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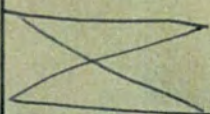
Anglo / Italian Summits.

ITALY

Visit of Signor CRAXI

Part 1: January 1981

Part 3: September 1983

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
1.9.83		10/10/87					
6.9.83		17/10/87					
7.9.83		11/10/87					
9.9.83		16.10.87					
15.9.83		23/10/87					
12.10.83		25.10.87					
6.6.84		4.1.85					
14.6.84		17.1.85					
18.6.84		22.1.85					
4/7/84		29.1.85					
27.7.84		6.2.85					
3.9.84		22.85					
10/9/84		1.2.85					
25.9.84		29/1/85					
27.9.84		6/6/85					
5.10.84		25.10.85					
		31.10.85					
		25.9.85					
		29/11/85					
		19.12.85					
							
		PART					

PART 3 ends:-

CDP TO FCO 19.12.85

PART 4 begins:-

FCO TO CDP 5.11.86



10 DOWNING STREET

From the Private Secretary

19 December 1985

ANGLO-ITALIAN SUMMIT

Thank you for your letter of 18 December about the arrangements for the Anglo-Italian Summit.

I am afraid that the Prime Minister is not willing to travel to Italy on the evening of 11 March. She is determined that these bilateral summits shall be confined to a single day, a policy we have now successfully implemented with France and Germany and she wishes to follow it in the case of Italy too. I must ask you, therefore, to explain to the Italian Government that the pressure of the Prime Minister's other engagements at that time unfortunately make it impossible for her to arrive before the morning of 12 March, though she is ready to make a very early start from London in order to enable her meetings to begin promptly. If in the circumstances the Italian Government conclude that it is not feasible to hold the summit in Florence but prefer it to be elsewhere where there is a major airport, she would quite understand.

The Prime Minister is content with the proposal to limit Ministerial attendance in the way set out in your letter.

I am copying this letter to Michael Stark (Cabinet Office).

(Charles Powell)

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

PRIME MINISTER

The Italians are keen for you to go to Italy the evening before the bilateral summit in March. You could do this and probably leave a bit earlier the next day in consequence.

On the other hand we are trying to squeeze bilateral summits into one day and have succeeded in the French and German cases - though since Italy is further it will mean a very early start.

✓
Agree not to go the evening before?

CDP

mr

Charles Powell

18 December 1985

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Foreign and Commonwealth Office

London SW1A 2AH

18 December 1985

Dear Charles, Anglo-Italian Summit

Thank you for your letter of 29 November. We asked the Embassy in Rome to check with the Italian Prime Minister's office if 12 March 1986 would in principle be a suitable date for the next Anglo-Italian Summit. That date is free in Craxi's diary. The way is now clear for you to put it to the Prime Minister.

As and when a date is agreed, the Italians would very much like the Prime Minister to arrive on the evening of the day before. This would be consistent with the arrangements discussed with Craxi's office when we were planning the summit for October. The Italians would not welcome a proposal to confine the meeting to one day: and travelling times would make the programme very tight. The Prime Minister could fly to Pisa on Tuesday evening and travel to Florence by car or helicopter.

Lord Bridges suggests that, depending on the Prime Minister's other engagements on 11 March, there might be time after her arrival for a short tete-a-tete with Craxi and a working dinner. If she wished, the Prime Minister might spend a short period sight-seeing early on 12 March. The summit would then follow the usual pattern: discussions, a short plenary followed by a press conference and a late lunch. The Prime Minister would be back in London by late afternoon (Italy will be one hour ahead of the UK in March).

The Italians have made clear their preference for small Ministerial teams. We suggest that the Prime Minister might be accompanied by Sir Geoffrey Howe, Mr Heseltine, Mr Brittan and Mr Hurd. Lord Bridges agrees.

If you confirm that 11-12 March will suit the Prime Minister, we shall alert the offices of the Ministers who may be involved. Meanwhile I am copying this letter only to Michael Stark.

Yours wot,
Le Appleyard

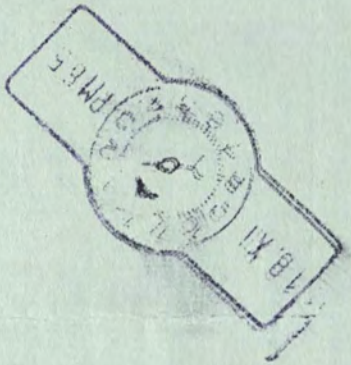
(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

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ITALY: ANGLo Italian Summits: Pt 3

POSTAL AND TELEGRAPH OFFICE
LONDON, ENGLAND



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10 DOWNING STREET

From the Private Secretary

29 November 1985

ANGLO-ITALIAN SUMMIT

I have been giving some thought to dates for the proposed Anglo-Italian Summit and had a brief word about it with Antonio Badini, Craxi's Diplomatic Adviser in the margins of the NATO Heads of Government meeting in Brussels.

We agreed that it made sense to think of a date before the March European Council (assuming it is maintained) and to continue to plan on holding the meeting in Florence.

I have now had a look at the diary and find that the Prime Minister could manage a meeting on Wednesday 12 March. Could the Embassy please discuss this without commitment with the Italians. I shall need to speak to the Prime Minister before we go firm.

(C. D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

76 JP
bc Pc

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See

10 DOWNING STREET

From the Private Secretary

25 September 1985

ANGLO/ITALIAN SUMMIT

Cancelled
BA
N

I note that Lord Bridges has recommended that the Prime Minister should try to find time to see Signor Craxi before the European Council even though we have had to postpone the Anglo/Italian bilaterals. It is very difficult indeed to find a time in the Prime Minister's diary when she could do this. The one date she could manage would be a working lunch on 20 November. You might want to establish whether Signor Craxi would be free and willing to come to London for that. If he cannot manage it, I fear that it will probably be impossible to find any date ahead of the Luxembourg Council when he and the Prime Minister can meet.

(CHARLES POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office

C. R. ①
PRIME MINISTER

ANGLO-ITALIAN SUMMIT

We have cancelled the Anglo-Italian Summit due to be held in Florence on 29/30 October. Tom Bridges has nonetheless put in a strong plea that you should try to find time to see Craxi briefly before the December European Council. There happens to be a lunch free on 20 November. Would you consider inviting Signor Craxi to a working lunch here that day?

Yes not
CDD

(CHARLES POWELL)

23 September 1985



Foreign and Commonwealth Office

*Master on PM
Tours: Italy May 85*

London SW1A 2AH

16 September 1985

Dear Charles,

Bilateral Summit with the Italian Government

Thank you for your letter of 2 September about the Prime Minister's decision to cancel her planned visit to Italy at the end of October.

The Foreign Secretary doubts if it would be sufficient for Lord Bridges simply to explain to the Italian Government that the Summit will have to be delayed until early in the New Year. He thinks it important for the Prime Minister to send a personal message to Signor Craxi, which should if possible propose alternative dates. I enclose a draft telegram to Rome.

Sir Geoffrey Howe had in any event considered arranging a bilateral with Andreotti before the Luxembourg Council. In the new circumstances he thinks it might be best for him to offer to visit Rome, and a reference to that effect has been inserted in the draft message to Craxi. While in Rome he would hope to call on Craxi.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

File No.

OUTWARD

Department

Drafted by

(Block Capitals)

Tel. Extn.

TELEGRAM

Security Classification CONFIDENTIAL
Precedence IMMEDIATE
DESKBYZ

FOR COMMS. DEPT. USE

Despatched (Date) (Time)Z

POSTBYZ

PREAMBLE

(Time of Origin) Z (G.M.T.) (Restrictive Prefix)

(Security Class.) CONFIDENTIAL (Caveat/ Privacy marking)

(Codeword) (Deskby)Z

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

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REPEATED TO (for info)

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Distribution:-

[TEXT]

ANGLO-ITALIAN SUMMIT

1. The Prime Minister has decided that she will not now be able to travel to Florence on 29-30 October for the summit. The Prime Minister could manage

as alternative dates. Grateful if you would convey the following personal message from the Prime Minister to Craxi. Begins.

I very much regret that new circumstances, which are likely to involve me in major commitments here, will prevent me from travelling to Italy on 29-30 October, the dates that we had agreed for our meeting in Florence. I had been looking forward greatly to that occasion and!

- Limited
- WED
- ECD(I)
- ECD(E)
- RID
- Protocol Dept
- Private Secretary
- PS/Lady Young
- PS/Mr Rifkind
- PS/Mr Renton
- PS/PUS
- Mr Derek Thomas
- Mr Goodall
- Mr Braithwaite
- Copies to:- Mr Renwick
- cc: No 10 Downing Street
- PS/Sec of State for Defence
- PS/Chancellor of the Exchequer
- PS/Sec of State for Trade and Industry

CONFIDENTIAL

am/

am very sorry for the inconvenience that this change of plan will cause you and your colleagues. I hope it will prove possible for us to fix alternative dates in the near future. I have asked Lord Bridges to suggest some dates that might be possible for me.

Meanwhile Sir Geoffrey Howe intends to suggest to Signor Andreotti that he might visit Rome for talks in advance of the European Council in Luxembourg. ENDS.

2. When the message has been delivered, please tell Andreotti that if that would suit him I would be happy to visit Rome for talks and/or dinner during the second half of 13 November, on the eve of the WEU meeting.

HOWE

CDP 12/6

PRIME MINISTER

POSSIBLE MEETING WITH SIGNOR CRAXI

Signor Craxi is trying to set up bilaterals with all European Heads of Government before the Milan European Council. We have made quite clear that there is no question of your being able to go to Italy. We have also made clear that your diary is too full for a full-scale visit here. He has, however, asked whether he might stop off on his way to or from Copenhagen for a meeting of, say, one hour on either 17 or 18 June. He fully recognises that you will not be able to give him a meal or anything like that.

DK
not coming

I think it would be hard to refuse a brief meeting, since there is time in the diary on both days when you could give him an hour.

Agree to this if he confirms his desire to come?

Yes mb

CDP

CHARLES POWELL

6 June 1985

17021

F. B. I.



CONFIDENTIAL

17021

*Subject a master**hle**ecu**cc PC*

10 DOWNING STREET

From the Private Secretary

15 February 1985

Dear Colin,

MEETING BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF ITALY AT 10 DOWNING STREET
ON 14 FEBRUARY AT 1800 HOURS

The Prime Minister held an hour of talks with Signor Craxi at 10 Downing Street yesterday evening followed by a working supper. Signor Craxi was accompanied at the talks by Signor Ruggiero and Signor Badini. Mr Williamson was also present. The Italian Ambassador and Professor Acquaviva on the Italian side and the Foreign Secretary and the Chief Secretary on the British side joined the working supper.

The announced purpose of Signor Craxi's visit was to explore the scope for moving forward the European Community's enlargement negotiations with Spain and Portugal. One can only say that he appeared to be at a rather early point on the learning curve on this subject and much of the time available was taken up with Signor Ruggiero explaining to Signor Craxi what it was all about. However, the Prime Minister was able to get a number of basic points across. As Signor Craxi left he observed that he had clearly understood that his main task was to tell the Spaniards that they could not have any more of our fish.

EC enlargement

Signor Craxi said that an early break through was needed. The Commission had recently produced new proposals on fish and on Spanish agriculture. These seemed to open possibilities for progress. The Prime Minister said that there was no question of the United Kingdom's accepting the Commission's proposals on fish. We were the member state with the biggest interest in this matter and it was essential to stick to the principles of the Common Fisheries Policy. We might be able to suggest some minor modifications to the Community position but the Commission's proposals went well beyond anything we could agree.

Signor Ruggiero suggested that if the Spaniards gave a firm commitment not to increase the size of their fleet and to carry out restructuring, the Community might be more flexible in limited areas. The Prime Minister observed that they were our areas which Signor Ruggiero was prepared to treat in such a carefree manner. The choice was between some modest changes in the Community position which we would

shortly be proposing or sticking to the existing position. Signor Craxi asked whether he had understood correctly that the Commission's proposals were not acceptable to the United Kingdom. The Prime Minister said that he should make this clear to the Spaniards straightaway. Their expectations should not be aroused. Spain had to be brought to realise that nothing more was on offer and to accept the package that was on the table. Signor Ruggiero said that his fear was that Spain would accept the terms of entry and then renegotiate them from within the Community.

The Prime Minister asked where matters stood on Spain's transition to Own Resources. Signor Ruggiero said that there was no Commission proposal yet. The Prime Minister said that any proposal must respect the Fontainebleau agreement. M. Noel had been making some peculiar remarks which, if taken seriously, would undermine that agreement and would mean that the Community could have no new Own Resources. The Prime Minister continued that the Community must find the means to help Portugal and ensure that it was a net beneficiary.

The Prime Minister observed that life would not be easy in an enlarged Community. Spain and Portugal would bring many new problems and complicate the business of the Community greatly.

Integrated Mediterranean programmes

Signor Craxi said that this matter too had to be settled. He understood that the Commission were working on new proposals. The Prime Minister commented that it frightened her to think about it. Signor Craxi continued that some governments had been taken aback by the extent of opposition to the Commission's original proposals. While the size of IMPs might be negotiable, the proposal could not be brushed off the table. The Prime Minister said that no-one should have been under any illusion about our attitude to IMPs. She was not in a position to offer more than had been proposed at the Dublin European Council. Greece already was a substantial net beneficiary from the Community. We must also stick to the agreement that money for IMPs should be found from within the structural funds. Her advice to Signor Craxi was to try to settle the issue in the Foreign Affairs Council. She saw little prospect of an agreement being reached in the European Council. Some behind the scenes negotiation was required. Signor Craxi said that the offer made at the Dublin European Council had been paltry. The matter did not concern Greece alone. Others had received promises and would expect to benefit. The Prime Minister said that she assumed that Italy would agree that the greater part of IMPs should be for Greece. Certainly there was no case for France to receive anything. The most which she could envisage was 600 million écu over five years. One had to take account of the enormous increase in spending on Mediterranean agricultural products in recent years. Signor Ruggiero said that the increase had come from a very low base. Signor Craxi looked unhappy.

Community budget for 1985

Signor Craxi said that it seemed to him the only way to solve the Community budget problem in 1985 was to have another Inter-Governmental Agreement. The Prime Minister said that she did not necessarily accept this and would certainly much prefer to avoid it. The alternative was to persuade Germany to bring forward the introduction of new Own Resources. She acknowledged however that Chancellor Kohl remained firmly opposed to this as evidenced in his recent speech to the Bundesrat. Signor Craxi said that he had reached the same conclusion.

The Prime Minister said that one Inter-Governmental Agreement was tolerable but two was habit-forming and undermined the integrity of the Treaty. The first thing to be clear about was the amount to be financed. The sum agreed was 1.3 billion écu and we would not be prepared to go above that. The other essential point was that the UK abatement must be on the revenue side. If the only way to achieve this in 1985 was through an Inter-Governmental Agreement she might be prepared to consider it. But her information was that other member states were unlikely to agree. Signor Ruggiero said that the Italian assessment was that a second Inter-Governmental Agreement was the solution which in the end would cause the least difficulty to everyone though he admitted that France at least was opposed at present. The Prime Minister acknowledged that an Inter-Governmental Agreement might be the only way out. But it would only be acceptable if it covered both the overrun and our abatement. Otherwise it would be impossible to get the new Own Resources Decision through Parliament.

CAP Price Fixing

The Prime Minister said that this year's agricultural price fixing seemed bound to be difficult in view of German attitudes. The Germans spoke with two voices: one piping up for budget discipline, the other for higher agricultural prices. Signor Ruggiero noted that Chancellor Kohl had expressed determination to defend the income of German farmers. The Prime Minister agreed that we might well be confronted with demands for special measures for German farmers as had been the case at Fontainebleau. The United Kingdom would support the Commission's proposal for zero price increases.

International economic questions

The Prime Minister referred to the difficulties created by the surge of the dollar. In the short run this enabled the European countries to increase their exports to the US. But in the longer term it would increase raw material prices and the costs of European industry. Her main fear was that when the dollar eventually turned, its fall would be steep. But for the moment, the United States was enveloped in a euphoria to which no end was in prospect. Signor Craxi agreed with the Prime Minister's analysis while adding that he thought that the deutchmark had been undervalued. He

also revived the idea, which he had put forward in his talks with the Prime Minister last autumn, that European countries should seek long term contracts with oil suppliers denominated in a basket of currencies.

Libya

The Prime Minister thanked Signor Craxi for Italy's help in securing the release of the British hostages in Libya. It had not been an easy matter to handle. But with Italy's help and that of Terry Waite, the story had turned out well. Signor Craxi said that he had recently met Jalloud in Rome (a meeting lasting some 4½ hours: the longest he had ever taken part in) and Jalloud had promised that the hostages would be released. He had the impression that Libya was in a state of difficulty and embarrassment in its relations with the United Kingdom and was anxious to get back to normality. The Prime Minister said that the Libyan Government continued to pursue Libyan dissidents overseas and had clearly learned nothing from experience. But perhaps the very fact that he had released the hostages showed that Gadaffi recognised that his behaviour was unacceptable. Signor Craxi pointed out that Libyan dissidents were no less ready to mount attacks on Libyan officials. A member of the Libyan Embassy in Rome had recently been gunned down. He thought that the situation within Libya was unstable with a general malaise and rumours of further coup attempts.

Argentina

Signor Craxi said that he wished to raise the matter of torpedoes for Argentina about which he had only learned in the course of his journey to London. It seemed that an American company, a subsidiary of Fiat, held an old contract dating from 1980 for the sale of torpedoes to Argentina. Attempts were being made by the Argentinians to revive it. In his view, torpedoes could not rank very high among Argentina's needs and in principle he was against selling them. He would look further into the matter. He would also be seeing President Alfonsin in Montevideo. The Prime Minister said that she was grateful for Signor Craxi's information. Although the view seemed to be current that the Argentines were not interested in arms purchases the truth was rather different. They were seeking new weapons in Israel and Germany. Signor Ruggiero added that the Italians had also had reports that the Argentines were shopping for modern torpedoes in the United States. The Prime Minister said that she would raise this during her visit to Washington next week.

Middle East

Signor Craxi gave an account of his meeting with Arafat last December. He had tried to convince Arafat that progress towards a Middle East settlement could be made only if the PLO reached agreement on a convincing and coherent platform with Jordan. The Prime Minister and the Foreign Secretary pointed out that there had been intensive

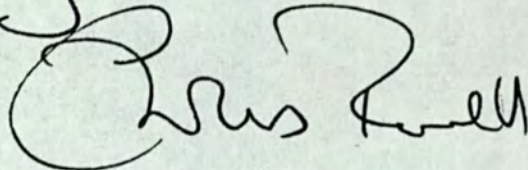
discussions and apparently some agreement between Jordan and the PLO in the last few days though it was uncertain what this amounted to. Signor Craxi continued that Arafat wanted Europe to take some action. He had that day received a message from Arafat about his recent meetings with King Hussein. He would be meeting Peres in Rome on Monday and would thereafter send the Prime Minister an account of his exchanges. The Prime Minister asked him to do this before her departure for Washington. Signor Craxi said that it appeared that the PLO were edging towards acceptance of Security Council Resolution 242. The Prime Minister said that her understanding was that Arafat was still shying away from this. She admitted that Arafat had a difficult hand to play particularly with the Syrians. The prospects for progress depended on the PLO agreeing to allow King Hussein to negotiate with Israel with non-PLO Palestinians as part of his negotiating team. This was an essential consideration for President Reagan. The Prime Minister continued that she was anxious that President Reagan should take an initiative soon. There was only a limited amount of time available before Peres was replaced by Shamir, which would put paid to any hope of a settlement. Signor Craxi said the problem was to set a process in motion. The Foreign Secretary said that this was why the discussions between King Hussein, President Mubarak and Arafat were important. There had to be activity by the people on the spot. Signor Craxi pointed to the likelihood that Syria would block progress. The Prime Minister said that a way must be found to bring Syria along. President Asad was too considerable a figure to be left out.

Strategic Defence Initiative

Signor Craxi said that Lord Carrington had very recently called on him to discuss the Strategic Defence Initiative (SDI). They had taken very similar views. It was clear that the forthcoming arms control negotiations in Geneva would be difficult. There were three baskets, two of which contained existing weapon systems but one with only a concept in it. He found the American position to be straightforward. They were determined to pursue research but recognised that deployment must be the subject of negotiation. But if the Soviet Union made a ban on research a pre-condition of progress on other issues the Geneva talks would rapidly reach impasse. The Foreign Secretary said that the impression was often created that only the United States was doing research in this field. The fact was that the Soviet Union had started earlier and had done more. He had encountered no recognition of this fact during his recent visit to Eastern Europe. Signor Craxi said that he found the concept of the SDI fascinating but many scientists claimed that it was impossible to realise. We would have to see. He found it hard to understand why France was so firmly opposed to the SDI. They regarded it as an escalation of the arms race. They also claimed that if it were ever introduced, the result would be to enhance the likelihood of conventional war. The Prime Minister said that she disagreed with the French attitude and also with the argument that the SDI would give the United States a

first strike capability. Anyway the Americans were not the sort of people who would ever use such a capability. But there were real problems with the SDI. It would always be possible to find ways to evade or penetrate the defensive screen; there was the risk of upsetting deterrence, which had secured peace for 40 years; and the dream of a world without nuclear weapons was not realistic. The fact was that President Reagan's commitment to the ideal led him to underestimate the difficulties and risks. But nothing was to be gained by confrontation with the US on the issue. Research had to be pursued to balance the efforts of the Russians while deployment must remain a matter for negotiation.

I am sending copies of this letter to Rachel Lomax (HM Treasury), Richard Mottram (Ministry of Defence), David Williamson (Cabinet Office). I am also copying those parts dealing with European Community matters to Ivor Llewelyn (MAFF).

Yours sincerely,

(C.D. Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CEPC



Foreign and Commonwealth Office

London SW1A 2AH

13 February 1985

Dear Charles,

Visit of Signor Craxi: 14 February

Please refer to Peter Ricketts' letter of 11 February enclosing briefing for the above visit.

As promised, I now enclose briefing on International Terrorism.

I am sending a copy of this letter and enclosure to Richard Hatfield in the Cabinet Office.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

PRIME MINISTER'S MEETING WITH SIGNOR CRAZI

NOT Summit

ENLARGEMENT

- committed to 1 Jan. 1986 target for Spanish and Portuguese accession.
- must stick to agreed Community position on olive oil. Regime must be reformed before Spain joins it. Community already in surplus.
- cannot accept new Commission proposals on fish which depart from principles of CFP. Should stick to UK/French/Irish ideas on access plus compatible elements of Commission proposals. Spain must be convinced Community has nothing more up its sleeve. UK/France/Ireland only member states really affected.

/contd.

- any budgetary arrangements for enlargement must be covered by Fontainebleau. Otherwise no new own resources.

MIDDLE EAST

- interesting signs of movement in situation, e.g. Hussein/PLO.
- President Reagan still committed to September 1982 initiative. Will press him to be more active when you get to Washington.
- see no separate role for European Community. Will not accept Papandreou's proposal for a Committee. No point in EC initiative or statement.

IMPs

- must get this settled at European Council. Otherwise enlargement and therefore New Own Resources remain blocked.
- only way forward is a much smaller sum, more heavily weighted towards Greece.
- Italy already receives very considerable benefits from the Community. No real justification for a share of IMPs.
- [if asked to name a figure for IMPs] 600m ecu.

EC BUDGET 1985

- cannot agree to finance over-run greater than 3 billion.
- can accept any arrangement for our 1000m ecu abatement provided compatible with Fontainebleau, i.e. paid this year on the revenue side.
- would not ourselves object if done through Inter-Governmental Agreement. But doubt whether all other member states would agree. Can Craxi deliver them?
- cannot agree to finance over-run until our abatement also settled. No way we could get a further contribution through Parliament otherwise.

CAP PRICE FIXING

- must be in accordance with financial guideline
- must stick to earlier commitments on mill and cereals prices.
- no case for further preferential treatment for Mediterranean products [expenditure up 254% 1979/84]
- if Commission package opened up by Italy others will also seek national objectives.

DOUGLAS COMMITTEE

- many key provisions of Treaties remain to be implemented
- no possible sense in change to majority voting in a lot of areas.
- no advance commitment to an Inter-Governmental Conference. Let's see how we get along up to June. May prove unnecessary if necessary decisions can be accommodated within existing Treaty.
- see no scope for increased powers for European Parliament.

VEHICLE EMISSIONS

- Italian and UK interests close. Can't just fall into line with German demands.
- must stop Germans fragmenting market.
- any directive must be permissive.
- pleased to be able to help Italians get provisional concession on small cars: now look to Italians to help us get concession on medium-sized cars.
- if Community does not reach agreement which covers medium-sized cars, too, we shall block it (which would have serious effect on Italian exports of small cars).

ITALY: Mtg with Signor Craxi

NOT Summit file.

PRIME MINISTER

MEETING WITH SIGNOR CRAZI

He comes at 6 p.m. tomorrow for an hour's bilateral, followed by a working supper at 7.30. He has to leave at 8.30 or shortly after.

The attached briefs are rather detailed and I doubt that he will actually want (or be able) to go into that amount of detail. You have already read the Foreign Secretary's minute summarising the issues.

The main subjects are Enlargement (including IMPs), EastWest and the Middle East. If there is time you might also mention EC budget issues, CAP price-fixing, Vehicle Emissions and Dooge Committee.

Welcoming Remarks

You might repeat your thanks for Italian help over the Libyan hostages and say that you are looking forward to seeing Signor Forlani (Deputy Prime Minister) when you get back from Washington. (1)

Enlargement

We remain committed to the 1 January 1986 deadline. There is no question of shifting our position on olive oil: the surplus in the existing Community has got worse. Nor can we make any significant change in the Community's position on fisheries which would depart from the principles of CFP though we have offered some minor improvements with increased quotas for some types. We, the French and the Irish are the members with the biggest stake here and our interests must prevail. The Spaniards should be told that this is the Community's last word. On the budgetary aspects of enlargement, we must stick to what was agreed at Fontainebleau. Otherwise there will be no new own resources.

Prime Minister
This is intended
as a summary, to
save you wading
through the detailed
brief.

C.D.P.

IMPs

We are ready to work for a solution which would unblock enlargement. But it must be on a much more modest scale than so far contemplated. Greece should receive a larger proportion of a much smaller sum. Italy already does very nicely out of the Community (£700 million net gain last year: can expect 7.5/9.0 billion ecu from social and regional funds from now until 1989).

EC Budget

We can accept any arrangement for our 1000 ecu abatement which is in accordance with Fontainebleau, i.e. pays us in 1985 and on the revenue side. We cannot accept a solution which deals with the over-run first and leaves our abatement to later. We cannot ask UK Parliament to ratify the new Own Resources Decision until our abatement is assured. We are not aperepared to finance an over-run greater than 1.3 billion.

CAP Price-fixing

Budget discipline must apply to 1985 price-fixing. No case for further preferential treatment for Mediterranean products (expenditure up 254 per cent 1979-84).

Future of the Community

Cannot now pre-empt a decision on whether or not an InterGovernmental Conference will be necessary. First step is to sort out current issues and see if implementation of existing Treaty is not enough. Change to majority voting does not make sense in many cases. See no prospects of increasing European Assembly's powers.

Vehicle Emissions

Must stand firm for a permissive directive and removal of German fiscal incentives. German concessions needed on medium as well as small cars. If we cannot get the concession on medium cars, we shall block agreement on small cars (of interest to Italians). So hope they will remain solid with us.

Middle East

Will not support any "initiative" by the Ten such as the Committee suggested by Papandreou or a new statement. Our task is to encourage the US to move and to support efforts of moderate Arabs.

C.D.P.

13 February 1985



CONFIDENTIAL

VISIT OF THE ITALIAN PRIME MINISTER: THURSDAY 14 FEBRUARY

EUROPEAN COMMUNITY

(a) **ENLARGEMENT**

OUR OBJECTIVES

To persuade Signor Craxi that the way to reach a rapid conclusion to the negotiations is to:

- (i) stand by current position on olive oil;
- (ii) get Spain to accept compromise we, the French and Irish have proposed on Fish;
- (iii) propose transitional budget arrangements which follow precedents and are within scope of Fontainebleau agreement;

ARGUMENTS

2.(a)- Political significance of 1 January 1986 deadline;

(b)- Latest Italian production figures for olive oil (900,000 tonnes in 1984, 25% increase on previous record) means EC already in surplus (104%);

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- stick to EC position; alternative is to agree guarantee threshold now;
- Spain being offered phasing in of production aid from accession;
- if regime reformed, no need to delay transition by Spain to full regime;
- have always accepted that Italy could have guarantee threshold set on a national basis;

- (c)- Aspects of new Commission proposals on Fisheries involve departures from principles of CFP and are not acceptable;
- time not available to design entirely new EC approach;
 - only valid compromise French/UK/Irish ideas on access (designed to meet Spanish concerns) together with compatible elements in Commission proposals;
 - Presidency should put this to Spain in final global package and make clear that this is last word;
 - alternative is to stick to existing Community position.

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- (d) - Transitional terms for Spanish agriculture
too tough;
 - EC must offer at least concession for citrus
as regards tariff dismantling and reference
price;

- (e) - Portuguese will have political difficulty with
ratification of Treaty unless EC offers some
improved access on key export sectors (sardines,
Port);

- (f) - Understand Commission preparing proposals to
cover transitional budgetary arrangements for
Spain and Portugal;
 - Previous enlargements provide precedents; right
answer would be to phase in Spanish and
Portuguese contributions over a transitional
period;
 - any budgetary arrangements must be covered by
Fontainebleau mechanism; this was explicitly
agreed by European Council at Fontainebleau.

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3. TACTICAL ARGUMENTS

- If Community still wrangling about enlargement after March European Council, no hope of proper discussion of future of Community in June.
- Italians and French insisting on very tough terms on agriculture; we ~~do~~ ^{shall} not agree to arrangements on fisheries which would destroy limited fishing stocks and disrupt CFP.

4. CRAXI'S OBJECTIVES

To resolve the major outstanding issues in the Accession negotiations by the March European Council; will therefore want:

- (a) - UK to show flexibility on Olive oil and Fisheries on basis of new Commission proposals; but
- (b) - to defend EC positions on transitional arrangements for Spanish fruit and vegetables and Portuguese sardines and Port, of advantage to Italy.

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5. OUR RESPONSE

- (a) - Support Italians in working for progress;
- (b) - Need fair balance of interests between existing and new member states; must not prejudice future development of EC;
- (c) - EC must maintain balance of CFP;
- (d) - EC cannot afford to build up Mediterranean surpluses after Spanish accession to match those for Northern products;

6. PRESS LINE

The Prime Minister and Signor Craxi reaffirmed the need to conclude negotiations by the European Council in order to meet the Accession target date of 1 January 1986. They reviewed progress in the main outstanding issues currently under discussion.

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BACKGROUND

1. - The Commission circulated on 11 February compromise proposals for Foreign Affairs Council of 18 February covering Spanish Fisheries, Spanish and Portuguese Agriculture (including olive oil and wine) and Social Affairs.

FISHERIES

2. EC position of December 1984 endorsed by European Council but rejected by Spain provides for:
 - basic 10 year transition during which Spanish vessels would be subject to licensing in EC waters, with possibility of bringing transition to an end in 1993 if Council agree EC wide control measures;
 - if no Council decision transition automatically extended for further 5 years beyond 1995.

3. France, Ireland and UK have worked out improvements to meet some Spanish concerns without touching fundamentals of CFP:
 - Spaniards would prepare base list of all vessels (numbers specified in Treaty) with interest in fishing in key areas (West of Scotland, North and



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West of Ireland, Irish Sea, SW approaches and Bay of Biscay) and nominate weekly in advance a smaller list of vessels entitled to fish in given area within specified limits (= two list system). System would obviate need for licences (to which Spaniards object) and is analogous to practice in Shetland Box.

- Spaniards could also be offered increase in quotas for hake, monk and megrim by increasing TAC to extent safely possible.

4. New Commission proposals would involve departure from principles of CFP. They provide for:
 - Two list system to 2002;
 - some concessions on quotas (but not for hake);
 - Post-accession restructuring aid of 19 mecu to slim down Spanish North Sea fleet; from 1992, once numbers of base list equal (through scrapping) to those on periodic list, certain fishing restrictions lifted (transitional mechanism);
 - also in 1992, Commission to make proposals to control and regulate development of new EC fisheries to re-establish balance (balance clause); likely to involve a generalised licensing system. If Council unable to decide within 6

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months, all restrictions on Spanish fishing except two list system would be lifted.

OLIVE OIL

5.- EC position:

Spain would not transit to EC intervention price levels until regime reformed. (Spanish price levels some 50% below EC prices, so considerable incentive for Spaniards to support reform).

Commission propose annual Spanish price increase equivalent to 5% of gap between Spanish and EC levels post-accession.

- Latest Italian production figures of 900,000 tonnes (if confirmed) would make EC 104% self sufficient now, 111% immediately on Spanish accession.

SPANISH AGRICULTURE

6.- Spaniards receive no increase in trade access for first four years of transition under present proposals for fruit and vegetables.

- Commission propose shortening period for tariff dismantlement from 10 to 7 years for reference



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price products; acceptable for citrus fruits (of concern to Italians and French but not to us) but not for other temperate products e.g. tomatoes.

PORTUGUESE AGRICULTURE

7. - Italy opposes Portuguese claim, which we support, for free access for most competitive products i.e. sardines, Port and processed tomatoes.
- Commission propose 4 years tariff dismantling for tomato concentrate, 2 years on liqueur wines and 10 years for tinned sardines (with modest zero duty quota). Commission terms do not go far enough.

SPANISH AND PORTUGUESE CONTRIBUTIONS TO OWN RESOURCES

8. Tough transitional terms make Spain likely to be substantial net contributor to EC budget during first few years of transition unless compensatory mechanism arranged; Portugal would only have a minor problem for the first year.
- Accepted by all member states that Spain and Portugal ought to be substantial net beneficiaries.

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- No formal Commission proposals adopted, but Commission apparently considering some system of refunds following the Greek precedent (a degressive system of VAT refunds) over 7 years for Spain, with a one-year arrangement for Portugal.

9. Lord Cockfield was fully briefed on UK concerns (as was the Clinton Davis cabinet on 11 February). The Chancellor and Sir Michael Butler spoke to M. Delors (who undertook not to make proposals without consulting the UK) also on 11 February to make clear that:

- arrangements outside Fontainebleau would not be acceptable;
- explicit agreement at European Council at Fontainebleau that costs of enlargement would be covered by Fontainebleau arrangements.

