	110	
URBAN SOUTH WALES	25	10	10	5	15	65	110	
YORKSHIRE AND HUMBERSIDE ASSISTED AREAS	50	10	10	5	10	85	145	
BELFAST	20	15	5	5	20	65	110	
TOTAL	660	80	155	55	190	1140	1930	

Notes See footnotes to table 1

1. Includes capital expenditure in Boroughs where at least part of the Borough is in a partnership area.



TABLE 3: EXPENDITURE ON REGIONAL INFRASTRUCTURE

1980/81: £m at 1979 Survey Prices

MEUA at 1980 Prices<sup>3</sup>

	GB Total	English <sup>1</sup> Assisted Areas	Scotland	Wales	N.Ireland	Total Assisted Areas (UK)	UK Total Assisted Areas	Possible Community Participation at 70%
Water and Sewerage	535	75	65	30	20	190	325	225
Road construction and trunk road maintenance	880	150	135	1006	25	410	695	485
Railways	350	na	na	na	5	25	40	30
Electricity	970	350	170	100	40	660	1120	410 <sup>2</sup>
Coal	565	300 <sup>4</sup>	30	40	-	370	630	440
Education and Science Arts and Libraries	540	70	95	30	40	235	400	280
Hospitals	460	50	45	25	20	140	240	170
Urban Programme <sup>5</sup>	140	45	10	5	5	65	110	75
Totals	4440	1040	550	330	155	2095	3560	2115

- Notes
1. As they will be in 1982: figures shown are roughly estimated on the basis of historic shares in total spending (see table 4)
  2. The figure shown relates to the external financing requirement. Community spending above that level would be presentationally difficult since it would require the industry to make net repayments to the Exchequer.
  3. See footnote 4 in table 1.
  4. Estimate for 1980/81
  5. Relates to spending which is also included in tables 1 and 2, but which does not overlap with other expenditure in table 3.



HISTORIC % SHARES IN SELECTED CAPITAL EXPENDITURE IN THE ENGLISH ASSISTED REGIONS TOGETHER  
WITH EXPECTED SHARES IN SCOTLAND AND WALES

TYPE OF CAPITAL EXPENDITURE	% Share of GB Expenditure in English Assisted Areas					SCOTLAND %	WALES %	ALL ASSISTED AREAS AS % OF GB EXPENDITURE %
	NORTH	YORKS & HUMBERS.	N.WEST	S.WEST	ALL ENGLISH ASSISTED AREAS			
Water and Sewerage	4	3	4	3	14	12	6	32
Road Construction and trunk road maintenance	7	3	4	4	18	15	11	44
Education & Science (including Arts & libraries)	4	2	4	2	12	18	6	36
Hospitals	4	1	4	2	11	10	5	26
Electricity	5	18	11	2	36	23	10	69
Coal	na	na	na	NIL	27	5	15	47

This tables shows the estimate percentage share of capital expenditure which has occurred in the English Assisted Areas (post 1982 definition). The shares are derived from historial studies and may not therefore be a reliable guide to future shares.



INNER URBAN AREAS ACT 1978  
AREAS DESIGNATED UNDER SECTION 1\*

ENGLAND

Partnership areas

Birmingham  
Hackney/Islington  
Lambeth  
Liverpool<sup>+</sup>  
London Docks<sup>+</sup>  
Manchester/Salford<sup>\*\*</sup>  
Newcastle/Gateshead<sup>\*\*</sup>

Programme areas

Bolton  
Bradford  
Fulham/Hammersmith  
Hull  
Leeds  
Leicester  
Middlesbrough<sup>\*\*</sup> \*  
Nottingham  
Oldham  
Sheffield  
Sunderland<sup>\*\*</sup>  
N Tyneside<sup>\*\*</sup>  
S Tyneside<sup>\*\*</sup>  
Wirral  
Wolverhampton

Other areas

Barnsley  
Blackburn  
Brent  
Doncaster  
Ealing  
Haringey  
Hartlepool\*  
Rochdale  
Rotherham  
Sandwell  
Sefton  
St Helens  
Wandsworth  
Wigan

SCOTLAND

Clydebank  
Dumbarton  
Dundee City  
Glasgow  
Hamilton  
Inverclyde  
Monklands  
Motherwell  
Renfrew

Two regions which include these districts  
are also designated:

Strathclyde  
Tayside

WALES

Blaenau Gwent  
Cardiff  
Newport  
Rhondda  
Swansea

- \* Section 1 (1) If the Secretary of State is satisfied -
- (a) that special social need exists in any inner urban area in Great Britain; and
  - (b) that the conditions which give rise to the existence of that need could be alleviated by the exercise of the powers conferred by this Act, he may by order specify any district which includes the whole or any part of that area as a designated district for the purposes of this Act.



+ The special problems of these docklands areas have led to a decision to promote legislation providing for the establishment of urban development corporations to secure the regeneration of these areas.

\* areas with special problems arising from the difficulties of the steel industry

\*\* areas with special problems arising from the difficulties of the shipbuilding industry.





2 pp's

MR. ALEXANDER

of PM Tows Abd (Nov 79)  
' Venice ~~Summit~~ Council 12/13 June  
- Admin'

Signor Cossiga's Visit  
Venice Economic Summit

The Prime Minister will no doubt want to tell Signor Cossiga that she is looking forward to visiting Venice for the European Council and the Economic Summit in June.

2. As to the state of play for the Economic Summit, I believe that the Prime Minister saw my letter of 4th January (copied to Mr. Whitmore) recording the outcome of the Sherpas' meeting in Washington before Christmas. The five standard topics for Summit meetings - the macro-economic conjuncture, international monetary affairs, energy, trade, and the North-South Dialogue - provided a framework on the basis of which further work was put in hand. The Sherpas meet to review that work, and to prepare material for the Summit itself, in April and again in early June.

3. The Summit will no doubt be overshadowed by the fact that three of the participants - President Carter, Chancellor Schmidt and President Giscard d'Estaing - will be facing elections within a few months (whether Signor Cossiga will still be in charge of the Italian Government in June no one would care to predict). This seems likely to lead to concentration on immediate issues: particularly, I think, the problems of inflation and recession bedevilling all the industrialised countries, and the problems of energy. The Prime Minister might like to ask Signor Cossiga if he shares that view of the emphasis which the Summit is likely to have.

4. There are signs - from a talk I had with Dr. Brzezinski in Washington before Christmas, and more recently from the United States Ambassador in London - that the Americans are wondering whether the range of affairs to be discussed at the Summit should be widened to include the geo-political implications of the Soviet invasion of Afghanistan. These issues are being discussed quadripartitely (United States, United Kingdom, France and Germany), as well as in NATO and the EEC. The Summit would bring





in Italy, which has an interest in Middle East oil, and Canada; and above all Japan, which should be brought into Western discussion of these issues. One suggestion made to me recently is that in these difficult times, since Heads of Government can hardly meet more frequently than they do, personal representatives should do so. One of the advantages adduced for this is that meetings of personal representatives can be held without publicity and without giving rise to expectations or speculation. This is no doubt true, so long as they do not happen very often and are confined to preparations for Summits; I doubt whether it would continue to be true if they became more regular and frequent and were covering a much wider range of affairs. Nor do I think that we should be in any hurry to encourage excessive development of para-diplomatic channels of international relations. But the Prime Minister may like to sound Signor Cossiga for Italian reactions to this extension of the Summit's range of business.

5. Clearly there needs to be some preparations for these Summit meetings. However much they are billed as occasions for full and frank exchange of views rather than for decisions, the world Press looks for differences of view and expects outcomes, and unnecessary differences can be avoided and possible outcomes foreshadowed by the right kind of preparation. But my impression is that the preparation is becoming more formalised and elaborate than it was for earlier meetings in the series, and is perhaps in danger of diverting the Summit itself too much to the consideration and ratification of pre-prepared material and away from the sort of unfettered and wide-ranging discussions that the occasions might otherwise provide. Signor Ruggiero - Signor Cossiga's personal representative - is a very nice and very able man; but he is taking his duties as the convener of the personal representatives very seriously, and it would do no harm if the Prime Minister were to stress to Signor Cossiga her desire not to lose sight of the opportunity that the Summit provides for informed, spontaneous and direct exchange of views among Heads of Government, her preference for short and businesslike communique, and her fear that these aims may get lost if the preparation is too thorough and systematic.

RA

(Robert Armstrong)

28th January, 1980





Foreign and Commonwealth Office

London SW1A 2AH

*L.S. P. 29/1*

28 January 1980

*Dear Michael,*

Visit of Signor Cossiga: 29/30 January

In my letter of 25 January I promised you a definitive list of Italian officials who will be present during the various events during Signor Cossiga's visit to London on 29 and 30 January.

Signor Cossiga's tete-a-tete discussion with the Prime Minister at 1700 on 29 January will be attended on the Italian side by Signor Sergio Berlinguer, Diplomatic Adviser to the Prime Minister, and an Italian interpreter. Anthony Laden will attend to interpret as well.