FOREIGN AND COMMONWEALTH OFFICE

12 FEBRUARY 1985

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(b) INTEGRATED MEDITERRANEAN PROGRAMMES

Our Objective

- To persuade the Italians to accept a smaller proportion of a smaller total sum for IMPs.

Arguments to Use

- Primary need is to unblock enlargement.
- Original Commission proposal totally unrealistic. Financial situation of Community precludes anything approaching 6.6 becu.
- If a start on IMPs for Greece is not made in 1985 and enlargement is blocked, then new own resources will also remain blocked. This would be extremely disruptive and require substantial cuts in Community expenditure.
- Only solution we can see is for Greece to receive a larger portion of a smaller sum.

Italian Objectives

- To persuade us to agree to a higher global figure for IMPs. This would make it easier for a solution to be



reached without the Italians, as President, being obliged to make the biggest concession.

Our response

- Recognise Italy will expect to qualify. But Italy already receives considerable benefits from Community.

Can expect 7,500-9,000 mecu commitments from structural funds between now and 1989.

- Longer IMPs continue, the more likely Spain and Portugal will claim a share.

- Italy's GDP per head higher than Spain's and double Portugal's. Accession countries claim Community support for their development. Whatever is agreed on IMPs will affect subsequent Spanish and Portuguese claims.

- Only way forward, smaller sum more heavily weighted towards Greece.

BACKGROUND

1. Last Commission proposed 6.6 becu programmes over 6 years: Italy: 45%; Greece: 38%; France: 17%;.



2. New Commission not yet put forward proposal but thinking of 1.35 becu over 5-7 years.

3. Fontainebleau conclusions provided for IMPs to be operative in 1985, of limited duration and financed from the existing structural funds.

4. Agricultural IMPs (60% of total) should be met from within the new FEOGA Guidance ceiling. UK, Germany, Netherlands could accept 5 - 5.5 becu, including 400 for IMPs. Commission, backed by Italy, Greece and others, has proposed 5.9 becu excluding IMPs. To be discussed at 24-25 February Agriculture Council and at March ECOFIN.



(c) BUDGET ISSUES

Our Objectives

- To tell Signor Craxi that we can accept any arrangement for our 1000 mecu abatement which is in accordance with the Fontainebleau agreement, ie that we get the 1000 mecu in 1985 on the revenue side.

- To make clear the importance of holding the overrun to 1.3 billion ecu agreed last year.

Arguments to use

- If new own resources decision not adopted soon, ratification will not take place in time for 1 January 1986. Nor will it be possible to enact 1986 budget if increased own resources not available.

- Preferred solution to bring forward own resources for overrun and abatement. Could accept mixed solution provided it will enable our abatement to be made this year.

- Fontainebleau agreement clear. Nine Member States can agree a solution. Italian Presidency should work on Germans who are blocking adoption of ORD.



- Could not agree to finance an overrun of 1.9 billion ecu. Commission figures must be reduced.

Tactical Arguments

- UK could not ask our Parliament to ratify ORD unless our abatement was assured.

His objectives

- To ask us to be flexible on alternative solutions.
- To persuade us to take greater account of European Parliament's sensitivities.

Our response

- Have been, and remain, ready to be flexible, provided solution compatible with Fontainebleau ie our abatement guaranteed in 1985.
- No wish to offend European Parliament, but decisions of Heads of Government must be implemented. UK Parliament will not be ready to approve a second IGA unless our abatement has been made.

-
- Commission have made no attempt to justify their new figure for the overrun.

Background

1. Germany has opposed any bringing forward of own resources into 1985, and has suggested that both overrun and UK abatement be covered by IGA. France anxious to stick to Fontainebleau and will not agree to cover UK abatement in an IGA, but could probably accept mixed solution.

2. Italy's preferred solution (and ours) to bring forward own resources to cover both overrun and UK's abatement. Italians have now put forward our compromise suggestion of mixed solution in effort to reach agreement. They could probably live with any outcome which covered the overrun.

3. If Germans remain opposed to mixed solution, Italians may ask us to deal with overrun first, leaving resolution of our abatement till later. This not acceptable.

4. Italians also likely to want Community to cover the overrun as now estimated by the Commission (1.9 becu) rather than the 1.3 becu maximum to which Council agreed last year.



(d) CAP PRICE FIXING

UK objectives

- To convince Italians that successful Presidency must include a responsible and restrictive price-fixing in accordance with financial guideline.

Arguments

- Budget discipline text clear: guideline applies to 1985 price-fixing.

- Sensible development of CAP essential to overall development of Community, especially post-enlargement.

Tactical Arguments

- Reform essential if CAP to survive in the enlarged Community.

- Approval of new ORD dependent on effective budgetary control arrangements.

Italian Objectives

- To increase income for Italian farmers irrespective of financial guideline.



- To exploit any opening up of Commission package to get better prices for Mediterranean products.

Our Response

254%

- No case for further preferential treatment for Mediterranean products (expenditure up 254% 1979-84 against 73% increase for all products; cost of wine regime up by 17 times over same period; Italy's FEOGA receipts' share up by 44% 1980-84 to 21.7%, comfortably exceeding VAT financing share [15.6%]).

- If Commission package opened up, others will seek to achieve national objectives (eg Germans for cereals price increase). Cannot accept that approach any more. Controlling agricultural spending is a Community commitment.

Background

1. Mr Jopling meeting Italian Agriculture Minister, Pandolfi, 14 February. Pandolfi visiting London as part of tour of Community capitals to get reactions to Commission price proposals.
2. Pandolfi anxious to avoid full rigour of financial guideline at 1985 price-fixing.



3. Italian concern is to maintain farmers' incomes.

4. Price proposals for Mediterranean products:

durum wheat (for pasta making) : 0%

fruit and vegetables:

eg: citrus and tomatoes : -6%

peaches and apricots : -3%

aubergines : +1%

rice : 0%

wine : 0%

olive oil target price and

production aid : +2%

5. Pandolfi wants review of the CAP. Hopes it would lead to reforms entailing differentiation between large and smaller producers.



(e) FUTURE OF THE COMMUNITY

Our Objectives

- To avoid decisions being taken on an inter-governmental conference before the June European Council.

- To show that agreement is possible on practical and far-reaching measures without resort to Treaty amendment.

Arguments

- Much common ground already (completion of internal market, development of political cooperation, improved decision-taking, including majority voting where Treaties so provide .

- Need to decide what we want to do before we decide whether or not it can be done withing existing Treaties.

- Many key provisions of existing Treaties remain to be implemented.



- Change to majority voting does not make sense in many instances.

His Objective

- To secure a firm commitment to an inter-governmental conference to negotiate a Treaty of European Union.
- to support increased powers for European Parliament.

Our Response

- Must await the report of Dooge Committee.
- Should be bilateral contacts between March and June European Councils, with decisions taken in June.
- Self-defeating to have a meeting unless prior agreement had been reached on what it might achieve.
- Inter-governmental conference would seem pretty hollow if Community had not been able to sort out major current issues.
- In what areas could powers of European Parliament be increased without greater friction with Council? We have advocated better conciliation procedure. Nothing

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in present rules to stop European parliament putting forward its ideas for EC action, to be processed by Commission.

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(f) VEHICLE EMISSIONS

Our Objectives

- To persuade the Italians to support us and the French in working towards:

(a) a permissive directive;

(b) emissions standards for vehicles below 2000 cc that can be met by lean burn engines in conjunction with simple one way oxidation catalysts;

(c) removal of German fiscal incentives. LL

Arguments to Use

- German proposals would split internal market for cars to detriment of all EC car manufacturers.

- UK proposals, supported by French, go a long way to meeting German requirements. Essential that Germans make concession on medium sized cars for which 3-way catalysts are inefficient, ineffective and unreliable. Similarly, no purpose in adopting US equivalent standards as a target for small cars.

- German fiscal incentives are unhelpful. Presidency should make clear to Germans that introduction of fiscal incentives would put unnecessary pressure on



negotiations and make it more difficult to arrive at
Community solution.

- Germans created this problem. Community cannot simply fall in line with German demands. Germans must help by working for agreement.

Tactical Arguments

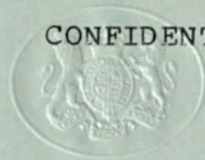
- Italians secured agreement, with British and French help, to some concessions from Germans on small cars. Unreasonable for Italians now to pressure us on medium sized cars where we have greatest interest.

- If Community does not reach an agreement which meets our needs, we will block it, leaving Germans free to require 3-way catalysts on all cars. This would have very serious effect on Italian exports of small cars.

Italian Objective

- To minimise impact of new standards on Italian exports (mainly small cars).

- To reach an outline agreement on vehicle emissions at 7 March Environment Council.



- In build up to this, to secure further concession from UK (and France) in particular on medium sized cars and, possibly, "permissiveness" of directive.

Our response

- We, too, are working for agreement at Environment Council. But there are limits beyond which we will not go.

(a) No 3-way catalysts for small or medium sized cars.

(b) New directive must be permissive. UK will not accept mandatory standards requiring 3-way catalysts for any cars.

Background

1. High Level Group on vehicle emissions now completed work, but no report has yet been submitted to the Council.

2. There are still differences on medium sized cars, where the Germans are insisting on US equivalent standards by a fixed date; and on small cars where they want US standards to be adopted as a long term target. The Germans are also unhappy about any directive being permissive; they would prefer it to be mandatory with a



temporary derogation for the UK if necessary.

3. The Italians, having secured some concessions on small cars are now moving away from the UK/French approach towards a more neutral position.

4. UK and France are opposed to introduction of any fiscal incentives for low polluting cars. Germans have stated that no action will be taken on fiscal incentives until after the 7 March Environment Council.



VISIT OF ITALIAN PRIME MINISTER: THURSDAY 14 FEBRUARY

2. MIDDLE EAST

Our Objectives

- Probe Presidency intentions on Arab/Israel while cautioning against any "initiative" which arouses undue expectations.
- Stress need to use all diplomatic means available to urge orderly Israeli withdrawal from Lebanon.

Arguments to Use

- On Arab/Israel - need for continued caution - Ten action no substitute for moves by Parties and by US. should continue to focus on Occupied Territories and contacts with parties.

Tactical Arguments

- Important to maintain unity of the Ten.



Their Objectives

- Seek UK views - perhaps propose further high profile activity.

Our Response

- Give UK view - take note of any new proposals.

Background

1. Dublin European Council: agreed no initiative. Use Ten's collective and individual contacts - urge restraint and promote negotiation. Time not right for new comprehensive Ten statement. Concentrate on improvements of conditions in Occupied Territories.
2. Italian intentions unclear. Say no new initiative/statement planned. Craxi saw Arafat in December, Andreotti, King Hussein in January. Possible ambitions to update Venice Declaration in June?
3. PLO response awaited to King Hussein's challenge at PNC in Amman in November to agree joint negotiating position on basis of SCR 242 and formula of "territory for peace". Good intentions of Peres in Occupied



Territories not matched by deeds - six new settlements announced on 10 January.

Lebanon

4. Phase 1 of Israeli withdrawal (from Sidon area) to be completed by 18 February. Israel/Lebanon talks at Naqoura suspended: hence no detailed co-ordination of security arrangements for area to be vacated in Phase 1. UN Secretary-General has reported his concern to Security Council, underlining absence of Lebanese request for further UN assistance. EC demarche to parties to be discussed further by Ministries at Political Co-operation meeting on 12 February.

Iran/Iraq

5. Stalemate on land despite recent flare-ups. Attacks on shipping. Little effect on oil market. No sign of early end to conflict. Way forward may be in efforts aimed at reducing the scope of the conflict, preferably through the UN Secretary-General.



VISIT OF ITALIAN PRIME MINISTER: THURSDAY 14 FEBRUARY

INTERNATIONAL TERRORISM

Our Objective

To assure Craxi of our determination to play full role in countering current threat from terrorism in Western Europe.

Point to Make

Glad that Ten have agreed to our proposal that the next meeting of TREVI should be brought forward from 22 March.

Tactical Arguments

Attention can be drawn to the small size of the terrorist groups operating in France, West Germany and Belgium. 1983 attempt to extradite right-wing Italian terrorist from UK successful. UK has ratified European Convention on Suppression of Terrorism.

His Objective

To win support for Italian handling of subject during Presidency.

Your Response

UK glad to attend proposed informal meeting of Ministers of the Interior. Mr Brittan in Rome next week. Able to discuss dates, agenda, etc.

Press Line

Terrorism discussed, not appropriate to go into details.

/Background



Background

1. Craxi expected to raise general problem of terrorism over dinner.
2. Growing concern in Italy at problem of international terrorism because of:
 - (a) current spate of attacks in Western Europe by left-wing terrorist groups against NATO and US targets (though these have not so far spread to Italy). Murder of Audran (senior French Defence official) and Zimmerman (Head of German aerospace company). Action Directe (France), Red Army Faction (West Germany) and Cellules Combattantes Communistes (Belgium) mainly responsible for attacks. AD have links with Italian Red Brigades. No evidence of IRA involvement.
 - (b) Speculation about involvement of international terrorism in December 1984 Naples-Milan express train bomb.
 - (c) Row over January meeting in Paris between French Minister of Labour and Scalzone (convicted Italian terrorist). Craxi very concerned about problem of Italian terrorists granted asylum abroad, particularly in France (at least 117).
3. 1982 attempt by Italian authorities to secure extradition of 6 right wing terrorists from UK failed (hearsay evidence inadmissible). But another Italian terrorist extradited in 1983.
4. Italy and France have signed but not ratified European Convention on Suppression of Terrorism (Council of Europe, deals with extradition).
5. Aim of TREVI (committee of officials) is to increase cooperation among EC countries on counter terrorism etc. Home Office, Police and Security Service represent the UK.



6. At meeting of Ministers in European Political cooperation on 12 February in Rome, general agreement to Italian proposal that informal meeting of interior ministers should be held to discuss terrorism.

7. Mr Brittan is to visit Rome for bilateral discussions with Italian counterpart (Scalfaro) next week. Visit arranged some time ago.

13 February 1985
Foreign and Commonwealth Office

SECRET



VISIT OF THE ITALIAN PRIME MINISTER:
THURSDAY 14 FEBRUARY

3. BACKGROUND BRIEF ON BILATERAL RELATIONS

1. The following are the main features:

- (a) Anglo-Italian summit - last held in London in October 1984. The next is unlikely to be held before Autumn 1985. The Prime Minister was unable to accept Signor Craxi's invitation to hold a summit in early May.
- (b) Royal Visit - the Prince and Princess of Wales visit Italy from 21 April - 6 May 1985. The Queen Mother was in Venice in October 1984.
- (c) Home Secretary - will visit Rome for talks on terrorism, drugs and extradition, 18/19 February.
- (d) Visit to London of Signor Forlani, Deputy Prime Minister, at the invitation of Viscount Whitelaw. He will pay courtesy calls on the Prime Minister and Sir Geoffrey Howe on 25 February.



- (e) Anglo-Italian Economic Talks - will be held on 23/24 April between senior officials to discuss further developments in the fields of civil and military industrial collaboration, which will include follow up to the EH101 helicopter and Tornado projects.
- (f) Anglo/Italian Round Table - the second meeting will be held on 8/9 May in London. It brings together politicians, journalists, academics, industrialists and businessmen to discuss topics of mutual interest.
- (g) Libya - the Prime Minister has sent a message of thanks to Signor Craxi in recognition of Italian assistance over the release of the 4 hostages.
- (h) Argentina/Falklands - the Italians abstained in the united Nations last November. Because of the large numbers of Argentines of Italian descent, they of all our European partners, have urged us most to make progress in re-establishing relations. The possible export of sensitive military equipment is another area of difficulty. We propose to raise at senior political level,



including with Deputy Prime Minister Forlani on 25 February, the question of possible export of torpedoes.

2. Personality notes are attached.



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CRAXI, ONOREVOLE BENEDETTO (known as BETTINO)

Prime Minister and Secretary of the Socialist Party (PSI).

Born in Milan on 24 February 1934. Career as a full-time party official. Milan City Councillor 1960-70. Party Directorate Member since 1965. Deputy for Milan-Pavia since 1968.

He replaced De Martino as Party Secretary in July 1976, when the latter was removed following the PSI's disappointing performance in the general election the previous month. Craxi at this time aligned himself with the small 'Autonomist' faction of the party, led by Nenni, and his election as Secretary was due to the support of all the younger (i.e. less than about 45 years old) members of the PSI National Council, and of Mancini.

The National Congresses of the PSI in 1978 and 1981 over-whelmingly confirmed Craxi's leadership and backed his policy of asserting the party's independence of the PCI. Craxi always wanted to take the Socialists back into government with the DC, but had to bide his time because there was vocal opposition among the rank and file. He was re-elected Secretary of the Party by acclamation at its National Congress in 1984.

In early 1980, he narrowly defeated the left wing in a power struggle within the party; since then, he has consolidated his position. In April 1980, he took the PSI back into government and was thus able to reward some of his supporters with Ministerial jobs. His relations with the PCI are bad and the left wing of the DC also regard him as an untrustworthy ally and threat to DC supremacy. Craxi made no secret of his ambition to become Prime Minister as quickly as possible. Electoral results in the last three years suggest that his line is paying modest electoral dividends: in June 1980 the PSI gained 2% to poll 12% in local elections, and they got 11.4% in the general elections of June 1983. He was able to achieve his ambition of becoming Italy's first Socialist Prime Minister because of the drop in the DC vote and morale following the 1983 elections.

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CRAXI (contd):

A tall, dominating figure, he looks older than his years. Fond of good living and eloquent in private conversation, but spends much of his time with close party colleagues isolated from criticism. Held in respect by other PSI Deputies though not greatly loved; generally distrusted by other politicians. Something of a bully. The joke that he was really christened Benito (like Mussolini) says much about his style. But he chooses his words carefully and his salvos are never accidental. Scathing in his attacks on the inequalities and inefficiencies of Italian society, but less eloquent when forced to suggest remedies. Has a difficult relationship with the Socialist President Pertini. A clever self-publicist. Regarded as pro-American. A staunch supporter of NATO's 'double track' policy on INF. His readiness to face up to difficult decisions as Prime Minister has won him respect particularly from the business community in the North.

Visited the UK as guest of HMG, and attended Labour Party Conference at Blackpool in September 1976. Caused us a lot of trouble over the Falklands affair in 1982, but has taken a much more restrained line since then and has been helpful over Falklands vote at the United Nations. Craxi visited London for talks with the Prime Minister in September 1983, and hosted the Anglo-Italian Summit in Italy in January 1984. He also attended the London Economic Summit and the Anglo-Italian Summit in London in June and October 1984.

Little English. Fair French.

Married with children. He enjoys basketball.

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RUGGIERO, RENATO

Secretary General of the MFA.

Born in Naples in 1930. He graduated in Law from Naples University in 1953, and joined the Foreign Service in 1955, Vice-Consul and Third Secretary in San Paolo 1956-58, Second Secretary in Moscow 1959-60, First Secretary in Washington 1962-64. He then returned to the Ministry working in both the Economic and Political Sections, Counsellor in Belgrade 1966-68. Returning to the Ministry, he became head of the Under-Secretary's Private Office in 1968, and then went as Counsellor to the Italian Mission to the EC in Brussels in 1969 with responsibility for emigration and social affairs. In 1970 he became chef de cabinet of the President of the Commission and in 1973 Director General responsible under Mr George Thomson for Regional Policy. In 1977 he was seconded as Spokesman and Director General of Information to the Commission. Returning to the Ministry in 1978, he worked on economic affairs until seconded as Diplomatic Counsellor to the Prime Minister in April 1979. He became head of the Private Office of the Minister of Foreign Affairs in August 1979 and remained there until posted to Brussels as Permanent Representative to the European Community in mid-1980. He returned to Rome in January 1984 to become Director General of Economic Affairs at the MFA. In January 1985 he succeeded Malfatti as Secretary General (PUS equivalent) of the Ministry, but retained his post of Director General of Economic Affairs for the duration of the Italian Presidency.

In the Commission he co-operated very closely with British colleagues in attempting to develop the Regional Fund as an effective instrument to benefit disadvantaged areas, notably in the UK and in Italy. In 1979/80 and in 1983 he had the principal say in determining Italian policy on Community issues, hogging the subject and making it his own. Deeply committed to the European Community, he has a fund of constructive ideas, many of them sound, and was very helpful to the UK over the budget problem in 1980. Can intrigue and conspire effectively which makes him an awkward opponent if Italian interests conflict with ours.

Inserted in KCMS during the 1986 Street Visit.

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RUGGIERO (contd):

with ours. Awarded the KCMG during the 1980 State Visit.

Speaks good English and French. Ebullient, oversize and still very Neapolitan.

Married. His [REDACTED] wife is of partly English descent.

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CAGIATI, ANDREA

Ambassador in London.

Born in Rome in 1922. He graduated from the University of Siena in 1944. He joined the Foreign Service in 1948 and after the usual period in the Ministry went to Paris in 1950. Vice-Consul in New York in 1953. In 1955 he returned to the Private Office of the MFA Under-Secretary, First Secretary (later Counsellor) in Athens 1957-60. Counsellor in Mexico City 1960-62. After a brief spell at the Italian Mission to the United Nations, he returned to the MFA to head the NATO Department from 1963-66. Appointed Ambassador in Bogota in 1968 but soon returned to the Ministry, working in the Diplomatic Institute (1971) and as Diplomatic Counsellor in the Prime Minister's Office (1972). Ambassador in Vienna, 1973-79. He replaced Ducci as Ambassador in London in January 1980.

As Ambassador in London he began by encouraging his staff to greater activity than some of them had shown under Ducci. He himself is always very prompt in carrying out his instructions, and if he errs it is by excess of zeal rather than the reverse. Able, sharp and ambitious, he defends Italian interests with energy. Despite social pretensions he now knows a good deal about Britain. Tall and impressive, but his haughty style is not always popular with visiting Italian Ministers. His wife is German; they make a handsome couple.

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BADINI, ANTONIO

Diplomatic Adviser to the Prime Minister.

Born in Rome in 1940. Degree in Economics from Rome University.

Recruited to the Diplomatic Service as an Economic/Commercial specialist in 1970. He served as Second Secretary (Commercial) in Belgrade (1972-79). In March 1980 he was seconded to the Diplomatic staff of the Prime Minister's Office. Although Badini was relatively young and inexperienced, in Autumn 1983 Craxi formally nominated him Diplomatic Adviser, a role which he had effectively been playing since the previous incumbent had departed with the outgoing administration.

Has accompanied Craxi, and Fanfani before him, on overseas tours and to bilateral and multilateral summits. Speaks good English,

Married,

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VISIT OF THE ITALIAN PRIME MINISTER: THURSDAY

14 FEBRUARY: PRESS LINE

1. . . . The discussion focussed mainly on Community issues. The Prime Minister and Signor Craxi also discussed East/West relations and the Middle East. The Prime Minister and Signor Craxi reaffirmed the need to conclude the enlargement negotiations by the March European Council in order to meet the target date for Spanish and Portuguese accession of 1 January 1986.

2. They discussed the forthcoming agricultural price fixing. They agreed on the need to maintain the progress begun last year towards achieving a better balance between supply and demand for agricultural products in accordance with the conclusions of Heads of Government on the control of Community spending.

3. The Prime Minister and Signor Craxi discussed the future development of the Community. They agreed on the urgent need to fulfil the provisions of the existing Treaties, and in particular to complete the internal market for goods and services on the basis of a clear timetable. They agreed that the work of the Committee on Institutions should be completed on the



basis of the maximum degree of agreement and looked forward to further exchanges before the report of the Committee is considered at the June European Council.

[As necessary]

Integrated Mediterranean Programmes

4. agreed that integrated Mediterranean Programmes should be implemented in 1985 in accordance with the Fontainebleau conclusions. [Unattrib: the Prime Minister hoped that a start could be made, if necessary for Greece alone in 1985, on the basis of a revised proposal giving Greece a larger share of a reduced total].

Budget Issues

5. agreed on the need for the early adoption of the Own Resources Decision so that the Fontainebleau Conclusions can be implemented and the outstanding problems of the 1985 budget resolved.

Vehicle Emissions

6. agreed on the need for early decisions by the Community as a whole which reduce pollution levels in a cost-effective way and preserve the unity of the internal market.



The Community's 1985 budget and the United Kingdom's 1000 million ecu abatement for 1984

Present situation: (1) no 1985 budget, as rejected by European Parliament; "provisional twelfths" in effect; in practice, this keeps expenditure not at but below 1% VAT ceiling; satisfactory for Britain but only a temporary solution; Budget Council agreed last year that 1.3 billion ecu ("the 1985 budget overrun") needed;

(2) Fontainebleau commitment that UK will get 1000 million ecu in 1985 (in respect of 1984) by abating our VAT contribution.

3 solutions
being discussed

Best

"Mixed":
acceptable

IGA: acceptable
only if all agree
to offer this to
UK.

(1) Limited amount of new own resources in 1985 to finance budget overrun and UK abatement. Full 1.4% VAT still not to come into effect until 1 January 1986. 9 member states can accept.
Against: Germany.

(2) 1.4% VAT from 1 January 1986 but UK abatement on ratification of new Own Resources Decision ie in 1985. Budget overrun financed by intergovernmental agreement. Probably 9 member states could accept.
Against: Germany.

(3) 1.4% VAT from 1 January 1986. 1000 million ecu for UK and budget overrun in intergovernmental agreement. Not the letter of Fontainebleau. Therefore UK holds fire. If all 9 agreed, would be acceptable. At present, against: France and possibly Italy.

UK in strong position and going to win, because pressure increasing on others to have a 1985 budget. We can block any solution which does not deliver our 1000 million ecu.



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

13 February 1985

Charles Powell Esq
10 Downing Street
LONDON
SW1

Dear Charles,

VISIT OF THE ITALIAN PRIME MINISTER: COMMUNITY ISSUES

The Chancellor has seen a copy of the Foreign Secretary's minute to the Prime Minister dated 8 February. *in intg. folder.*

The Chancellor has asked me to let you have two comments on the Foreign Secretary's proposals for handling the discussion of Integrated Mediterranean Programmes (IMPs) and the 1985 Budget problem.

As regards IMPs, the Chancellor sees no need in this discussion to concede to S. Craxi that Italy should be a net beneficiary from IMPs. He suggests it would be better to concentrate on the proposition that Greece should receive a higher share of a very much smaller sum (the Prime Minister mentioned a figure of 600 mecu as the total for all IMPs to Mr Lubbers recently); and that an IMP or IMPs for Greece will need to begin in 1985. Decisions on any IMPs for France and Italy can wait until 1986 when new own resources will be available. Even to guarantee that the Italians will not be a net contributor to IMPs would mean adding around 25 per cent to the cost of whatever is agreed for Greece. The Chancellor's view is that the Italians should be made to fight for whatever they can get in Brussels and not be given any assurances at this stage.

As regards financing the 1985 Budget, it is possible that S. Craxi will seek our views on the German proposal that both the agricultural overrun and our 1000 mecu abatement should be met by a second IGA. The Chancellor's view is that it would be better to make it clear to S. Craxi that our difficulty with this proposal is not so much one of principle; but primarily that we do not believe it would be acceptable to some other Member States, notably France. If the Italian Presidency can overcome these objections and line up all other Member States behind this proposal, we should not turn it down. If not, we must insist on implementation of the Fontainebleau agreement.

I am sending copies of this letter to Len Appleyard (FCO), Ivor Hewelyn (MAFF) and Richard Hatfield (Cabinet Office).

Yours ever
Revel

MRS R LOMAX
Principal Private Secretary

CC/C

Prime Minister
CJP
13/2

ms



Faint, illegible text, possibly a header or title, centered at the top of the page.

13 FEB 1985



CONFIDENTIAL

cc/PC



Foreign and Commonwealth Office

London SW1A 2AH



12 February 1985

Dear Charles,

Visit of Signor Craxi: 14 February

I enclose the programme and briefing which you asked for in your letter of 6 February. We have included a brief on the Middle East. We agreed that a brief on East/West issues was not needed. I am also enclosing a copy of Rome's Annual Review for 1984.

The Italians have told our Embassy in Rome that Signor Craxi may wish to have a discussion of international terrorism. A brief will follow on this subject.

I am sending a copy of this letter and enclosures to Richard Hatfield in the Cabinet Office.

Yours,

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



PM/85/14

PRIME MINISTERVisit of the Italian Prime Minister: Community Issues

1. The main purpose of Signor Craxi's visit is to discuss Community issues, especially enlargement. We shall be providing briefs on the detail, and for the discussion over supper on East/West and the Middle East. But it may be helpful to you to have my assessment of Signor Craxi's approach on the Community, and the main points it would be useful to get over to him.

2. Signor Craxi will be trying to pave the way for a successful European Council in March, with the difficult issues in the enlargement negotiations resolved and the Greek reserve on enlargement overcome by agreement on a generous package of Integrated Mediterranean Programmes (with a substantial share for Italy). His main aim on his European tour of capitals will be to establish whether such an outcome is on the cards and if so on what terms. He is likely to press for a show of flexibility, particularly where this would either cost the Italians nothing (fisheries) or actually benefit them (olive oil).

3. You will want to endorse Craxi's arguments about the urgency of concluding the enlargement negotiations, and to agree that the 1 January 1986 accession deadline has real political importance:
 - Spanish NATO referendum in February 1986;
 - French and Spanish legislative elections later in the year;
 - slippage means delay in the introduction of new own resources (German linkage), with all that would entail for the Community.

.../4.

ccp (2)

Prime Minister

CDP
8/2



4. But on fisheries and olive oil, you will wish to make it clear that nothing of substance in the Community positions can be given away; and the sooner Spain is brought to realise this, the sooner there will be agreement.
5. On fish, it will be worth stressing that:
- the proposals which the UK, France and Ireland have just put to the Commission (and will by then have put to the Presidency and other Member States) offer a real prospect of agreement at the February Foreign Affairs Council - if and only if Spain understands that the Community has nothing more up its sleeve;
 - the Spaniards need to be told that what is now on offer represents real movement: the provisions analogous to the Shetland Box are non-discriminatory and do away with the need for licensing, to which Spain objects (though control will continue to be exercised by the coastal states);
 - the Spaniards would also be offered increased quotas for the species in which they are mainly interested (hake, megrim and monk fish).
6. There can, however, be no slicing away at the basic elements of the Community position, including the duration of the transitional arrangements:
- the Community's position permits new general rules to be agreed from 1993;
 - but if such rules are not agreed, we cannot have an uncontrolled regime in the 1990s: that would mean the end of CFP;
 - the size of the Spanish fleet (two-thirds of that of the existing Community as a whole), and their record on compliance with existing agreements (about which, given their experiences with the Spaniards, the Portuguese are just as concerned as us and the French) means that this is the limit of our flexibility;

.../Signor



- Signor Craxi should be reminded that the Spaniards are interested only in fishing off Scotland, Ireland and France. The interests of other Member States are hardly affected.
- the alternative to the proposals we, the French and Irish have made to break the deadlock is for the Community to rest on its existing position. Meanwhile the Community must maintain that position unless and until the Spaniards agree that they can accept a solution on the lines we have proposed.

7. On olive oil, you will be on strong ground, and should take the offensive:

- the latest Italian production figures for 1983/84 (900,000 tonnes, 25% up on the previous record), if confirmed, show that the Community is already in surplus, and would amply justify the imposition of a guarantee threshold now;
- if, however, no guarantee threshold is in place on enlargement, the Community's insistence that Spain must not become fully integrated into the EC regime before it is reformed represents the minimum acceptable guarantee that the future costs of the olive oil regime will not be allowed to soar out of control.

8. Craxi is also likely to seek your views on how to deal with Integrated Mediterranean Programmes at the European Council. The Italians want to settle the issue to avoid a Greek block on enlargement. But they also want to be a major beneficiary and have been given wildly exaggerated expectations by Natali's proposal that they should have a 45% share of 6.6 billion ecu (compared with Greece's share of 38%). There is no justification for the Italians receiving such a large share. Their GDP per head will be more than double that of Portugal in the enlarged Community. They had a net benefit in the Community of £700 million

.../last



last year and can expect benefits of between 7.5 and 9 billion ecus from the Regional and Social Funds between now and 1989.

9. The Italians will not be able to foreswear IMPs entirely. Their financing share of IMPs will be 16% and they will expect a percentage share somewhat higher than that, given the agreed purpose of IMPs, namely to help farmers in the Mediterranean regions of the existing Community adjust to the effects of enlargement. We shall need, however, to try to persuade Craxi that the only way to unblock enlargement and hence the new own resources is to agree a much lower overall figure for IMPs, with the benefits more heavily weighted towards Greece. You might say that:

- We accept that the Italians will be a net beneficiary from IMPs but do not think it possible for Italy, which is more prosperous, to receive as high a proportion of IMPs as Greece.
- If a start on IMPs for Greece is not made in 1985 and enlargement is blocked, then own resources will remain blocked as well.
- For Greece to receive a higher share of a much smaller sum is the only way we can see of resolving the problem.

10. You will find Craxi pre-occupied also with how to solve the 1985 budget problem, i.e. the overrun and our 1000 mecu abatement. The Italians would prefer to see new own resources brought forward into 1985, but the Germans are continuing to block this. The Italians are therefore interested in the alternative, which we could accept, of dealing with the overrun by an intergovernmental agreement while our abatement is made through the new own resources decision.

.../11.



11. You may wish to put the following points to Craxi:
- We have shown flexibility over possible solutions. Our abatement must be on the revenue side in 1985, as agreed at Fontainebleau. (The German alternative of an intergovernmental agreement to cover our abatement as well as the overrun will be opposed by the French as being out of line with Fontainebleau: they say that they could not get a direct payment through their Parliament.)
 - The German attitude may become more flexible once the enlargement negotiations are completed. We, the Italian Presidency and others must try to persuade Chancellor Kohl at the European Council that if he continues to block a solution that the rest of the Community can accept he will be standing in the way of new own resources and, hence, the future development of the Community.
 - As far as the overrun is concerned the Council agreed last year on a figure of 1.3 billion ecu. We could not agree to finance an overrun of 1.9 billion ecu, and the Commission's figures must be reduced.

12. The Italians will not like the Commission's agricultural price fixing proposals. The latter include reductions in the price of most Mediterranean products of up to 6%; also an increase in olive oil production aid (2%) but not the intervention price, the overall effect of which is a cut in real terms. You may wish to say that:

- We should have liked to see more rigorous proposals on cereals and milk, despite the difficulties for our own farmers.
- If the Commission's proposals were ratcheted up, this would cause serious financial and political problems. There would then be great difficulty in getting the new own resources decision through Parliament.

.../Unless



- Unless the effort is made now to get the surpluses under control through a restrictive price policy and the effective implementation of guarantee thresholds, the policy itself could become unsustainable in the enlarged Community.

13. This, I suggest, should lead in to an attempt to engage Craxi in a wider discussion of the problems the enlarged Community will face and the kind of adjustments that will have to be made if it is to work effectively. Craxi wants to make work on the development of the Community a major theme of the Italian Presidency. We should take the opportunity to inject some realism into Italian thinking. You will want to emphasise what we can agree on, namely:

- Completion of the common market. There would need to be agreement on a timetable and specific measures to implement the key treaty articles.
- Some formalisation of political cooperation, with a small secretariat.
- The Luxembourg compromise must be maintained, but any country insisting on it should be required formally to justify its action. (We scarcely ever invoke the Luxembourg compromise. To discourage abuse by others, one possibility would be to specify that an explanation of any decision to invoke it should have to be given at the next European Council.)
- Decision-making must be improved if the enlarged Community is to function effectively; but ...
- It is not necessary to proceed by treaty amendment. Many key provisions of the existing treaties remain to be implemented. More effective use should be made of existing provisions for majority voting.
- The idea that the unanimity provisions of the treaty could be changed to majority voting does not make sense (I attach some examples of articles where other Member States could not agree to change).



14. If Craxi talks of a conference you might say:

- the Dooge Committee's task is to seek the widest possible area of agreement;
- there should be bilateral contacts between the March and June European Councils;
- only then should decisions be taken about any intergovernmental conference;
- it would be self defeating to have such a meeting unless prior agreement had been reached on what it might achieve;
- it might be possible to reach agreement on some matters in June without the need for a conference;
- this depends on dealing now with the issues which must be resolved if the Community is to be able to look ahead later in the year (enlargement, IMPs, budget overrun and the implementation of Fontainebleau).

15. I am sending copies of this minute to the Chancellor of the Exchequer, the Minister of Agriculture and Sir Robert Armstrong.

A handwritten signature in blue ink, appearing to be 'G. Howe', is written over the typed name.

DEVELOPMENT OF THE COMMUNITY

[For use as necessary in response to the idea of amending Treaty provisions at present requiring unanimity]

How could it make sense to change to majority voting:

- (a) The Treaty Articles at present requiring the common accord of governments e.g. seat of the institutions (Article 216), Treaty amendment (Article 236) etc.
- (b) Articles requiring adoption/ratification in accordance with Member States constitutional requirements, e.g. uniform electoral procedure (Article 138), own resources (Article 201), new accessions (Article 237).
- (c) The Articles concerning capital movements between Member States and third countries (Article 70), harmonisation of indirect taxation (Article 99), financial regulations (Article 209), Community languages (Article 217), new powers (Article 235), association/cooperation agreements with third countries (Article 238), common economic policy measures ("conjunctural" policy - Article 103).
(NB This is not an exhaustive list.)

[If necessary]

Article 100 covers a very wide range of legislation, ranging from relatively minor matters to issues of major importance where harmonisation/standardisation if imposed by vote could cause serious difficulty for this or that Member State. Need to look carefully in this area to see what could be done, e.g. Prime Minister's proposal at Dublin on standards for new products and technology.

.../KEY



KEY ARTICLES OF THE TREATY WHICH HAVE NOT BEEN IMPLEMENTED

Article 3 of the Treaty of Rome, which called for the establishment of the Common Agricultural Policy, provides also for the abolition of obstacles between Member States to the free movement of persons, services and capital and the adoption of a common transport policy. There are more specific provisions in other Articles of the Treaty. Article 52 calls for the abolition of restrictions on the ability of any company in a Member State to establish branches or subsidiaries in another Member State. Article 59 states that restrictions on freedom to provide services shall be abolished. Article 67 provides for the abolition of restrictions on the free movement of capital. Article 75 provides for the adoption of a common transport policy.

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

8 February 1985

See
Dear Charles,

Visit of Signor Craxi: 14 February

Further to your letter of 6 February, I enclose a draft programme for the visit, based on information currently available to us. Mr Rifkind will not be back from a meeting of the Dooge Committee in Brussels in time to attend the working supper. Mr Jopling will himself be hosting a dinner for the Italian Agriculture Minister that night. A final programme will be attached to the briefs which will be sent to you on Tuesday 12 February.

I am copying this letter and enclosure to David Williamson (Cabinet Office).

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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VISIT BY SIGNOR CRAXI, ITALIAN PRIME MINISTER:
THURSDAY 14 FEBRUARY

PROGRAMME

ETD Rome 1615 (local time)

ETA Heathrow 1715 - greeted by Foreign Secretary's Special
Representative, Sir Derek Dodson, KCMG MC
Hounslow Suite

ETA No 10, 1800

Talks

Prime Minister	Signor Craxi
Mr Williamson	Ambassador Ruggiero, Secretary
Mr Powell	General MFA
Interpreter -	Counsellor Badini, Diplomatic
Mr Michael Richardson,	Adviser
First Secretary,	
BE Rome	

Working Supper 1915

Prime Minister	Signor Craxi
Foreign Secretary	Ambassador Ruggiero
Mr Williamson	Counsellor Badini
	Signor Cagiati, Italian Ambassador
	Prof Acquaviva, Political Adviser
	to Signor Craxi

ETD No 10 2030

ETD Heathrow 2130 - farewell by Special Representative
Hounslow Suite

ETA Lisbon 2330 (local time)

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17424

Anglo/14. Summit

PK3

PROGRAM

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GRS 320
CONFIDENTIAL
FM ROME 081730Z
TO IMMEDIATE FCO DESKBY 081830Z
TELNO 133 OF 3 FEB 85

INFO ROUTINE PRAIS, BONN, LISBON, MADRID

TELECON WALL/LAMPORT: CRAXI'S VISIT : OBJECTIVES

1. THE CHIGI TELL US THAT CRAXI'S MAIN OBJECTIVE FOR HIS VISIT TO LONDON (AS WELL AS TO LISBON AND MADRID ON 15 FEBRUARY AND BONN AND PARIS ON 22 FEBRUARY), IS TO DEMONSTRATE HIS POLITICAL COMMITMENT TO PROGRESS ON THE MAJOR PROBLEMS FACING THE COMMUNITY. ON EC MATTERS HE WILL WISH TO DISCUSS ENLARGEMENT THE BUDGET AND EUROPEAN UNION. BUT HE WILL NOT WISH TO ENTER INTO DETAILED NEGOTIATIONS.

2. THE SPECIFIC OBJECTIVES WHICH THE FARNESINA HAVE PROPOSED TO CRAXI IN THEIR BRIEFING ARE:

ENLARGEMENT

- 1) TO TRY TO BID UP THE FIGURE WE WOULD ACCEPT FOR IMPS:
- 2) TO PERSUADE US TO MOVE ON FISH, IN PARTICULAR ON AUTOMATIC EXTENSION OF THE TEN-YEAR PROVISIONAL REGIME IF THERE IS NO AGREEMENT ON A NEW REGIME.

BUDGET

TO TAKE STOCK AND CONSIDER FURTHER PRESSURE ON FRG.

INSTITUTIONAL ISSUES

TO SECURE A FIRMER COMMITMENT IN PRINCIPLE TO AN INTER-GOVERNMENTAL CONFERENCE, WHILE ACKNOWLEDGING THAT MANY QUESTIONS MUST AWAIT THE DOOGÉ COMMITTEE'S FINAL REPORT.

3. ON THE MIDDLE EAST AND EAST/WEST RELATIONS CRAXI WILL WISH TO TAKE STOCK OF THE PRESENT POSITION WITH THE PRIME MINISTER, ESPECIALLY IN THE LIGHT OF THE VISITS WHICH EACH WILL BE PAYING TO WASHINGTON (CRAXI'S DATES ARE 3-7 MARCH). ON THE MIDDLE EAST CRAXI WILL PROBABLY TAKE THE LINE THAT THE ONLY EFFECTIVE CONTRIBUTION THE TEN CAN MAKE TO PROGRESS TOWARDS A SETTLEMENT IS BY EXERTING PRESSURE ON THE US. ON EAST/WEST CRAXI WILL ALSO HAVE IN MIND GROMYKO'S VISIT TO ITALY ON 25-28 FEBRUARY.

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4. CRAXI MAY WISH TO HAVE A GENERAL DISCUSSION OF INTERNATIONAL TERRORISM AT DINNER WITH THE PRIME MINISTER.

5. A SCENE-SETTING TELEGRAM WILL FOLLOW NEXT WEEK.

BRIDGES

LIMITED
ECD (1)
ECD (E)
PROTOCOL D
PS
PS/LADY YOUNG
PS/MR RIFKIND
PS/PVS
MR DEREK THOMAS
MR BRAITHWAITE
MR RENWICK
MR JENKINS
CABINET OFFICE

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RR LISBON

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RR MADRID

PS/Cozy Yany

PS/Mr Raffone

Mr Derch Thoma

Mr Renuch

GR135

PS/No 10 D.S.

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DESKBY FCO 080930Z

RC

FM ROME 071700Z FEB 85

TO IMMEDIATE FCO

TELNO 123 OF 7 FEB 85

INFO IMMEDIATE UKREP BRUSSELS

INFO ROUTINE LISBON, MADRID.

TELECON SHAW/LAMPORT.

YOUR TELNO 62: VISIT BY CRAXII.

1. THE PRIME MINISTER'S OFFICE HAS ASKED THAT WE SHOULD NOT (NOT) ANNOUNCE TOMORROW (8 FEBRUARY) CRAXII'S VISIT TO LONDON ON 14 FEBRUARY. THE ITALIANS WISH TO COMBINE THEIR ANNOUNCEMENT OF THE VISIT TO LONDON WITH NEWS OF CRAXII'S VISIT TO LISBON AND MADRID, (NOW ARRANGED FOR 15 MARCH), BUT NEED TIME TO PREPARE THEIR PUBLIC POSITION. THE CHIGI HAVE THEREFORE REQUESTED THAT WE DELAY OUR ANNOUNCEMENT UNTIL MONDAY 11 FEBRUARY (SUBJECT TO THEIR FURTHER CONFIRMATION).

2. THE CHIGI (VISCONTI) SAW NO PROBLEM WITH AN ANNOUNCEMENT BY NUMBER TEN ALONG THE LINES AGREED IN TELECON SHAW/LAMPORT, THAT IS: "THE ITALIAN PRIME MINISTER, SIGNOR CRAXII, WILL PAY A BRIEF WORKING VISIT TO LONDON ON THURSDAY 14 FEBRUARY FOR BILATERAL TALKS ON COMMUNITY AND OTHER ISSUES. THE TALKS WILL HELP PREPARE FOR THE BRUSSELS EUROPEAN COUNCIL ON 29/30 MARCH".

BRIDGES



10 DOWNING STREET

6 February 1985

From the Private Secretary

Visit of Signor Craxi, 14 February

I have consulted the Prime Minister about the talks and working supper with Signor Craxi on 14 February.

Our understanding is that Signor Craxi will not be accompanied by Signor Andreotti but only by Signor Ruggiero and a Private Secretary. In the interests of keeping the circle as small as possible, the Prime Minister would like to be supported at the talks by Mr. Williamson but would extend the working supper to include also the Foreign Secretary, Mr. Jopling and Mr. Rifkind with, on the Italian side, the Italian Ambassador and Professor Acquaviva (Craxi's Political Adviser).

BS/1
The Italian Embassy have been in touch to say that, while Craxi wishes to concentrate on Community matters in the talks, he would like to discuss East/West and the Middle East during the working supper. I should be grateful for briefing to cover these points also.

I am copying this letter to David Williamson (Cabinet Office).

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

MT 2 Ae I

bc Sue G.

ca

PRIME MINISTERcc: Mrs GoodchildVISIT OF SIGNOR CRAXI, 14 FEBRUARY

You will remember that Signor Craxi wished to come to London to discuss enlargement and other Community issues in his capacity as President of the EC. He has now accepted your proposal for talks followed by a small working supper on Thursday, 14 February.

Signor Craxi will be accompanied only by Signor Ruggiero (of the Italian Foreign Ministry) and his Private Secretary. Agree to be supported by David Williamson and me?

For the working supper you might like to add on the Italian side the Italian Ambassador and Professor Acquaviva (Craxi's Political Adviser); and on our side the Foreign Secretary, the Minister of Agriculture and Mr Rifkind. Agree?

Yes

CDP

mt

5 February, 1985

PP UKREP BRUSSELS

PP MADRID

PP LISBON

IMMEDIATE

14

RC
H3/WED
P3/LAY YOUNG
M JENKINS
N^o 10. D. ST.

ADVANCE COPY

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FM ROME 291700Z JAN 85

TO IMMEDIATE FCO

TELNO 72 OF 29 JAN 85

INFO PRIORITY PARIS, BONN, UKREP BRUSSELS, MADRID, LISBON.

YOUR TELNO 44 (NOT TO ALL): ANGLO/ITALIAN SUMMIT.

1. FIRST SECRETARY SAW VISCONTI (CHIGI) TODAY AND DELIVERED THE REPLY IN TUR. VISCONTI SAID THAT, SPEAKING PERSONALLY, HE SAW NO DIFFICULTY IN HOLDING OVER THE SUMMIT UNTIL THE AUTUMN. BUT HE WOULD NEED TO CONSULT CRAXI AND WOULD THEN COME BACK TO US. HE SAID THAT CRAXI WOULD BE ANXIOUS TO AVOID GIVING ANY IMPRESSION THAT ANGLO/ITALIAN COOPERATION WAS DIMINISHING. (MITTERRAND HAS NOW AGREED TO AN ITALO/FRENCH SUMMIT IN FLORENCE ON 13/14 JUNE. THE ITALIANS HAVE SUGGESTED EARLY JUNE FOR THEIR NEXT SUMMIT WITH THE GERMANS BUT BONN IS HAVING PROBLEMS WITH THE DATES). IF THEREFORE CRAXI PAID ANY BRIEF WORKING VISITS TO LONDON DURING THE ITALIAN PRESIDENCY (SEE BELOW) IT WOULD BE IMPORTANT TO PRESENT THEM IN PUBLIC AS PART OF OUR CONTINUING CLOSE BILATERAL RELATIONS, AND NOT SIMPLY AS CONSULTATIONS IN THE COMMUNITY CONTEXT.

2. VISCONTI SAID THAT CRAXI WAS PLANNING TO VISIT SPAIN AND PORTUGAL ON 8/9 FEBRUARY. THE DETAILS WERE STILL BEING WORKED OUT. CRAXI WOULD THEREAFTER WISH TO PAY BRIEF WORKING VISITS TO LONDON, PARIS AND BONN TO DISCUSS ENLARGEMENT, (AND PROBABLY OTHER EC MATTERS), BEFORE THE BRUSSELS COUNCIL. HE WAS CONSIDERING THE WEEK OF 11-15 FEBRUARY. THE GERMANS HAD ALREADY BEEN APPROACHED, AND KOHL HAD OFFERED 12 FEBRUARY. THE CHIGI WOULD THEREFORE BE GRATEFUL TO KNOW QUICKLY IF A MEETING IN LONDON DURING THAT WEEK WOULD BE POSSIBLE WITH THE PRIME MINISTER. (FROM A SUBSEQUENT CONVERSATION WITH VISCONTI WE UNDERSTAND THAT THE CHIGI MAY TRY TO SPEAK TO NUMBER 10 DIRECT ABOUT DATES).

3. VISCONTI SAID THAT CRAXI MIGHT ALSO WISH TO VISIT COMMUNITY CAPITALS IN THE RUN-UP TO THE MILAN COUNCIL. THIS COULD BE DECIDED NEARER THE TIME.

4. FCO PLEASE PASS ADVANCE COPY TO 10 DOWNING STREET.

BRIDGES

14
6-8

Anglo/Isar
Runit



CONFIDENTIAL

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

28 January 1985

Peter Ricketts Esq
Private Secretary to the
Foreign and Commonwealth Secretary
Foreign and Commonwealth Office
Downing Street
LONDON SW1

NBPM

CDP

29/1

Dear Peter,

ANGLO-ITALIAN SUMMIT

The Chancellor would be content for arrangements to be made at this stage for him not to join in a limited Anglo-Italian Summit meeting in May. The possibility cannot be excluded, however, that there will be important and still unresolved budget questions, or financial and economic proposals arising from the Dooce Committee or the new Commission, which could make it desirable for Finance Ministers to meet as part of the Summit, and you may like just to bear this possibility in mind.

I am copying this to Charles Powell and the others to whom your letter was copied.

Yours ever
Rowel.

MRS R LOMAX
Principal Private Secretary



K2ADJ.

cpc

10 DOWNING STREET

From the Private Secretary

22 January 1985

ANGLO-ITALIAN SUMMIT

Thank you for your letter of 21 January about the Italian Government's proposal to hold an Anglo-Italian Summit on 16/17 May.

The Prime Minister takes the view that May would be too soon for a further Anglo-Italian Summit and would prefer it to be postponed until the autumn. This would be in line with our practice of trying to extend the interval between these Summits (ten months in the last case). In any case the dates 16/17 May would not be convenient for the Prime Minister.

The Prime Minister notes that she will in any case meet Signor Craxi at the Bonn Economic Summit in early May, and will be able to have a bilateral with him there on European Community matters. It would be for consideration thereafter whether any further meeting between them was necessary before the Milan European Council, either in London or in Italy. But this would in any case not require the full panoply of a bilateral Summit.

You will wish to convey the Prime Minister's response to the Italian Government.

I am copying this letter to Richard Mottram (Ministry of Defence), Maureen Dodsworth (Department of Trade and Industry), Rachel Lomax (HM Treasury), Ivor Llewelyn (MAFF) and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

BS

E. R.

CONFIDENTIAL

PRIME MINISTER

ANGLO-ITALIAN SUMMIT

The Italians have proposed a Summit on 16/17 May. It is your turn to go to them.

It is a bit soon for another full-dress Summit. The last one was on 18/19 October. We have been trying to get away from Summits every six months and last time managed a ten-month gap. It would be a pity to reverse this trend. You would think that the Italians would want to avoid bilateral Summits during their Presidency. Anyway, 16 May is Cabinet and Questions and 17 May already has engagements. This points to steering the Italians towards an autumn Summit.

But you may well need to talk to Craxi before the European Council at the end of June. There will be several difficult issues there, e.g. the outcome of the Dooge Committee on which you may need to set him straight. This points to a brief meeting without all the panoply of a Summit. Ideally he would come here. Alternatively, you might accept his suggestion of a meeting in the north of Italy, which could be done in two-thirds of a day.

/ Agree:

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- 2 -

Agree:

(a) to suggest postponement of a Summit to the Autumn? *Yes*

(b) to offer a half-day, Prime Ministers only bilateral
in May/June here or in Turin?

*1 should see him
in Bonn*

C.D.P.

not

21 January 1985

CONFIDENTIAL

CSFC



Foreign and Commonwealth Office

London SW1A 2AH

21 January, 1985

Dear Charles,

Anglo-Italian Summit

In your letter of 4 January you welcomed the likelihood that the next bilateral summit was likely to slip into the autumn.

Our Embassy at Rome now inform us (Rome telegram number 16) that contrary to earlier indications Craxi would prefer a summit to take place as usual, partly in order to prepare the ground for the 28-29 June Milan European Council. His office have suggested 16/17 May, which would suit both him and Andreotti.

With the Italians occupying the Presidency the Foreign Secretary considers that it would in fact be useful to meet them at top level in advance of the Milan Council, not least to put over our ideas on the future development of the Community. It is relevant that the French and Germans will also probably be holding meetings with the Italians.

The Italians have suggested Turin or Verona as possible venues, but would be happy to hold the meeting in Rome if we prefer.

I should be grateful if you would let me know the Prime Minister's views.

I am copying this letter to Richard Hatfield (Cabinet Office), Richard Mottram (MOD), Maureen Dodsworth (DTI), Rachel Lomax (Treasury) and Ivor Llewellyn (MAFF).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

ITALY: Anglo/Italian Summits: Pt 3

27 JAN 1985

BRISTOL

DPG

File



cc: Sir P. Craddock

10 DOWNING STREET

cc MAFF

From the Private Secretary

4 January 1985

ANGLO-ITALIAN SUMMIT

Thank you for your letter of 4 January reporting that the next Anglo-Italian Summit is likely to slip into the Autumn. This is good news and fits in well with our aim of trying to get the Summits on to an annual basis.

Charles Powell

JB.

Peter Ricketts, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

4 January, 1985

Dear Charles,

Anglo/Italian Summit

Our Embassy in Rome, who have been making informal enquiries about Italian intentions over the next Anglo-Italian Summit, have reported that on present indications it seems unlikely that Signor Craxi will hold any full-scale bilateral summits with European partners (in practice UK, France, Germany) during the Italian Presidency. He is likely instead to wish to pay short calls on partners before the Brussels and Milan European Councils, rather as President Mitterrand did during the French Presidency.

The next Anglo-Italian Summit is thus likely to slip into the autumn.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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UNCLASSIFIED

FM ROME 250800Z OCT 84

TO PRIORITY F C O

TELEGRAM NUMBER 722 OF 25 OCT

INFO SAVINGS TO OTHER EC POSTS.

ANGLO-ITALIAN SUMMIT: PRESS REACTIONS

1. THE ITALIAN PRESS OF 20 OCTOBER GAVE WIDE COVERAGE TO THE SUMMIT. ALTHOUGH THERE WAS NO PURELY EDITORIAL COMMENT, ALL THE PAPERS DESCRIBE THE SUMMIT AS A CONSIDERABLE SUCCESS. THE ATMOSPHERE AT THE MEETINGS HAS REPORTED TO HAVE BEEN WARM AND RELAXED.
2. IL POPOLO (CHRISTIAN DEMOCRAT) NOTES WITH SATISFACTION THAT THE SUMMIT PROVIDED EVIDENCE OF REAL BRITISH COMMITMENT TO EUROPE AND EUROPEAN COOPERATION. ALL THE PAPERS DRAW ATTENTION TO THE IMPORTANCE ATTACHED BY BRITISH MINISTERS TO THE FORTHCOMING ITALIAN PRESIDENCY OF THE COMMUNITY. THE REPORTS ALSO AGREE THAT THE TWO SIDES FOUND THEMSELVES IN COMPLETE AGREEMENT ON A WIDE RANGE OF INTERNATIONAL ISSUES. THE GRATITUDE EXPRESSED BY THE PRIME MINISTER FOR ITALIAN PROTECTION OF OUR INTERESTS IN LIBYA HAS APPRECIATED. ON THE QUESTION OF THE FALKLANDS, CRAXI HAS REPORTED TO HAVE PROMISED THE 'MAXIMUM POSSIBLE IMPARTIALITY' AND TO HAVE EXPRESSED THE HOPE THAT THE COMMUNITY WOULD MAINTAIN A COMMON POSITION.
3. CORRIERE DELLA SERA, MESSAGERO AND IL POPOLO ALL CARRY SUBSTANTIAL REPORTS ON INDUSTRIAL COLLABORATION BETWEEN THE UK AND ITALY IN THE WAKE OF THE SUMMIT. THE TONE OF THESE REPORTS HAS ENCOURAGING AND COMPLIMENTARY. THEY COVER PROSPECTS FOR DEFENCE/ INDUSTRIAL COLLABORATION PROJECTS, SUCH AS EH 101 AND A129, AND FOR SALE OF THE SEA HARRIER TO THE ITALIAN NAVY.

FCO PSE PASS INFO SAVINGS TO OTHER EC POSTS.

BRIDGES

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PRIME MINISTER'S
PERSONAL MESSAGE

10 DOWNING STREET

SERIAL No. 11768/84

THE PRIME MINISTER

23 October 1984

My dear Prime Minister,

It was a great pleasure to see you here for our regular bilateral meeting last week and I found our talk most useful and stimulating. And thank you so much for the beautiful ladybird, which I hope will never "fly away home" - though perhaps it will pay a visit home at our next meeting.

With best wishes,

Yours sincerely
Margaret Thatcher

His Excellency Onorevole Bettino Craxi

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10 DOWNING STREET

From the Private Secretary

22 October 1984

ANGLO-ITALIAN SUMMIT

On the whole the administrative arrangements for this worked well. The exception was the plenary session. It was agreed in advance that this would be limited to 12 each side plus interpreters. In the event there were 29 Italians present including interpreters. While this would have come in useful for Aida, it was unnecessary on this occasion, contributing to a general hubbub over which the Prime Minister had almost to shout to be heard. For future Anglo/Italian Summits in this country we shall, I think, have to introduce admission cards. You might ask the Department and PCD to note this.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

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10 DOWNING STREET

From the Private Secretary

22 October 1984

JWRAY
bepc

ANGLO-ITALIAN SUMMIT: PLENARY SESSION, 19 OCTOBER

I enclose the approved record of the plenary session of the Anglo-Italian Summit. I am very grateful to Michael Llewellyn-Smith for having provided the draft.

I am sending copies of this letter and enclosure to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

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CCRP
Foreign and Commonwealth Office

London SW1A 2AH

22 October 1984

CA

Dear Charles,

/ I enclose a draft record of the Plenary meeting at the Anglo/Italian Summit on 19 October.

I understand that on some previous occasions the summaries by Ministers of their separate bilateral discussions have not been recorded, on the grounds that these discussions themselves were recorded elsewhere. We have, however, made this a full record on this occasion: there may be some value in having the flavour of each of the bilateral discussions concentrated in one record.

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL

RECORD OF PLENARY MEETING: ANGLO-ITALIAN SUMMIT,
12 NOON, 19 OCTOBER at 10 Downing St.

Present:

The Prime Minister	On Bettino Craxi
The Rt Hon Geoffrey Howe QC MP	On. Giulio Andreotti
The Rt Hon Nigel Lawson, MP	On. Giovanni Goria
The Rt Hon Michael Jopling, MP	On. F M Pandolfi
Mr Geoffrey Pattie, MP	On. Renato Altissimo
and officials	On. Clelio Darida and officials

The Prime Minister reported on her discussions with Prime Minister Craxi, which had covered the international political and economic situation and Italy's forthcoming Presidency of the European Community. Signor Craxi had described his strategy as being to pay more attention to the industrial and commercial aspects of the Community, to counterbalance the excessive emphasis placed on agriculture in the past. This was an ambitious ~~and~~ but timely objective. Europe must be economically successful and politically stable in order to attract investment from outside. By the end of the year we should have settled the question of enlargement and the Community's major internal problems, and be on the brink of a new Europe. ~~They~~ She and Signor Craxi had also discussed unemployment, new technology, East/West Relations, and the need for the Community countries to help the Eastern European countries over trade so as to avoid their over-dependence

~~That would~~
~~be a good~~
~~moment~~ x
~~It was~~
~~the beginning~~
The Italian
Presidency would
allow for the an
opportunity to
chart a course
for the Community's future development

on the Soviet Union. They had agreed that the Ten should be ready to help in any way they could to support a US initiative in the Middle East after the US Presidential election. Signor Craxi agreed with the Prime Minister's summing up.

2 The Foreign and Commonwealth Secretary summarised his discussions with Signor Andreotti. They had agreed on the importance of the forthcoming WEU Ministerial meeting in Rome in showing that the European countries were serious about their defence cooperation. This should help to convince the US that they were pulling their weight. They had agreed on the importance of looking for further possibilities of industrial collaboration, building on the good start in the EH101 helicopter. He had thanked Signor Andreotti for Italy's role as protecting power in Libya. They had reached a clear understanding of the position regarding British detainees in Libya. They had agreed that there would be a window of opportunity over the Lebanon after the US elections and that the Ten might have a contribution to make in the Arab/Israel dispute. Signor Andreotti had outlined the Italian position on the Falklands debate in the UN, viz. that as things stood there should be no change from last year. They had agreed on the importance of concluding the ^{accession} ~~EC enlargement~~ negotiations ^{with Spain & Portugal}. Signor Andreotti had reported ^{Herr} Genscher's view that provided the process of ratification of enlargement was complete by the end of the summer in all the Community countries, Germany could agree to advance a decision on the introduction of Own Resources by three months into 1985.

They had agreed on the importance of budget discipline, and of pressing ahead with the liberalisation of the internal market. Signor ^{Andreotti} ~~Cranz~~ has questioned the wisdom of pricing oil exclusively in dollars. They were all agreed on the explosive potential of the Cyprus problem and the need for pressure on all sides to the dispute in support of the efforts of the UN Secretary-General. 2

3. Signor Andreotti commented that the Ten should consider during the period of the Italian Presidency some action on the Arab/Israel dispute on the lines of the Venice Declaration. The problem of enlargement of the Community was a political one which must now be resolved by a package deal involving sacrifices by all.

4. The Chancellor of the Exchequer summed up his discussions with Signor Goria. There were no bilateral problems (the problem of taxation on whisky having been solved previously). Signor Goria had outlined the background to his recent budget. The ~~burden of debt~~ ^{burden of debt interest} interest was a major problem. He was determined to reduce this as a percentage of GDP by a stringent fiscal policy. This was a tough task, requiring close monitoring. By 1988 he aimed to reduce the overall budget deficit to 8% of GDP. The Chancellor had explained that his fiscal objectives were similarly tight, although he was aiming for a budget deficit of less than 3% of GDP this year (compared with about 3 1/4% last year). The sale of public sector assets would help to achieve this: Signor Goria had similar plans though on a smaller scale.

They had discussed the situation in Malta.

5. On Community affairs the Chancellor had stressed the importance of reaching early final agreement ⁱⁿ ~~at~~ Ecofin on budgetary discipline, and ^{of} ~~not~~ reopening the issues already agreed. He referred particularly to the need to adopt a form of text that would bind the Council. Signor Goria thought that the present text, which reflected much compromise, would be sufficiently binding and saw difficulty in persuading the French to ^{by} ~~remove~~ their ~~present~~ reservations. He ^{had} referred to the importance of relations with the Parliament, and expressed concern that if agreement was not reached soon, some countries might start to back ^{away} ~~out~~ from the Fontainebleau agreement. The Chancellor had stressed that this must not be allowed to happen. He had said it would be useful to have from the Commission a clearer explanation of the practical effects of the present proposals for agricultural spending.

6. The Prime Minister expressed admiration for Signor Goria's achievement in reducing Italian inflation so far this year.

7. The Secretary of State for Agriculture said that his discussions with Signor Pandolfi had concentrated on three topics:

- (i) the 1985 price fixing, where they were in broad agreement. 1984 had been a turning point in the evolution of the CAP and there must be no retreat from that. Guarantee thresholds must be made to work. The UK would prefer to attack the milk problem through prices rather than through quotas. They had agreed that there was a need in the medium term for a broad look at the future development of

the CAP

(ii) The milk quota scheme. Signor Pandolfi had explained Italy's particular difficulties in implementing the arrangements agreed in March. Italy had a large number of farms with less than ten cows. They would however soon be slaughtering 100,000 cows and hoped to bring production below the quota agreed in March. Mr Jopling had explained that Britain would find itself in an impossible position if any country failed to abide by the arrangements previously agreed in March.

(iii) The wine problem. Spanish accession made it urgent to find a solution. They had agreed that this must be based on a balance of structural and market measures and that it would be necessary to find a solution for the problem posed by enrichment of their wine by some countries.

8. Signor Pandolfi added that the wine problem was essentially ^{a bilateral} ~~an~~ issue between France and Italy. Italian table wine was more competitive than French. ~~They~~ ^{Italy} understood French preoccupations but could not accept a system of physical quotas. He added that Italy and Britain shared a large measure of agreement on the approach to the future of the CAP, and on the direction to be taken during Italy's Presidency. 1984 had seen major cuts in agricultural expenditure. It was important now to give farmers something to look forward to.

9. Mr Pattie reported that he and the Ministers of Industry and State Shareholding had a useful exchange about the current international climate for trade and industry. They agreed on the importance of bilateral and Community cooperation to promote policies which would expand world trade and help to meet the challenge of the international market place and provide higher levels of employment. They agreed that the EC should lead the way in implementing acceleration of tariff cuts agreed in the Tokyo round, and that enlargement of the Community must provide early expansion of its industrial market. This meant cuts in high Spanish tariffs (especially duties on car imports). There would also be problems over the excessive capacity and subsidisation of the Spanish steel industry. They welcomed the opportunity of the Italian Presidency of the Community to promote a single internal market in goods and services. They identified as priorities, streamlining clearance of goods at the frontier; simpler procedures to secure the health and safety standards of manufacturers; cooperation in telecommunications, information technology and advanced manufacturing technology - particularly establishing Community standards to facilitate cooperation between enterprises and help to open up the purchasing policies of public utilities and other major customers in the private sector. They agreed to work further together on these issues in preparation for action during the Italian Presidency. They shared concern about the current German proposals to control vehicle emissions, which threatened to fragment the Community car market.

10. The Ministers had welcomed the evidence of Anglo-Italian industrial cooperation, e.g. the EH101 helicopter, and the recent links between Racal and Selenia; and Plessey and Electronica. They agreed to pay close attention to each others' existing civil and defence high technology products: on the Italian side the Al29 helicopter, on the UK side Plessey's latest switching system, the Westland 30 helicopter, and Sea Harrier; and telecommunications on both sides. Bilateral cooperation should lead wherever possible to wider European cooperation to ensure the necessary economies of scale. They stressed the importance of the pursuit of overseas sales opportunities for the EH101 and other collaborative projects. The two countries shared a similar approach to the European Fighter Aircraft project. Their aeroengine companies were closely involved in the newly launched V2500 project. The new discussions between Rolls Royce and Piaggio about the RTM 322 helicopter engine were welcomed.

11. Signor Altissimo agreed that there was a need for further collaborative work between Britain and Italy. They shared a similar approach also to the role of the European Community in industrial development. Signor Darida said that it would be necessary for Italy and Britain to act vigorously to achieve Community-wide cooperation in research and development, and in telecommunications where the Europeans faced serious competition from the US and Japan.