The Italians would be grateful if the following members of their delegation could be invited to the Prime Minister's dinner on 29 January:-

Signor Francesco Cossiga	
Signor Attilio Ruffini	
Ambassador Cagiati	Italian Ambassador in London
Signor Walter Gardini	Political Director of the Foreign Office
Signor Maurizio Bucci	General Director for Economic Affairs, Foreign Office
Signor Renato Ruggiero	Chef du Cabinet of the Foreign Minister
Signor Benedetto Santarelli	Head of the Press Dept of the Foreign Office
Signor Sergio Berlinguer	Diplomatic Adviser to the Prime Minister
Signor Carlo Santini	Economic Adviser to the Prime Minister

In the plenary session the following day the Italians have proposed that Signor Cossiga and Signor Ruffini should be supported by:-

Ambassador Cagiati  
Signor Gardini  
Signor Squillante (Chef du Cabinet of the Prime Minister)

/Signor Bucci





Signor Bucci  
Signor Ruggiero  
Signor Berlinguer  
Signor Zanda Loy (Head of the Press Dept of the Prime Minister)

Subject to your views the following British officials might attend as well:-

Sir Robert Armstrong  
Sir M Palliser  
Sir R Arculus  
Mr Bullard  
Lord Bridges  
Mr Franklin  
A Private Secretary and Mr Gladstone (Head of Western European Department who would take the record)

For the working lunch we and the Italians propose the following list:-

Signor Cossiga	The Prime Minister
Signor Ruffini	Lord Carrington
Ambassador Cagiati	Sir Ian Gilmour
Signor Squillante	Sir Robert Armstrong
Signor Gardini	Sir Michael Palliser
	Sir Ronald Arculus
	Private Secretary

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

*Yours etc*  
*Paul*  
(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street  
LONDON





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MO 14/7

25th January 1980

Returned from  
P.M. 4/2/80

Prime Minister

(2)

Dear Michael,

*Paul*

VISIT OF ITALIAN PRIME MINISTER

At this morning's briefing meeting for the Prime Minister I understand that there was a request for further information on the relative contributions to NATO budgets of the United Kingdom and Italy. I attach a table setting out what I hope is a clear comparison, and including figures for the Federal Republic of Germany.

I am sending copies of this letter to Paul Lever (FCO) and David Wright (Cabinet Office).

*David B Omand*  
(D B OMAND)

M O'D B Alexander Esq  
10 Downing Street







SELECTED NATO EXPENDITURE STATISTICS: UK, ITALY AND FRG

1979

Serial			UK	Italy	FRG
1	Gross domestic product at market prices (\$M)		387,727	314,889	741,592
2	Defence expenditure as a percentage of GDP market prices		4.9	2.3	3.3
3	Total Defence Expenditure (\$M)		19,063	7,309	24,381
4	Defence expenditure per capita (\$)		340	128	412
5	Percentage share of NATO infrastructure budget (Total budget allocation 1980-84 = <u>\$4,500M</u> ) (5 years)	14 nation share	12.1	8.0	26.5
		15 nation share	10.5	6.6	21.9
6	Percentage share of NATO military budget (Total budget in 1979: <u>\$250M</u> ) (1 year)	14 nation share	22.0	7.4	19.4
		15 nation share	18.2	6.1	16.1
7	Percentage share of NATO civil budget (Total budget in 1979: <u>\$70M</u> )		19.5	6.0	16.1

Note: In Serials 5 and 6, two sets of figures are quoted because France only contributes to the cost of certain common-funded projects in the infrastructure and military budgets



25 JAN 1988

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5 6 7 8 9

COMMISSION







Foreign and Commonwealth Office

London SW1A 2AH

25 January 1980

*Dear Michael,*

Visit of Signor Cossiga 29/30 January

You asked for advice on who should attend the Prime Minister's dinner for Signor Cossiga on 29 January, the Plenary Session of the Anglo Italian discussions on 30 January and the Prime Minister's lunch the same day. I am still unable to give you a definitive list of Italian officials as Signor Cossiga and his party are at present in Washington and they will need to be consulted over the weekend. The following are however our preliminary recommendations based on discussions with the Italian Embassy.

You have, I understand, reserved nine places for Italians at the Prime Minister's dinner on 29 January. Definite candidates for this are Signor Cossiga himself, Signor Ruffini, Foreign Minister, and the Italian Ambassador. I shall let you know on Monday names of the six other Italian members of the delegation whom Signor Cossiga wishes to have present at the dinner.

?  
.  
Yes | For the Plenary Session the following day and the lunch, the Prime Minister will prefer not to have all the 14 members of the Italian delegation who are coming to London. We have therefore suggested to the Italians that in addition to Signor Cossiga, the Foreign Minister and the Italian Ambassador, six officials should attend the Plenary Session and the lunch. Once again we will await the names of those in the delegation whom the Italians wish to nominate to attend. This may well however come back and ask if all 14 members of the delegation can attend the Plenary Session with only a limited number staying on for lunch. Would the Prime Minister be prepared to accept this? We are anyway making arrangements for FCO officials to entertain those members of the Italian delegation who are not invited to No 10 for the meals on 29/30 January.

On the British side we have already made recommendations for the attendance of the Prime Minister's dinner. For the Plenary Session we have also suggested in the Steering Brief (QMV (80)1) that the Prime Minister should be supported by Lord Carrington, the Lord Privy Seal, Sir Robert Armstrong, Sir Michael Palliser, HM Ambassador Rome and a Private Secretary at No 10. We would also recommend that this party should be included for the working lunch.

/I am



CONFIDENTIAL



I am sending a copy of this letter to Martin Vile  
(Cabinet Office).

Yours etc

Paul

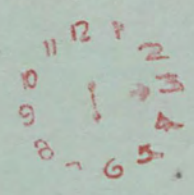
(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street

CONFIDENTIAL



25 JAN 1968







Foreign and Commonwealth Office

London SW1A 2AH

25 January 1980

*Re Drafts.*

*2*

*Dear Michael,*

*Fr. Paul 28/1*

Visit to London of Signor Cossiga  
29/30 January

The Prime Minister is giving a Black Tie dinner in honour of Signor Cossiga on 29 January and may wish on that occasion to say a few words of welcome. I attach draft speaking notes on which the Prime Minister may care to draw.

*Yours*

*Paul*

(P Lever)  
Private Secretary

M O'D B Alexander Esq  
10 Downing Street





DRAFT SPEAKING NOTES

Delighted to welcome Signor Cossiga, President of the Italian Council of Ministers. First visit to Britain as Prime Minister, although he knows this country well from his visits here as Minister of the Interior. In fact Signor Cossiga is something of an expert on British constitutional history and practice.

Visit one of the regular Prime Ministerial exchanges we have established between our two countries, which are very close friends and allies. Value greatly opportunity to learn his views on current difficult international situation. Discussions particularly opportune following Signor Cossiga's talks last week with President Carter. Trust these valuable exchanges between our two countries will continue.

Remember vividly my visit to Rome last year. After our discussions enjoyed memorable sight-seeing tour of Rome by night arranged by Signor Cossiga.

[IF HM THE QUEEN'S VISIT HAS BEEN ANNOUNCED]

Delighted it has been announced today from Buckingham Palace that H M The Queen will pay a State Visit to Italy in October.

/In conclusion,



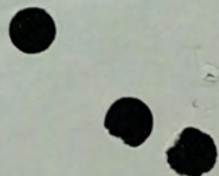
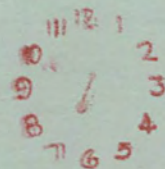


-2-

In conclusion, we all know of course that Italy now has the Presidency of the European Community. Wish Signor Cossiga every success in this difficult but important and rewarding task.



25 JUN 1980











SECRET

2

Ref. A01135

PRIME MINISTER

---

Meeting with Signor Cossiga: United Kingdom Budget Problem

You said at OD this morning that you would like to consider further precisely what indication you would give to Signor Cossiga about the level of net contribution at which we would be prepared to settle.

2. Unless Signor Cossiga has something fairly precise he is unlikely to be willing or capable of securing some movement from other Heads of Government. We think he will need something less vague than the phrase "a modest net contributor".

3. A comparison with the French makes both economic and political sense, given the respective wealth of the two countries. By saying that you think we should be below the French to the same extent as we are below them in GNP per head will avoid the criticism that you are plucking a figure out of the air. On the other hand, without some help, Signor Cossiga will not readily understand what such a statement means. I think - and the Foreign and Commonwealth Office and the Treasury both agree - there would be advantage therefore in your saying that what you have in mind is some figure in the region of 200-250 meua. No doubt the Italians will take the top end of this range but you will have avoided pinning yourself down to a single figure. Even at ~~250~~ meua we should be asking the Community to give us a refund of 1250/1550 meua or about £800/£1000 million.

4. I attach a draft speaking note on these lines. You will of course be prefacing it with general remarks about the political importance of the problem and the need for an early and lasting solution. This is covered in the briefs.

5. I am sending copies to the Foreign and Commonwealth Secretary, the Chancellor of the Exchequer and the Lord Privy Seal.

(Robert Armstrong)

25th January, 1980





SECRET

VISIT OF SIGNOR COSSIGA

UNITED KINGDOM BUDGET PROBLEM: SPEAKING NOTE

1. The communique of the Dublin European Council provided the framework for a possible solution. There are no issues of principle outstanding. I now want to give you specific indications of the basis on which a satisfactory settlement might be reached. It would contain the following elements.
2. First, the removal of the existing constraints on the operations of the Financial Mechanism. The Regulation embodying this Mechanism (1172/76) should be extended with the existing review clause replaced by a new one with a similar timescale i. e. a review not later than the end of the sixth year.
3. Second, there must be supplementary measures, as foreseen in the Dublin communique, leading to greater participation by the United Kingdom in Community expenditure. We can decide on the method or methods in the light of the Commission's proposals. They would be subject to review at the same time as the Financial Mechanism.
4. Thirdly, we are willing to accept that the United Kingdom should be a modest net contributor to the Community Budget. The combination of the Financial Mechanism and the improved receipts in the UK from Community expenditure should be devised in such a way that the UK would remain a modest net contributor not only for 1980 but in future years.
5. The United Kingdom believes that its net contribution should be below that of the Member State having the next highest GNP per head in the Community [France]. The difference should be at least proportionate to the difference in levels of GNP per head [UK 5768 eua per head; France 8356 eua per head].
6. [We see this as leaving the United Kingdom paying something in the region of 200-250 meua in 1980.]
7. For the medium term, the European Council should instruct the Commission to make proposals for achieving a better balance within the Community budget and ensuring that, by 1986, the proportion devoted to the Common Agricultural Policy (FEOGA Guarantee Section) would not exceed 55 per cent of the total. The Council should take account of the effect of implementing such proposals on the United Kingdom's net contribution at the time of the review of the Financial Mechanism and the supplementary measures.

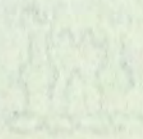




SECRET

8. I hope you can agree that this would represent a reasonable compromise and will be willing to consult our partners on this basis.

CONQUEROR



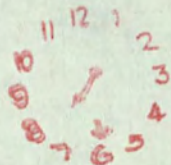
LONDON





I hope you can agree that this would represent a reasonable compromise with the view to deposit our papers on this date.

25 JAN 1960



GOVERNMENT  
OFFICE  
LONDON





Ref. A01225

MR. ALEXANDER

---

Briefing Meeting for the Visit of Signor Cossiga

The following will attend the briefing meeting arranged for 11.45 this morning (or after OD):

Foreign and Commonwealth Secretary  
Chancellor of the Exchequer  
Lord Privy Seal  
Secretary of State for Energy  
Secretary of State for Defence  
Sir Robert Armstrong  
Sir Michael Palliser  
Sir Ronald Arculus  
Mr. Quinlan (Ministry of Defence)  
Mr. Franklin

*MJV.*  
M. J. VILE

25th January, 1980



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CONFIDENTIAL

FM F C O 241951Z JAN 80

TO IMMEDIATE ROME

TELEGRAM NUMBER 54 OF 24 JANUARY

INFO PRIORITY OTHER EEC POSTS AND WASHINGTON.

M I P T.

COMMUNITY BUDGET: MESSAGE TO ITALIAN PRIME MINISTER FROM LORD PRIVY SEAL.

FOLLOWING IS TEXT OF MESSAGE.

YOU WILL REMEMBER THAT WHEN YOU KINDLY RECEIVED ME IN ROME ON 7 JANUARY, I EXPLAINED THAT I WAS BEGINNING THERE A TOUR OF COMMUNITY CAPITALS, UNDERTAKEN ON THE PRIME MINISTER'S INSTRUCTIONS, TO MAINTAIN THE MOMENTUM FOR A SOLUTION TO OUR BUDGET PROBLEM BASED ON THE CONCLUSIONS OF THE DUBLIN EUROPEAN COUNCIL AND IN PREPARATION FOR THE NEXT MEETING OF THE COUNCIL. I COMPLETED MY VISITS ON 23 JANUARY AFTER TALKS WITH ALL THE OTHER SEVEN COMMUNITY GOVERNMENTS AND WITH THE COMMISSION. I THOUGHT THAT YOU MIGHT LIKE TO HAVE AN ACCOUNT OF MY IMPRESSIONS BEFORE YOUR VISIT TO LONDON NEXT WEEK.

EVERYWHERE I WENT I FOUND A CLEAR WISH TO SETTLE THE MATTER AT THE NEXT MEETING OF THE EUROPEAN COUNCIL. MINISTERS I SPOKE TO WERE ALL DEEPLY CONSCIOUS OF THE IMPORTANT PROBLEMS FACING THEM AND THE COMMUNITY AS A WHOLE, WHICH HAD BEEN BROUGHT SHARPLY INTO RELIEF BY THE CRISES IN IRAN AND AFGHANISTAN. THEY RECOGNISED THAT A RAPID AND LASTING SOLUTION TO THE UK'S BUDGET PROBLEM WAS IN THE COMMUNITY'S OVERALL INTEREST SO THAT IT COULD FACE UP TO THESE CHALLENGES TOGETHER.

SO FAR AS CONTRIBUTIONS TO THE BUDGET WERE CONCERNED, I FOUND GENERAL RECOGNITION OF THE FACT THAT, WHILE NO DECISIONS OF ANY SORT WERE TAKEN AT DUBLIN, THE DUBLIN COMMUNIQUE HAD POINTED THE WAY AND THAT THE REMOVAL OF CONSTRAINTS FROM THE 1975 FINANCIAL MECHANISM COULD FORM THE BASIS FOR A SOLUTION.



THE FOCUS OF MY DISCUSSIONS WAS THE SECOND PART OF THE CONCLUSIONS OF THE DUBLIN EUROPEAN COUNCIL, THE NOTION OF INCREASED COMMUNITY EXPENDITURE IN THE UNITED KINGDOM. I WAS ENCOURAGED TO FIND THAT OTHER MEMBER STATES WERE GIVING CAREFUL THOUGHT TO THESE CONCLUSIONS AND CONSIDERING SEVERAL WAYS OF INCREASING COMMUNITY EXPENDITURE IN THE UK. IT IS WIDELY APPRECIATED THAT GENERAL INCREASES IN EXISTING COMMUNITY PROGRAMMES OR OF THE INTRODUCTION OF NEW COMMUNITY-WIDE EXPENDITURE PROGRAMMES DO NOT OFFER A VERY PROMISING WAY FORWARD. NOT ONLY WOULD VERY LARGE SUMS NEED TO BE ALLOCATED TO ACHIEVE A SUBSTANTIAL TRANSFER TO THE UK BUT THE 1 PER CENT CEILING, WHICH THE DUBLIN COMMUNIQUE STATED MUST BE OBSERVED, WOULD BE AN OBSTACLE. SO WE DISCUSSED CHIEFLY SPECIAL PROGRAMMES TO BOOST COMMUNITY EXPENDITURE IN THE UNITED KINGDOM. WE WERE ABLE TO PUT FORWARD SOME SPECIFIC IDEAS WHICH WE HAVE DEVELOPED SINCE I WAS IN ROME. A NOTE WE PREPARED ON THE SUBJECT HAS BEEN GIVEN BY OUR EMBASSY TO YOUR DIPLOMATIC COUNSELLOR. I ALSO DISCUSSED OUR IDEAS FOR ESTABLISHING A MECHANISM THAT WOULD BRING COMMUNITY EXPENDITURE IN THE UK UP TO A STATED PROPORTION OF THE OVERALL AVERAGE OF COMMUNITY EXPENDITURE. ON THIS ASPECT TOO THE EMBASSY WILL HAVE GIVEN YOUR OFFICIALS A PIECE OF PAPER SETTING OUT OUR VIEWS.

BUDGET RESTRUCTURING AND THE LIMITING OF THE PROPORTION OF EXPENDITURE ON AGRICULTURE CAME UP IN MOST OF THE CAPITALS I VISITED. THERE WAS A GREAT DEAL OF SUPPORT FOR THE GENERAL CONCEPT OF RESTRUCTURING AND I MADE CLEAR THAT WE FAVOURED IT. THERE WAS ALSO A RECOGNITION THAT RESTRUCTURING WILL NOT BRING EARLY OR SUBSTANTIAL BENEFITS TO THE UK IN THE CONTEXT OF OUR BUDGET PROBLEM.

I AM THEREFORE ENCOURAGED TO BELIEVE THAT THERE IS COMMON GROUND WHICH SHOULD ENABLE US TO BUILD ON WHAT WAS ACHIEVED AT DUBLIN. THERE IS, HOWEVER, A LONG WAY STILL TO GO TO GET AN EQUITABLE SOLUTION TO THE PROBLEM WE HAVE RAISED. WE HAVE FIRST TO DEVELOP THE GENERAL ACCEPTANCE OF THE NEED TO INCREASE COMMUNITY EXPENDITURE IN THE UK INTO SOMETHING MORE PRECISE, IN FORM, IN SCALE AND IN DURATION. THE COMMISSION'S PAPER, WHICH WE NOW AWAIT WILL BE AN IMPORTANT CONTRIBUTION TO OUR DISCUSSIONS. I SAID TO ALL THOSE I MET, AS I SAID TO YOU IN ROME, THAT WE ARE READY TO WORK FOR A GENUINE COMPROMISE BUT THAT WE DO NOT HAVE MUCH ROOM FOR MANOEUVRE.



CONFIDENTIAL

A NUMBER OF OTHER COMMUNITY TOPICS WERE RAISED. MINISTERS IN SEVERAL CAPITALS EMPHASISED THE NEED TO MAKE PROGRESS OVER FISHERIES, AND I WAS ABLE TO ASSURE THEM THAT WE SHARED THIS VIEW AND HOPED THAT WORK IN THE FISHERIES COUNCIL WOULD BE PRESSED AHEAD VIGOROUSLY.

THERE WAS WIDESPREAD CONCERN OVER ENERGY MATTERS AND I EXPLAINED THAT HERE TOO WE WOULD LIKE TO SEE PROGRESS WITHIN THE COMMUNITY. SHEEPMEAT WAS RAISED AND I MADE CLEAR OUR WILLINGNESS TO WORK FOR AN APPROPRIATE MARKET REGULATION IN THE AGRICULTURAL COUNCIL WHILE EMPHASISING THE IMPORTANCE WE ATTACHED TO SPEEDY IMPLEMENTATION OF THE COURT JUDGEMENT IN THIS FIELD.

THE PRIME MINISTER LOOKS FORWARD TO DISCUSSING ALL THESE QUESTIONS WITH YOU IN DETAIL NEXT WEEK. I LOOK FORWARD TO SEEING YOU AGAIN THEN BUT I THOUGHT IT WOULD BE USEFUL FOR YOU TO HAVE THIS ACCOUNT IN ADVANCE OF YOUR VISIT.