12. Summing up Signor Craxi said that there was a large measure of convergence on the important political

questions, especially on East/West relations, where developments gave grounds for cautious hope. They hoped that next year the Soviet Union would involve itself again in negotiations. If the international situation did improve this would be largely due to the way in which Western governments had kept the dialogue going with Eastern Europe. Italy and Britain had played their full part in this. Each of the European countries should exploit in its own way the possibilities for dialogue with the countries of Eastern Europe.

13. There was also agreement on the need for the Ten to exercise influence on the Middle Eastern situation over the next few months. Britain could count on Italy to defend her interests in Libya and to try to secure freedom for the detainees. As to the Falklands vote in the UN, the Ten should speak with one voice. It would be necessary to watch developments in the UN. At present it seemed that they were much as last year. Italy would like to see a dialogue between Britain and Argentina, and would say so to Alfonsin in Rome in a few days time. They hoped for realism from both sides in defending their own positions. Signor Craxi thanked the Prime Minister for her words about the Italian Presidency of the Community where British cooperation would be important. Italy shared much of the approach of "Europe - The Future".

14. The Prime Minister thanked Signor Craxi for Italian support in Libya, and for his words about the Falklands. Britain would value Italian abstention in the UN vote. She concluded that this had been a highly successful

Summit at an important time for Britain and Italy and the Community. She looked forward to the Italian Presidency of the Community under Signor Craxi's leadership.

vsc



c Sir PC.

10 DOWNING STREET

20 October 1984

From the Private Secretary

Dear Colin,

ANGLO-ITALIAN SUMMIT

I enclose records of:

- (a) the tete-a-tete discussion between the Prime Minister and Signor Craxi on 19 October; and
- (b) the enlarged meeting including Foreign Ministers on the same day.

I should be grateful if they could be handled with discretion with the various sections distributed on a need to know basis.

A separate record of the plenary session will follow.

I am sending copies of this letter to David Peretz (HM Treasury), Callum McCarthy (Department of Trade and Industry), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and Richard Hatfield (Cabinet Office).

yours sincerely,

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

vsc

RECORD OF PLENARY MEETING: ANGLO-ITALIAN SUMMIT
AT 10 DOWNING STREET ON 19 OCTOBER AT 12 NOON

Present:

The Prime Minister	On. Bettino Craxi
The Rt. Hon. Geoffrey Howe	On. Giulio Andreotti
The Rt. Hon. Nigel Lawson	On. Giovanni Goria
The Rt. Hon. Michael Jopling	On. F M Pandolfi
Mr. Geoffrey Pattie	On. Renato Altissimo
and officials	On. Clelio Darida
	and officials

The Prime Minister reported on her discussions with Prime Minister Craxi, which had covered the international political and economic situation and Italy's forthcoming Presidency of the European Community. Signor Craxi had described his strategy as being to pay more attention to the industrial and commercial aspects of the Community, to counterbalance the excessive emphasis placed on agriculture in the past. This was an ambitious but timely objective. Europe must be economically successful and politically stable in order to attract investment from outside. By the end of the year we should have settled the question of enlargement and the Community's major internal problems. The Italian Presidency would therefore be an opportunity to chart a course for the Community's future development.

She and Signor Craxi had also discussed unemployment, new technology, East/West relations and the need for the Community countries to help the Eastern European countries over trade so as to avoid their over-dependence on the Soviet Union. They had agreed that the Ten should be ready to help in any way they could to support a US initiative in the Middle East after the US Presidential election. Signor

Craxi agreed with the Prime Minister's summing up.

The Foreign and Commonwealth Secretary summarised his discussions with Signor Andreotti. They had agreed on the importance of the forthcoming WEU Ministerial meeting in Rome in showing that the European countries were serious about their defence cooperation. This should help to convince the US that they were pulling their weight. They had agreed on the importance of looking for further possibilities of industrial collaboration, building on the good start in the EH101 helicopter. He had thanked Signor Andreotti for Italy's role as protecting power in Libya. They had reached a clear understanding of the position regarding British detainees in Libya. They had agreed that there would be a window of opportunity over the Lebanon after the US elections and that the Ten might have a contribution to make in the Arab/Israel dispute. Signor Andreotti had outlined the Italian position on the Falklands debate in the UN, viz. that as things stood there should be no change from last year. They had agreed on the importance of concluding the accession negotiations with Spain and Portugal. Signor Andreotti had reported Herr Genscher's view that, provided the process of ratification of enlargement was complete by the end of the summer in all the Community countries, Germany could agree to advance a decision on the introduction of Own Resources by three months into 1985. They had agreed on the importance of budget discipline, and of pressing ahead with the liberalisation of the internal market. Signor Andreotti had questioned the wisdom of pricing oil exclusively in dollars. They were all agreed on the explosive potential of the Cyprus problem and the need for pressure on all sides to the dispute in support of the efforts of the UN Secretary-General. They had discussed the situation in Malta.

Signor Andreotti commented that the Ten should consider

during the period of the Italian Presidency some action on the Arab/Israel dispute on the lines of the Venice Declaration. The problem of enlargement of the Community was a political one which must now be resolved by a package deal involving sacrifices by all.

The Chancellor of the Exchequer summed up his discussions with Signor Gorla. There were no bilateral problems (the problem of taxation on whisky having been solved previously). Signor Gorla had outlined the background to his recent budget. The burden of debt interest was a major problem. He was determined to reduce this as a percentage of GDP by a stringent fiscal policy. This was a tough task, requiring close monitoring. By 1988 he aimed to reduce the overall budget deficit to 8 per cent of GDP. The Chancellor had explained that his fiscal objectives were similarly tight, although he was aiming for a budget deficit of less than 3 per cent of GDP this year (compared with about $3\frac{1}{4}$ per cent last year). The sale of public sector assets would help to achieve this: Signor Gorla had similar plans though on a smaller scale.

On Community affairs the Chancellor had stressed the importance of reaching early final agreement in Ecofin on budget discipline, and of not reopening the issues already agreed. He referred particularly to the need to adopt a form of text that would bind the Council. Signor Gorla thought that the present text, which reflected much compromise, would be sufficiently binding and saw difficulty in persuading the French to lift their reservations. He had referred to the importance of relations with the Parliament, and expressed concern that if agreement was not reached soon, some countries might start to back away from the Fontainebleau agreement. The Chancellor had stressed that this must not be allowed to happen. He had said it would be useful to have from the Commission a clearer explanation of the practical effects of the present

proposals for agricultural spending.

The Prime Minister expressed admiration for Signor Gorla's achievement in reducing Italian inflation so far this year.

The Minister of Agriculture said that his discussions with Signor Pandolfi had concentrated on three topics:

- (i) The 1985 price fixing, where they were in broad agreement. 1984 had been a turning point in the evolution of the CAP and there must be no retreat from that. Guarantee thresholds must be made to work. The UK would prefer to attack the milk problem through prices rather than through quotas. They had agreed that there was a need in the medium term for a broad look at the future development of the CAP.
- (ii) The milk quota scheme. Signor Pandolfi had explained Italy's particular difficulties in implementing the arrangements agreed in March. Italy had a large number of farms with less than ten cows. They would, however, soon be slaughtering 100,000 cows and hoped to bring production below the quota agreed in March. Mr. Jopling had explained that Britain would find itself in an impossible position if any country failed to abide by the arrangements previously agreed in March.
- (iii) The wine problem. Spanish accession made it urgent to find a solution. They had agreed that this must be based on a balance of structural and market measures and that it would be necessary to find a solution for the problem posed by enrichment of their wine by some countries.

Signor Pandolfi added that the wine problem was essentially a bilateral issue between France and Italy. Italian table wine was more competitive than French. Italy understood French preoccupations but could not accept a system of physical quotas. He added that Italy and Britain shared a large measure of agreement on the approach to the future of the CAP, and on the direction to be taken during Italy's Presidency. 1984 had seen major cuts in agricultural expenditure. It was important now to give farmers something to look forward to.

Mr. Pattie reported that he and the Ministers of Industry and State Shareholding had a useful exchange about the current international climate for trade and industry. They agreed on the importance of bilateral and Community cooperation to promote policies which would expand world trade and help to meet the challenge of the international market place and provide higher levels of employment. They agreed that the EC should lead the way in implementing acceleration of tariff cuts agreed in the Tokyo round, and that enlargement of the Community must provide early expansion of its industrial market. This meant cuts in high Spanish tariffs (especially duties on car imports). There would also be problems over the excessive capacity and subsidisation of the Spanish steel industry. They welcomed the opportunity of the Italian Presidency of the Community to promote a single internal market in goods and services. They identified as priorities, streamlining clearance of goods at the frontier; simpler procedures to secure the health and safety standards of manufacturers; cooperation in telecommunications, information technology and advanced manufacturing technology - particularly establishing Community standards to facilitate cooperation between enterprises and help to open up the purchasing policies of public utilities and other major customers in the private sector. They agreed to work further together on these issues in preparation for action during the Italian

Presidency. They shared concern about the current German proposals to control vehicle emissions, which threatened to fragment the Community car market.

The Ministers had welcomed the evidence of Anglo-Italian industrial cooperation, e.g. the EH101 helicopter, and the recent links between Racal and Selenia; and Plessey and Electronica. They agreed to pay close attention to each other's existing civil and defence high technology products: on the Italian side the Al29 helicopter, on the UK side Plessey's latest switching system, the Westland 30 helicopter, and Sea Harrier; and telecommunications on both sides. Bilateral cooperation should lead wherever possible to wider European cooperation to ensure the necessary economies of scale. They stressed the importance of the pursuit of overseas sales opportunities for the EH101 and other collaborative projects. The two countries shared a similar approach to the European Fighter Aircraft project. Their aeroengine companies were closely involved in the newly launched V2500 project. The new discussions between Rolls Royce and Piaggio about the RTM 322 helicopter engine were welcomed.

Signor Altissimo agreed that there was a need for further collaborative work between Britain and Italy. They shared a similar approach also to the role of the European Community in industrial development. Signor Darida said that it would be necessary for Italy and Britain to act vigorously to achieve Community-wide cooperation in research and development, and in telecommunications where the Europeans faced serious competition from the US and Japan.

Summing up, Signor Craxi said that there was a large measure of convergence on the important political questions, especially on East/West relations, where developments gave grounds for cautious hope. They hoped that next year the Soviet Union would involve itself again in negotiations.

If the international situation did improve, this would be largely due to the way in which Western governments had kept the dialogue going with Eastern Europe. Italy and Britain had played their full part in this. Each of the European countries should exploit in its own way the possibilities for dialogue with the countries of Eastern Europe.

There was also agreement on the need for the Ten to exercise influence on the Middle Eastern situation over the next few months. Britain could count on Italy to defend her interests in Libya and to try to secure freedom for the detainees. As to the Falklands vote in the UN, the Ten should speak with one voice. It would be necessary to watch developments in the UN. At present it seemed that they were much as last year. Italy would like to see a dialogue between Britain and Argentina, and would say so to Alfonsin in Rome in a few days' time. They hoped for realism from both sides in defending their own positions. Signor Craxi thanked the Prime Minister for her words about the Italian Presidency of the Community where British cooperation would be important. Italy shared much of the approach of "Europe - The Future".

The Prime Minister thanked Signor Craxi for Italian support in Libya, and for his words about the Falklands. Britain would value Italian abstention in the UN vote. She concluded that this had been a highly successful Summit at an important time for Britain and Italy and the Community. She looked forward to the Italian Presidency of the Community under Signor Craxi's leadership.

22 October 1984

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND SIGNOR
CRAXI, PRIME MINISTER OF ITALY, AT 10 DOWNING STREET ON
19 OCTOBER, 1984 AT 1100 HOURS

Present:

Prime Minister	Signor Craxi
Foreign and Commonwealth Secretary	Signor Andreotti
Italian Ambassador	
Lord Bridges	Signor Badini
Mr. C.D. Powell	

The Foreign Ministers joined the Prime Ministers at 1100 hours.

Libya

The Prime Minister said that she had thanked Signor Craxi for Italy's assistance in protecting British interests in Libya and over the detainees. She understood that the Italian Government was considering the scope for further action to secure the release of the detainees. Signor Andreotti said that a possibility which was being examined was a mutual cancellation of penalties for Italians held in Libya and Libyans held in Italy. This would be a bilateral Italian-Libyan arrangement, but the Italians might seek the release of the British detainees as a part of it. It would be necessary to proceed very prudently and discreetly. He fully understood British worries about the implications. The Foreign Secretary said that it would indeed raise the same basic issue as an exchange of the detainees for Libyans held in British prisons. The same risk was there that it would encourage the taking of innocent hostages. The Prime Minister said that the situation was more complex. She had understood Signor Andreotti to say that an Italian held in Libya had also been convicted of a serious crime. This gave

a certain symmetry to an exchange. The UK would not be directly involved.

Signor Andreotti continued that it was very difficult to deal with Colonel Qadhafi given his sudden changes in mood. For instance the previous week he had made a speech which was very hostile to Italy but his Foreign Minister had warned the Italian Government of it in advance and told them to discount it. The Prime Minister commented that public attacks and private apologies were becoming altogether too recurrent a characteristic of modern diplomacy. Signor Andreotti said that Colonel Qadhafi claimed that he did not provide direct help to terrorists. It was a documented fact that he had not helped the Red Brigades. The Prime Minister said that this was hard to reconcile with the fact that his Embassy in London was piled high with arms and with the unprecedented action in firing on a crowd from the windows of an Embassy. Signor Andreotti said that he was not an advocate for Qadhafi, he was just trying to explain him. He was a maverick who was not bound politically to anyone, not even Moscow. The Prime Minister repeated that she was immeasurably grateful to the Italian Government for everything Italy had done. She hoped that they would continue to work for the release of the detainees. No-one had a better chance of pulling it off. Signor Andreotti said that Italy would continue to try.

European Community

The Prime Minister said that Signor Craxi had told her that he wished, through the Italian Presidency, to develop industrial co-operation in the Community. Too much attention had been given in the past to agriculture and it was now necessary to even up the balance. She had told Signor Craxi that it was also important to complete the internal market. She had also mentioned to Signor Craxi the importance of further work on standards, particularly mutual

recognition of each other's standards. Signor Andreotti commented that in some areas, for instance nuclear matters, it was important to have common standards but he agreed that in other areas only a general framework was needed with details left to national authorities. More widely, he agreed on the need to shift the focus to industry and to reduce the attention given to agriculture. The huge costs of stocking surpluses were insupportable. The Prime Minister said that they did harm to Europe's reputation.

The Prime Minister referred to the difficulties for the United Kingdom and Italy arising from the German proposal for the introduction of catalytic converters. This was a matter on which the two countries should work together. Signor Andreotti agreed.

Enlargement of the Community

The Prime Minister referred to the recent message from Senor Gonzalez urging faster progress in the accession negotiations. Apart from the need to complete enlargement for its own sake, it was important to reach an early conclusion if the Germans were to agree to bring forward entry into force of new own resources. This was essential to implementation of the Fontainebleau agreement. Sir Geoffrey Howe said that he had been through the current problems in the enlargement negotiations with Signor Andreotti. Signor Andreotti said that he thought that the moment had come to take a firm decision to conclude the negotiations. This would follow the precedent of the Greek accession negotiations. The present system of negotiation was humiliating for both Spain and Portugal. He thought that a determined push next week could break the back of the negotiations. Sir Geoffrey Howe said that Mr. O'Keefe had suggested the possibility of putting negotiations on a continuous basis, with a joint working party in permanent session. Signor Andreotti agreed that this made sense. All

the problems to be resolved were well known.

Signor Andreotti, picking up the Prime Minister's earlier point about new own resources, said that Herr Genscher had told him that if the enlargement negotiations could be completed quickly and ratified a few months before the end of 1985, he would have no objection to bringing forward the introduction of new own resources. Sir Geoffrey Howe said that this was very significant. When had Genscher said this? Signor Andreotti said that it had been about two weeks ago. The Prime Minister said that the key would be to accelerate the ratification of the Accession Treaty.

Unemployment

The Prime Minister said that unemployment was a problem which would be a major preoccupation for all Member States during the Italian Presidency. To some extent it was a side effect of new technology. Redundancies occurred faster than new job opportunities were created. The surge in the birth rate in the 1960s was also a factor. The Community had to help create new jobs. Signor Andreotti said that Italy had a particular problem over inability to find suitable employment for growing numbers of young people with secondary and university education. Signor Craxi said that numbers in employment in industry were bound to fall. The development of services was an uncertain factor and would not necessarily provide adequate numbers of new jobs. Sir Geoffrey Howe said that deregulation in the United Kingdom had contributed to increasing jobs. He cited the example of long distance coach services. There was scope for deregulation in other areas too, particularly air services. Lord Bridges referred to the Conference which the Italian Government was organising next April in Venice on technology and new jobs. The Prime Minister commented that this all went to show the wisdom of Signor Craxi's theme of concentrating on industry during the Italian Presidency.

Sir Geoffrey Howe stressed the importance of developing a common market in services. For example although 44% of the UK's trade was with the Community, only 3% of Lloyd's business worldwide was with the Community. Lloyd's had a better prospect of enlarging their market share with Japan than with the Community. This was absurd. Although the example which he had picked was British, a European interest was at stake.

International Financial Questions

Signor Andreotti said that there was resumed debate on whether the price of oil needed to be linked exclusively to the US dollar. The ecu alone would not be an acceptable substitute, but a basket of currencies including the dollar, the ecu and the yen was a possibility. He had discussed this with Sheikh Yamani. One problem was that the producers wanted to hold their deposits in dollars. The Prime Minister said this was natural enough. It pointed to the need to strengthen Europe economically and politically to make it as attractive a haven as the United States for foreign investors.

Bilateral Issues

The Prime Minister said that various collaborative Anglo-Italian projects would be discussed in the plenary session. The UK was very pleased with progress with the EH101 helicopter programme. We were examining the A129 anti-tank helicopter project. Britain and Italy were both associated with the European fighter aircraft studies, on which their positions were closely aligned though there were difficulties with the French. Both of course were involved in Tornado. Signor Craxi asked about the sales prospects for Tornado. The Prime Minister said that some Gulf countries and Turkey had shown an interest but there were problems over credit. It was however very important to

secure some sales, in order to spread the overheads.

Malta

Sir Geoffrey Howe said that there were grounds for concern about where Mr. Mintoff might take Malta. Malta's strategic importance could not be overlooked. Mr. Mintoff's chosen successor looked likely to be as difficult as he was. Signor Craxi asked what the real problem between Britain and Malta was. The Prime Minister reported her recent discussion with Mr. Mintoff on bombs and wrecks.

Sir Geoffrey Howe said that the real problem, if the UK were to offer to help to remove the bombs and wrecks, would be to get a clear and limited agreement. Otherwise Mr. Mintoff would keep increasing his demands. Signor Craxi asked whether such an operation would be costly. The Prime Minister said that it could be enormously so. Sir Geoffrey Howe reverted to the point that Mintoff's general unreasonableness was worrying. Signor Craxi said that Mintoff was hardly a novelty. He had also had some discussion with him about the bombs and wrecks. He thought that if Mintoff failed to secure British help he would turn to Italy. Presumably some of the bombs were Italian. Signor Craxi said that he did not believe that Mintoff would leave the Western orbit.

Cyprus

Signor Craxi said that he was very worried about the situation in Cyprus. He had seen President Karamanlis recently who had told him that the situation was serious and there could even be a risk of war. It was very important for friendly countries to do all they could to bring about a settlement in Cyprus. The Prime Minister said that as a guarantor power, the UK had invited Turkey and Greece for discussions but Greece had declined. We had been very active in encouraging the UN Secretary General to mediate.

He had encountered considerable difficulties. She had been in touch with the Turkish Prime Minister to urge him to put pressure on Mr. Denktash for territorial concessions. The Turkish Cypriots would have to give up territory in order to get a better constitutional settlement. We were putting all our weight behind Senor Perez de Cuellar. Sir Geoffrey Howe said that both the Greek and Turkish Cypriots had to make concessions. It would be helpful if other governments could put pressure on Denktash through Turkey. He agreed with Signor Craxi that the problem was a landmine.

The meeting was adjourned at 1200 for a plenary session.

EDP

(C.D. POWELL)

20 October 1984

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND SIGNOR
CRAXI, PRIME MINISTER OF ITALY, AT 10 DOWNING STREET ON FRIDAY
19 OCTOBER 1984 AT 1000 HOURS

Present:

Prime Minister
Mr. C.D. Powell

Signor Craxi
Signor Badini

The Prime Minister said that she wanted to convey a strong impression from the summit of successful Anglo-Italian cooperation. She would put the accent on this at the press conference later in the day. Signor Craxi endorsed this aim.

Libya

The Prime Minister referred to the discussion which she and Signor Craxi had held the previous evening. Overnight there had been a message from Morocco to the effect that King Hassan had sent an emissary to Libya to explore the possibilities of securing the release of the four British detainees. The reply had come back from the Libyans that this could be achieved if Britain released Libyans held in prison in the United Kingdom. There could be no question of this since the Libyans concerned were charged with or convicted of serious crimes. She would have to ask King Hassan to make this clear to the Libyans. She had been very grateful for Signor Craxi's offer of help the previous evening. Signor Craxi said that the matter should be pursued further when Signor Andreotti joined the talks.

Falklands at the United Nations

The Prime Minister said that the vote on the Falklands Resolution at the United Nations would be very important again

this year. She recalled that last year Signor Craxi had commented how open the wounds between Britain and Argentina still were. This unfortunately remained the case. It was important the Community should not be seen to vote differently this year from last. Italy's vote would have particular importance given that Italy was about to assume the Presidency of the European Community. She therefore hoped that Italy would again abstain. It would look bad if the Community vote was split or if the Community voted differently from last time. Signor Craxi said that he would be seeing President Alfonsin next week in Rome. Alfonsin would presumably press him hard in the opposite sense. The Prime Minister said that the facts were inescapable. Argentina had invaded the Falklands and denied the inhabitants the right to self-determination. Signor Craxi said that it was clear that there was no possible solution to the problems between Britain and Argentina at the moment. It would be better not to make the UN vote into a drama. He agreed that it would be preferable if the Community voted together. He confirmed that Italy would vote as last year. But he would be in serious trouble if the French were to split ranks and vote for an Argentine Resolution. He would not then be able to control the situation given Italy's links with Argentina. He would be seeing President Mitterrand shortly and would seek a firm commitment to a Community abstention. Did the Prime Minister have any evidence of French intentions? The Prime Minister said that President Mitterrand would be here next week on a full State Visit. It would be thought very strange if, shortly after such a visit, France were to change its vote upon an issue of such importance to the United Kingdom. Signor Craxi agreed. It would be logical to stick to a common abstention. The Prime Minister said that it would also be good for the Community.

European Community

The Prime Minister asked how Signor Craxi saw the prospects for the Italian Presidency. What would be his priorities? Signor Craxi said that he had just started work

on this. His first priority was to create conditions for improving industrial, technological and scientific cooperation in the Community. A framework of rules which favoured industrial collaboration and development was a pressing need. The Community could not simply go on giving all its attention to agricultural questions. The Prime Minister warmly welcomed this. She thought Signor Craxi's determination to make progress on non-agricultural matters highly significant. It would be important to complete the Common Market in goods and services. The United Kingdom was also taking a number of initiatives on standards in the Community. The accent should be not so much on common standards but on mutual acceptance of national standards, though there would need to be unified standards for new products in the high technology field. Without this there was a risk that the Community would lose out in the race towards the electronic future. It would be important to get alongside the new Commission and impress on them the need for practical progress towards a real common market in insurance and banking. It was also important to liberalise air fares.

Signor Craxi said that he also saw scope for progress in cultural cooperation. The Prime Minister said she was not sure what progress the two Ad Hoc Committees established at Fontainebleau would make. In her view the priority was to make the existing Treaty work better rather than seek changes in it. Signor Craxi said that there was a faction in the Community which wanted institutional change leading to full integration. This was strongly represented in Italy. But he personally was convinced that the real weak point in Europe lay in failure to exploit the potential of industrial, technological and scientific cooperation.

Signor Craxi continued that the Italian Presidency would also wish to see progress in the Community's relations with third countries, particularly Eastern Europe. The Community had to make up its mind whether it wanted to exercise real political influence outside its own borders, to speak on its own account. It would also be necessary to deal with

monetary problems and particularly reinforcement of the role of the ecu.

Signor Craxi said that he wished to mention one matter very frankly. It was important to prevent Franco-German bilateralism from dominating the Community. It was not good enough that they should agree matters between themselves and then seek to impose the result on other members of the Community. The Prime Minister agreed that this was non-communautaire. There was nothing objectionable about bilateral contacts but it was wrong for two large members of the Community to fix matters between themselves and insist that others accept the result. This is what had happened over the Presidency of the Commission. Signor Craxi said the problem could become acute in the trade field if agreement was reached between France and Germany on standards which favoured trade between them over trade with other member states.

CERN

Signor Craxi said that he wished to raise a particular problem about CERN. The term of office of the present Director, who was German, was due to end fairly soon. It had originally been accepted that this post would be held by different member states in rotation. There was an outstanding Italian candidate for it, Professor Rubia, who had recently won a Nobel Prize. But it seemed that the French had given the Germans to understand that they would support extending the term of office of the German Director. This was not right: indeed it was an example of Franco-German cooperation at the expense of others to which he objected. The Prime Minister said that she would look into the matter.

International Financial Issues

Signor Craxi said that he was extremely irritated by the IMF which had published damaging analyses of the Italian economy, forecasting a higher rate of inflation than the Government predicted. This was very damaging to his

Government's policies. He would be writing to Heads of Government about it. He thought it was probably the fault of Italian officials in the IMF who were hostile to his Government.

The Prime Minister said that it was difficult to predict what would happen to the dollar. It had strengthened again the day before against all European currencies including the deutschmark. Everyone forecast that the dollar's inexorable rise would end but it was difficult to say when it would do so. The rise reflected the underlying strength of the American economy and the United States' political stability, which made it a haven for foreign funds. This was an additional argument for working within the Community to make Europe economically strong and politically stable. Signor Craxi said that he was interested by the idea that large-scale raw material contracts between primary producers and firms in European countries should be denominated in ecu. The Prime Minister questioned whether the primary producers would accept ecu. Signor Craxi said that they were able to purchase virtually all their needs in Europe. The Prime Minister said that she attached greater importance to lower US interest rates and a lower US dollar.

Signor Craxi said that he worried about how long the United States could sustain the loss of its markets as a result of the strong dollar. He feared the consequence would be the raising of protectionist barriers. The Prime Minister said that President Reagan had resisted this hitherto because he had been able to rely on strong domestic growth. But as growth slackened demands for protection from US industry would increase. There were more unknowns in the world economic situation than for some time because of the strength of the dollar.

East/West Relations

The Prime Minister said that she and Signor Craxi agreed on the need to develop contacts with Eastern Europe. She had

been disappointed that Herr Honecker had postponed his visit to the FRG. Signor Craxi said that he had met Herr Honecker in East Berlin before the cancellation of his visit. He had clearly wanted very much to go. It was apparent that East Germany wanted to have a role of its own in relations with Western Europe, and not just be treated as a province of the Soviet Union. The cancellation of Honecker's visit had been a humiliation for East Germany. The Prime Minister asked whether the Russians could ever really count in a crisis on the loyalty of East Germany. Signor Craxi said that he was sure they could not count on the other East Europeans with the exception of the Bulgarians. But he was not sure about East Germany.

The Prime Minister said that she hoped that, after the US elections, the Soviet Union would show some willingness to return to negotiations on nuclear arms control. They were clearly very worried about the development of a new generation of weapons in outer space. This seemed more likely to bring them to the negotiating table than anything else. They would be very concerned by the additional strain on their resources of competition with the United States in this field, although they would do everything necessary to keep up. Signor Craxi agreed.

The Prime Minister said that she wanted to tell Signor Craxi in the strictest confidence that Mr. Gorbachev had accepted an invitation to visit the UK in December. She saw this as a useful opportunity to develop contact with a new generation of Soviet leaders. It was very important that no public reference should yet be made to this visit.

Signor Craxi said that he had been impressed by the changes going on in China. When Zhao Ziyang had visited Rome, his delegation were dressed in western suits and looked like bankers.

Signor Craxi repeated that his priority lay in developing relations with East Europe, particularly in the

economic field. The Prime Minister said that this could only be achieved by some opening of the Community market. A lot of East European demands were unrealistic: for instance Hungary wanted the removal of all quotas. Signor Craxi said that some way must be found to help the East Europeans in this area.

Middle East

Signor Craxi said that he knew Peres well but had not had any direct contact with him since he had become Prime Minister. He was pessimistic about the prospects of progress towards a Middle East settlement. He regarded the rapprochement between Egypt and Jordan as very significant. He was glad that Britain and Italy had been able to respond positively to Egypt's request to send mine sweepers to the Red Sea. The Prime Minister said that Peres had apparently made a very successful visit to the United States. There would be a pressing need for a US initiative on the Middle East after the Presidential elections. The first step was to secure Israel's withdrawal from Lebanon. Signor Craxi said that he had always believed that Israel should return the West Bank to Jordan and leave it to Jordan to solve the Palestinian problem. The Prime Minister said that she was pessimistic about the prospects of progress on the West Bank and saw little likelihood that Israel would make significant concessions.

The discussion ended at 1100 hours.

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C.D. POWELL

20 October 1984

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10 DOWNING STREET

From the Private Secretary

19 October, 1984

PRIME MINISTER'S MEETING WITH SIGNOR CRAXI,
18 OCTOBER AT 10 DOWNING STREET

The Prime Minister and Signor Craxi had a brief tete-a-tete discussion yesterday evening before dinner, on the eve of the Anglo/Italian Summit. Signor Badini and I were also present.

The Prime Minister welcomed Signor Craxi and thanked him for the messages which he and President Pertini had sent following the Brighton bomb attack. She referred also to the book which Signor Craxi had sent her on the London Economic Summit. Signor Craxi said that he brought regards to the Prime Minister from President Pertini, who wished in particular to express his solidarity with her in the face of terrorism.

Signor Craxi enquired whether the IRA had been responsible for the Brighton bomb. He confessed that his first thought, on hearing the news, had been that the Libyans might be responsible. The technique of attempted assassination of Heads of Government was characteristically an Arab one. The Prime Minister said that the Brighton bombing bore all the hallmarks of the IRA, who had claimed responsibility for it, though they might well have received assistance and training from Libya.

The Prime Minister continued that Signor Craxi knew what a difficult task the defeat of terrorism was. She understood that Italy had had considerable success in overcoming the Red Brigades. Signor Craxi said that the last serious incident had been a year ago but recent information suggested a recrudescence of activity, though he thought that only a small remnant of the original terrorist movement was involved.

The Prime Minister said that she was very grateful to

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Signor Craxi and to the Italian Government for protecting British interests and the British Community in Libya, and for their efforts to obtain the release of the detainees. The wives of those detained had been to see her the day before to press for further activity by the Government to obtain their release. She had explained that patience was needed, but had promised to speak to Signor Craxi. The timing of a further initiative would be very important. Signor Craxi said that Italy had continued to press hard for the release of the detainees. He had recently asked Signor Andreotti to study the scope for a possible swap of Libyans held in Italian jails for the British detainees. His idea was that this would be a secret operation. He recognised that Britain could not itself arrange such a swap. The Prime Minister said that this was indeed the case. Libyans held in Britain were charged with or convicted of very serious crimes. They could not possibly be exchanged. Signor Craxi said that he hoped Signor Andreotti would have more to report on the idea of an exchange involving Libyans held in Italy in the talks today.

The Prime Minister asked how Signor Craxi assessed the recent Libya/Morocco Treaty. Signor Craxi said that it was easy enough to identify Morocco's interest in weakening Libyan support for the Polisario and obtaining financial help. He thought that Colonel Qadhafi wanted to mend fences with those whom he had attacked in the past. There was, for instance, the agreement with France on withdrawal from Chad. He had also made overtures to Saudi Arabia. He had told Signor Andreotti in August that he wished to restore relations with Britain and the United States. But Qadhafi was duplicitous and insecure, and the internal threat to his rule should not be underestimated. The last serious revolt against him had involved large numbers of quite senior military and civilian personnel.

Signor Craxi continued that Italy had extensive commercial interests in Libya and was Libya's largest single trading partner. But it was not an easy relationship. If the Italians reduced their purchases of Libyan oil, the Libyans promptly stopped paying Italian firms. Qadhafi was anxious to be invited to pay a visit to Italy, but successive Italian governments had responded tepidly to his hints. The Prime Minister said that it would be a mistake to invite him. It would appear to confer respectability on him. International opinion had been shocked when Chancellor Kreisky had invited him to Austria. Signor Craxi said that, none-the-less, Italy had very important interests in Libya. There was a certain amount of hypocrisy in other countries dealings with Qadhafi. For instance, despite the American Administration's views on him, the Bechtel Corporation was heavily involved in Libya.

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The conversation ended at this point, with the arrival of other guests.

I am sending a copy of this letter to Hugh Taylor (Home Office), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Charles Powell

Colin Budd Esq
Foreign and Commonwealth Office.

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NOTE OF A MEETING WITH ITALIAN FINANCE MINISTER
AT NO.11 DOWNING STREET AT 11.00 A.M.
ON 19 OCTOBER 1984

Present Chancellor of the Exchequer
 Mr Unwin

 Signor Gorla
 Signor Sarcinelli

After an initial exchange of courtesies the Chancellor invited Signor Gorla to say something about his recent Budget.

2. Signor Gorla said that his starting point had been the very heavy burden of public debt in Italy that had accumulated since the early 1970s. The interest on this debt now accounted for 10 per cent of GNP. Although, luckily, so far Italian savers had largely been content to reinvest this interest - so that it had been available to finance further public borrowing - this was an unstable situation. He had therefore decided on a five year plan strategy designed, by about 1988, to achieve a situation where there was no further increase in the ratio of public debt to GNP, and the annual public sector deficit was no larger than interest paid on outstanding debt.

3. To bring this about he was looking for:-

(i) an increase in tax revenue, over the period, at the same rate as the increase in nominal GNP.

(ii) Current public expenditure remaining constant in real terms (ie., with a 3 per cent growth rate, rising at 3 per cent less than tax revenues).

(iii) Public investment expenditure rising at the same rate as GNP.