CARRINGTON

FRAME ECONOMIC  
EID (I)

COPIES TO:

MR ALEXANDER NO 10 DOWNING ST



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FM ROME 240930Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 79 OF 24 JANUARY

ADVANCE COPY

IMMEDIATE - N. Alexander  
NO 10 Downing St

(11) Hk  
Hd WED (2)  
Hd EID (2)  
N. Hannay  
Lord Bridges  
PS  
PS/hPS  
N. Bullard  
N. Fergusson

(Filer)

MIPT: VISIT OF ITALIAN PRIME MINISTER AND FOREIGN SECRETARY TO LONDON

1. FOLLOWING IS LIST MENTIONED IN PARA. 1 OF MIPT:-

DELEGATION

PRIME MINISTER'S OFFICE

ON. FRANCESCO COSSIGA PRESIDENT OF THE COUNCIL OF MINISTERS  
IE PRIME MINISTER

CONS. STATO ARNALDO SQUILLANTE HEAD OF PRIME MINISTERS OFFICE

PREFETTO GIOVANNI BOTTIGLIERE CHIEF OF PROTOCOL

MIN. PLEN. SERGIO BERLINGUER DIPLOMATIC ADVISER

DR. LUIGI ZANDA LOY PERSONAL ASSISTANT AND HEAD OF PRESS OFFICE

DR. ALFREDO MASALA HEAD OF SECRETARIAT AND PRIVATE SECRETARY

DR. CARLO SANTINI ECONOMIC COUNSELLOR

CONS. LEG. LUDOVICO ORTONA ASSISTANT DIPLOMATIC ADVISER

FOREIGN MINISTRY

ON. ATTILIO RUFFINI FOREIGN MINISTER



AMB. WALTER GARDINI DIRECTOR GENERAL: POLITICAL

MIN. PLEN MAURIZIO BUCCI DIRECTOR GENERAL: ECONOMIC

MIN. PLEN. BRENATO RUGGIERO HEAD OF FOREIGN MINISTERS  
OFFICE AND PERSONAL REPRESENTATIVE

MIN. PLEN. BENEDETTO SANTARELLI HEAD OF PRESS OFFICE

MIN. PLEN. MARIO ALESSI ASSISTANT UNDER SECRETARY (EUROPEAN  
COMMUNITY AFFAIRS)

PERSONNEL NOT INCLUDED IN OFFICIAL DELEGATION

DOTT. CESARE GRELLA SIGNOR COSSIGA'S PERSONAL DOCTOR  
VICE QUESTORE ANTONIO SECCHI SECURITY OFFICER

DR. SSA BRUNA BOVO SECRETARY

DR. SSA PIERA SABETTA PESCATORI PRIME MINISTER'S PRESS OFFICE

SIG. NA ANNA MARIA BRIZI SECRETARY

CAPO ARMANDO SAIU PERSONAL AIDE

MARESCIALLO RONALDO LUCIOLI SECURITY AIDE

APPUNTATO FRANCO PIOVAN SECURITY AIDE

SIGNORA MARIA CIVELLI INTERPRETER

2.

PLEASE PASS ADVANCE COPIES TO:-

NO. 17 (ALEXANDER)

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PS/LPS

LORD BRIDGES (DUS)

BULLARD (DUS)



HANNAY (AUS)

HEAD OF WED

VEREKER (WED)

ADVANCED AS REQUESTOR

KEELING (WED)

HEAD OF EID (I)

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ARCULUS

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M<sup>r</sup> Fergusson

R.L.

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CONFIDENTIAL

FM ROME 241610Z JAN 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 84 OF 24 JANUARY

MY TELNO 79 OF 24 JANUARY: VISIT OF ITALIAN PRIME MINISTER AND FOREIGN MINISTER TO LONDON.

1. FURTHER TO MY TUR FOLLOWING ARE PERSONALITY NOTES ON MAIN OFFICIALS ACCOMPANYING COSSIGA AND RUFFINI:

A) CONSIGLIERE DI STATO ARNALDO SQUILLANTE (EARLY 50S). HEAD OF THE PRIME MINISTER'S OFFICE. HAS BEEN COSSIGA'S MAN IN VARIOUS MINISTRIES FOR SEVERAL YEARS. A LAWYER BY TRAINING, HE IS A MAJOR INFLUENCE ON COSSIGA'S THINKING. HE HAS ALSO RECENTLY BEEN APPOINTED HEAD OF THE MFA LEGAL SERVICE. VISITED LONDON WITH COSSIGA WHEN LATTER WAS INTERIOR MINISTER. ANGLOPHILE THOUGH HE SPEAKS LITTLE ENGLISH.

B) PREFETTO GIOVANNI BOTIGLIERI. CHIEF OF PROTOCOL IN THE PRIME MINISTER'S OFFICE. HE HAS SERVED IN HIS PRESENT CAPACITY UNDER SEVERAL MASTERS SINCE AT LEAST 1976.

C) DR LUIGI ZANDA LOY (EARLY 30S). PRIME MINISTER'S PERSONAL ASSISTANT AND HEAD OF PRESS OFFICE. HIS FATHER (SARDINIAN) WAS A FORMER CHIEF OF POLICE AND FRIEND OF COSSIGA'S. COSSIGA TREATS HIM LIKE A POLITICAL SON. NO ENGLISH.

D) DR ALFREDO MASALA. HEAD OF SECRETARIAT AND PRIME MINISTER'S PRIVATE SECRETARY. COSSIGA'S COUSIN.

E) AMBASSADOR WALTER GARDINI (AGE 58). DIRECTOR GENERAL, POLITICAL AFFAIRS, MFA. HAS SPENT ONLY 2 OUT OF THE PAST 20 YEARS OVERSEAS (AS MINISTER IN PARIS 1969/71). BETTER FRENCH THAN ENGLISH.



F) MINISTER MAURIZIO BUCCI (AGE 57). DIRECTOR GENERAL, ECONOMIC AFFAIRS MFA. HAS RECENTLY RETURNED FROM BEING AMBASSADOR IN BRAZIL. COMMUNITY EXPERIENCE: CHEF DE CABINET TO THE VICE PRESIDENT OF THE COMMISSION 1961/63 AND COUNSELLOR AT THE ITALIAN PERMANENT REPRESENTATIVE'S OFFICE 1963/68. GOOD ENGLISH.

G) MINISTRO MARIO ALESSI (AGED 48). AUS EUROPEAN COMMUNITY AFFAIRS SUCCEEDING (IN 1979) RUGGIERO WITH WHOM HE SERVED IN YUGOSLAVIA. LAST POST WAS GENEVA. GOOD ENGLISH.

H) MINISTRO BENEDETTO SANTARELLI (AGED 55). AUS RESONSIBLE FOR PRESS AND INFORMATION SERVICES, MFA. FORMERLY HEAD OF MIDDLE EAST DEPARTMENT. GOOD ENGLISH.

2. NOTES ON RUGGIERO AND BERLINGUER WERE CONTAINED IN MY TELNO 67.

3. W.E.D. PLEASE PASS COPY TO SIR R. ARCULUS, AND TO OTHERS AS NECESSARY.

GOODISON

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Original on: —  
Euro Pol: Budget  
Pt 5

Prime Minister

COMMUNITY BUDGET : VISIT OF SIGNOR COSSIGA

Signor Cossiga was asked by the European Council to decide when the Council should reconvene to 'pursue the search for appropriate solutions' to the United Kingdom budget problem. When he meets you on 29/30 January he will be looking for some movement on our part. Without it, he is unlikely to be able to secure any corresponding movement from our partners. You have therefore agreed that we should give him some indication that we would settle for less than we were asking for in Dublin, although we should obviously not reveal a final position. In this minute, I suggest what our approach might be.

The absence of a Commission proposal is unfortunate, but if we are to get any value out of the meeting on 29/30 January, we cannot wait for it before we show something of our hand. In any case, we have a fair idea what they are likely to say, and they will almost certainly not propose a figure at this stage.

It will probably be better to set the indication of our figure in some slightly wider framework and, particularly because it is an Italian Presidency, in the context of medium term restructuring of the budget.

Our proposition could be expressed as the amount of reduction in our net contribution that we want (eg a refund of £800m instead of £1,000m) or as the level of net contribution we are prepared to pay. The latter is safer since we do not know exactly what our net contribution would otherwise be in 1980 (or later years). Moreover, there are presentational advantages in stating what we are prepared to pay rather than how much we 'want back'.

/Although



Although we are basing our calculation on figures for 1980, we are asking for a solution which lasts. We could not expect to get an absolute ceiling on our net contribution irrespective of developments, but we do need a continuing limitation on its future growth.

Taking these considerations into account, the possible ways in which we could express our requirement seem to be:

- (i) that our net contribution in 1980 should not exceed, say, 300 meua and should not grow faster than the Budget as a whole in future years; or
- (ii) that our net contribution should not exceed a given proportion of our GNP; or
- (iii) that our net contribution should be linked in some way to that of the French (how this might be done, with the necessary calculations, is in a separate note at Annex A).

Each of these has some merit as an indicator of what would be acceptable to us. We would not be asking for them to be written into any legal text, but that the revised Financial Mechanism and whatever is agreed for measures on the receipts side should together produce that result. Option (i) is the simplest; option (ii) has some economic logic but would be criticised as another form of juste retour; option (iii) taken by itself could turn the negotiations into too much of an Anglo-French battle.

Taking all this into account Annex B sets out the line I think we should take. It could be used as a speaking note, or possibly handed over. As you will see, it combines the ideas of (i) and (iii) in expressing what we are asking for. If it were decided to hand over a note, I think the figure we decide on should be given to him orally. If it is 300 meua (roughly £200m) then we would be paying about two-thirds of what the French would have to pay. This is what the draft implies because that is approximately the difference between the French GNP per head and ours. If we were

/to



to pay the same as the French we would make a net contribution of ~~£290~~<sup>£304</sup> million on the existing Commission figures, ~~and £368 million on the latest Treasury forecasts~~. This is too high for an opening bid.

Annex B does not deal with the question of financing nor whether Italy and Ireland should be expected to pay. We want to remain neutral on this; but if it were thought necessary to give the Italians something, it would be possible to add an additional paragraph along the lines of:

'5. Other member states with below Community average GNP should also benefit from supplementary measures so that their budgetary position was unaffected by the changes envisaged under (1) above.'

Nor does the note deal with the 1 per cent VAT ceiling. It is better from our point of view not to raise it specifically in the context of our Budget problem. If necessary, we can argue that it is covered by the Dublin remit to the Commission.

Finally, the note sticks to our existing line on the question of duration, ie indefinite, subject to review; but the reference in (4) is intended to establish a link between the special measures for the United Kingdom and progress with restructuring the budget.