4. This involved detailed, and difficult, work to control public expenditure - ranging from public pay and pensions to central Government transfers to the regions. Health expenditure was proving particularly difficult to control and monitor. Indeed it was possible that a particular difficulty in 1985 could relate to disbursement of health expenditure contracted by local bodies in 1984 but not yet disbursed.
5. The Chancellor asked about central Government control over provincial authorities. Signor Gorla said that although the expenditure of such authorities accounted for nearly 10 per cent of GNP, and although many were in communist hands, central Government was able to maintain control because of the very low proportion of their expenditure (10 per cent) that was financed by local taxes. By law the provinces had to have balanced budgets.
6. Returning to central Government borrowing, Signor Gorla said a further objective was to increase the average maturity of outstanding Government debt which had been only 6 to 8 months when he took office.
7. The Chancellor explained that he shared many of Signor Gorla's problems, including the particular problem of expenditure on health deriving from lack of control over doctors' prescribing habits.
8. Turning to Community issues, the Chancellor said he was grateful to Signor Gorla for the assistance he had given at the Luxembourg ECOFIN in making progress on budgetary discipline. The Community was now close to agreement, and he would like to see this reached as quickly as possible.
9. Signor Gorla agreed. He was personally convinced that improved financial discipline was needed in the Community. There should be no going back on the principles of Fontainebleu. He also felt Finance Ministers had to play an important role. Even if there were appeals from Finance Ministers' decisions, Finance Ministers would have to be present at those Council meetings where such appeals were heard.
10. On the question of the French reserve on base drift he thought it important to have a system that would work in practice. There were situations where "original" budgets might be higher than "actual" budgets (for example if food prices had fallen). He would like to see forecasts of what might happen on the two different bases.



11. As to the nature of the budgetary discipline agreement he felt that it would be easier to get the system to work if the agreement took a form less likely to cause difficulties in the European Parliament, or strong domestic reactions in member states. More generally, the compromise reached in Luxembourg represented a difficult balance for many countries, between opposing internal forces: it was most important, therefore, not to allow the substance of the text to be reopened. The Chancellor said that he strongly agreed.

12. The meeting ended at 12 noon.

13. In subsequent discussion, over lunch, Signor Gorla explained to the Chancellor the difficulties holding up the appointment of the second Italian Commissioner. These related to the growing strength of the communists in the opinion polls, and increasing expectation that they would do well in next year's local elections. This development had made the minority parties in the Government coalition uneasy about turning down, directly, the Communist request to nominate the second Commissioner.

14. The latest idea was that a new working "rule" should be proposed and adopted - that no one should be appointed Commissioner unless they had served a term in office as a Government Minister. (This of course would automatically rule out any Communist). If that rule were adopted, Signor Gorla was confident that the Italian nomination for their second Commissioner would be a socialist, Signor Forte.

DLCP

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PS/Economic Secretary
Sir P Middleton
Mr Littler
Mr Unwin
Mr Lavelle
Mr Fitchew
Mr Powell - No.10
Mr Budd - FCO
Mr McCarthy - DTI
Mr Williamson - Cabinet Office
Sir M Butler - UKREP
Lord Bridges - Rome Embassy

D L C PERETZ
22 October 1984

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CDP 22/11

NOTE OF A MEETING BETWEEN THE MINISTER OF AGRICULTURE,
FISHERIES AND FOOD AND THE ITALIAN MINISTER OF AGRICULTURE:
19 OCTOBER 1984

Present

The Minister of Agriculture, Fisheries and Food	Signor Pandolfi
Mr Andrews	Dr Moroni
Mr Llewelyn	Signor Varvesi (Italian Embassy)

1985 Price Negotiations

The Minister of Agriculture, Fisheries and Food noted first that Italy's views on the 1985 price fixing would be of particular significance, given that they would be holding the Presidency during the negotiations. There were three principal/ that he wished to make. First, it was essential that next year's price fixing built on the progress that had been achieved in 1984. The price fixing this year had been the most realistic for a long time and it was most important that the Community did not slip back into its bad old habits. In this connection, he had been concerned to hear rumours that the Commission services, at least, were considering excessive price increases, in particular for milk, where 5% had been mentioned. As Signor Pandolfi knew, he had always preferred the price route to quotas as a means of controlling milk production, and he feared that excessive price increases now would create the conditions for an explosion of milk production if quotas were ever removed, thus making it impossible to end the systems after five years. His second point was that the Community must respect what had been agreed on guarantee thresholds and make the system work. Where products were in surplus, likely to be in surplus or were becoming excessively costly, guarantee thresholds must be imposed and existing guarantee thresholds must be implemented. Third, a sensible balance must be struck between supporting commodities in the northern and the Mediterranean parts of the Community. In this connection, we would not find it easy to accept further large increases of Mediterranean products.

Signor Pandolfi agreed that the 1984 price fixing had been a major turning point and that next year's price negotiations should not undo what had been achieved. The Community now had to ensure that the decisions taken last year were implemented. Guarantee thresholds must be made to work, but without modifying what had already been agreed. The Community must now decide prices for 1985 without unravelling or reopening the package agreed last year. It was essential for him to be able to give some assurances as to the future to his producers. He would thus find it very difficult to convince farmers that the CAP represented a realistic policy for agriculture if further major changes were made

next year. So, before next year's negotiations all outstanding points from this year's agreement, including wine, needed to be settled. For the future, it would be useful to have a policy document setting out guidelines for the medium term. As he had said, it was now necessary to give producers some guidance for the future, and such a document would also be useful for negotiations with third countries, for example under the GATT. He intended as President of the Agriculture Council to ask the Commission to present a paper on the future course of the CAP over the next five or so years, which the Council could then discuss. Turning to the points made by the Minister, he agreed that it was better to control production through prices rather than by physical limitations, and that it would be unwise to give an excessive price increase for milk. On prices in general, however, he noted that it was necessary to take account of monetary factors and of the level of proposed prices in national currencies. He also accepted the need to maintain a balance between northern and Mediterranean commodities; he had no wish to modify the present equilibrium but wished to avoid any significant changes in either direction for either group of commodities.

The Minister commented that the UK and Italian positions on next year's price negotiations were not far apart. He would report this to the plenary. He agreed too that a paper on future policy would be useful; he had already discussed this idea with a number of his colleagues in the Council. He thought, however, that it would be better if such a paper was a Council, rather than a Commission, initiative; a small group of independent experts could be commissioned to produce it. He was sure that Italy would be able to put forward a suitable name.

Milk Quotas

The Minister said the imposition of milk quotas had been deeply unpopular with producers, and he was under great pressure to ensure that the quota system was observed throughout the Community. He had been disturbed to hear reports that producers in Italy had been assured that they would not have to pay the supplementary levy this year even if milk production exceeded the quota.

Signor Pandolfi replied that he accepted that it would create political difficulties elsewhere if Italy was observed not to be implementing the quota system. However, the large number of small farmers in Italy and the extensive powers held by the regions created enormous administrative problems. The first ever census of milk production had now been completed, however, and this had shown that total milk production in 1983 had been 10.1 million tonnes, as compared to the previous estimate (on which Italy's quota was based) of 9.9 million tonnes. More significantly, the census had shown that of the 10.1 million tonne total 9.4 million tonnes were delivered to dairies and 0.7 million tonnes were direct sales; the previous estimate had been 8.2 million tonnes to dairies

and 1.7 million tonnes direct sales. In view of these new figures, he was asking the Commission to modify the regulations to provide greater flexibility between wholesale and direct sales quota, on similar lines to those requested by Belgium. He also thought that it would be reasonable to increase Italy's basic quota to take account of the new figure for total production. Nevertheless, whatever the basic quota, he was confident that total production in Italy in 1984 would not exceed it. Production trends for 1984 were down, and he was now introducing an outgoers scheme designed to take 100,000 dairy cows (5% of the total) out of the national herd. This scheme would be in the form of a slaughter premium for dairy cows, payable to producers going out of milk production. The total cost of the scheme would be some 120 billion lire, or about 70 million dollars.

Given the trend in milk production, this should be enough to ensure that the quota was not exceeded.

The Minister said that he could not accept any increase in Italy's basic quota; Ireland had made a similar request, which we were firmly opposing. He was concerned at what Signor Pandolfi had told him. He would never have accepted the quota system if he had not believed that the rules would be applied strictly throughout the Community. His position would be very difficult if Italy were to exceed its quota.

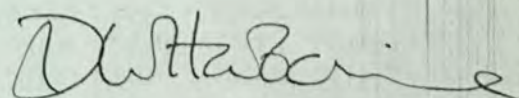
Signor Pandolfi said that if by any chance the Italian quota was exceeded, he would discuss with the Commission how super levy should be imposed. However, in these circumstances Italy would have to be treated as a single unit, since it was not possible to impose individual quotas on farmers in the current year. He had, in fact, told the Commission that he was not yet in a position to choose between formulae A and B. He was now ready to discuss with the Commission a viable system for Italy for the remaining four years of the quota scheme; this might, for example, be based on treating Italy as a single dairy. For the present, however, he would have to depend on the global arrangements he had already outlined to ensure that production did not exceed the quota.

Mr Andrews commented that even if this was so, difficulties would remain. For example, there was no provision in the regulations for direct sellers to be treated on a global basis, yet this was likely to happen in Italy. Moreover, Italy should not imagine that the whole of the UK was regarded as a single dairy for quota purposes. It was true that England and Wales was a single unit, and that wholesale producers there were unlikely to pay quota, but in Northern Ireland formula A had been chosen and quota would be payable. The Minister concluded that there were clearly problems ahead in this sector, but life would certainly be easier for everyone if Italy did not exceed its global quota.

Wine

The Minister asked Signor Pandolfi what prospect he saw of an agreement on wine; in his view, an effective guarantee threshold and a price freeze were essential ingredients. Mr Andrews added that an overall package was needed. We understood Italy's desire for structural measures, but unless they were coupled with measures to control production, the money spent on them would be wasted. So far as distillation was concerned the present rules had not worked satisfactorily, and we believed that changes were needed.

Signor Pandolfi agreed that a balanced package of market and structural measures was needed. The latter would have to include restrictions on enrichment - Germany could not be allowed a veto on this point. So far as market measures were concerned, he thought that the present regulation was a good one; the problem was to implement it. However, the Commission had important new powers, which should improve matters. He pointed out that the existing regulations already included a guarantee threshold. There was no reason to introduce a second guarantee threshold; in his view it made little difference whether the total surplus was calculated according to levels of stocks or levels of production, since these figures were related. In general, he appreciated that France had political problems in this sector, and was ready to try to help. But he was not prepared to accept restrictions on the production of Italian wine simply because it was more competitive than French wine; for many northern commodities other member states were more competitive than Italy, and this led to substantial imports. He was not prepared to see different rules applied in the one sector where Italy was competitive. He did not preclude some changes to the current range of prices for distillation, but he would not agree to a second guarantee threshold. Mr Andrews commented that reform of the wine regime was important from a point of view of enlargement; Spain at present had very low yields, which would be bound to increase once they joined the Community if nothing was done to prevent this. Signor Pandolfi replied that the present dispute was more concerned with bilateral relations between France and Italy than with enlargement.



PP C I LLEWELYN
22 October 1984

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PS/S of S for Northern Ireland
PS/Chancellor
Mr Williamson (Cabinet Office)

col



10 DOWNING STREET

Lord Forte has
dropped out.

Revised seating plan
attached.

Mul
18/10

TABLE A

RT. HON. PRIME MINISTER
HE ON BETTINO CRAXI
Lady Thorneycroft
Rt. Hon. James Callaghan
Lady Aldington
The Lord Bridges
Mrs. Rees
HE The Ambassador of the Italian Republic

TABLE B

MR. DENIS THATCHER
HE Signor Giulio Andreotti
Rt. Hon. Sir Geoffrey Howe
Rt. Hon. Lord Aldington
Mrs. Callaghan
Rt. Hon. Lord Thorneycroft
Mrs. Jopling
HE Ambassador Umberto La Rocca

TABLE C

RT. HON. PETER REES
HE Signor Giovanni Gorla
Mrs. Pattie
Sir Austin Pearce
Mrs. Thomas
Mr. Neil Elles
Dr. Antonio Ghirelli
Lady Forte
HE Ambassador Bruno Bottai

TABLE D

RT. HON. MICHAEL JOPLING
HE Signor Filippo Maria Pandolfi
The Baroness Elles
Sir Robert Armstrong
Lady Clark
Mr. Andrew Turnbull
Lady Rossi
HE Ambassador Renato Ruggiero

TABLE E

MR. GEOFFREY PATTIE
HE Signor Renato Altissimo
Sir Hugh Rossi
Mrs. Powell
Sir Anthony Kershaw
Mr. Derk Thomas
Lady Pearce
Professor Gennaro Acquaviva

TABLE F

LADY HOWE
HE Signor Clelio Darida
Lady Kershaw
Counsellor Antonio Badini
Mr. Charles Powell
Mrs. Turnbull
Sir John Clark
General Giuseppe Piovano

Anglo-Italian summit

Rough translation of the address of the Italian Prime Minister, Signor Bettino Craxi, at the Dinner at n. 10 Downing Street on Thursday, 18th October, 1984.

Prime Minister,

I thank you most sincerely for the warm and friendly welcome extended to us tonight, which is certainly a good omen for the outcome of our talks. I have come to London accompanied by the Ministers for Foreign Affairs, Treasury, Agriculture, Industry and State Share-holdings to bear witness to the will of the Italian Government to intensify and enrich with new contents our periodical consultations.

Italy and Great Britain are committed together in the European and Atlantic contexts to safeguard and strengthen that model of western civilization that they have contributed to create and promote in the course of the centuries with their history, art and culture.

Our conscience is from time to time troubled and saddened by acts of blind violence, by the recrudescence of terrorism, which have not spared our two countries. I wish to renew the expression of my most sincere solidarity and sympathy for the victims of the recent cowardly attempt on your life and also my personal admiration for the composure with which you have faced up to such a terrible ordeal.

If the carrying out of such criminal acts is an attempt to exercise brutal intimidation, then I feel I must affirm that nothing will stop us from continuing to pursue the path of democracy, nothing will weaken our firm determination to defend our countries' institutions, bulwark of the unrenounceable freedoms of the individual and of the community.

cont.d

On the basis of the values and principles which inspire and guide the way of life of the community to which Great Britain and Italy belong, we strive, within the limits of our strengths and possibilities, to build a better world, to bring about a more secure peace. We hope that peace will be based less and less on military balances and evermore on development and growth, in an atmosphere of understanding and trust. In this way we will develop less uncertain prospects for the future of mankind.

Prime Minister, Italy and Great Britain have numerous opportunities to make their efforts and their initiatives converge in the framework of the Atlantic Alliance, to intensify the links of solidarity within the European Community and to encourage its process of integration and cooperation. At a bilateral level our countries intend to deepen their collaboration in the various fields to their reciprocal advantage.

The talks we have just held and those awaiting us tomorrow will offer us the opportunity to compare our evaluations on how to make our mutual understanding flourish, not only in the interest of our two nations, but also in the conviction that by so doing we act in favour of peace, development and security in the world.

Prime Minister, with these feelings and in renewing my warm thanks for your hospitality, I raise my glass to Her Majesty The Queen, to the friendship of our peoples, to the success of our efforts for peace, development and security in the world and to your personal wellbeing.

Teslo del brindisi del Presidente del Consiglio, On. Bettino Craxi,
al Pranzo a 10 Downing Street - 18 ottobre 1984.

"Signora Primo Ministro,

La ringrazio vivamente dell'accoglienza calda e amichevole che ci ha riservato questa sera, che è certamente di buon auspicio per l'esito dei nostri colloqui. Sono venuto a Londra accompagnato dai Ministri degli Esteri, del Tesoro, dell'Agricoltura, dell'Industria e delle Partecipazioni Statali, per testimoniare in modo concreto la volontà del Governo italiano ad intensificare ed arricchire di nuovi contenuti queste nostre consultazioni periodiche.

Italia e Gran Bretagna sono insieme impegnate nel contesto europeo ed atlantico a salvaguardare e rafforzare quel modello di civiltà occidentale che esse hanno contribuito con la loro storia, la loro arte, la loro cultura, a creare e fortificare nel corso dei secoli.

La nostra coscienza viene periodicamente turbata e rattristata da atti di cieca violenza, dall'insorgenza o recrudescenza di fenomeni terroristici, il cui teatro di operazione non ha risparmiato il territorio dei nostri due Paesi. Mi consenta a questo proposito di rinnovarle i sentimenti della più stretta solidarietà e di cordoglio per le vittime del vile attentato diretto contro la Sua persona ed anche la mia personale ammirazione per la serenità con la quale Ella ha affrontato una circostanza così terribile. Se, con il compimento di questi atti criminali si tenta di esercitare una intimidazione brutale, allora io mi sento di affermare che nulla potrà arrestarci dal continuare a perseguire la via della democrazia, nulla potrà indebolire la nostra ferma volontà di difendere le istituzioni dei nostri Paesi, baluardo di libertà inalienabili, individuali e collettive.

Sulla base dei valori e dei principi che ispirano e guidano il modo di essere della comunità cui Gran Bretagna e Italia appartengono, ci battiamo, nei limiti delle nostre forze e delle nostre possibilità per costruire un mondo migliore, per organizzare una pace più sicura. Noi speriamo che essa possa fondarsi sempre meno sugli equilibri militare e sempre più su un progetto di sviluppo e di crescita in un'atmosfera di comprensione e di fiducia per aprire prospettive meno incerte al futuro dell'umanità.

Signora Primo Ministro, Italia e Gran Bretagna hanno numerose occasioni di far convergere i loro sforzi e le loro iniziative all'interno dell'Alleanza Atlantica, per intensificare i legami di solidarietà in seno alla Comunità Europea, per favorirne il processo di integrazione e di cooperazione, e nel quadro dei rapporti bilaterali, per arricchire la nostra collaborazione nei diversi settori e dare ad essa una dimensione sempre più impegnativa nel reciproco vantaggio.

I colloqui che abbiamo appena avuti e quelli che ci attendono domani, ci offriranno l'opportunità di confrontare le nostre valutazioni sul modo di far progredire la nostra intesa non solo nell'interesse bilaterale, ma anche nella convinzione di operare, così facendo, in favore della pace, dello sviluppo e della sicurezza nel mondo.

Signora Primo Ministro,

con questi sentimenti e nel rinnovarle i più vivi ringraziamenti per la Sua ospitalità io alzo il calice alla salute di Sua Maestà La Regina Elisabetta, alla amicizia fra i nostri due popoli, al successo dei nostri sforzi per la pace, lo sviluppo e la sicurezza nel mondo, al Suo benessere personale ed a quello di tutti i presenti."



OK

cc: Feo

10 DOWNING STREET

THE PRIME MINISTER

18 October 1984

Dear Signor Spadolini:

Thank you so much for your kind note letting me know that you will not be able to participate in the British-Italian Summit. It will be a great disappointment not to see you on this occasion but I well understand the reasons and am glad that you are in regular touch with Michael Heseltine.

Yours sincerely

Margaret Thatcher

Signor Giovanni Spadolini

888

R E S T R I C T E D



10 DOWNING STREET

From the Private Secretary

18 October 1984

ANGLO-ITALIAN SUMMIT

You kindly sent me across some notes for the Press Conference following the Anglo-Italian Summit. I have drawn on these to prepare the enclosed draft opening statement by the Prime Minister. Obviously it will be subject to amendment in the light of how discussions actually go tomorrow morning. But there will not be enough time to start on a statement from scratch then, given the lunch at the Italian Embassy. I should be grateful to know whether the draft is on the right lines. It cannot be lengthened and may need to be shortened.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

R E S T R I C T E D

JHRAJI

cc mod
S/P Craddock

Mr Lowe

ANGLO ITALIAN SUMMIT : INTRODUCTORY STATEMENT FOR JOINT
PRESS CONFERENCE

Prime Minister Craxi and I meet regularly. He was last here for the London Economic Summit, and I am very pleased to see him again. Our talks reflected the successful collaboration between Britain and Italy as two of the major members of the Alliance and the European Community and our determination to work ever more closely together in future. I should like to thank him for his contribution to our excellent relationship.

We have had talks lasting some three and a half hours in all covering a wide range of subjects. I won't try to cover them all in this opening statement, but deal only with main ones which Signor Craxi and I ourselves discussed.

European Community

We naturally spent time discussing the future development of the European Community, and the priorities of the forthcoming Italian Presidency. I explained the importance which Britain attaches to getting rid of all the remaining barriers to a common market in goods and services and to liberalising air services. We agreed that the Fontainebleau European Council was a major achievement and that it was important to complete quickly the few outstanding issues on the budgetary side. I stressed the importance of restoring discipline in the management of the Community and its resources.

/Industrial Collaboration

Industrial Collaboration

We reviewed the progress of industrial collaboration between Britain and Italy which has already borne fruit - for instance EH101 helicopter and the links established between Plessey and Elettronica, and Racal and Selenia. We discussed a long list of projects - both military and civil - which were either in train or might develop in the future. I stressed the importance of work on common standards for industrial products within the Community, without which further European collaboration would be hampered.

Space Programme

Signor Craxi is keen for Britain to support the Columbus project for a platform based on Skylab. I told him we hoped to reach decisions before the end of this year, both on President Reagan's invitation to participate in the NASA space station, and on the proposals in the European Space Agency for a programme based on Columbus and the Ariane V launcher. I pointed out that the Columbus programme needs further definition to take into account the interests of other member states.

East/West Relations and Disarmament

We discussed East/West issues and agreed on the need for patience and persistence to develop contacts with the Soviet Union and Eastern Europe. We also agreed on the need to maintain western unity, particularly in the face of the continued build-up of Soviet nuclear systems. We regretted that there was no sign at present that the Russians are prepared to go back to the negotiating table while the US is ready to do so at any time, any place. We agreed that arms reductions would be in the interests of all the peoples of Europe provided that they can be achieved on the basis of balance and verification.

Argentina/Falklands

We naturally discussed the forthcoming debate on the Falklands at the UN General Assembly. I emphasised the very great importance we attach to this question. I pointed out that President Alfonsin had made clear once again in his statements in New York in September that for Argentina negotiations can only lead to an early transfer of sovereignty over the Falkland Islands, without any regard at all for the wishes of the Islanders, and as if the events of 1982 had never occurred. I hoped that no encouragement would be given to Argentina, by changes in the positions previously taken by our closest friends and allies.

Libya

Finally I should say that I thanked Prime Minister Craxi very warmly for Italy's help in looking after our interests in Libya and in particular asked him to make a further effort to persuade the Libyan authorities to release the four Britons remaining in quite unjustifiable detention in Libya.

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Foreign and Commonwealth Office

London SW1A 2AH

AM.

18 October 1984

Dear Charles,

Anglo-Italian Summit

Your letter of today's date contained an opening statement for the Prime Minister's use at the Press Conference.

We have only one suggestion: it would be safer to delete the final sentence on the Falklands. Not only does it sound like lobbying in public - which could be counter-productive with the Italians - but it would embarrass the Prime Minister personally if the Italians did change their vote.

You may also like to arm the Prime Minister with the correct language on German reunification, in case that subject is raised at the Press Conference (which in the light of Andreotti's recent unfortunate remarks, it might be).

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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PRIME MINISTER

*Ruggiero
- arrival
6-30 PM*

ANGLO-ITALIAN SUMMIT

The briefing meeting is at 4.00 pm tomorrow. I attach:

*① Mataric
Lepr.
Commissioner
c. 7.*

- A. A check-list of points;
- B. A background telegram from Rome;
- C. The briefs.

*② Internal market
Joint Ind
Propos.
A129*

I suggest that if possible you read A, B and the general brief in C.

Most of the material will be familiar to you. At the briefing meeting you might focus on trying to extract the points of particular interest to the UK in all this material on which we want to change Italian views or obtain something from them (e.g. Falklands at the UN, British detainees in Libya, priority for the Internal Market during Italy's EC Presidency).

*E101
1992*

You will also want to discuss the handling of the meeting. You have a 25 minute tête-à-tête with Craxi before dinner; another for an hour the next morning; a session with Foreign Ministers as well; and a plenary. The division might be:

head

A. First tête-à-tête

- Italian and UK political situations
- ③ - Falklands
- ② - Libya ? *Andreatti*

*① Inflation 1/6
↓
a) Oil & Oil (prices) 9.8
b) Wine - Vodka
c) Fish
d) Industrial Tariffs*

B. Second tête-à-tête

- EC
- East/West
- Disarmament
- Falklands (again)

C. Meeting with Foreign Ministers

- Political and Defence collaboration
- Other international issues.

D. Plenary

- Reports by other Ministers on their talks
- Bilateral industrial collaboration.

E.D.P.

17 October, 1984

A

ANGLO-ITALIAN SUMMIT : 18/19 OCTOBER

CHECK LIST FOR THE PRIME MINISTER

<u>Brief No</u>	<u>Subject</u>	<u>Main Points</u>	<u>Other points relevant to handling the subject</u>
		Grateful for messages of sympathy from Italy	Messages from a number of leading Italian politicians including Craxi and Andreotti (replies sent)
General Brief para 22	Libya	Grateful for Italian handling of UK interests in Libya. Concerned about 4 British detainees.	Likely to be discussed by Foreign Ministers. Detainees' wives met Prime Minister on 18 October
3	<u>European Community</u>	Ask Craxi what his priorities will be during Italian Presidency	During Presidency Italians likely to emphasise need for moves towards
3(a)	General	Engage Italian interest in UK ideas for future development of Community including completion of the internal market. Engage Italian support for UK alternative (lean burn) to German proposals on vehicle emission control.	European Union, Community industrial and research policies

Brief
No

Subject

Main Points

Other points
relevant to
handling the
subject

3(b)

(if raised)
Budget

Express non-committal interest in Italian candidate for Chairmanship of adhoc committee on A People's Europe.

Italians are expected to lobby for their candidate, Adonnino

Urge Craxi to work for a rapid solution to budgetary discipline. Community can only undertake new policy initiatives if it manages resources wisely

Italians more interested in expenditure than discipline.

3 (c)

Agriculture

Need to restrain growth of CAP expenditure. Community have money for other policies. Need to implement superlevy. Need to reform olive oil and wine regimes.

Italians have an open-ended commitment to CAP spending and have resisted attempts to curb surpluses

3 (d)

Enlargement

Secure Italian cooperation in working for rapid solution to outstanding enlargement problems

Fourth Foreign Affairs Council takes place on 22-23 October

5

East/West

Take stock. Explore ways to improve Western cohesion and dialogue with East Europeans

Both sides agree on need for more dialogue. Italian line likely to be that West should develop broadly based political relationship with Soviet Union

Brief
No

Subject

Main Points

Other points
relevant to
handling the
subject

6 Arms Control
& Disarmament

Encourage Italians
to maintain present
cool heads.
Importance of good
US/European
relations. CDE.

Cruise
deployments
in Sicily went
ahead without
major
opposition.

8 Falklands/
Argentina

Persuade Craxi that
Italy should not
vote with Argentina
in UNGA

Craxi's
personal inter-
vention last
year secured
Italian
abstention.

Argentina's aim is
unchanged :
negotiations with
a predetermined
outcome

Likely to be
discussed by
Foreign
Ministers.
Close Italian
links with
Argentina

To be discussed when Foreign Ministers join Prime Minister and
Signor Craxi

3 European Community
5 East/West

) Will have been
) discussed by
) Prime Ministers
) but points could
) be reinforced at
) larger meeting

4 Political &
Defence
Cooperation in
Europe

Need to show at
Rome that we are
serious about
improving European
defence cooperation

Meeting of WEU
Defence and
Foreign
Ministers in
Rome, 26/27
October

9 Bilateral :
Industrial
collaboration

Review possibilities
for further civil
& military industrial
collaboration.
Propose reference
to this at Press
Conference.

Will also be
discussed by
Industry
Ministers.
Officials
recently met
in Rome to
review all
fields of
collaboration.

Brief
No

Subject

Main Points

Other points
relevant to
handling the
subject

Antitank helicopter
We are reviewing
options including
the Italian
Agusta Al29

Italy keen to
see sale to UK
- value £700m

Columbus/Skylab
No decision yet.

Italy wants a
15% British
commitment to
fund Columbus

General
Brief
Paras
23-29

Arab-Israel
(23)

Europe should
reflect on its
attitude. Encourage
US to assume active
role in 1985.

Iran-Iraq
(24)

Seek Italian views.
Have they detected
any changes?

Cyprus
(25)

Support UN Sec-Gen's
efforts. Keep in
touch

Malta
(26)

Compare assessments

Mintoff called
on Craxi in
Rome on his
way from
London

Latin America
(27)

Compare assessments
of EC/Central
America talks

Southern Africa
(28)

Exchange views on
Angola & Mozambique

Hong Kong
(29)

Describe satisfactory
outcome to
negotiations

Brief
No

Subject

Main Points

Other points
relevant to
handling the
subject

To be discussed at lunch

7	International Economic Issues	How can economic recovery be sus- tained (UK and Italian economies expected to grow about 2½% in 1985 according to IMF)	Italy with high dependence on raw material imports, including energy, and high public sector borrowing particularly affected by high dollar and high interest rates
	US interest rates	We remain concerned at high levels	
12	The next Director General of CERN (if raised)	Avoid commitment at this stage	Italians expected to lobby for their own candidate

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INFO SAVING OTHER EC POSTS, WASHINGTON, UKDEL NATO, UKREP
BRUSSELS, CONSULAR POSTS IN ITALY (ACTIONED).

ANGLO/ITALIAN SUMMIT 18-19 OCTOBER: THE CRAXI GOVERNMENT.

SUMMARY.

1. CRAXI STILL DOES NOT ACT LIKE A PRIME MINISTER AND HIS ADMINISTRATION HAS BEEN WEAKENED BY THE ANDREOTTI AFFAIR. HE HAS A REASONABLE CHANCE OF SURVIVING UNTIL NEXT SUMMER, BUT HIS PERFORMANCE HAS DISAPPOINTED EXPECTATIONS: HE HAS NOT YET IMPOSED A DISTINCTIVE STYLE OF GOVERNMENT. THE POLITICAL SCENE IS SHIFTING BELOW THE SURFACE, WITH SOME OF CRAXI'S OWN SUPPORTERS QUESTIONING THE VALUE OF THE FIRST SOCIALIST PRIME MINISTERSHIP. ANGLO/ITALIAN RELATIONS REMAIN GOOD, AND THERE IS SCOPE FOR FURTHER INDUSTRIAL COLLABORATION. IN FOREIGN POLICY, THE ITALIAN PRESIDENCY OF THE COMMUNITY BEGINS TO LOOM, BUT CRAXI HAS NOT THOUGHT ABOUT WHAT HE WANTS OUT OF IT. EAST/WEST IS THE OTHER MAJOR AREA THAT REQUIRES DISCUSSION.

DETAIL.

2. IN MY TELNO 35 OF 20 JANUARY, SHORTLY BEFORE THE LAST ANGLO/ITALIAN SUMMIT HELD IN ROME, I SAID THAT CRAXI WAS SURVIVING RATHER THAN DOMINATING, AND THAT HIS SUPPORTERS WOULD BEGIN TO EXPECT TANGIBLE RESULTS AS THE EXCITEMENT OF SEEING HIM BECOME THE FIRST POST-WAR SOCIALIST PRIME MINISTER WORE OFF. HE CONTINUES TO SURVIVE, AND THE EXCITEMENT HAS DEPARTED.

3. CRAXI HAS BEEN UNCHARACTERISTICALLY QUIET SINCE THE EUROPEAN ELECTIONS LAST JUNE, WHEN HIS PARTY (THE PSI) DID NOT DO AS WELL AS THEY HOPED. HE LACKS THE SOLID ADMINISTRATIVE EXPERIENCE OF FANFANI AND ANDREOTTI, OR SPADOLINI'S ABILITY TO CATCH THE HEADLINES. HE HAS REPEATED RECENTLY THAT HE WANTS TO BE JUDGED BY A THREE-YEAR TERM: BUT EVEN SUPPOSING HE IS GRANTED SUCH A VERY LONG TERM BY ITALIAN STANDARDS HE HAS NO CLEAR OBJECTIVES EXCEPT PERHAPS IN ECONOMIC POLICY: HE HAS BEEN TAKING CREDIT FOR THE DECLINE OF THE INFLATION RATE TO SINGLE FIGURES. THERE ARE FEW SIGNS OF ANY DISTINCTIVE SOCIALIST MEASURES: THE REPUBLICANS ARE IN THE FOREFRONT IN THE FIGHT AGAINST TAX EVASION, THE MORAL QUESTION (MAFIA, ORGANISED CRIME, CORRUPTION) IS NOT A FLAG WHICH HIS SOCIALISTS CAN WAVE WITH CONVICTION. PARLIAMENTARY REFORM, ONCE A SOCIALIST RALLYING CRY, REMAINS EMBEDDED IN COMMITTEE.

4. CRAXI HAS RECOGNISED THAT HIS DUTIES AS PRIME MINISTER MAKE IT DIFFICULT TO GIVE ADEQUATE LEADERSHIP TO HIS OWN PARTY, AND HE HAS MADE MARTELLI HIS SOLE DEPUTY. SO AFTER YEARS OF HIS AUTOCRATIC LEADERSHIP, THE OLD SOCIALIST FACTION-FIGHTING IS

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BEGINNING.

BEGINNING TO REASSERT ITSELF, AND OUTSIDE ROME THE PARTY'S LOCAL BRANCHES CONTINUE TO PREFER TO WORK IN LOCAL ADMINISTRATION WITH THE COMMUNISTS RATHER THAN THE DC. ALL THE COALITION PARTIES ARE LOOKING INWARDS AND STRIVING FOR PRE-ELECTORAL ADVANTAGE AGAINST EACH OTHER. THE PRESIDENTIAL ELECTIONS NEXT JUNE WILL, AS ALWAYS, CREATE FURTHER STRAINS.

5. NONE OF THIS MEANS THAT CRAXI IS ABOUT TO FALL. THE ANDREOTTI AFFAIR (MY TELNO 692) COULD UPSET ALL CALCULATIONS, BUT IN THE SHORT TERM IT HAS PUT THE DC BACK ON THE DEFENSIVE, AND ANXIOUS TO AVOID A GOVERNMENT CRISIS. THE PROSPECT IS OF A WEAK GOVERNMENT SURVIVING BUT FACING INCREASING PCII OPPOSITION ESPECIALLY ON THE 'MORAL QUESTION'. THE NEXT POPULAR ELECTORAL TEST WILL BE THE LOCAL GOVERNMENT ELECTIONS IN SPRING 1985, AND WILL BE IMPORTANT.

FOREIGN POLICY.

6. THE ANGLO-ITALIAN SUMMIT IS CRAXI'S FIRST OVERSEAS VISIT THIS AUTUMN. I DOUBT WHETHER YOU AND THE PRIME MINISTER WILL FIND THAT HE HAS MUCH NEW TO SAY SINCE YOU LAST SAW HIM AT THE ECONOMIC SUMMIT (WHICH HE ENJOYED). HIS OFFICIALS TELL US THAT HE HAS NOT HAD MUCH TIME TO THINK ABOUT FOREIGN POLICY ISSUES.

7. BILATERAL ISSUES ON THE AGENDA SHOULD PROVE STRAIGHTFORWARD. ASSUMING THAT MR PATTIE'S TALKS WITH ITALIAN MINISTERS CONFIRM THE BROAD DEGREE OF UNDERSTANDING REACHED IN THE RECENT MEETINGS BETWEEN ALTISSIMO AND MR TEBBIT AND THICKELL/RUGGIERO, I JUDGE THAT CRAXI WILL BE HAPPY TO SPEAK ALONG THE LINES PROPOSED IN MY TELNO 691. HE LIKES TANGIBLE RESULTS AND DISLIKES WAFFLE.

8. THE EUROPEAN COMMUNITY PRESIDENCY WILL NOT BE EASY FOR THE ITALIANS ALTHOUGH THEY ARE NOT SHORT OF GOOD INTENTIONS AND WILL WANT TO MAKE A SUCCESS OF IT. RUGGIERO AND FORTE HAVE SOME POSITIVE IDEAS (YOUR TELNOS 364 AND MY TELNO 689), THOUGH I DOUBT WHETHER THE ITALIANS WILL REALLY PROMOTE THE COMPLETION OF THE INTERNAL MARKET SAVE IN SPECIFIC AND USEFUL AREAS LIKE STANDARDS. THEY ARE LIKELY TO SET EXCESSIVE STORE BY THE DOOGÉ COMMITTEE, AND ALSO BELIEVE THE TIME IS RIPE FOR MORE ACTIVE EMPLOYMENT POLICIES. BUT MINISTERS WILL BE DISTRACTED BY THE APPROACHING LOCAL AND PRESIDENTIAL ELECTIONS, AND I EXPECT THE POWERFUL AGRICULTURAL INTERESTS TO BE TOO STRONG FOR ANY GOOD INTENTIONS OF PANDOLFI, AND TO OPPOSE REFORM OF THE CAP. THEY MIGHT EVEN SEEK TO BLOCK ENLARGEMENT IF THE COMMUNITY FAILS TO COMPLETE THE NEGOTIATIONS UNDER THE IRISH PRESIDENCY. NOR CAN I SEE CRAXI MAKING A GOOD COMMUNITY CHAIRMAN: HE LACKS THE EXPERIENCE AND (I BEGIN TO THINK) THE INSTINCT AND FLAIR NECESSARY. ANDREOTTI HAS THESE QUALITIES AND HE COULD BE GOOD IN THE CHAIR IF HE OVERCAME HIS LACK OF INTEREST IN MANY COMMUNITY DOSSIERS, AND IF HIS PERSONAL AFFAIRS WERE RESOLVED OR AT LEAST HIDDEN. WE HAVE A GOOD OPPORTUNITY TO FOCUS ITALIAN MINDS ON THE KEY ISSUES, AND TO ENCOURAGE THEM TO PRESS AHEAD WITH THEM DURING THEIR PRESIDENCY.

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/a.

9. EAST/WEST RELATIONS DESERVE FULL DISCUSSIONS BOTH WITH CRAXI AND ANDREOTTI. WE NEED TO BE SURE OF THEIR INTENTIONS. THE FORMER HAS SAID LITTLE ON THE SUBJECT SINCE HIS LISBON GAFFE (ON THE POSSIBILITY OF A MORATORIUM ON INF DEPLOYMENT), AND THE LATTER IS IN THE DOGHOUSE OVER THE TWO GERMANIES. THE PARLIAMENTARY DEBATE ON ANDREOTTI'S CONDUCT OF FOREIGN AFFAIRS MAY OR MAY NOT CLARIFY HIS POSITION. I BELIEVE THAT THE ITALIANS ARE ESSENTIALLY SOUND ON NATO AND EAST/WEST MATTERS, AND THAT WHILE YOU WILL NEED TO REPEAT OUR POSITION ON THE BRITISH NUCLEAR DETERRENT IN THE CONTEXT OF ARMS CONTROL NEGOTIATIONS (FITZHERBERT'S LETTER TO WESTON OF 1 OCTOBER), WE SHOULD LOOK TO THE FUTURE AND DISCUSS DEVELOPMENTS AFTER THE US ELECTIONS AND THE DEGREE TO WHICH WE CAN DEVELOP RELATIONS WITH THE COUNTRIES OF EASTERN EUROPE IF US/USSR RELATIONS REMAIN BAD.

10. ON THE FALKLANDS SEE MY TELNO 687. ON LIBYA, YOU AND THE PRIME MINISTER WILL WANT TO THANK THE ITALIANS FOR THEIR EFFORTS ON OUR BEHALF. WHILE DETAILED DISCUSSION OF THIS CAN PERHAPS AWAIT EGERTON'S PROPOSED VISIT HERE SHORTLY AFTER THE SUMMIT, IT WOULD BE USEFUL TO ASK ANDREOTTI FOR HIS VIEWS ON QADHAFI.

ECONOMIC POLICY.

11. I UNDERSTAND THAT OFFICIALS HAVE AGREED ON A POSSIBLE AGENDA FOR GORNA'S TALKS WITH THE CHANCELLOR, AND I IMAGINE IT INCLUDES INTEREST RATES, THE DOLLAR? DEBT AND EXPORT CREDITS. THE ITALIAN ECONOMY HAS RECOVERED SOME OF ITS BUOYANCY, BUT UNEMPLOYMENT IS GROWING AND PUBLIC SECTOR DEBT AND WAGE COSTS CONTINUE TO CAUSE CONCERN. FEW PEOPLE BELIEVE THAT THE GOVERNMENT'S SEAT-OF-THE-PANTS BUDGET PROPOSALS FOR 1985 (MY TELNO 657) WILL ENABLE IT TO MEET ITS AMBITIOUS INFLATION TARGET OR EVEN ITS MODEST OBJECTIVES FOR CUTTING THE PSBR/GNP RATIO. GORNA MAY WANT TO TALK ABOUT DEVELOPMENT OF THE EMS. HE MAY ALSO HAVE VIEWS ON NEXT YEAR'S VENICE CONFERENCE ON NEW TECHNOLOGY AND JOBS, ALTHOUGH HERE THE LAST WORD BELONGS TO CRAXI.

CONCLUSION.

12. CRAXI'S GOVERNMENT IS GOING THROUGH A STICKY PATCH. THEY ARE IN A MOOD TO APPRECIATE ENCOURAGEMENT AND A LITTLE PUBLIC ATTENTION AND FLATTERY. THIS SHOULD HELP US ON OUR IMPORTANT BILATERAL PROJECTS, AND IN GIVING A SENSE OF DIRECTION AND PURPOSE TO THE ITALIAN PRESIDENCY. A DISCUSSION ON EAST/WEST RELATIONS AND THE FALKLANDS WOULD CLEAR THE AIR AND HELP TO STEER THE ITALIANS AWAY FROM ANY RASH INITIATIVES THEY MIGHT OTHERWISE CONTEMPLATE.

13. FCO PLEASE PASS SAVING TO OTHER EC POSTS, WASHINGTON, UKDEL NATO, UKREP BRUSSELS.

BRIDGES

LIMITED

WED

PS/LADY YOUNG

MR DEREK THOMAS

MR JENKINS

3
CONFIDENTIAL

CONFIDENTIAL

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GMV(84) 1 REVISE

COPY NO

1

ANGLO-ITALIAN SUMMIT
18-19 OCTOBER 1984

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8. FALKLAND ISLANDS/ARGENTINA
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*Copies of the Briefs are released
in CAB 133*

*G. Long
17/1/2014*

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CONFIDENTIAL

9. BILATERAL RELATIONS: CIVIL AND MILITARY INDUSTRIAL COLLABORATION
(INCLUDING R AND D)
Brief by Foreign and Commonwealth Office
10. ITALIAN INTERNAL SCENE
Brief by Foreign and Commonwealth Office
11. TERRORISM
Brief by Foreign and Commonwealth Office
12. APPOINTMENT OF NEXT DIRECTOR-GENERAL OF CERN (THE EUROPEAN CENTRE
FOR NUCLEAR RESEARCH)
Brief by Foreign and Commonwealth Office

Cabinet Office

17 October 1984



Foreign and Commonwealth Office

London SW1A 2AH

EMM

17 October 1984

Dear Charles,

Anglo-Italian Summit: Joint Press Conference

I now attach, as requested, additional notes for the Prime Minister's use at the press conference after the Anglo-Italian Summit on 19 October.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

E. R.

Anglo-Italian
Summit file

ANGLO-ITALIAN SUMMIT

INTRODUCTORY STATEMENT FOR JOINT PRESS CONFERENCE

PRIME MINISTER CRAXI AND I MEET REGULARLY.

HE WAS LAST HERE FOR THE LONDON ECONOMIC SUMMIT,
AND I AM VERY PLEASSED TO SEE HIM AGAIN.

OUR TALKS REFLECTED THE SUCCESSFUL COLLABORATION
BETWEEN BRITAIN AND ITALY AS TWO OF THE MAJOR
MEMBERS OF THE ALLIANCE AND THE EUROPEAN COMMUNITY
AND OUR DETERMINATION TO WORK EVER MORE CLOSELY
TOGETHER IN FUTURE.

I SHOULD LIKE TO THANK HIM FOR HIS CONTRIBUTION TO
OUR EXCELLENT RELATIONSHIP.

WE HAVE HAD TALKS LASTING SOME THREE AND A HALF HOURS IN ALL
COVERING A WIDE RANGE OF SUBJECTS.

I WON'T TRY TO COVER THEM ALL IN THIS OPENING
STATEMENT, BUT DEAL ONLY WITH MAIN ONES WHICH

/SIGNOR CRAXI

Middle East.

Turkey / Cuba / Mexico

Libya.

1 / Terrorism

- Eschdistan

=

- technique

Genocide

=====

2 / Bilder Coopération

Anti-lanti techniques

3 / Displacement

30⁵ Levi

=====

Middle East

Levi

SIGNOR CRAXI AND I OURSELVES DISCUSSED.

EUROPEAN COMMUNITY

WE NATURALLY SPENT TIME DISCUSSING THE FUTURE

DEVELOPMENT OF THE EUROPEAN COMMUNITY, AND THE
PRIORITIES OF THE FORTHCOMING ITALIAN PRESIDENCY.

I EXPLAINED THE IMPORTANCE WHICH BRITAIN ATTACHES
TO GETTING RID OF ALL THE REMAINING BARRIERS TO A
COMMON MARKET IN GOODS AND SERVICES AND TO
LIBERALISING AIR SERVICES.

WE AGREED THAT THE FONTAINEBLEAU EUROPEAN COUNCIL
WAS A MAJOR ACHIEVEMENT AND THAT IT WAS IMPORTANT
TO COMPLETE QUICKLY THE FEW OUTSTANDING ISSUES ON
THE BUDGETARY SIDE.

I STRESSED THE IMPORTANCE OF RESTORING DISCIPLINE IN
THE MANAGEMENT OF THE COMMUNITY AND ITS RESOURCES.
/INDUSTRIAL COLLABORATION

*Craxi
in meeting
14/6.*

New Politics 117

Financial recovery

Overcome.

Over recovery

Nation

Prudy could be

Don Murrill



Terrorism

Spikes

INDUSTRIAL COLLABORATION

WE REVIEWED THE PROGRESS OF INDUSTRIAL COLLABORATION BETWEEN

BRITAIN AND ITALY WHICH HAS ALREADY BORNE FRUIT -

FOR INSTANCE EH101 HELICOPTER AND THE LINKS

ESTABLISHED BETWEEN PLESSEY AND ELETTRONICA, AND

RACAL AND SELENIA.

WE DISCUSSED A LONG LIST OF PROJECTS - BOTH

MILITARY AND CIVIL - WHICH WERE EITHER IN TRAIN

OR MIGHT DEVELOP IN THE FUTURE.

I STRESSED THE IMPORTANCE OF WORK ON COMMON

STANDARDS FOR INDUSTRIAL PRODUCTS WITHIN THE

COMMUNITY, WITHOUT WHICH FURTHER EUROPEAN

COLLABORATION WOULD BE HAMPERED.

/SPACE PROGRAMME

EAST/WEST RELATIONS AND DISARMAMENT

WE DISCUSSED EAST/WEST ISSUES AND AGREED ON THE NEED FOR PATIENCE AND PERSISTENCE TO DEVELOP CONTACTS WITH THE SOVIET UNION AND EASTERN EUROPE.

WE ALSO AGREED ON THE NEED TO MAINTAIN WESTERN UNITY, PARTICULARLY IN THE FACE OF THE CONTINUED BUILD-UP OF SOVIET NUCLEAR SYSTEMS.

WE REGRETTED THAT THERE WAS NO SIGN AT PRESENT THAT THE RUSSIANS ARE PREPARED TO GO BACK TO THE NEGOTIATING TABLE WHILE THE US IS READY TO DO SO AT ANY TIME, ANY PLACE.

WE AGREED THAT ARMS REDUCTIONS WOULD BE IN THE INTERESTS OF ALL THE PEOPLES OF EUROPE PROVIDED THAT THEY CAN BE ACHIEVED ON THE BASIS OF BALANCE AND VERIFICATION.

ARGENTINA/FALKLANDS

WE NATURALLY DISCUSSED THE FORTHCOMING DEBATE ON THE
FALKLANDS AT THE UN GENERAL ASSEMBLY.

I EMPHASISED THE VERY GREAT IMPORTANCE WE ATTACH
TO THIS QUESTION.

I POINTED OUT THAT PRESIDENT ALFONSIN HAD MADE
CLEAR ONCE AGAIN IN HIS STATEMENTS IN NEW YORK IN
SEPTEMBER THAT FOR ARGENTINA NEGOTIATIONS CAN
ONLY LEAD TO AN EARLY TRANSFER OF SOVEREIGNTY OVER
THE FALKLAND ISLANDS, WITHOUT ANY REGARD AT ALL
FOR THE WISHES OF THE ISLANDERS, AND AS IF THE
EVENTS OF 1982 HAD NEVER OCCURRED.

/LIBYA

LIBYA

FINALLY I SHOULD SAY THAT I THANKED PRIME MINISTER CRAXI
VERY WARMLY FOR ITALY'S HELP IN LOOKING AFTER OUR
INTERESTS IN LIBYA AND IN PARTICULAR ASKED HIM TO
MAKE A FURTHER EFFORT TO PERSUADE THE LIBYAN
AUTHORITIES TO RELEASE THE FOUR BRITONS REMAINING
IN QUITE UNJUSTIFIABLE DETENTION IN LIBYA.

ADMINISTRATIVE PLAN FOR THE VISIT OF
HIS EXCELLENCY ON BETTINO CRAXI PRESIDENT OF THE
MINISTERS OF THE REPUBLIC OF ITALY

18 - 19 OCTOBER 1984

(To be read in conjunction with programme attached)

1. ARRIVAL

As soon as the aircraft has come to a standstill a Representative of the British Airports Authority will escort the Greeting party to the bottom of the aircraft steps. When the aircraft doors open the Italian Ambassador will board the aircraft and escort On Bettino Craxi to the tarmac where the Secretary of State for Foreign and Commonwealth Affairs will welcome him and present the following:-

The Lord Bridges, HM Ambassador at Rome

Brigadier Alan Cowan, Secretary, Government
Hospitality Fund
Group Captain Robert Thomson Escort Officer,
Government Hospitality Fund

The Italian Ambassador will present the Ministers to the Greeting Party before they proceed to the VIP Suite.

The other members of the official party will then disembark and proceed to the VIP Suite and thence to their cars.

2. PRESS ARRANGEMENTS

Arrangements for the Italian Press will be handled by Miss M McGlone (telephone 233 8618) of News Department of the Foreign and Commonwealth Office. A Press Centre with telephone and telex facilities will operate at the Government Press Centre, Little St James Street, SW1.

3. INTERPRETERS

On Bettino Craxi will accompanied by Signora Isabella Randone who will interpret throughout the programme including the Press Conference. Signor Andreotti will be accompanied by Signora Cristina di Pietro interpreter. Mr Michael Richardson will interpret for the Prime Minister at the tete-a-tete talks on 18 and 19 October and at the dinner on 18 October. Mr Anthony Lawrence will interpret at the talks between Signor Andreotti and Sir Geoffrey Howe, and at the plenary session at No 10 Downing Street.

Mrs P Newby will interpret at the talks between Signor Gorla and Mr Lawson and also at the Prime Minister's Press Conference. Mrs Lawrence will interpret at the dinner on 18 October and at the talks between Signor Altissimo, Signor Darida and Mr Pattie; another interpreter will interpret at the talks between Signor Pandolfi and Mr Jopling.

All interpreters will attend/be on call for the plenary session and the lunch which follows (except Mrs Newby who will need to prepare for the press conference). Mr and Mrs Lawrence will not be available to interpret at lunch.

4. TRANSPORT

Government Hospitality Fund will provide cars for the Italian Official Suite as indicated at Appendix I.

5. HOSPITALITY

Dinner at 10 Downing Street, 18 October

The following are also invited:-

HE Signor Andreotti
HE Signor Gorla
HE Signor Pandolfi
HE Signor Altissimo
HE Signor Darida
HE Ambassador Cagiati and Signora Cagiati
7 Officials

Dinner for Officials at 1 Carlton Gardens at 2015 for 2030

Dress : Black tie

Italy

Dr Sarcinelli
Dr Moroni
Counsellor Vattani
Counsellor Visconti di Modrone
Dr Barattieri
Dr Castellari
Dr Brandini (to be confirmed)
Counsellor Zezza
Counsellor Varvesi
Counsellor Aragona

United Kingdom

To be announced

Luncheon at 4 Grosvenor Square, 19 October

The following will be present:

Italy

On Bettino Craxi
HE Signor Andreotti
HE Signor Gorla
HE Signor Pandolfi
HE Signor Altissimo
HE Signor Darida
HE Ambassador Cagiati

United Kingdom

Prime Minister
Private Secretary
4 Ministers
Lord Bridges

Plus 11 British
Officials

6. PARTICIPATION AT MEETINGS (SUBJECT TO CONFIRMATION)

(a) No 10 Downing Street

Tete-a-tete Discussions

Present:

UK

Prime Minister
Private Secretary
Mr M Richardson (Interpreter)

Italy

On Bettino Craxi
Private Secretary
Signora Randone
(Interpreter)

HE Signor Andreotti and Sir Geoffrey Howe will join the tete-a-tete discussions at 1100 in 10 Downing Street on 19 October. Their interpreters will stand by for the Plenary.

(b) FCO

1000 - 1050

Present:

UK

Sir G Howe
Mr L Appleyard
Mr D Thomas
Lord Bridges
Mr R Renwick
Dr M Llewellyn Smith
Mr A Lawrence (Interpreter)

Italy

HE Signor Andreotti
HE Ambassador Cagiati
HE Ambassador la
Rocca
HE Ambassador Bruno
Bottai
HE Ambassador
Ruggiero
Minister Vattani
Signora Cristina di
Pietro (Interpreter)

(c) DTI

1000 - 1150

Mr Pattie
Mr Roy Croft
Mr R Williams
Miss M J Lackey
Mr K MacDonald
Mrs L Lawrence
(Interpreter)

HE Signor Altissimo
HE Signor Darida
Gen Piovano
Dr Barattieri
Dr Castellari
Counsellor Aragona

(d) MAFF

1150

Mr Michael Jopling
Mr Derek Andrews
Private Secretary
Interpreter

HE Signor Pandolfi
Dr Romualdo Moroni
Counsellor Varvesi

(e) Treasury

1100 - 1150

UK

Chancellor of the Exchequer
Private Secretary
Mr Peretz
Mr Littler
Mr Unwin
Mr Fitchew (to be confirmed)
(Interpreter)

Italy

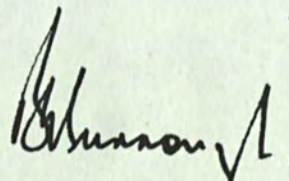
HE Signor Gorla
Dott, M Sarcinelli
Counsellor Zezza

Plenary Session, 1200 hours 10 Downing Street

To be announced

HE On Bettino Craxi
HE Signor Andreotti
HE Signor Gorla
HE Signor Pandolfi
HE Signor Altissimo
HE Signor Darida
HE Ambassador Cagiati

Each Minister will be
accompanied by an
official.



B C Burrough
Inward Visits
Protocol Department

FOREIGN AND COMMONWEALTH OFFICE

16 October 1984

LUXAAT

CAR PLANS

THURSDAY 18 OCTOBERHeathrow to Claridge's

Car 1	His Excellency On. Bettino Craxi His Excellency the Italian Ambassador Special Branch Officer
Security Car	Special Branch Officer Italian Security Officer Group Captain Thomson
Car 2	His Excellency Signor Andreotti His Excellency Ambassador La Rocca Special Branch Officer
Security Car	Special Branch Officer 3 Italian Security Officers Signor Mansi Colonel Worrall
Car 3	His Excellency Signor Gorla Dr Sarcinelli Counsellor Zezza Signora Randone Wing Commander Cody
Car 4	His Excellency Signor Pandolfi Dr Moroni Counsellor Varvesi Signora di Pietro Group Captain Heal
Car 5	His Excellency Signor Altissimo General Piovano Dr Barattieri Counsellor Colesanti Wing Commander Higson

Car 3

His Excellency Signor Gorla
His Excellency Signor Pandolfi
Wing Commander Cody

Car 4

His Excellency Signor Altissimo
His Excellency Signor Darida
General Piovano
Group Captain Heal

Car 7

His Excellency Ambassador La Rocca
His Excellency Ambassador Bottai
His Excellency Ambassador Ruggiero
The Lord Bridges

Car 8

Professor Acquaviva
Dr Ghirelli

Claridge's to 1 Carlton Gardens

Car 5

Dr Sarcinelli
Dr Moroni
Minister Vattani
Counsellor Visconti di Modrone
Wing Commander Higson

Car 6

Dr Barattieri
Dr Castellari
Dr Brandini (to be confirmed)
Counsellor Zezza
Colonel Wallis

Embassy Car

Counsellor Varvesi
Counsellor Aragona

FRIDAY 19 OCTOBER

Claridge's to 10 Downing Street

Car 1 His Excellency On. Bettino Craxi.
 Counsellor Badini
 Special Branch Officer

Security Car Special Branch Officer
 Italian Security Officer
 Group Captain Thomson

Car 9 Signora Randone
 Italian Security Officer
 Italian Security Officer

Car 9 then to return to Claridge's for Dr Ghirelli as required.
Claridge's to FCO

Car 2 His Excellency Signor Andreotti
 His Excellency the Italian Ambassador
 Special Branch Officer

Security Car Special Branch Officer
 Italian Security Officer
 Signora di Pietro
 Signor Giordano
 Colonel Worrall

Car 7 His Excellency Ambassador La Rocca
 His Excellency Ambassador Bottai
 His Excellency Ambassador Ruggiero
 Minister Vattani

Claridge's to 11 Downing Street

Car 3 His Excellency Signor Gorla
 Dr Sarcinelli
 Counsellor Zezza
 Wing Commander Cody

Claridge's to MAFF and then to 10 Downing Street

Car 4 His Excellency Signor Pandolfi
 Dr Moroni
 Counsellor Varvesi
 Group Captain Heal
 Mrs Perrini (MAFF to 10 Downing Street only)

Claridge's to DTI and then to 10 Downing Street

Car 5 His Excellency Signor Altissimo
 General Piovano
 Dr Barattieri
 Wing Commander Higson

Car 6 His Excellency Signor Darida
 Dr Castellari
 Counsellor Aragona
 Colonel Wallis
 Mrs Lawrence (DTI to 10 Downing Street only)

Claridge's to 10 Downing Street at 1140 hours

Car 8 Professor Acquaviva

10 Downing Street to Claridge's at 1100 approx.

Car 4 Dr Sarcinelli
 Dr Moroni
 Minister Vattani
 Wing Commander Higson

Car 6 General Piovano
 Dr Barattieri
 Dr Castellari
 Colonel Wallis

Car 9 Counsellor Zezza
 Counsellor Varvesi
 Counsellor Aragona

10 Downing Street to Ambassador's Residence and then to Claridge's

Car 1	His Excellency On. Bettino Craxi Counsellor Badini Special Branch Officer
Security Car	Special Branch Officer Italian Security Officer Group Captain Thomson
Prime Minister's Car	The Prime Minister
Car 2	His Excellency Signor Andreotti His Excellency the Italian Ambassador Special Branch Officer
Security Car	Special Branch Officer Italian Security Officer Colonel Worrall
Car 3	His Excellency Signor Gorla His Excellency Signor Pandolfi Wing Commander Cody
Car 5	His Excellency Signor Altissimo His Excellency Signor Darida Group Captain Heal
Car 7	His Excellency Ambassador La Rocca His Excellency Ambassador Bottai His Excellency Ambassador Ruggiero The Lord Bridges
Car 8	Professor Acquaviva Signora Randone Signora di Pietro

Claridge's to Heathrow

As for the journey from Heathrow to Claridge's on 18 October with the following exceptions:

His Excellency Ambassador Ruggiero will remain in London privately.

General Piovano will depart separately from London Heathrow Airport.

D I S T R I B U T I O N
* * * * *

10 Downing Street

Private Secretary (2)
Press Secretary (2)

Italian Embassy (10)

Foreign and Commonwealth Office

Private Secretary (2)
PS/PUS (2)
Lord Bridges (1)
Mr D Thomas (1)
Mr M Jenkins (1)
Dr Llewellyn Smith (1)
WED (Mr Spiceley) (4)
News Department (3)
Resident Clerk
Protocol Department (8)

Government Hospitality Fund (50)

Metropolitan Police

c/o Colonel Durrant (6)

LUXAAT

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Foreign and Commonwealth Office

London SW1A 2AH

17 October 1984

Dear Charles,

Anglo-Italian Summit (18-19 October): Checklist for
the Prime Minister's Briefing at 1600 on 18 October

/ I enclose the checklist for the Prime Minister's meeting at 1600 on 18 October. These checklists, which were introduced for last May's Anglo-German Summit, replace the old 'Game Plan'.

The checklist is divided into subjects which are suggested for discussion between the Prime Minister and Signor Craxi tete-a-tete and those which might best be taken when Foreign Ministers join the meeting.

I also enclose a copy of Lord Bridges' scene-setting telegram.

/ I am copying this letter and its enclosure to those on the attached list.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

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Copies to:

PS/Chancellor of the Exchequer

PS/Minister of Agriculture

PS/Secretary of State for Trade and Industry

PS/Minister of State, Dept of Trade and Industry

PS/Sir R Armstrong

Mr B Unwin, HM Treasury

Mr D Andrews, MAFF

Mr R Williams, DTI

Sir C Tickell, ODA

Mr D Williamson, Cabinet Office

Lord Bridges (c/o WED)



HOW TO BEGIN WITH CRAXI

1. This evening PM might concentrate on:
 - thanks for help over Libya
 - Interest in Andreotti/Qadhafi meeting
 - interest in Italian EC Presidency aims.
2. Friday tete-a-tete:
 - UK views on EC development
 - Falklands
 - East/West
 - Arms Control/Defence
 - Transatlantic Relations.
3. With Foreign Ministers also present:
 - WEU etc
 - Regional Issues
 - Hong Kong
 - International Economic Questions
 - US interest rates
 - US election.



CRAZI VISIT: PM'S BRIEFING

Uk Objectives

1. Influence Italians just before their Presidency. Show how seriously we take them.
2. Urge them to help solve problems of Budgetary Discipline and Enlargement.
3. Take stock of:
 - state of NATO
 - WEU development
 - East/West relations
4. Examine possible civil and military industrial collaboration (Brief 9). Stress wish to press forward, especially in EC context (eg ESPRIT).
 - pleased with progress over EH 101 helicopter
 - good aerospace/defence links
 - exchange views on space programme.
5. Press Italians not to vote with Argentina over Falklands.
6. Thank them for helping us in relations with Libya.



Foreign and Commonwealth Office

London SW1A 2AH

17 October, 1984

Dear Charles,

Anglo-Italian Summit: 18/19 October

The Italian Embassy have now provided us with the names of the members of their delegation who they would like to attend the Prime Minister's dinner. I enclose the list. You will see that for the dinner the Italians have named 14. They have told us that Signora Cagiati will be in Rome on 18 October.

I enclose also the list of members of the Italian delegation attending the plenary meeting.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

✓ Miss Goodchild
noted sg no note
GR

Anglo-Italian Summit

Members of the Italian Delegation attending the dinner at
N. 10, Downing Street, - 18th October, 1984.

1. H. E. Signor Bettino Craxi
2. H. E. Signor Giulio Andreotti
3. H. E. Signor Giovanni Goria
4. H. E. Signor Filippo Maria Pandolfi
5. H. E. Signor Renato Altissimo
6. H. E. Signor Clelio Darida
7. H. E. Ambassador Andrea Cagiati
8. H. E. Ambassador Umberto La Rocca
9. H. E. Ambassador Bruno Bottai
10. H. E. Ambassador Renato Ruggiero
11. Professor Gennaro Acquaviva
12. General Giuseppe Piovano
13. Signor Antonio Ghirelli
14. Counsellor Antonio Badini

Anglo-Italian Summit

Members of the Italian Delegation attending the Plenary Session
at n. 10, Downing Street - 19th October, 1984.

1. H. E. Signor Bettino Craxi
2. H. E. Signor Giulio Andreotti
3. H. E. Signor Giovanni Goria
4. H. E. Signor Filippo Maria Pandolfi
5. H. E. Signor Renato Altissimo
6. H. E. Signor Clelio Darida
7. H. E. Ambassador Andrea Cagiati
8. H. E. Ambassador Umberto La Rocca
9. H. E. Ambassador Bruno Bottai
10. H. E. Ambassador Renato Ruggiero
11. Professor Gennaro Acquaviva
12. General Giuseppe Piovano

Note taker: Counsellor Antonio Badini

17 OCT 1984

10
C



*Italian Embassy
17, Three Kings Yard,
London, W.1.*

CA

16th October 1984

Dear Mr. Powell,

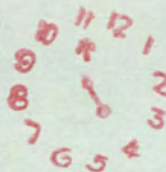
08301

I take pleasure in sending you herewith
a letter from the Italian Minister for Defence,
Senator Giovanni Spadolini, addressed to the
Prime Minister, the Rt. Hon. Margaret Thatcher.

*Yours sincerely,
Luigi Valiani*

C.D. Powell, Esq.
Private Secretary to the Prime Minister
10 Downing Street
LONDON S.W.1

17 OCT 1984



Pr: CDZ

PRIME MINISTER

ANGLO/ITALIAN SUMMIT

I attach some points for a
toast at your dinner in honour of
Craxi on Thursday.

CDP.

16 October 1984

Would you have this
typed in note -

form or cards.

It is delightful! -

Thatcher

DINNER FOR CRAXI: SPEECH

/ It was the Emperor Charles V who said: "To God I speak Spanish, to women Italian" I don't know, Mr. Prime Minister what you speak to God, but it is always a delight to hear you speak Italian to me and it is a great pleasure to welcome you here again for these bilateral discussions. I also warmly welcome ^{also} your Ministerial colleagues, your officials and Ambassador and Mrs. Cagiati, who are such outstanding and well-loved representatives of your country here in London.

[It is a particularly auspicious year for our two countries. A year in which we were delighted to receive President Pertini and to have the Genius of Venice Exhibition at the Royal Academy. A year in which we were able to welcome you here for the London Economic Summit, on which you have produced a beautifully illustrated book. Her Majesty The Queen Mother and his Royal Highness The Prince of Wales are about to visit your country. We have established a "Round Table" which met in Rome in May to discuss the challenges of modern technology - a subject which I know interests you personally, Mr. Prime Minister. My colleague Norman Tebbit, who this evening so sadly lies in hospital rather than sitting with us here, recently paid a very successful visit to Italy. We also have particular reason to be grateful to Italy for the way in which you have generously taken on the task of looking after our interests in Libya at a difficult time.

[We also share some bitter experiences, Mr. Prime Minister, from the evil called terrorism. Your country has suffered grievously in the past and I have enormous respect for the way which, while preserving individual liberty and all the democratic standards which are dear to us both, you have tackled terrorism and shown that you will never let it succeed. I share that determination.

Mr. Prime Minister, you are about to embark on the Presidency of the European Community. It will be a challenging task but I know that you are much more than equal to it. This is a time of opportunity in the Community, a chance to lift our eyes above the day to day issues and set about completing the unfinished business of the Treaty of Rome. You can rely on us to follow your lead and give you our full support. I look forward particularly to visiting your native city of Milan for the European Council in June.

Mr. Prime Minister, there is no doubt of the very special place which Italy holds in my country's affections. A respect for your age-old tradition of civility and culture: an admiration for your present day spirit of enterprise: your flair and your elegance. We have learned a lot from the old in your country: now we want to work with the new.

I raise my glass to you, Mr. Prime Minister, and to the President and people of Italy.

DINNER FOR SIGNOR CRAXI: SPEECH

It was the Emperor Charles V who said: "To God I speak Spanish, to women Italian ...". I don't know, Mr Prime Minister what you speak to God, but it is always a delight to hear you speak Italian to me.

Great pleasure to welcome you here again for these bilateral discussions. Welcome also your Ministerial colleagues, your officials and Ambassador Cagiati, outstanding and well-loved representative of your country.

Particularly auspicious year for our two countries. Delighted to receive

① President Pertini and to have the Genius of Venice Exhibition at the Royal Academy.

② Welcomed you here for the London Economic Summit, on which you have produced a beautifully illustrated book. Queen Mother

③ and Prince of Wales are about to visit your country. Established a "Round Table"

④ which met in Rome in May to discuss the challenges of modern technology - a subject which interests you personally.

5

Mr Tebbit recently paid a very successful visit to Italy. Grateful to Italy for the way in which you look after our interests in Libya. A

Share some bitter experiences from the evil called terrorism. Respect for the way which, while preserving individual liberty and all the democratic standards you have tackled terrorism. I share that determination.