I am sending copies of this minute to Members of OD, to the Minister of Agriculture, Fisheries and Food, the Secretary of State for Energy, the Attorney General, and to Sir R Armstrong and Sir M Butler.

1.1.9

24 January 1980



## ANNEX A

UNITED KINGDOM 1980 NET CONTRIBUTION TO THE COMMUNITY BUDGET  
COMPARISONS WITH FRANCE

1. On the existing Commission figures for 1980, the United Kingdom will make a net contribution of 1814 meua/£1225 million (exporter benefits) or 1552 meua/£1048 million (importer benefits). The corresponding figures for France are 19 meua/£13 million and 120 meua/£81 million.

2. If the United Kingdom and France were to make exactly the same net contribution, the result would be:

	meua	£m
mca exporter benefits	431	291
mca importer benefits	450	304

3. If we wish to propose that the United Kingdom should be a net contributor of the order of £200 million, then our net contribution would need to be approximately two-thirds of that of France. This could be justified on the basis of relative GDP per head (5786 eua in the United Kingdom and 8356 eua in France).

4. The figures in this annex assume that all Member States, including the United Kingdom, will contribute to our refund and our additional receipts.



## ANNEX B

UNITED KINGDOM BUDGET PROBLEM:  
NOTE TO BE GIVEN TO SIGNOR COSSIGA

Drawing on the conclusions of the Dublin European Council, the following basis of settlement is suggested:

- (1) Removal of the existing constraints on the operation of the Financial Mechanism. Regulation 1172/76 to be extended indefinitely with provision for a new review clause not later than the end of the sixth year.
- (2) Supplementary measures leading to greater participation by the United Kingdom in Community expenditure. The method or methods should be decided in the light of Commission proposals and be subject to review as in (1) above.
- (3) The combined effect of (1) and (2) above should be such as to leave the United Kingdom a modest net contributor [say 300 meua in 1980]. The United Kingdom's net contribution should be in an appropriate relationship with the member state having the next highest GNP per head in the Community.
- (4) The European Council should instruct the Commission to make proposals for achieving a better balance within the Community budget and ensuring that, by 1986, the proportion devoted to the Common Agricultural Policy (FEOGA Guarantee Section) would not exceed 55 per cent of the total. The Council should take account of the effect of implementing such proposals on the United Kingdom's net contribution at the time of the review called for under (1) above.



PRIME MINISTER

Mr Alexander  
Italy

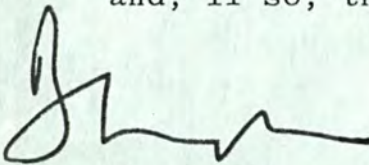
Cossiga Visit : Press Conference

We have heard through the FCO that Signor Cossiga would very much like to hold a joint press conference with you towards the end of his visit on the lines of those held during the Anglo-French and Anglo-German visits at Head of Government level. There is room in the programme for such a joint press conference for 30 minutes at 1215 on Wednesday, 30 January.

I am not very enthusiastic about recommending you to do this, partly because, on this occasion, there may not be all that much we want to say at this stage about the main topic of your discussions, namely our EEC budget contribution. But I fear these reservations are outweighed by the need to appear willing with Signor Cossiga, who is keen on the idea of a joint press conference and might be offended if he received lesser treatment than Herr Schmidt or President Giscard. I therefore recommend that we should arrange a joint press conference.

The Millbank Tower Cinema and the Government Press Centre at the Old Bath Club have been booked for other purposes for some time on 30 January and would not easily be available. We have been offered the Conference Room at Church House. As you know, it is not very cosy but the general facilities are excellent and the television lights, for example, are much better placed than at Millbank Tower. We would expect about 150 British and continental journalists at the press conference, so the only other alternative venue - No. 12 - would be far too cramped.

Do you agree that we should arrange a joint press conference and, if so, that it should be held at Church House?



B. INGHAM

24 January, 1980



22 January, 1980.

Visit of Signor Cossiga

The Prime Minister has seen Roderic Lyne's letter to me of 18 January about the handling of Signor Cossiga's visit. The Prime Minister has commented on the various points raised in the letter as follows:-

- (a) She thinks a tete-a-tete of 90 minutes on 29 January is perhaps a little long. She would be grateful if the Foreign Secretary and Signor Ruffini could join the discussion at 1815;
- (b) The Prime Minister agrees that the plenary session should take place from 10 a.m. until midday on 30 January. I look forward to hearing your suggestions as to who should attend the plenary session and the working lunch;
- (c) The Prime Minister agrees that the question of a joint press conference should be left open for the moment;
- (d) The Prime Minister will not be able to go to the airport to greet Signor Cossiga. She told him this on the telephone yesterday.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

KRP



Subject very filed on Afghanistan Situation file Pt 3.

Ks  
Pmt

TELEPHONE CONVERSATION BETWEEN THE PRIME MINISTER AND THE  
PRIME MINISTER OF ITALY, SIGNOR COSSIGA ON MONDAY 21 JANUARY 1980

Prime Minister: Hello, Mr. Cossiga. I am well and you?

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T 15/80

Signor Cossiga: I am well,

PM: I am full of problems but I expect you are too.

SC: I am ringing as I wish to speak to you about some problems that I will speak to President Carter about. I have my interpreter here and I think the best way to speak together

PM: Very well, yes, go ahead.

SC: Prime Minister, there is one first thing the Prime Minister is well aware that he has no mandate and he has neither any intention to represent the Nine countries of the EEC or European NATO members when talking to President Carter or members of the US Administration who we are going to meet very soon as you are aware. Anyway I thought it would really be a good idea and also necessary to talk to you before leaving for the United States in particular because Italy has now the Presidency in the Common Market and I thought it would be useful to talk to you first. Is that all right?

PM: It is very useful and it is understood and I am very grateful.

SC (through interpreter): I think it is ever so important to be firm and also to take a clear position and at the same time be as flexible as possible so as not to prejudice detente. On the other hand, it is necessary to make the Soviet Union and the members of the Warsaw Pact understand that detente is not compatible with the facts placed in front of us.

what

PM: Yes, well/I am concerned about, if you would tell Signor Cossiga, is that we all seem to be .....

nterpreter; May Mr. Cossiga go on?



PM: Yes, of course Signor Cossiga may go on.

Interpreter: I am rather worried about the situation. I think it is very important that right now we should all try to obtain the maximum of solidarity in our direction to the United States because I think that any division of the European States right now would really do a lot of harm. This is why I wonder whether it would not be necessary to have a consultation among our Foreign Ministers - that is within the EEC - in view of discussing the question of closer political co-operation. There is the problem for instance of sanctions against the Soviet Union in connection with their intervention in Afghanistan and also the problem of sanctions against Iran. I also believe it is necessary to have a common strategy in our relations with the Arabic countries because they should better understand how enormously they are being threatened also by the Soviet Union. On our side we are going to try and help as much as possible Turkey and Pakistan. I believe that we should try and do a little more also for the Arabic countries and this is why I do appreciate the rather cautious action of Carter towards Iran and this means that the most important fact of the international scenario continues to be Afghanistan. And now we also have in addition the problem of Yugoslavia. For Italy it is a particularly delicate problem. This is why I believe the countries of the Common Market should do all in their power to lead to a happy end the negotiations and agreements that are going on between the EEC and Yugoslavia. I am rather worried that if there is a lack of a common position on the side of the European States then this might mean that the neutral countries would take over - the neutral forces would take over, they would be strengthened by that. In addition we have the problem of the Olympic Games and I would appreciate very much to learn your opinion on that and we must bear in mind also the reaction of public opinion in connection with withdrawal from the Olympic Games. We must see what the man in the street thinks about it and how he reacts. I have been thinking over what might be the best forum in order to take a common line. Either we might have another meeting among the Six as the one we had in London or, and that would be in my opinion a better solution, we could have a meeting of the Nine. What do you think about that?



PM: Well now may I make one or two comments. First, I agree with Signor Cossiga that Afghanistan is the most important crisis of them all and that we must take firm action on that. My worry is that the Foreign Ministers met in Europe last week and the NATO Council met and they all deplored what the Soviet Union had done but they could not agree on any course of action to take and my worry is that Europe is not united when it comes to deciding what to do. Now I do feel that we shall all fail - we shall fail President Carter and we shall fail the Western way of life - if we just say the Soviet Union has done wrong and condemn her and we just leave it at that. And I think therefore we must get some concerted action in Europe and I agree with Signor Cossiga. May I refer to one or two things? The Olympic Games. I came out strongly in favour of trying to move them when I spoke last week in Parliament in reply to a question. We shall be replying tomorrow to President Carter's message and tomorrow morning we meet to decide the precise terms but we shall be supporting him on urging the International Olympic Committee to try to find another venue for the Games so we shall be with him on that. Secondly, we have been trying to persuade our European partners to back up President Carter in his wheat sanctions on the Soviet Union. I know we are not going to export wheat but we in this country think it very wrong to export butter cheaply from the butter pile in Europe to Russia. That view is held very strongly in Britain indeed. We should therefore not want to sell butter to Russia. On the sale of high technology we think we must get together with a view to tightening up the rules of the COCOM Committee to restrict the sale of technology to Soviet Russia and if we can do that for a start it will be something. I agree with Signor Cossiga on his worries about Yugoslavia and we ought to be able, in the EEC, to do a rather better trade agreement with Yugoslavia than we have been prepared to do so far. May I say just one other thing. Iran. We are a little bit worried at the moment that sanctions against Iran will not help to release the hostages and we believe therefore that as far as those are concerned we should go slow on sanctions against Iran for the time-being because it does not seem to be helping with its desired objective and we all know what in foreign policy terms as



distinct from hostage terms, in foreign policy terms we ought to be trying to persuade Iran of the dangers of the Soviet Union and the wisdom on her part on trying to stay friendly with the West and how very unwise of her it is to detain hostages under those circumstances. So with those few remarks I don't think that Signor Cossiga and I are very far apart except that we must get concerted action in Europe and it must be more than words. I think that I would agree with him that the Warren Christopher Committee which took place in London - the Committee of the Six - which set up two Working Parties is probably the best way to continue our joint action. Over to you.

Interpreter: Prime Minister, what would you think about a meeting of the Nine Foreign Minister for political co-operation,

PM: I think that it will be important before they meet to have got some agreement between them as to the course of action ahead. I think if they just meet without a lot of preparation it will not be a fruitful meeting but I ..... (cut off)

PM: Hello, I was saying whether we should have a meeting of the Nine Foreign Minister and I was saying that if that was to happen it must be very carefully prepared beforehand, If they just go and sit down round a table they will not come away with any conclusions. They must be asked certain questions must be put to them on the agenda and they must be asked to come along with answers. But my fear, would you tell Signor Cossiga, is that the meeting will not show up the unity it will show up the division. Would you translate that?

Interpreter: Thank you very much Prime Minister for this opinion. We are going to meet very soon in London.

PM: Yes I think we will talk about it further.



Interpreter: I will also have more elements at my disposal.

PM: Yes, yes. We must support our American friends as much as we can. But I am just a little bit concerned that we are not getting the hostages released with our present policy and I am also concerned because I think both Iran and Afghanistan are part of the same problem namely the Soviet attitude towards the West. I am sure that is very much in line with what Signor Cossiga was saying to me and I don't think I can add anything else. I wish him a very happy and successful visit and I am sure it will be successful and I look forward to hearing all about it from him in London.

SC: Thank you very much Mrs Thatcher

PM: Oh hello. Just one tiny little point. I will not be able to meet you at the airport myself because I have to answer Questions in the House of Commons but I will be hear<sup>re</sup> to greet you. I look forward to it.

SC: Oh. Goodbye.

PM Thank you very much for phoning. Goodbye.





10 DOWNING STREET

Alexander.

---

Coltidge's visit.

---

It wd be difficult  
for the P.M. to meet  
Coltidge at the  
airport as:-

OD + OBT starting at  
10.00 am & question  
in the afternoon.  
Have asked F.O.  
exact time of  
arrival but they have  
not ring me back  
yet.

J.

2/11

4.15 pm.



original on  
Afghanistan Sht Pr 3



10 DOWNING STREET

From the Private Secretary

21 January, 1980.

Dear Paul,

Telephone call from Signor Cossiga

The Italian Prime Minister, Signor Cossiga, rang the Prime Minister this evening from Rome. He said that he would be leaving shortly for the United States and that he wanted to discuss one or two of the topics on his agenda with the Prime Minister before his departure. He stressed that he had no mandate to speak on behalf of the Nine, and had no intention of doing so.

Signor Cossiga said that he thought it was important for the West to be firm and to take a clear line on the Soviet action in Afghanistan while at the same time being sufficiently flexible to avoid prejudicing detente. The Soviet Union must be brought to understand that the present position in Afghanistan was not compatible with detente. Signor Cossiga said that one aspect of the present situation concerned him. It was important for the European States to show maximum solidarity in reacting to the Soviet Union. Divisions among the members of the Community could do a lot of harm. He wondered therefore whether it might not be necessary for the Foreign Ministers of the Nine to have a further discussion of closer political cooperation on these issues.

Signor Cossiga said that in addition to agreeing a strategy on the question of sanctions against the Soviet Union and Iran, the Nine also needed a common strategy on relations with the Arab world. The scale of the threat needed to be brought home to the Arabs. An effort was going to be made to try to help Turkey and Pakistan: the same had to be done for the Arabs. Signor Cossiga added that for this reason he valued the cautious line taken by President Carter vis-a-vis Iran.

While noting that Afghanistan was the most important single issue, Signor Cossiga said that the problem of Yugoslavia was particularly sensitive for Italy. He believed that the Community's negotiations with Yugoslavia should be brought to an early conclusion.

Reverting to the overall problem, Signor Cossiga said that the lack of a common position among the Nine might allow the neutral

/ forces



forces to take over. (He did not make it clear whether he meant neutral forces in Europe or neutralist forces in the Third World.) He asked the Prime Minister for her views on the forum in which a common line might best be concerted. Would she prefer another meeting of the Six (i.e., the group which met in London under Mr. Christopher's Chairmanship) or a meeting of the Nine at Foreign Minister level?

In reply, the Prime Minister said that she agreed with Signor Cossiga that Afghanistan was the most important current crisis. It was essential that the West should take firm action. Recent meetings of the Nine and of NATO in Brussels had agreed in deploring the situation, but had signally failed to agree on action. The plain fact was that Europe was at present not united in its view as to what should be done. Europe's political leaders would be failing President Carter and the West as a whole if they contented themselves with condemning the actions of the Soviet Government.

On the Olympic Games, about which Signor Cossiga had asked her opinion, the Prime Minister recalled that she had come out strongly in favour of a move of venue for the games. She would be replying tomorrow to President Carter following a discussion with Ministerial colleagues. HMG would support the President in urging the International Olympic Committee to attempt to find another home for this year's Olympics.

As regards other actions on Afghanistan, the Prime Minister said that the Nine had already agreed to back President Carter on grain. In her view the Nine should go further. It was very wrong for the Community to be exporting butter to the Soviet Union: this was a view she held very strongly indeed. As regards high technology, COCOM's rules should be tightened up in order to restrict sales.

The Prime Minister said that she agreed with Signor Cossiga about the need to conclude an improved trade agreement with Yugoslavia as soon as possible.

On Iran, the Prime Minister expressed concern that the imposition of sanctions might not in fact help to secure the release of the hostages. In foreign policy terms, the correct policy vis-a-vis Iran at present was that the West should be trying to persuade the Iranian Government of the danger from the Soviet Union and of the wisdom of friendship with the West. She therefore hoped that the Americans would go slow on sanctions for the time being.

The Prime Minister said she thought that the best way to coordinate joint action might be a further meeting of the Six. But if a meeting of the Nine Foreign Ministers was preferred, it would be essential that it should be carefully prepared in advance.

/ Certain



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- 3 -

Certain questions should be identified before the meeting took place. Foreign Ministers should bring answers with them. If there was not some measure of advance preparation, and indeed of advance agreement, the meeting was unlikely to be fruitful. Indeed it might do more to show up the divisions within the Community than its unity.

Signor Cossiga did not respond to the Prime Minister's observations on this point. He said that he looked forward to seeing the Prime Minister in London next week.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

Yours ever

Richard Alexander

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

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9B





Foreign and Commonwealth Office

London SW1A 2AH

18 January 1980

*Caro. Can I go out  
to the airport  
with Signor Cossiga?*

*Prime Minister*

*Apex ABC & D ?*

*Dear Michael,*

*Phu 18/1*

Visit of Signor Cossiga 29/30 January 1980

We discussed the handling of Signor Cossiga's visit.

As suggested in your letter, we envisage that the Prime Minister and Signor Cossiga will have a tete-a-tete from 5.30 pm on 29 January until approximately 7 pm, when Signor Cossiga will need to go and change for the Prime Minister's dinner at 7.45 pm. I assume that the Prime Minister will wish to be supported only by a Private Secretary. We agreed that the FCO should aim to provide a single interpreter to cover the meeting. We have it in mind that the plenary talks on 30 January should begin at 10 am and continue until midday. We have asked the Italians to let us know urgently which Ministers Signor Cossiga will be bringing with him. We can then consider who should be present on our side. There are at present no compelling reasons to hold a joint press conference. It is possible that the Italians will suggest one. For the time being we might leave the question open.

*Rather long!  
Can we join in?*

*Yes B*

*C  
Prud*

I understand that the Prime Minister has offered a working lunch at 1 pm on 30 January following which Signor Cossiga and his party would leave for the airport.

When the Prime Minister visited Rome in October last year Signor Cossiga was present to meet her at the airport. This is contrary to usual practice agreed some years ago for visits by EEC Prime Ministers, when it was agreed that minimum formalities should be observed in view of the frequency of visits. Subject to the Prime Minister's views, therefore, we would envisage an official greeter and Sir R Arculus, our Ambassador in Rome, who will be here for the talks, meeting Signor Cossiga at the airport.

*D.*

I shall let you know as soon as we hear further from the Italians about the composition of Signor Cossiga's party.

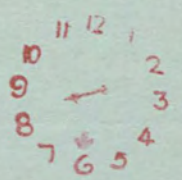
*yours ever  
Rodrigo Lyne*

(R M J Lyne)  
Private Secretary

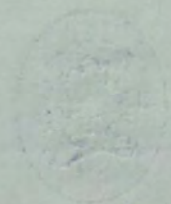
M O'D B Alexander Esq  
10 Downing Street



118 JUL 1980



UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
DENVER, COLORADO 80202





CONFIDENTIAL

Cabinet Office  
Whitehall,  
London, SW1

*Handwritten signature*

PS(80) 1

15th January 1980

Dear Private Secretary,

Visit of the Prime Minister of Italy - 29/30 January 1980

This letter sets out the briefing arrangements for the visit of Signor Cossiga on 29/30 January 1980.

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

Seventy-five copies of each brief should be sent to the Cabinet Office, 70, Whitehall, to arrive no later than 12.00 noon on Wednesday, 23 January. They should be addressed to Mrs. 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 Kenneth Couzens, Sir Kenneth Clucas, Sir Peter Cary, Sir Jack Rampton, Sir Brian Cubbon and Sir Brian Hayes and to Michael Alexander (No. 10)

Yours sincerely,

(Signed) M. J. VILE

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ANNEX A

British Objectives

1. To prepare the ground for a solution to our budget problem; to explore with the Italian Presidency the possibility of calling an earlier meeting of the European Council; and to enlist Italian support for our position.
2. To build on the good working relationship already established between the Prime Minister and Signor Cossiga, in particular by showing that we are interested in the Italian viewpoint on the major current international issues.