B

Presidency of the European Community - a challenging task but I know that you are much more than equal to it. Time of opportunity in the Community, a chance to lift our eyes above the day to day issues and set about completing the unfinished business of the Treaty of Rome. Look forward particularly to visiting your native city of Milan for the European Council in June.

Btdub

No doubt of the very special place which Italy holds in my country's affections. A respect for your age-old tradition of civility and culture: an admiration for your present day spirit of enterprise: your

C. Clark
flair and your elegance. We have learned
a lot from the old in your country: now
we want to work with the new.

I raise my glass to, Mr Prime
Minister, and to the President and people
of Italy.

BILATERAL MEETING WITH SIGNOR CRAXI ON
19 OCTOBER

General

Important to show Britain and Italy working closely together and counter picture of exclusive Franco-German leadership. Accent at press conference on Summit as further step forward in our close co-operation.

Cyprus —

"Thorny problem

of wire"!

BILATERAL MEETING WITH SIGNOR CRAXI ON
19 OCTOBER

Libya

- Received visit from wives.
Desperate.

- Grateful for all Italy has done.

- Consider whether any more you can
do to obtain release of detainees.

Spanish steel

Easy access to other markets
strength of design
women together

Year for reputation

Parryson for 1942

BILATERAL MEETING WITH SIGNOR CRAXI ON
19 OCTOBER

Disarmament

- No real sign of Soviet movement though latest remarks by Chernenko deserve analysis.

- Views on BMD/SDI: need for allied consultations.

- Growing public concern about chemical weapons.

- No change in UK position on inclusion of UK independent deterrent in arms reductions talks.

BILATERAL MEETING WITH SIGNOR CRAXI ON
19 OCTOBER 1984

Falklands

- Grateful for what you did last year to ensure Italian abstention.
Recognise political difficulties.
- Very important not to shift this year. Do not vote with Argentina against us.
- History of Berne talks.
- Alfonsin still sees negotiations as having only one pre-determined outcome.
- Vital not to give impression of our Community allies deserting us.

BILATERAL MEETING WITH SIGNOR CRAZI ON
19 OCTOBER

East-West

- Compare assessments of what going on in the Soviet leadership.

- Agree with Reagan that patience and persistence needed. Early progress unlikely on arms control.

- In strict confidence, Gorbachev coming here. Important to keep talking to East Europeans, too.

- Vital to maintain Alliance unity even if little progress on arms control.

LATERAL MEETING WITH SIGNOR CRAZI ON
19 OCTOBER

Community

- Our approach to future development of the Community essentially a practical one.
- Priority for completing internal market and doing things which benefit individual citizens (e.g. cheaper air fares).
- Must tie up outstanding budget issues, especially budget discipline.
- Need also to restrain agricultural spending: our farmers have suffered over milk: must also reform olive oil and wine regimes.
- Agree on importance of enlargement: smaller Commission?
- Glad we both oppose German proposal for catalytic converters

/ (If mentioned)

(If mentioned)

- Adonnino a good candidate for Committee on People's Europe, but want to be sure Germans do not have a candidate.



10 DOWNING STREET

CDP

Yes - 14 ^{intr} ~~represent~~ ^e
for back!

It seems that Mr. all

Williamson was missed
off the list of

participants for the

Anglo/Italian Plenary

Session.

Can he be added?

This makes the UK
side total 13.

Mark
15/10/84.



Je vsc
CPC

10 DOWNING STREET

From the Private Secretary

15 October, 1984

Dear Colin,

Anglo/Italian Summit : 18/19 October,
Participation by Officials

Thank you for your letter of 12 October about participation in the Anglo/Italian Summit.

The Prime Minister is concerned by the escalation which appears to be taking place in the attendance of these meetings and would like to restrict participation this time if possible. In particular, she would like the meeting of Prime Ministers and Foreign Ministers at 11.00 a.m. to be limited to Ministers and one notetaker on each side.

As regards the plenary, it looks as though total attendance, including interpreters, will be over 30. The Cabinet table can accommodate 12 on each side, plus two notetakers at one end. It may be that one or two more can be seated away from the table but it will have to be made clear to the Italians that 12 is the maximum number of participants (as opposed to spectators) on their side.

I am sending copies of this letter to Richard Hatfield (Cabinet Office), David Peretz (H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Callum McCarthy (Department of Trade and Industry) and Richard Mottram (Ministry of Defence).

yes directly
C. D. Powell

C. D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

PLC 84

MR. TAYLOR

Anglo/Italian Summit: 19 October

The plenary session of this meeting will be in the Cabinet Room. It looks at present as though we shall have 31 people present, including interpreters. If possible, we should like to have seats for 12 on each side of the Cabinet table, places for two notetakers at the little table at the end and six chairs in a second row on the Italian side of the table.

C. D. POWELL

15 October, 1984

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

12 October 1984

CD

Dear Charles,

Anglo-Italian Summit: Joint Press Conference

I enclose notes on selected topics for the Prime Minister's use at the joint press conference following the Anglo-Italian Summit. The notes cover the European Community, Industrial Collaboration and inner-German Relations, a topic which may be raised at the press conference following Signor Andreotti's recent injudicious remarks about German reunification.

I gather that it has not been the previous practice for a communique to be issued after these Summits.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



10 DOWNING STREET

Prime Minister

Anglo-Italian Summit.

There is a steady escalation in numbers attending these meetings.

For the joint meeting of Prime Ministers & Foreign Ministers a total of 12 is proposed (9 last time).

For the plenary 29.

Agree to restrict the PM/FM meeting to Ministers only plus one note-taker each. Yes not

There's probably not much to be done about the plenary. If they're all come from Rome, they will all want to be present. EDP 12/1.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

12 October 1984

Dear Charles,

Anglo/Italian Summit 18/19 October: Participation by Officials

The Italians have now given us a list of those accompanying Sr Craxi, and asked which of the team should accompany Foreign Ministers when they join Prime Ministers at 1100 at No 10. It is clear that they would like several officials to be present if possible.

We have the following suggestions about participation.

Talks between Prime Ministers at 1000 on 19 October

It is already agreed that Prime Ministers should be accompanied by Private Secretaries and one interpreter each.

Meeting of Prime Ministers and Foreign Ministers at 1100

It is agreed that the two Ambassadors should join this meeting (your letter of 5 October). We hope that the Prime Minister will agree that the two Political Directors (Mr Derek Thomas and Sr Bottai) should also join these talks. If the Prime Minister wishes to touch on the question of industrial collaboration, to which the Italians attach importance, we would see advantage in including also Sr Ruggiero, the Economic Director at the Italian Ministry of Foreign Affairs, He has been personally involved in looking for areas of possible collaboration, and recently held a round of talks on this with Sir Crispin Tickell. The two teams might then be as follows:

Prime Minister	Sr Craxi
Sir Geoffrey Howe	Diplomatic Adviser
Lord Bridges	Sr Andreotti
Mr Derek Thomas	Ambassador Cagiati
Mr Williamson	Sr Bottai (Political Director)
Private Secretary	Sr Ruggiero (Economic Director)
(one interpreter)	(one interpreter)

/Plenary Session

CONFIDENTIAL



Plenary Session at 1200

You asked in your letter of 10 October about British officials at the Plenary. I enclose a list of those who we would like to see attend the plenary from both sides.

I should be grateful to know whether these proposals are acceptable.

I am copying this letter to Richard Hatfield (Cabinet Office), David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Callum McCarthy (Department of Trade and Industry) and Richard Mottram (Ministry of Defence).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

ANGLO/ITALIAN SUMMIT: 18-19 OCTOBER

PROPOSED PARTICIPANTS FOR PLENARY SESSION (1200 HRS)

Uk Side

Prime Minister
Private Secretary
Sir Geoffrey Howe
Lord Bridges
Mr Derek Thomas (FCO)
Mr Nigel Lawson
Mr D Peretz (Treasury)
Mr Michael Jopling
Mr D Andrews (MAFF)
Mr Geoffrey Pattie
Mr R Williams (DTI)
Mr M J Llewellyn Smith
(notetaker)

Italian Side

Signor Craxi
Signor Badini (Diplomatic Adviser to
Prime Minister)
Prof. Acquaviva (Political Counsellor
to Prime Minister)
Signor Andreotti (Foreign Minister)
Ambassador Cagiati
Ambassador Bottai (Political Director,
MFA)
Ambassador Ruggiero (Economic Director,
MFA)
Ambassador La Rocca (Chef de Cabinet)
General Piovano (Secretary General,
Ministry of Defence and Chief
of Defence Procurement)
Signor Gorla (Treasury)
Dr Sarcinelli (Director General,
Treasury)
Signor Pandolfi (Agriculture)
Dr Moroni (Director General,
(Agriculture)
Signor Altissimo (Industry)
Dr Barattieri (Director General,
(Industry)
Signor Darida (State Shareholdings)
Dr Castellari (Director General)

UKRAIN



10 DOWNING STREET

From the Private Secretary

11 October 1984

PERSONAL

ANGLO-ITALIAN SUMMIT: DINNER FOR THE ITALIAN PRIME MINISTER

I have replied officially and, I hope, helpfully to your letter of 10 October about this. Privately, reactions here are a good deal less charitable, with the view taken first that the Prime Minister was inaccurately advised (that places were needed for only four Italian officials) and her interests in the subsequent situation not given adequate consideration.

Apart from the faulty advice, we have a situation in which Italian guests end up as a third of those invited (they presumably have adequate opportunities to talk to each other at home); the Prime Minister faces the likely embarrassment of disinviting some British guests if she is to maintain her preferred format for the dinner; and the Italian Government have dictated to us who should be invited. Your letter wrings its hands over the implications for Anglo-Italian relations of not agreeing to increase the number of officials. But it seems a good deal less concerned with protecting the Prime Minister's desire to enable Italian Ministers to meet a reasonable cross-section of British public life. Nor do I think it strong argument to say that we must avoid the Italian Ambassador standing down his wife: it is not for the Italian Ambassador to assume that he can substitute somebody else. It's not his choice.

Perhaps in the course of elegant surrender to their rather presumptuous demands, a diplomatic eyebrow can be raised at the way in which the Italians have pressed them.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

851



10 DOWNING STREET

From the Private Secretary

10 October 1984

ANGLO-ITALIAN SUMMIT: DINNER FOR THE ITALIAN PRIME MINISTER

Thank you for your letter of 10 October. We can, with difficulty, make two more places available for Italian officials.

(C.D. POWELL)

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

010



Foreign and Commonwealth Office

London SW1A 2AH

10 October 1984

Dear Charles,

Anglo/Italian Summit: Dinner for the Italian Prime Minister

We have discussed the problem posed by the small number of places available for Italian officials at the Prime Minister's dinner.

It is a great pity that we did not earlier anticipate the number of important Italian visitors who should have been included in the guest list. That said, it has become clear today that the problem has assumed proportions which could spoil the atmosphere of the Summit. The Italians have taken action today both in Rome and here in London, very courteously and at a high level, to make clear that there is a danger of ruffling the feelings of a number of important people. Since the atmosphere of a summit meeting is so important, particularly to the Italians, we very much hope that you will look seriously at a possible solution.

At present, we understand that there are places for 13 Italians: 6 Ministers, 5 officials, and Ambassador and Mrs Cagiati. I enclose a list of the senior officials who will be part of Craxi's team. There are 10 of them. If - as I understand to be the case - there can be no question of adding a whole table - then it will presumably be very difficult to expand the official quota beyond 5.

It is however highly desirable that Ambassador Bottai (Political Director) and Ruggiero (Economic Director) should if at all possible be included in the dinner. They are two of the key figures in our relations with Italy, and Ruggiero is at this moment conducting a round of talks on industrial collaboration with Sir Crispin Tickell in Rome as a preliminary to the Summit. As things stand, one or even both of them might be omitted from the list. To avoid serious internal friction on the Italian side we really need to increase the official quota from 5 to 7, thus ensuring that Bottai and Ruggiero can attend.

/I



I believe the Italian Ambassador is considering standing his wife down to make room. Given the nature of the dinner, wives included, this should we believe be avoided at all costs.

It is worth recalling that at the last Summit, the Italians offered 18 places for British guests at Craxi's dinner at the Castel Sant'Angelo.

CR Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

SENIOR ITALIAN OFFICIALS ATTENDING THE ANGLO-ITALIAN SUMMIT

Signor Craxi's party:

General Piovano - Secretary General for Defence and National
Armaments Director

Professor Gennaro Acquaviva - Political Counsellor

Counsellor Antonio Badini - Diplomatic Adviser

MFA:

Ambassador Bruno Bottai - Political Director

Ambassador Renato Ruggiero - Economic Director

Ambassador Umberto La Rocca - Chef de Cabinet to Signor Andreotti

TREASURY:

Dr Mario Sarcinelli - Director General

MINISTRY OF AGRICULTURE

Dr Romualdo Moroni - Director General

MINISTRY OF INDUSTRY

Dr Vittorio Barattieri - Director General

MINISTRY OF STATE SHAREHOLDINGS

Dr Sergio Castellari - Director General

(n.b. Director General equates roughly to DUSS)



10 DOWNING STREET

From the Private Secretary

- 10 October 1984

Anglo-Italian Summit

SK
||

SK
||

I should be grateful for recommendations for participation by UK officials in the plenary session of talks. In addition to HM Ambassador Rome, this should be limited to one senior official from each of the departments involved in the discussions and the Head of West European Department in the Foreign Office as note taker.

It would also be helpful to know which Italian officials will attend.

Charles Powell

C.R. Budd, Esq.,
Foreign and Commonwealth Office.

RESTRICTED

RESTRICTED



so

10 DOWNING STREET

From the Private Secretary

Miss Wilkinson

Anglo-Italian Summit: Prime Minister's
Briefing Meeting

I agree the list in your minute to me of 5 October save that I don't think Clive Whitmore need come since defence has been dropped from the agenda.

5 October, 1984.

so



Ref. A084/2668

MR POWELL

Anglo-Italian Summit: Prime Minister's Briefing Meeting
at 4.00 pm on Thursday 18 October 1984

I should be grateful for approval for the following Ministers to attend the Prime Minister's briefing meeting for the Anglo-Italian Summit:

Foreign and Commonwealth Secretary - the Foreign Secretary will only be present for the first part of the meeting as he will be greeting the Italian delegation at 5.30 pm.

Chancellor of the Exchequer

Minister of Agriculture, Fisheries and Food

Minister of State, Department of Trade and Industry
 (Minister for Information Technology - deputizing for the Secretary of State who is unavailable)

2. They should be accompanied by the following officials:

Mr Derek Thomas - Foreign and Commonwealth Office

Mr Brian Unwin - Treasury

Sir Clive Whitmore - Ministry of Defence

Mr Derek Andrews - Ministry of Agriculture, Fisheries and Food

Mr Roy Williams - Department of Trade and Industry

Sir Robert Armstrong)

Mr Bryan Cartledge) Cabinet Office

Mr David Williamson)

Lindsay Wilkinson

LINDSAY WILKINSON

5 October 1984

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

5 October 1984

*file Kb
cc Mrs Lyder
Mrs Goodchild
Sir Cradock*

ANGLO-ITALIAN SUMMIT: 18-19 OCTOBER

Thank you for your letter of 4 October about the programme for the Anglo-Italian Summit.

I agree the programme as set out in your letter, also that Ambassadors should join the meeting with Foreign Ministers at 1100, and that one interpreter on each side will be sufficient for this meeting.

I am copying this letter to the recipients of yours.

CHARLES POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

Kb

B. R.
MR. POWELL

Dinner for the Italian Prime Minister
Thursday, 18 October

Mr. and Mrs. Derek Thomas will be attending this dinner instead of the Staniers.

If the Heseltines stand down, then we will keep these two places for a No. 10 Private Secretary and wife.

There would therefore be room for 5 Italian officials.

Sue

4 October 1984



VSCABU.

cc Sue Grootchild

10 DOWNING STREET

From the Private Secretary

4 October 1984

ANGLO/ITALIAN SUMMIT:
DINNER FOR THE ITALIAN PRIME MINISTER

Thank you for your letter of 3 October.

I have noted the absence of Signor Spadolini and the addition of Signor Darida.

We are suggesting to Mr. Heseltine and General Stanier that they withdraw from the dinner. We have replaced Mr. Tebbit by Mr. Pattie. We have added Derek Thomas.

We are still under very great pressure for places at this dinner which is limited to 48. I fear therefore that we cannot offer places for more than five Italian officials. Even that means leaving out Sir Alan and Lady Campbell, though since he came to the dinner for President Pertini this is not serious.

Could you please let me know in due course which Italian officials will attend.

C.D. POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office.

BEI

de



Foreign and Commonwealth Office

London SW1A 2AH

4 October, 1984

Dear Charles,

OKS Lyder
JXS Goodchild

Anglo-Italian Summit: 18-19 October

I would be grateful if you would confirm the following programme for the Anglo-Italian Summit.

18 October

- 1600 Prime Minister's briefing
- 1730/
1800 Arrival of Sig Craxi with the Italian delegation
(Sir G Howe will meet)
- 1920 Sig Craxi to arrive at No 10 for short tete-a-tete
with the Prime Minister
- 2000 Dinner hosted by the Prime Minister (not 2030
as originally proposed in FCO telno 330)

19 October

- 1000 Talks between Prime Ministers at No 10
- Prime Ministers to be accompanied by Private Secretaries and one interpreter each
(Meetings between other participating Ministers)
- 1100 Prime Ministers to be joined at No 10 by Foreign Ministers
- 1200 Full plenary session at No 10 to be attended by Ministers and senior officials
- 1330 Working lunch at Italian Ambassador's residence (Grosvenor Square)
- 1500-
1545 Press Conference

I should be grateful if you would let me know whether Ambassadors are expected to accompany the Foreign Ministers when they join the Prime Ministers at No 10. Presumably one interpreter on each side will be sufficient for this meeting. The interpreters will be Mr Michael Richardson for the restricted meetings (agreed in your letter of 27 September); and for the plenary and Press Conference



Mr Anthony Lawrence, who has interpreted for the Prime Minister at previous meetings with the Italians. As regards the Press Conference, I understand that your Press Office are considering using Claridges, where the Italian delegation is staying.

Participation

On participation the Italians have modified their initial team and Signor Craxi now expects to be accompanied by:

Signor Andreotti	(Foreign Affairs)
Signor Pandolfi	(Agriculture)
Signor Gorla	(Treasury)
Signor Altissimo	(Industry)
Signor Darida	(State-Holdings)

Senator Spadolini has decided against attending because of an unavoidable commitment in Egypt. Mr Heseltine will therefore not participate in the Summit. Signor Darida will be joining Signor Altissimo for talks at the Department of Trade and Industry with Mr Pattie in place of Mr Tebbit.

I am copying this letter to Richard Hatfield (Cabinet Office), David Peretz (HM Treasury), Ivor Llewellyn (MAFF), Callum McCarthy (Department of Trade and Industry), and Richard Mottram (Ministry of Defence).

Yours ever,
Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

4 OCT 1984

11 12 11 10 9 8 7 6 5 4 3 2 1





Foreign and Commonwealth Office

London SW1A 2AH

Mrs. Gresham 9/4/10

3 October 1984

I think we should
- disengage Mr. Heseltine
- delete General Dranier
- give the Italians 6 officials
- add Campbells if possible let
 Dear Charles, *not before giving the Italians six.*
Please let us know how you get
on - I will then write
back.
CDM.

Anglo-Italian Summit: Dinner for the Italian Prime Minister

Since my letter of 7 September (containing a suggested guest list) we have been informed of a number of changes in the Italian team:

- (i) Senator Spadolini, Defence Minister, will not be attending the Summit;
- (ii) Signor Darida, Minister for State Participation, will accompany Signor Altissimo for talks at the Department of Trade and Industry and should be added to the guest list;
- (iii) the Italians have asked for 9 senior officials to be included on the guest list although they do not have a complete list of names. This group is made up of:
 - 2 officials from the Prime Minister's office;
 - 3 officials from the Ministry of Foreign Affairs (Ambassador Bruno Bottai - Political Director) Ambassador Renato Ruggiero - Economic Director Ambassador La Roca - Chef de Cabinet); and
 - 1 official each for other Ministers.

We hope it will be possible to include the whole group, but well realise that it may not be. Perhaps you could let me know how many can be fitted in.

On the UK side Mr Heseltine and General Sir John Stanier might be deleted from the guest list (given the absence of Spadolini) and Mr Tebbit replaced by Mr Pattie, who will represent him at the Summit.

/Finally,



Finally, if it is not too late, we should like to add the names of Sir Alan and Lady Campbell. Sir Alan, formerly Ambassador in Rome, is Chairman of the British-Italian Society and organised the first Anglo-Italian Round Table last spring. The concept of a Round Table was endorsed by the Prime Minister at the two previous summits.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

ITACI: Amph/Lt.
Summit
P 3

SEP 24 1984

23 OCT 1984





Al Ministro della Difesa

N. 3/001979/12.18.126 (84)

Rome, October 1, 1984

Dear Prime Minister,

I am very grateful for the friendly and cordial expressions you addressed me on the occasion of our meeting at Farnborough. I particularly appreciated the exhibition organized by the Royal Air Force; it also pleases me that the collaboration between our two Countries in the fields of defence industry, and particularly the aeronautical one, is fruitful and open to further and even more promising developments.

Several months ago I accepted an invitation by Egyptian Government to visit that Country. Unfortunately the dates of such visit, which is very important for us also because of the Red Sea situation and the operations carried out by our fleets in the mine hunting in those waters threatened by international terrorism, combine with those of the British-Italian Summit.

In recalling the frequent occasion on which we had the opportunity to work together when I held the Office of Prime Minister, I wish to apologize for not being able to take part in the Italian Delegation.

Some days earlier I shall see the Min-

His Excellency
The Prime Minister
Hon. Margaret THATCHER
10, Downing Street
LONDON

ister of Defence, Mr. Heseltine, who will be my guest at Stresa on the occasion of the NPG meeting; I will study with him in depth those problems which could possibly be further examined by you and Prime Minister Craxi.

I remain, with the expression of my warm and friendly feelings,

yours sincerely

Giorgio Napolitano



File
le)

10 DOWNING STREET

From the Private Secretary

27 September, 1984

ANGLO-ITALIAN SUMMIT: INTERPRETATION

Vi ringrazio per la vostra lettera in cui avete proposto il nome del Signor Michael Richardson come l'interprete al Primo Ministro per l'incontro con il Presidente Craxi.

Dato che a Numero Dieci non c'è nessuno chi parla ne capisce italiano, saremo molto grati d'avere l'aiuto del Signor Richardson.

(C.D. Powell)

C. R. Budd, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office

London SW1A 2AH

27 September 1984

Dear Charles,

Anglo-Italian Summit (18-19 October): Interpretation

It has been the normal practice at the Anglo-Italian Summits to provide the Prime Minister with an interpreter, for the tete-a-tete meetings and dinner, who is a member of our Rome Embassy. This has the advantage for the Prime Minister that she is attended by an interpreter familiar with summit terminology.

On this occasion we should like to propose that Mr Michael Richardson, First Secretary (Economic) at the Embassy, should undertake the interpretation. Mr Richardson's Italian is fluent. He has passed the advanced language examination, and he already has experience of interpreting at official meetings for Ministers (Sir Geoffrey Howe and Mr Nigel Lawson).

I should be grateful if you would confirm that this arrangement would be acceptable to the Prime Minister.

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

Foreign and Commonwealth Office

London SW1A 2AB



27 SEP 1994

RECEIVED
12-1-1994
LONDON

CONFIDENTIAL



MR POWELL

CDD
-25/9.

70 WHITEHALL, LONDON SW1A 2AS

01-233 8319

From the Secretary of the Cabinet and Head of the Home Civil Service

Sir Robert Armstrong GCB CVO

PS(84) 17

25 September 1984

Dear Private Secretary,

Anglo-Italian Summit: 18-19 October 1984

This letter sets out the briefing arrangements for the Anglo-Italian Summit which is to take place in London on 18-19 October 1984.

The list of briefs to be prepared, with an indication of Departmental responsibility, is at Annex A. Instructions on format are at Annexes B and C. Those preparing briefs should note carefully the details on the format of briefs set out in Annex B. Departments should, therefore, aim to ensure that, apart from the General Brief, individual subject briefs do not exceed two sides of paper.

70 copies of each brief should be sent to the Cabinet Office as soon as they are ready. In any case they should reach the Cabinet Office by 12.00 noon on Monday 15 October AT THE VERY LATEST. They should be addressed to Mrs M Wagner in Committee Section, who should be consulted (tel no 233 7343) about any technical points arising.

I am sending copies of this letter to the Private Secretaries to Sir Antony Acland, Sir Peter Middleton, Sir Clive Whitmore, Sir Anthony Rawlinson, Sir Brian Hayes and Sir Michael Franklin; and to Charles Powell at No 10.

Yours sincerely,

(Signed) LINDSAY WILKINSON (MISS)
Assistant Private Secretary

CONFIDENTIAL

CONFIDENTIAL

ANNEX A

LIST OF BRIEFS FOR ANGLO-ITALIAN SUMMIT
18-19 OCTOBER 1984

<u>GMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
1.	Index of Briefs	FCO(WED)	Cabinet Office
2.	General Brief (to include international issues: Arab/Israel, Libya, Iran/Iraq, Argentina/Falkland Islands, Central America, Cyprus, Southern Africa, Hong Kong)	FCO(WED)	Treasury MOD and others as appropriate
3.	European Community Topics:	FCO(ECD(I))	FCO(ECD(E)) FCO(FED) FCO(ERD) FCO(MAED) MAFF DTI Treasury
	(a) General Community Brief (to include trade issues, internal market, industrial policy, and future development of the Community)		
	(b) Community Financing	FCO(ECD(I))	Treasury
	(c) Community Agricultural Matters	MAFF	FCO(ECD(I)) Treasury
	(d) Enlargement	FCO(ECD(E))	DTI Treasury
4.	Security Co-operation in Europe	FCO(WED)	MOD Treasury FCO(Def Dept)
5.	East/West Relations (including Afghanistan)	FCO(Sov Dept/ WED)	FCO(Def Dept) FCO(EED) FCO(SAD) FCO(MAED) FCO(TRED) MOD
6.	Arms Control and Disarmament (including CDE, MBFR, CW, INF/START, outer space and emerging technologies)	FCO(Def Dept)	MOD FCO(ACDD) FCO(NED)

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<u>GMV(84)</u>	<u>Subject</u>	<u>Lead Department</u>	<u>In consultation with</u>
7.	International Economic Issues (to include international debt and North/South issues)	Treasury	FCO(ERD) FCO(TRED) FCO(ESID) DTI
8.	Bilateral Relations (to include bilateral defence matters and industrial collaboration)	FCO(WED)	FCO(Def Dept) FCO(MAED) MOD DTI Treasury
9.	Italian Internal Scene (to cover political and economic aspects)	FCO(WED)	Treasury

THE FOLLOWING INSTRUCTIONS ABOUT FORMAT SHOULD BE FOLLOWED CAREFULLY

All briefs should be laid out in the same way with a top page in accordance with the specimen layout at Annex C. Those preparing briefs should pay particular attention to ensuring that the following instructions are fully observed:

Content

- (a) Briefs should be concise. Each brief should whenever possible be no more than two sides long.
- (b) The main body of each brief should comprise three sections: a very brief statement of the United Kingdom Objective (normally no more than a couple of lines); a concise list of Points to Make; and a factual Background section which distinguishes clearly between information which can be freely used and information which should not be disclosed.
- (c) Briefs should be complete and self-contained with all the information required on that particular subject.

Layout

- (d) Briefs should be typed in double spacing, using both sides of the paper. Pages should be numbered at the foot of each page.
- (e) As shown in the specimen at Annex C, the top page only of each brief should contain the following details: the symbol and number of the brief in the top left-hand corner (eg GMV(84) 10) with the date of circulation below; a copy number in red at the top right-hand corner; the visit heading; the title of the brief (in capitals) and the name of the Department responsible.
- (f) At the foot of the last page and on the left-hand side, briefs should bear the name of the originating Government Department and the date of origin.

Reproduction

- (g) Briefs should be reproduced throughout on plain white paper, with each page bearing a security classification at top and bottom (as in Annex C). Care should be taken that the reproduction method employed results in clear readable copies.
- (h) It is important that, on arrival at the Cabinet Office, briefs should be complete in all detail - collated, stapled and copy numbered and ready for immediate circulation.

Updating

- (i) If late developments require a brief to be amended or updated, a revise should be prepared. It should be set out in the form described at (e) above, with the brief number amended to show that it is a revise (eg GMV(84) 10 (Revise)). Subsequent revises should be numbered (eg GMV(84) 10 (Revise 2), etc). If it is a question of adding material to the brief rather than revising its existing contents, an addendum should be prepared, in the form described at (e) above with the brief number (eg GMV(84) 10 Addendum) and title to which it relates at the top of the front page. The Private Secretary to the Secretary of the Cabinet should be informed when a revise or an addendum is in preparation and also about corrigenda to briefs.
- (j) Additions to the list of briefs in Annex A require the authorisation of the Private Secretary to the Secretary of the Cabinet.

[CLASSIFICATION]

ANNEX C

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

GMV(84) [Serial No as specified in Annex A] COPY NO [in red]
[Date]

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ANGLO-ITALIAN SUMMIT
18-19 OCTOBER 1984

[SUBJECT] [Insert subject in capitals]

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

[At foot of last page on left-hand side:-]

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

[Date of origin]

[CLASSIFICATION]



10 DOWNING STREET

From the Private Secretary

11 September, 1984

Anglo-Italian Summit: 18-19 October

Thank you for your letter of 10 September about Ministerial participation in the Summit and the agenda for it.

The Prime Minister is content with the participation proposed, and in general with the agenda. But she does not think it likely that we shall have anything useful to say to the Italians about the Middle East. This should therefore be omitted from the outline agenda put to them, though I recognise that they may well suggest its inclusion themselves.

I am sending copies of this letter to David Peretz (H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

Charles Powell

L. V. Appleyard, Esq.,
Foreign and Commonwealth Office



Prime Minister Foreign and Commonwealth Office
London SW1A 2AH

Agree proposed list of participants and agenda at X(over)?

10 September 1984

CDD 10/9

Yes - but I can't think we have much to say about the Middle East at present that would be constructive

Dear Charles,

Anglo-Italian Summit: 18-19 October

We wrote on 27 July confirming that the Italians had accepted our invitation to come to London for the next bilateral summit on 18-19 October.

We should now consider Ministerial participation. We understand the Italians favour continuity (there has been no major change in their Ministerial team since the last Summit). For our part we would like to field a strong team, particularly since the Summit will be in London this time. There will be much business to discuss and it will be a useful opportunity to impress on the Italians, who will have the EC Presidency next year, our ideas for the future of Europe.

We suggest therefore that the Prime Minister should be accompanied by the same team as for the last Summit, namely:

- ✓ (i) Secretary of State for Foreign and Commonwealth Affairs;
- ✓ (ii) Chancellor of the Exchequer;
- ✓ (iii) Secretary of State for Defence.

We have a continuing defence dialogue with the Italians which includes several collaborative military projects. Mr Heseltine has had a number of contacts recently with his Italian opposite number, Signor Spadolini, and Sir Geoffrey Howe hopes that Mr Heseltine will wish to continue these discussions at the Summit. In addition, Spadolini (unlike Craxi) has been helpful to us over the Falklands in the past, and, given the difficulties we may face with the Italians over the next UNGA vote, it could be a useful opportunity to give him our views.

/(iv)



(iv) Secretary of State for Trade and Industry.

Civil industrial and technological collaboration is another area of current interest. Although Mr Tebbit will visit Rome at the end of September for talks with his opposite number we are anxious to maintain the impetus created by present contacts and we hope he will be able to participate in the Summit.

(v) Minister for Agriculture, Fisheries and Food.

X | On the outline for the agenda for the Prime Ministers we suggest indicating to the Italians that we would expect discussion to concentrate on the Community, East/West relations, including security issues and European defence, international economic problems and transatlantic questions in the light of the US Presidential elections. [We might also add the Middle East, including Libya.]

If the Prime Minister agrees with these proposals on both participation and the agenda we will put them to the Italians.

We have agreed with the Press Office that an announcement will be issued on Tuesday 2 October. This is acceptable to the Italians.

I am copying this letter to Richard Hatfield (Cabinet Office), John Kerr (HM Treasury), Ivor Llewellyn (MAFF), Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

Yours ever,

Len Appleyard

(L V Appleyard)
Private Secretary

C D Powell Esq
10 Downing Street



Cardine c.
FCO informed
C.P.
MS

10 DOWNING STREET

From the Private Secretary

Prime Minister

Anglo-Italian Summit

You have agreed to
give a dinner on the
first evening.

The Italian Ambassador has
offered to give the lunch on
the second day.

This is the new pattern,
established last time in Rome.

Agree to let the Italians

hosr

we

lunch?

Yes
my

C. D. P.

3/4.



Foreign and Commonwealth Office

London SW1A 2AH

27 July 1984

DB ro mts

1) Mrs Ryder

2) pa.

27/7

*206
3077*

Dear Charles,

Anglo-Italian Summit: 18/19 October (London)

In your letter of 18 June you asked us to propose dates for the Anglo-Italian Summit to the Italians. The Italian Embassy have now confirmed that the dates we proposed, 18/19 October, are acceptable.

I will write to you in early September about the agenda and Ministerial participation.

I am copying this letter to Richard Hatfield (Cabinet Office), John Kerr (HM Treasury), Ivor Llewelyn (MAFF), Richard Mottram (Ministry of Defence) and Callum McCarthy (Department of Trade and Industry).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
10 Downing Street

1 JULY: Summits: P13

Foreign and Commonwealth Office

London SW1A 2AA



27 JUL 1984

11 12 1
10 2 2
9 3 3
8 4 4
7 5 4



~~one
late?~~

No. 10. DOWNING
ST.

With the compliments of

CR
Mrs Ryder 6/7.