Italian Objectives

1. To establish, in the light of British and Italian soundings of the Commission and other Community partners, the area in which Britain might accept a compromise solution to the Budget problem, and to obtain British agreement to the Presidency promoting such a compromise.
2. To place the British Budget problem in the context of the convergence of the economies of EEC members and thereby obtain material advantages for Italy also.
3. To co-ordinate Anglo/Italian views on how to satisfy the European Parliament following the latter's rejection of the 1980 Budget.
4. To co-ordinate views on the structural reform of the Budget and of the CAP.
5. (Possibly) to hear British views on progress in fish, sheepmeat and energy policies.
6. To review British and Italian views on East/West relations in the light of the Iran and Afghanistan crises and progress on TNF.



ANNEX BLIST OF BRIEFS

<u>QMV(80)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Steering Brief	FCO	as appropriate
2.	European Community Questions		
	i. Community Steering Brief	FCO	as appropriate
	ii. Budget/Convergence	Treasury	FCO, Cabinet Office
	iii. CAP	MAFF	Treasury, FCO Cabinet Office
	iv. Other Community Issues	FCO	as appropriate
3.	Iran	FCO	as appropriate
4.	Afghanistan	FCO	as appropriate
5.	East/West Relations including SALT and TNF	FCO	as appropriate
6.	The International Economic Scene	Treasury	as appropriate
7.	Energy Questions	Energy	as appropriate
8.	Bilateral Questions (including the Schild case)	FCO	as appropriate
9.	Terrorism	Home Office	FCO
10.	Italian Internal Political and Economic Scene	FCO	



ANNEX C

INSTRUCTIONS ABOUT FORMAT

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

- (a) Briefs should be concise. Each brief should if possible be no more than four sides long.
- (b) The main body of each brief should comprise two sections, a concise list of Points to Make, followed by a factual background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained and with all the information required on that particular subject. Briefs should not be divided into separate self-contained sub-sections.
- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) The top page only should bear the symbol and number of the briefs in the top left-hand corner (e.g. QMV(80) 4), with the date of production below; a copy number in the top right-hand corner; and the visit heading, the title of the brief (in capitals) and the name of the Department responsible (as in Annex D).
- (f) Briefs should bear at the foot of the last page, on the left-hand side, the name of the originating Department and the date of origin.
- (g) If late developments require a brief to be amended or updated, an addendum should be prepared. It should be set out in the standard way with the brief number (e.g. QMV(80) 4 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when an addendum is in preparation.
- (h) Additions to the list of briefs in Annex B require the authorisation of the Private Secretary to the Secretary of the Cabinet.



CLASSIFICATION

ANNEX D

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

QMV(80) Serial No.

COPY NO

Date

VISIT OF PRIME MINISTER OF ITALY  
29/30 JANUARY 1980

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Leave 1½"  
margin

SUBJECT Insert subject in capitals

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

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At the foot of the last page:-

Department of origin e.g. Foreign and Commonwealth Office

Date

CLASSIFICATION







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MINISTRY OF DEFENCE

DRK/80/44  
61/2/1

Main Building, Whitehall, London SW1A 2HB  
Telephone (Direct Dialling) 01-218 2119  
(Switchboard) 01-218 9000

PERMANENT UNDER-SECRETARY OF STATE

14 January 1980

M J Vile Esq  
Private Secretary to  
Sir Robert Armstrong KCB CVO  
Cabinet Office  
Whitehall

*Don. R. King*

VISIT TO BRITAIN BY THE ITALIAN PRIME MINISTER: 29/30 JANUARY 1980

In Sir Frank Cooper's letter of 10 January the sentence beginning "These include the Italian attitude to European trilateralism (which includes them ..." should read "... (which excludes them...".

I am sending copies of this letter to the recipients of our earlier letter.

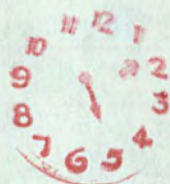
*Yours sincerely  
D R King*

D R KING  
Assistant Private Secretary

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14 JANU 1980





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*File No*

*B/F 23.1.80*

10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

VISIT BY THE ITALIAN PRIME MINISTER

The Prime Minister has seen your minute to me of 11 January on this subject. She has agreed Annexes A and C.

She has also agreed that the deadline for briefs should be extended to Wednesday, 23 January.

M. O'D. B. ALEXANDER

14 January 1980

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*9*





11

Ref. A01128

MR. ALEXANDER

Yes no

Rennie Reister

Apex Annexes A+C ?

Print 11/1

Visit to Britain by the Italian Prime Minister: 29th-30th January 1980

The Italian Prime Minister, Signor Cossiga, is to visit Britain for discussions with Mrs. Thatcher on 29th and 30th January. This visit is part of the normal round of exchanges with the Italians at Prime Ministerial level, and returns Mrs. Thatcher's visit to Rome last October. We do not yet know who will accompany Signor Cossiga. Signor Malfatti, the Foreign Minister, has been ill with a heart attack, although he is expected to resume his duties shortly. Signor Pandolfi, the Treasury Minister, is likely to be included in the party. The Prime Minister will probably not wish to decide finally on Ministerial participation on the United Kingdom side until she knows what Ministers Signor Cossiga will be bringing with him.

2. Our main aim at this meeting will be to have full discussions with Signor Cossiga about a solution to our Community budget problem and to enlist Italian support for the next European Council. The fact that the Italians currently hold the Presidency gives particular point to a meeting at this time. Estimates of United Kingdom and likely Italian objectives are set out at Annexes A and B.

3. As the meeting is in London it is for us to propose an agenda. The main thrust of the meeting will be on Community affairs, but in addition Iran, Afghanistan, and East/West relations are likely to be discussed and energy and international monetary matters may also be raised. We shall need to decide nearer the time whether Rhodesia needs to be included. Signor Cossiga's office have not yet indicated to HM Embassy at Rome what other questions he may wish to raise. The main subjects for discussion are therefore likely to be:

A. Community Issues

- (i) Budget/Convergence
- (ii) CAP
- (iii) Other Community Issues, including energy and fish



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- B. Iran and Afghanistan
- C. East/West Relations including SALT and TNF
- D. The International Economic Scene
- E. Energy Questions
- F. Bilateral Questions (including the Schild case)

4. Signor Cossiga, as befits a former Minister of the Interior, takes a close interest in the problems of terrorism, particularly in Italy. We do not need to raise the matter with him, but he may well talk about it, given the recent increase in terrorist activity in Italy. We will commission a defensive brief from the Home Office.

5. I should be grateful if you would let me know if the Prime Minister is content with the draft objectives and list of briefs. You have asked for briefs to reach you on Friday, 18th January. Given that the more important briefs will relate to continually developing situations, that OD will discuss the budget question on 25th January, and that the briefing meeting will not now be until Monday, 28th January, it would reduce the need for radical revision and updating if your deadline were extended to, say, Wednesday, 23rd January.

RA

ROBERT ARMSTRONG

11th January, 1980



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ANNEX A

British Objectives

1. To prepare the ground for a solution to our budget problem; to explore with the Italian Presidency the possibility of calling an earlier meeting of the European Council; and to enlist Italian support for our position.
2. To build on the good working relationship already established between the Prime Minister and Signor Cossiga, in particular by showing that we are interested in the Italian viewpoint on the major current international issues.

ms



## ANNEX B

### Italian Objectives

1. To establish, in the light of British and Italian soundings of the Commission and other Community partners, the area in which Britain might accept a compromise solution to the Budget problem, and to obtain British agreement to the Presidency promoting such a compromise.
2. To place the British Budget problem in the context of the convergence of the economies of EEC members and thereby obtain material advantages for Italy also.
3. To coordinate Anglo/Italian views on how to satisfy the European Parliament following the latter's rejection of the 1980 Budget.
4. To coordinate views on the structural reform of the Budget and of the CAP.
5. (Possibly) To hear British views on progress in fish, sheepmeat and energy policies.
6. To review British and Italian views on East/West relations in the light of the Iran and Afghanistan crises and progress on TNF.



ANNEX C

List of Briefs

1. Steering Brief
2. European Community Questions
  - (i) Community Steering Brief
  - (ii) Budget/Convergence
  - (iii) CAP
  - (iv) Other Community Issues
3. Iran
4. Afghanistan
5. East/West Relations including SALT and TNF
6. The international economic scene
7. Energy questions
8. Bilateral questions (including the Schild case)
9. Italian internal political and economic scene

mb



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Italy



Sir Peter Carey KCB  
Permanent Secretary

DEPARTMENT OF INDUSTRY

ASHDOWN HOUSE  
123 VICTORIA STREET  
LONDON SW1E 6RB

Direct Line 01-212 7003  
Switchboard 01-212 7676

10 January 1980

Sir Robert Armstrong KCB CVO  
Cabinet Office  
Whitehall  
London SW1

Ha  
Palliser

Dear Robert,

VISIT TO BRITAIN BY ITALIAN PRIME MINISTER: 29/30 JANUARY

I am in general agreement with Michael Palliser's letter of 9 January about the contents of the forthcoming meeting with Signor Cossiga. Clearly the most important issue from our point of view is to secure Italian understanding of the justice of our case over the EEC budget, and to this end it would be wise to avoid raising controversial issues such as our objections to their unfair industrial practices. I am therefore content with the list of briefs proposed and with Michael Palliser's suggestion that Cabinet Office should co-ordinate them. We are of course ready to contribute to them if required. I also agree that there is no point in considering Ministerial participation from our side until we know what Ministers will be in Signor Cossiga's team.

I am copying this to the recipients of Michael Palliser's letter.

Yours ever,

Peter

Peter Carey



191 JAN 1960





C A Whitmore Esq



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

MINISTRY OF DEFENCE  
SW1A 2HB



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Italy



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

PERMANENT UNDER-SECRETARY OF STATE  
SIR FRANK COOPER GCB CMG

10 January 1980

PUS/80/30  
61/2/1

Sir Robert Armstrong KCB CVO  
Cabinet Office  
Whitehall

La  
Rms

Dear Sir Robert

I am generally content with the objectives and list of briefs proposed in Michael Palliser's letter of 9 January for the Italian Prime Minister's visit at the end of the month.

There are, however, some defence topics which I suggest merit inclusion. In the wake of Afghanistan, I think that a piece on NATO's interest in outside area activities would be especially appropriate. There is much to be said for dealing with it separately but it might perhaps be included in the East/West relations brief. We shall be happy to provide a contribution. There are also important Defence equipment matters which ought to be covered. These include the Italian attitude to European trilateralism (which includes them and on which they are very touchy) and issues concerning current and future defence projects from the MRCA to a helicopter package where they have a special status with us.

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

Yours sincerely,

*[Handwritten signature]*

FRANK COOPER

Approved by Sir Frank  
& signed in his absence.

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111 JAN 1980







Foreign and Commonwealth Office

London SW1A 2AH

9 January 1980

Sir Robert Armstrong KCB CVO  
CABINET OFFICE

*Dear Robert,*

VISIT TO BRITAIN BY THE ITALIAN PRIME MINISTER:  
29/30 JANUARY 1980

1. As you know, the Prime Minister during the Dublin Council invited the Italian Prime Minister, Signor Cossiga, to visit Britain for discussions in January and Mrs Thatcher has now agreed with Signor Cossiga that the visit should take place on the 29 and 30 January. Number 10 have confirmed to us that this visit should be seen as part of the normal round of exchanges with the Italians at Prime Ministerial level - ie as a return match for Mrs Thatcher's visit to Rome last October. The Italian Government's prospects of survival are uncertain, but we assume that the visit will take place as arranged. We do not yet know who will accompany Signor Cossiga. Signor Malfatti, the Foreign Minister, has been ill with a heart attack. although he is expected to resume his duties shortly. Signor Pandolfi, the Treasury Minister, is likely to be included in the party.
2. Our main aim at this meeting will be to have full discussions with Signor Cossiga about a solution to our Community budget problem and to enlist Italian support for the next European Council. The fact that the Italians currently hold the Presidency gives particular point to a meeting at this time. Our estimates of UK and likely Italian objectives are set out at Annexes A and B.
3. It has been tentatively agreed with the Italians that Signor Cossiga will arrive in London on the afternoon of Tuesday 29 January and leave after lunch the following day. If these dates are confirmed, I understand that the Prime Minister envisages a preliminary session of talks, perhaps a tête-à-tête, on the evening of the first day and a more formal plenary session on the following morning. The Prime Minister would give a formal dinner on the first day and a working lunch on the second day.
4. As the meeting is in London it is for us to propose an agenda. The main thrust of the meeting will be on Community affairs, but in addition we assume that Iran, Afghanistan, and East/West relations are likely to be discussed and that Energy and international monetary matters may be raised. We shall need to decide nearer the time whether to advise that Rhodesia should be included. Signor Cossiga's office have not yet indicated to HM Embassy at Rome what other questions he may wish to raise. We think that the main subjects for discussion are likely to be:

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





- B Iran and Afghanistan
- C East/West relations including SALT and TNF
- D The international economic scene
- E Energy questions
- F Bilateral questions (including the Schild case).

5. I assume that the Prime Minister will not wish to decide finally on Ministerial participation on the UK side until she knows what Ministers Signor Cossiga will be bringing with him.

6. I attach, at Annex C, a suggested list of briefs. On energy, the Prime Minister and Signor Cossiga will no doubt want to discuss the world oil market post-Caracas, and possibly Iranian supplies, as well as EEC energy questions on which, with the exception of coal, there are relatively few differences between the Italians and ourselves. If you and the other recipients of this letter agree, the preparation of the briefs might be coordinated by the Cabinet Office.

*Tom cur*

*Michael Palliser*

Michael Palliser

cc: Sir Douglas Wass GCB, HM Treasury  
 Sir Frank Cooper GCB CMG, MOD  
 Sir Brian Hayes KCB, MAFF  
 Sir Jack Rampton KCB, Department of Energy  
 Sir Peter Carey KCB, DOI  
 Sir Kenneth Clucas KCB, Department of Trade  
 Sir Peter Preston KCB, ODA  
 M D M Franklin Esq CMG, Cabinet Office  
 C A Whitmore Esq, No 10



ANNEX A

British Objectives

1. To prepare the ground for a solution to our Budget problem and to enlist Italian support for our position at the next European Council.
2. To build on the good working relationship already established between the Prime Minister and Signor Cossiga, in particular by showing that we are interested in the Italian view point on the major current international issues.



## ANNEX B

### Italian Objectives

1. To establish, in the light of British and Italian soundings of the Commission and other Community partners, the area in which Britain might accept a compromise solution to the Budget problem, and to obtain British agreement to the Presidency promoting such a compromise.
2. To place the British Budget problem in the context of the convergence of the economies of EEC members and thereby obtain material advantages for Italy also.
3. To coordinate Anglo/Italian views on how to satisfy the European Parliament following the latter's rejection of the 1980 Budget.
4. To coordinate views on the structural reform of the Budget and of the CAP.
5. (Possibly) To hear British views on progress in fish, sheepmeat and energy policies.
6. To review British and Italian views on East/West relations in the light of the Iran and Afghanistan crises and progress on TNF.



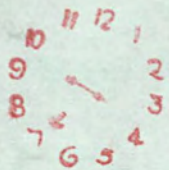
ANNEX C

List of Briefs

1. Steering Brief
2. European Community Questions
  - (i) Community Steering Brief
  - (ii) Budget/Convergence
  - (iii) CAP
  - (iv) Other Community Issues
3. Iran/
4. Afghanistan
5. East/West Relations including SALT and TNF
6. The international economic scene
7. Energy questions
8. Bilateral questions (including the Schild case)
9. Italian internal political and economic scene



9 JAN 1960







File 156

10 DOWNING STREET

From the Private Secretary

4 January 1980

*Tory copy filed on "call by outgoing Italian Ambassador - Ducci" - Italy Dec 79.*

CALL BY THE ITALIAN AMBASSADOR

The Italian Ambassador, Signor Ducci, paid a farewell call on the Prime Minister yesterday. The Prime Minister had agreed, exceptionally, to see Signor Ducci because of the impending visit to London of the Italian Prime Minister, Signor Cossiga. Signor Ducci confirmed that Signor Cossiga was hoping to come to London on 29/30 January.

Signor Ducci said that he disagreed with those newspaper commentators who were arguing that Signor Cossiga might fall from power in the course of this month. His own reading of the situation was that Signor Cossiga's position was now stronger than it had been before Christmas and that Signor Cossiga would probably remain in office until the local government elections in May. The Prime Minister pointed out that, given the summit meetings planned for June, the complications of a change in Prime Minister at that time would be at least as great as those which would arise this month. Signor Ducci implied that this factor might help to keep Signor Cossiga in office even beyond May.

Signor Ducci said that the Prime Minister had arranged an intensive programme of meetings for the rest of this month. He would be seeing M. Ortoli in Rome tomorrow and the Lord Privy Seal on Monday. He would be seeing Mr. Roy Jenkins a little later and then visiting Strasbourg and Washington. The month's programme would be completed by Signor Cossiga's visit to London.

On the budgetary issue, Signor Ducci said that a problem which was pre-occupying the other members of the Community was whether there could be any assurance that a decision taken in the near future would be a final decision or whether they would be asked to conduct a further re-negotiation in a year or two's time. The Prime Minister said, with some emphasis, that she had been making clear that Britain wanted a formula that would last as long as the problem. The last thing she wanted was to have to deal with this problem again in the future. Signor Ducci had nothing new to say on the substance of the budgetary issue. But he observed at one point that the Germans held the key to a solution. They would

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need some kind of compensation, albeit cosmetic, for the extra burden they would have to assume. They might seek movement in the direction of a common energy policy. The Prime Minister observed that no-one had ever established what was meant by 'a common energy policy'.

There was a brief discussion about Afghanistan in the course of which Signor Ducci said that his authorities had the impression that President Carter might propose a discussion of Afghanistan at Head of Government level. Signor Ducci was vague about which governments would be involved. The Prime Minister said that President Carter had made no such suggestion to her. She expressed doubt as to whether a meeting at Head of Government level would be justified. The normal machinery for inter-governmental consultation should suffice.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. C. W. WILSON

Paul Lever, Esq.,  
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

file Lb  
cc Co  
Miss Stephens  
Mrs Goodenough

3 January 1980

(1) BF 10/1.80  
(2) BF 18/1.80  
House ADM 28 of 1/1

VISIT OF THE ITALIAN PRIME MINISTER

As you know, I have been in touch with Signor Cossiga's office in Rome about the dates of his visit to London. Sergio Berlinguer and I have tentatively agreed that Signor Cossiga should arrive in London on the afternoon of Tuesday 29 January and should leave after lunch the following day.

If these dates are confirmed, I would envisage a preliminary session of talks, perhaps a tête-à-tête, on the evening of the first day, and a more formal plenary session for, say, two hours, on the morning of the second day. The meal on the first day would be a formal black tie occasion for 32 (without spouses); the lunch on the second day would be a smaller, working meal for the two delegations. You may like to ask Sir R. Arculus to confirm the details of the visit and to discuss with the Italians such questions as the composition of the party to accompany Signor Cossiga.

(1) 11  
(2) 11

Assuming the dates are confirmed we would need a draft guest list for the dinner as soon as possible. In any case, no later than Thursday 10 January. The briefing should reach me by close of play on Friday 18 January (I recognise that some of the briefing may have to be up-dated in the course of the following week). We will aim to have a briefing meeting on the afternoon of Friday 25 January.

I am sending a copy of this letter to Martin Vile (Cabinet Office).

M. O'D. B. ALEXANDER

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

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