WESTERN EUROPEAN
DEPARTMENT

~~DAB~~

to all

of 5/7

FOREIGN AND COMMONWEALTH OFFICE,
LONDON, SW1A 2AH

5-7-1984

CONFIDENTIAL
FM ROME
TO IMMEDIATE FCO
TELNO 461
OF 041430Z JULY 1984

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*Re copy to
No 10 r
Cabinet Office ..*

AND TO SAVING PARIS, BONN, UKREP BRUSSELS

MYTELNO 444: ANGLO/ITALIAN SUMMIT

1. BADINI HAS NOW TOLD US THAT THE ITALIANS, WITH PERTINI'S AGREEMENT, HAVE PROPOSED 15-16 OCTOBER TO PRESIDENT DIOUF. THE SENEGALESE HAVE NOT YET REPLIED, BUT BADINI SAID THAT WE COULD REPORT **PROVISIONAL ITALIAN ACCEPTANCE OF THE PRIME MINISTER'S PROPOSED DATES OF 18-19 OCTOBER FOR THE ANGLO/ITALIAN SUMMIT.** WE EXPLAINED THAT IF THESE DATES WERE NOT POSSIBLE THE TIMING WOULD SLIP UNTIL AT LEAST NOVEMBER BECAUSE OF THE PRIME MINISTER'S OTHER COMMITMENTS.

2. WE SHALL CHECK AGAIN IN A FORTNIGHT'S TIME, AND ASSUMING FORMAL CONFIRMATION ENQUIRE ABOUT THE TIMING OF AN ANNOUNCEMENT. IT WOULD BE A MISTAKE TO PRESS EARLIER BECAUSE THE CRAXI GOVERNMENT IS GOING THROUGH A BUMPY PERIOD (P2 AND LONGO'S THREAT TO RESIGN, THE ECONOMY ETC). I SHALL BE REPORTING SEPARATELY ON THE INTERNAL SCENE SHORTLY.

BRIDGES

FCO PLEASE PASS SAVING ADDRESSEES

LIMITED

WED

ECD'S

DEF.D..

NEWS.D..

PROTOCOL.D.

PS

PS/LADY YOUNG.

PS/MR. RIFKIND.

PS/MR. WHITNEY.

PS/PUS.

MR. ADAMS.

MR. RENWICK.

MR. JENKINS.

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je use.
bc Sir P.C.

10 DOWNING STREET

From the Private Secretary

18 June 1984

Anglo/Italian Summit

BS/1
You wrote to John Coles on 29 May about dates for the next Anglo/Italian Summit which is due to be held in London. The best dates for the Prime Minister are 18/19 October. The proceedings would begin with a dinner on 18 October with talks the following morning followed by lunch, which would mark the end of the Summit. I should be grateful if you would propose these dates to the Italian Government.

I realise that the dates pose some problems for the Chancellor (in the case of the dinner on 18 October) and for the Secretary of State for Trade and Industry (for the talks on 19 October). No doubt suitable arrangements can be made for them to be represented.

I am sending copies of this letter to David Peretz (HM Treasury), Ivor Llewelyn (MAFF), Richard Mottram (Ministry of Defence), Callum McCarthy (Department of Trade and Industry) and Richard Hatfield (Cabinet Office).

C.D. POWELL

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTERANGLO/ITALIAN SUMMIT

The last one was 26/27 January in Rome.

The frequency is about every nine or ten months. We need to propose dates for the next one in London in the Autumn.

You want one-day Summits with the Italians as with the Germans. Tom Bridges thinks the Italians would be miffed at having to travel here and back in a day (2½ hours each way). He suggests starting with a dinner one day and finishing at lunchtime the next.

But when it comes to your turn to go to Rome you could start a fashion by going there and back in a day.

The best dates for you in the Autumn are 18/19 October - dinner on the evening of 18 October, talks on the morning of 19 October.

This would also suit Sir Geoffrey Howe, Mr. Heseltine, Mr. Jopling. Mr. Lawson could not manage the dinner but could do the talks. Mr. Tebbit could do the dinner but not the talks (Mr. Channon could substitute).

Agree?

Yes

C.D.P.

C.D. Powell
14 June 1984



Secretary of State for Trade and Industry

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
LONDON SW1H 0ET
Telephone (Direct dialling) 01-215 5422
GTN 215
(Switchboard) 215 7877

Already taken into account

*edp
15/6*

14 June 1984

P F Ricketts Esq
Private Secretary to the
Secretary of State for Foreign
and Commonwealth Affairs
Foreign and Commonwealth Office
Downing Street
London SW1

Dear Peter

ANGLO-ITALIAN SUMMIT

Thank you for copying to me your letter of 29 May to John Coles. It is, of course, not certain that my Secretary of State will be required to attend (this will depend on the team that the Italians field) but you might find it helpful to know how his diary stands for the dates proposed. He is at present free on 15, 17 and 18 October and 5, 7 November but not on 19 October and 9 November. However, on 17, 18 October and on 7 November the Secretary of State has dinner engagements and would therefore not be free for a Summit dinner on those nights.

with CPD

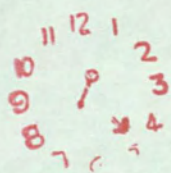
2 I am copying this letter to John Coles and other recipients of your letter.

Yours ever
Edward Blades

EDWARD BLADES
Private Secretary

JH1AJS

15 JUN 1984



SUBJECT

see OPS
Master

file

JR



CC FO

10 DOWNING STREET

THE PRIME MINISTER

11 June 1984

PRIME MINISTER'S

PERSONAL MESSAGE

SERIAL No.

T96184

My dear Prime Minister,

I write to thank you very much indeed for the attractive linen table cloth and napkins which you so kindly sent to me. I look forward to seeing them in use here.

I hope that you are enjoying your stay in London - and that Signora Craxi is also enjoying her separate programme.

Yours sincerely
Margaret Thatcher

His Excellency Onorevole Bettino Craxi

ECL

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10 DOWNING STREET

From the Private Secretary

9 June 1984

Dear Peter,

Economic Summit: Bilateral Meeting
with the Prime Minister of Italy

Signor Craxi called at No. 10 Downing Street today for a brief bilateral meeting. I enclose a record of the conversation.

I am copying this letter to Hugh Taylor (Home Office), David Peretz (HM Treasury) and Richard Hatfield (Cabinet Office).

Yours etc

Pl. Colv..

P.F. Ricketts, Esq.,
Foreign and Commonwealth Office.

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D. R.

SUBJECT.

CONFIDENTIAL

CE Master

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY AT 1850 HOURS ON MONDAY 11 JUNE AT 10 DOWNING STREET

Sat. 9

Present:

Prime Minister
Mr A J Coles
Intepreter

Signor Craxi
Signor Badini

* * * * *

The Prime Minister said that some time ago she had told the Chancellor of the Federal German Republic that we were working on a paper on the long-term future of Europe - the vision of what Europe could be after current problems had been solved. This work had now been completed. She wished to let Signor Craxi have the resulting paper (at this point the Prime Minister handed the paper to him). She did not know whether it would be possible to solve the budget problems at Fontainbleau. If not, she feared that the impasse would continue. But she would do everything possible to work for a solution. Signor Craxi said that he would make a similar effort.

The Prime Minister expressed the hope that whatever happened at Fontainbleau the refunds promised to the United Kingdom at Strasbourg would be paid. It was difficult to understand why they were still blocked.

Signor Craxi said that if Britain could reach agreement with other countries Italy would certainly not be the one

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to make difficulties. The Prime Minister repeated that if there was no agreement, everything would be blocked. For example, we would certainly not be able to agree to any increase in own resources. But we would continue to discuss this problem with the French and the Germans and try to resolve it to the extent of at least 90% before the European Council. Signor Craxi said that he had spoken to both Mitterrand and Kohl - they clearly wanted a solution.

The Prime Minister then thanked Signor Craxi for the help the Italian Government had given with the evacuation of British Embassy personnel from Libya and for continuing to represent our interest there. This was very much appreciated. Qadaffi was difficult to deal with. He now held six British citizens as hostages. It looked as though he would try to bargain them against Libyans in detention here. We would not go down that road. In response to a question from Signor Craxi, the Prime Minister said that she thought there were three Libyans awaiting trial from previous incidents and a further number who had been convicted. Signor Craxi agreed that Qadaffi would try to make a bargain, particularly if the Libyans we held were his supporters. Italy had already made representations on behalf of the British citizens detained in Libya - and had gained the impression that they were likely to be used as a bargaining card. In response to a question from the Prime Minister, he confirmed that Italy would continue to press for consular access. Qadaffi was in some ways a frightened man - he feared that one day the United States would do something to him. The Prime Minister said that she believed that Qadaffi had been quite shaken when we had broken off diplomatic relations. We were now having to look very carefully at Libyans who entered this country. But we did not want to prevent legitimate business.

The Prime Minister said that she was glad that the Anglo/Italian Round Table had now been launched.

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- 3 -

Signor Craxi did not appear to know of this fact.

In response to a question from the Prime Minister, Signor Craxi said that the South African Prime Minister would be visiting Rome in the next few days. He would receive him, even though there had been protests, because he believed this useful. The Prime Minister agreed that there was no possibility of influencing Botha if he was isolated.

Signor Craxi then reverted to the forthcoming European Council. We should not wait until the last minute to get a settlement. Attempts should be launched in the next few days. The Prime Minister asked whether if Chancellor Kohl, President Mitterrand and she put to Signor Craxi a proposal, he would be prepared to encourage the smaller countries. Signor Craxi said that there would certainly not be obstacles to an agreement on the Italian side. But he felt it might be easier to find a solution based on a sizeable refund if this was not linked to a system. If we waited for some time for a system to be put in place, higher refunds in the interim might be possible. He had heard this suggestion from Mitterrand and Kohl. It might be easier to talk about figures rather than systematic rules. The Prime Minister commented that in that case we might have to discuss percentages. It would certainly be good to have the outstanding questions settled.

Signor Craxi said that he had been in Madrid two weeks ago. The Spaniards felt that the French had been attempting to impose too rigorous conditions on their entry into the Community, especially with regard to fiscal arrangements. He had told President Mitterrand of Spanish feelings.

Prime Minister Gonzales had told him that public opinion in Spain was still against NATO. Although the Spaniards claimed that membership of NATO and of the European Community were distinct matters, they were in fact

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linked in the sense that Spanish public opinion on one matter would be influenced by success on the other.

In a brief discussion of his recent visit to Hungary, Signor Craxi said that the Hungarians had made it plain to him that they did not regard arms control questions as any concern of theirs, since they were not in a position to handle these issues. Hungary had sought better access to the European Community. The Prime Minister said that representations on this point had been made to her. But the Hungarians asked for more than we could give. We should however try to help them in some way.

In conclusion, Signor Craxi congratulated the Prime Minister on the success of the Economic Summit. Everything had gone very well.

The discussion ended at 1915.

A.J.C.

9 June 1984

SLHAAL

BILATERAL: MR. CRAXI

Libya

V. grateful for Italian assistance in handling the evacuation of our staff and in protecting our interests since.

Anglo/Italian Round Table

Glad it was launched in Rome at end May (Lady Young was present)

EC

Willing to try for agreement at European Council, so that relaunch of Community can take place. Need to build on area of agreement already reached. All must be prepared to move, not just UK.

750m ecu refund agreed at Stuttgart. Payment since blocked by France and Italy. This simply not understood in UK. Hope Craxi will reconsider.

(If necessary) If no agreement, then no increase in own resources - and EC financial problems become more serious.

Total cost to Italy of its share of the system very small. For Italy the gap between 1250 and 1000 is only 0.011% of GDP.

Budget Overrun

Not right to raise loans to finance predicted overrun. First need to identify all possible savings and then judge how big the problem is.

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MEETING WITH PRIME MINISTER CRAXI

UK OBJECTIVES

1. To express our gratitude for Italian agreement to protect our interest in Libya and continuing assistance.
2. To discuss with Craxi prospects for solution of EC budget problem.

POINTS TO MAKE

1. Libya: Very grateful for Italian assistance. We are likely to face continuing difficulties with Libyans for some time, especially over British Community (copy of the Prime Minister's message of 28 April to Craxi is attached).
2. To note with satisfaction the launching of the Anglo-Italian Round Table.
3. EC: (briefing attached)

BACKGROUND

4. There are no current bilateral problems. The last Anglo-Italian Summit was held on 27 January in Rome. The date for the next Summit is under consideration with the

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possibility of mid-October. No dates have yet been put to the Italians. Craxi was last in London in September 1983 shortly after taking office.

5. On 25-26 May Lady Young was in Rome for the inauguration of the Anglo-Italian Round Table. This is likely now to be an annual event in alternate capitals.

6. Football: Liverpool play Rome on 30 May (It may be necessary to comment).

ZZ ROME
GRS 214
CONFIDENTIAL
FM FCO 281100Z APR 84
TO FLASH ROME
TELEGRAM NUMBER 157 OF 28 APRIL

1. PLEASE PASS THE FOLLOWING MESSAGE FROM THE PRIME MINISTER TO SR CRAXI. BEGINS

WE HAVE BEEN THROUGH SOME EXTREMELY DIFFICULT MOMENTS IN OUR DEALINGS WITH THE LIBYAN AUTHORITIES IN THE LAST 10 DAYS. IT HAS BEEN AN ENORMOUS COMFORT TO HAVE YOUR RAPID, AND GENEROUS AGREEMENT TO TAKE ON THE TASK OF PROTECTING OUR INTERESTS IN LIBYA AND OF ENSURING THE SAFE HANDLING OF THE DELICATE PROBLEM OF EVACUATING OUR STAFF FROM TRIPOLI.

I AM VERY MUCH AWARE OF THE ACTIVE SUPPORT AND ENTHUSIASTIC PRACTICAL ASSISTANCE WHICH WE RECEIVED FROM YOUR EMBASSY IN TRIPOLI IN ALL THIS. I HOPE YOU WILL PASS ON MY WARMEST PERSONAL THANKS TO AMBASSADOR QUARONI, COUNSELLOR CARDILLI AND THE REST OF YOUR EMBASSY STAFF IN TRIPOLI FOR THEIR SELFLESS EFFORTS IN A VERY TENSE SITUATION. THEIR SKILL AND COURAGE REFLECTS GREAT CREDIT ON THEM AND YOUR COUNTRY.

I REALISE THAT THE TASK YOU HAVE TAKEN ON WILL NOT BE EASY IN VIEW OF THE IMPORTANCE OF ITALY'S OWN INTERESTS IN LIBYA. WE HAVE, AS YOU KNOW, LEFT TWO BRITISH OFFICIALS TO HELP AMBASSADOR QUARONI LOOK AFTER THE BRITISH COMMUNITY. WE SHALL DO WHAT WE CAN TO REDUCE TO A MINIMUM THE DEMANDS WE MAKE ON HIM AND HIS STAFF.

MY WARMEST PERSONAL GOOD WISHES.
MARGARET THATCHER
ENDS.

HOWE

LIBYAN CRISIS

[COPIES SENT TO NO 10 DOWNING ST]

STANDARD

HEAD
MAED
DEFENCE D
PUSD
CONSULAR D
NEWS D
SECURITY D
PROTOCOL D
LEGAL ADVISERS
MED

MR EGERTON
CABINET OFFICE

COPIES TO:
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DS11 MOD

BRIEFING FOR LONDON ECONOMIC SUMMIT

EUROPEAN COMMUNITY: PRIME MINISTER'S MEETING WITH SIGNOR CRAXI

UK OBJECTIVES

To make clear

(i) that the UK remains willing to reach an agreement by the June European Council, so that the relaunch of the Community take place. This can only be on the basis of building on the areas of agreement already reached and on the basis of a final move by all Member States, not just the UK.

(ii) That we hope the Italians will move quickly to lift the reserve they are maintaining with the French on payment of the 1983 refunds.

POINTS TO MAKE

1. A lot of progress was made at the March European Council. Outline agreement was reached on all the outstanding issues. We hope that the effective relaunch of the Community can take place at Fontainebleau in June and are ready to work to reach an agreement either then or before so that this can take place.
2. If agreement is to be reached it must be on the basis of what has so far been agreed in outline ie one more ad hoc year to be followed by the system from 1985 onwards. It remains to agree the notional figure. The UK could not accept 1000 mecu as the basis of the system. If agreement is to be reached, there will have to be one final effort by all concerned to clinch a settlement.
3. A refund of 750 mecu for 1983 was agreed at the Stuttgart European Council. Payment has since been blocked by France and Italy. This attitude is simply not understood here. The Community must honour its commitments. Hope Signor Craxi will reconsider.

4. [For use as necessary]: If UK is expected to make all the moves, or if others go back on what has already been agreed in outline, then a settlement will not be reached. This would mean that there would be no increase in own resources and that the Community's financial problems would become more serious and its credibility would suffer. This would be in no-one's interests. But we are being asked to accept a permanent increase in own resources and could not do so in exchange for temporary refunds or for a system which delivered inadequate and inequitable results. Community has now accepted that, in terms of our GNP, we have been making a greater contribution than any other Member State and that this was both unreasonable and un-European. Community cannot accept that without also accepting the consequences. We are asking for no more than fair burden sharing. UK would remain second largest net contributor even when the system was in force. Total cost to Italy of its financial share of the system would be very small. As far as Italy is concerned the gap between 1250 mecu and 1000 mecu is only 0.011% of your GDP.

Budget Overrun [If raised]

5. We do not believe it right for the Commission to be raising loans to finance the expected overrun. Nor is it possible, so early in the financial year, to conclude that savings cannot be found. The French Presidency have already said they expect the shortfall to be under half that predicted by the Commission. Further work is therefore needed to identify savings. Only when all possible savings have been found will it be possible to judge a problem and how to deal with it.

ESSENTIAL FACTS

1. The Italians have been a broken reed throughout the negotiations. Sig Craxi has not taken a prominent part. Most of the running has been made by Sig Andreotti. Broadly speaking the Italians are against a system for budget imbalances; against budget discipline and in favour of the Commission proposal for a loan to finance overspending. However, the Italians attach importance to the relaunch of the Community and we should remind them both of our interest in the same goal as well as the conditions which must be fulfilled so that it can be reached.
2. The Italians would reluctantly go along with a system for budget imbalances if their partners were prepared to do the same. However, if there is any attempt, eg by the French Presidency, to line up the nine against us, the Italians will readily join in. We shall therefore wish to make it clear to Sig Craxi that, while we remain willing to work to reach an agreement, that agreement must be on equitable terms. If it is not there will be no increase in own resources, and, by implication, no willingness on our part to consider financing the expected overrun.
3. The Italians have joined the French in blocking our 1983 refunds. Signor Craxi should be left in no doubt that we look to him to reconsider his position. We suggest raising this issue with Signor Craxi, but not with M Mitterrand because President Mitterrand has taken the lead in linking the 1983 refund to the outcome of the negotiations and is unlikely to be swayed at this stage. It is, however, worth trying to detach the Italians from the French on this issue.



MINISTRY OF DEFENCE
 MAIN BUILDING WHITEHALL LONDON SW1
 Telephone 01-990 7022 218 2111/3

MO 14/7

6th June 1984

New Peter,

ANGLO-ITALIAN SUMMIT

Thank you for your letter of 29th May in which you asked for our comments on the proposed arrangements for the next Anglo-Italian Summit.

The Defence Secretary would be able to attend on the dates you have proposed. You might want to have in mind that because of a number of other meetings already planned involving Mr Heseltine and Senatore Spadolini (a meeting on the European fighter aircraft in Madrid on 9th July, Farnborough in early September, the NATO NPG at Stresa 10th-12th October and the WEU Defence Ministers meeting in Rome at the end of October), it is debatable how much substantive business there will be left for them to discuss on this occasion. But there may be wider considerations against altering the format and Spadolini himself may be keen to take part, in which case the Defence Secretary would obviously want to fall in with his wishes.

I am copying this letter to John Coles (No 10), David Peretz (HM Treasury), Ivor Llewellyn (MAFF), Callum McCarthy (Department of Trade and Industry), and Richard Hatfield (Cabinet Office).

Yours etc,

Richard

(R C MOTTRAM)

P F Ricketts Esq

07 JUN 1984

12 1 2 3 4 5 6 7 8 9 10 11



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

30 May 1984

Peter Ricketts Esq
Private Secretary to the Foreign and
Commonwealth Secretary

Dear Peter,

ANGLO-ITALIAN SUMMIT

Thank you for copying to us your letter of 29 May to John Coles. I thought you might like to know immediately how the Chancellor's diary stands for the dates you are proposing. He would be free on 17 October, or 7 or 9 November. October 15 is, on present plans, impossible as there is an EC Finance Ministers meeting scheduled for that day. October 18 would also be very difficult, as the Chancellor is delivering the Mansion House speech that evening. This also means that, if the Summit took the form suggested in your fourth paragraph, he would not be able to attend the dinner that night for a Summit taking place on 19 October, although on 19 October itself he is in fact free. He also has a speaking engagement on 5 November.

Copies of this letter go to John Coles and the other recipients of yours.

Yours ever,

Rd/Lt

Miss J C Simpson
Private Secretary



Foreign and Commonwealth Office

London SW1A 2AH

29 May, 1984

Dear John,

Anglo-Italian Summit

We shall need fairly soon to propose to the Italians dates for the next Anglo-Italian Summit, which is due to be held in London.

The last bilateral Summit was held in Rome on 26-27 January. Although there is an understanding with the Italians going back to 1979 that Summits should be held twice yearly, in practice the frequency is about every 9 or 10 months. This suits us, and we have been content to allow the interval between meetings to slip for administrative reasons.

The autumn calendar is already quite full, including President Mitterrand's State Visit (23-26 October), the Anglo-German Summit in Bonn (2 November), the visit by President Koivisto of Finland (13-16 November) and the Anglo-French Summit in London (29-30 November). There is also a WEU Ministerial meeting in Rome involving Defence Ministers and possibly Foreign Ministers for which no date has yet been fixed; the Italians are looking for a date at the end of October. In order to maintain the established pattern of Summits with the Italians we should like to consider a date in mid-October, after the Conservative Party Conference.

One day bilateral Summit meetings are now the accepted practice with the Germans: and the Prime Minister intends to adopt this practice with the Italians. Lord Bridges has expressed concern that the Italians may take this proposal hard. A one day visit from Rome would not be an attractive proposition for Craxi and his Ministers; we need to bear in mind that Rome is 2½ hours flying time from London (1½ hours more than Paris, Brussels and Bonn). We should like therefore to propose to the Italians that they should arrive the previous evening, in time for dinner with the Prime Minister, and begin the official talks the following morning. The Summit proceedings could then be completed within one morning and the visiting team could leave after lunch. (If we are to establish a practice with the Italians of travelling both ways within the same day it would perhaps be wiser to begin when the Summit is in Rome rather than when we ourselves are the hosts).

The October dates we propose are 15, 17, 18 (if Parliament is still in recess) or 19 October. I should be grateful if you would let me know whether these are convenient to the Prime Minister. Possible alternatives if these dates are inconvenient might be 5, 7 or 9 November in the week following the German Summit.

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I am copying this letter to Richard Hatfield (Cabinet Office), John Kerr (HM Treasury), Ivor Llewellyn (MAFF), Richard Mottram (Ministry of Defence) Callum McCarthy (Department of Trade and Industry) and would be grateful for their comments.

*Yr. serv,
Peter Ricketts*

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

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10 DOWNING STREET

From the Private Secretary

16 September 1983

See copy.

VISIT OF THE ITALIAN PRIME MINISTER

The Prime Minister received Signor Craxi at 0930 hours today. After a tete-a-tete conversation which lasted slightly more than an hour, the two principals were joined by the two Foreign Ministers and officials for a further 45 minutes or so.

I enclose records of both discussions.

You will note that the Prime Minister undertook that we would make arrangements for the next Anglo/Italian Summit to take place (in Rome) in the early part of next year. We shall be in touch separately about possible dates.

I am copying this letter and enclosures to Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

Yours
R.B.

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

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SUBJECT
RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF ITALY AT 1040 HOURS ON FRIDAY, 16 SEPTEMBER
AT No. 10 DOWNING STREET

Present

Prime Minister	Signor Craxi
Foreign and Commonwealth Secretary	Signor Andreotti
Sir Julian Bullard	Signor Bottai
Lord Bridges	Signor Badini
Mr. Coles	Interpreter
Interpreter	

The Foreign and Commonwealth Secretary explained that he and Signor Andreotti had discussed in detail the situation in the Lebanon. Their views were very close. They had also both had exchanges recently with the French Foreign Minister.

He and Signor Andreotti had agreed to draw up a document setting out our common view on the Multi-National Force. This would be discussed with the French shortly and could then be used in presenting our position to other countries such as the United States, Lebanon and Syria.

The essence of our position was that the Multi-National Force was in Lebanon in order to support the Lebanese Government on the basis that that Government represented the majority of the Lebanese people. It should be made plain that that was the basis of our support. We were committed to maintaining the Force at its present level. But we would be concerned at any deeper involvement, for example at Suq Al-Gharb, which might lead to an escalation.

The Prime Minister said that it was necessary to be clear that support for the Lebanese Armed Forces did not mean that the MNF would become involved in fighting. Signor Andreotti said that military support for the Lebanese Armed Forces was excluded. It had also been agreed that the area of activity of the MNF should not be broadened - and Italy was circumscribed in this

/respect

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respect by the terms of the Italian Parliament's agreement to her participation in the Force.

There was a question of how the MNF should react in the case of massacres of the civilian population. It was clear that if these took place far away from the MNF's area it would not intervene but if there were such occurrences on the very border of the area it might be difficult for the MNF to detach itself. Signor Craxi said that the MNF would therefore have a humanitarian role. But it should be clear that it would not engage in military action unless it was attacked. Signor Andreotti said that if, for example, there was turmoil around a barracks occupied by the MNF the latter would try for humanitarian reasons to separate the opposing forces. The Prime Minister commented that the MNF's first move in such circumstances should surely be to call on the Lebanese Armed Forces. This was a very dangerous and difficult situation. The MNF did not have a single command structure. Not only the Syrians, with Soviet advisers, but Iran and Libya were involved and Israel might become involved. We must keep very closely in touch but could not fight someone else's battle.

Agreeing, Signor Craxi said that we were not in a position to do so. Our Forces were organised only for police action.

Passage deleted and retained under
Section 3(x). CWayland
11 April 2014

Passage deleted and retained under Section 3(u)
Wayland, 11 April 2014

The Foreign and Commonwealth Secretary and Signor Andreotti then described their earlier conversation on a possible United Nations Security Council Resolution on the Lebanon. On Iran/Iraq, Signor Andreotti said that Italy had expressed its concern to France about the supply of Super Etendard Aircraft to Iraq. The fear was that Iran would react by closing the Straits of Hormuz. Until now, Italy had managed to maintain reasonable relations with Iraq and Iran. The Italian military assessment was that neither was likely to win on the battlefield. All mediation efforts had failed and he did not know whether a European initiative was possible. The real problem was that both Khomeini and Saddam Hussein wanted the other to fall. Signor Craxi commented that perhaps only the Lord could solve this matter.

With regard to the forthcoming UNGA debate on the Falklands, the Prime Minister said that Italy had been very helpful at the time of the Argentine invasion. She knew that Italy had special problems but she would be very concerned unless those who could not join us in opposing the Argentine resolution did not at least abstain. It was intolerable that a country that had tried but failed to secure its aims through invasion should try to do so through the United Nations.

Signor Andreotti said that all condemned the Argentine aggression but a distinction could be made /^{between} unacceptable military action and an aspiration that Argentina would one day obtain the Falkland Islands. Argentina was trying to build up a democratic, civilian system. The UN vote would probably take place after the appointment of a civilian president. He wondered whether it would not be possible to have a text, different to the one now circulating, which said that the United Nations, without prejudice to the sovereignty question, asked Britain and Argentina to discuss the creation of a status of greater autonomy for the population of the Islands.

/The Prime Minister

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The Prime Minister said that it might be better if the discussion of this matter did not proceed since we were unlikely to agree. For her, it was the people of the Falkland Islands who mattered and it was the principle of self-determination which was sacrosanct. There was no question of our discussing sovereignty with Argentina nor of compromising the right of people to live as they wished. We had done everything possible to normalise relations with Argentina. We had unblocked its assets in this country; our banks had helped with the IMF loan; we had supported the restoration of trade and in services, but Argentina had refused; we had supported the total lifting of the trade embargo but Argentina had again refused just as she had refused to announce a formal cessation of hostilities. We would take it very hard if under these circumstances the UN supported Argentina. The advent of a different government in Buenos Aires could not alter the fact that all the people in the Falklands were British and wished to stay British. Signor Craxi commented that we needed to allow time to elapse before this matter could be discussed. The Prime Minister agreed.

Turning to the European Council, the Prime Minister said that she believed that strenuous efforts would need to be made to solve the problems of the budget and the CAP. By the time we got to Athens the Community would be facing a financial crisis. The Foreign and Commonwealth Secretary said that he and Mr. Andreotti had had little time to discuss the prospects for Athens but officials would meet in Rome on 5 October and the two Foreign Ministers would have a longer time than had been possible today for a discussion later in October. The Prime Minister said it was important to avert disaster at Athens. She was anxious that the Community should be seen in the difficult world situation to be making progress. She was committed to the European Community as a bastion of democracy in an uncertain world. Mr. Andreotti said that he believed that the guidelines laid down at Stuttgart were

/useful.

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useful. It was not just a matter of dealing with the financial problems but of having a global view of the Community's future. This would involve new agricultural and industrial policies, a step forward in energy policy and the accession of Spain and Portugal. This approach would more easily convince public opinion that efforts had to be made on behalf of the Community. Italy wanted not just to maintain the EC but to develop it. We should try between now and December to isolate the essential points for decision at Athens. If we could not reach agreement there, we might more easily do so during the French Presidency.

The Prime Minister said that she believed that final decisions must be taken at Athens. The Community's problems could not be resolved by constant delay. The financial crisis would be upon us by the time of Athens. Signor Andreotti said that he agreed but he had found that the problems had not changed since he had last dealt with them four years ago. Could we really settle them in the next few months? If agreement could be reached on essential points then a solution might be possible. Signor Craxi said that the problem appeared to arise from the fact that the Community conferred on some member states excessive advantages and on others excessive disadvantages. The Prime Minister agreed and said that this situation could not continue. Part of the problem was the way the CAP worked. It produced enormous surpluses which upset the world agricultural economy. We could not now take the view that solutions could not be found in Athens. There would be a crisis with us if we did not. The United Kingdom and Germany were the only two contributors to the budget. Signor Andreotti said that he was convinced of the need to solve the problems but it was not just a matter of the budget, rather of the whole balance of advantages and disadvantages.

In concluding the meeting, the Prime Minister thanked Signor Craxi for visiting London and looked forward to further such meetings.

The discussion ended at 1130.

A. J. C.

16 September 1983

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cc: Muter

RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF ITALY AT 0930 HOURS ON FRIDAY, 16 SEPTEMBER
AT No. 10 DOWNING STREET

Present

Prime Minister

Signor Craxi

Mr. Coles

Mr. Badini

Interpreter

Interpreter

The Prime Minister said that she was very pleased that Signor Craxi had been able to visit London. She was sorry that it had not been possible to set aside more time for the meeting. Signor Craxi thanked the Prime Minister for her kind welcome. He hoped that it would be possible to arrange a summit in Italy before the end of the year. The Prime Minister explained the difficulties which made it unlikely that she could visit Rome before the end of December but said she would seek to do so early in the New Year, perhaps in January. Signor Craxi said that Italy was even more beautiful in the Spring.

The Prime Minister observed that she would be meeting Signor Craxi again at Athens in December. That session of the European Council could be very difficult. Matters were not made easier by the performance of the Greek Presidency whose views on foreign affairs seemed very different from those of the other nine member states. The case of the Korean airliner had demonstrated this vividly. Signor Craxi said he found the Greek attitude incomprehensible.

The Prime Minister commented that Signor Craxi doubtless knew Mr. Papandreou very well. She was sure that it would be helpful if he were able to discuss the difficulties with the Greek Prime Minister. Signor Craxi said that he had of course been in touch with Mr. Papandreou and, for example, had discussed the problem of INF deployment with him. It was important to remember Papandreou's background. He had been a marine in the US Navy and was married to an American. But he now felt a strong

/hostility

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hostility towards the United States because, in his view, his family had been persecuted by those whom the US had protected in Greece.

The Prime Minister said that Greece was formally a member of the European Community but psychologically did not behave as one. Signor Craxi commented that departure from the Community was not an option for Greece. The Prime Minister agreed. That option had been the subject of argument in Britain but the argument was now over. In today's dangerous world the European states had to work together. And in today's world economic situation it was best that they were able to negotiate as one.

At the Prime Minister's invitation, Signor Craxi described the current economic situation in Italy. It was difficult to comprehend the realities of the Italian situation. Statistics did not tell the truth. The statistics on production underestimated the true figure by 25%, because of the black economy. The unemployment statistics, which gave a total of 2½ million unemployed, could not be believed either. Italy had always been an exporter of labour. In addition, there were between half a million and one million foreign workers in the country. Italians were not prepared to accept certain types of jobs. It was a fact that if the construction industry began to revive, labour would have to be imported. The only reliable statistic was that relating to the national debt. The budget deficit was too large and was increasing quickly. This was the critical problem and it was difficult to solve. But the economic situation was less critical than appeared and he intended to get that message through to the Italian people.

The government had a framework agreement with the trade unions under which the unions would respect a programme for reducing inflation to 13% this year and 10% next. Most of the wage agreements in this wage round had already been signed.

The Prime Minister asked whether the unions had agreed to keep wage increases below the rate of inflation, for this was the crucial point. Signor Craxi replied that their agreement

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/was to

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was to respect the target of 13% inflation this year.

The Prime Minister observed that we had just set a target of 3% for public sector wage increases for the coming year. But Germany and Japan had been even more successful than we had.

Signor Craxi said that the real problem was that the modernisation of industry created unemployment. The Prime Minister agreed that this was true in the early stages of modernisation but later on the new technologies created new products. Signor Craxi said that the Italian economy had weathered recent years as well as it had because of the role of small and medium sized businesses. Similarly, exports had held up well and the country had a positive balance of payments at present, despite the fact that it imported large quantities of oil and food. Italy exported robots, for example to the United States. All in all, he was rather optimistic about the economic future. He was very willing to develop co-operation with other European countries. Italy's exports to the Arab countries were strong though they had decreased a little because of the Iraq/Iran conflict. There was substantial trade with the strange Colonel Qadhafi. An important gas supply contract had been signed with Algeria. He believed that Italy could do a great deal of business with North Africa.

There were problems in trade with the Communist countries. The Russians continued to press Italy hard on the gas pipeline. Italy needed gas but he had no liking for the Soviet Union. Trade with China was just beginning.

The Prime Minister asked Signor Craxi for his fundamental views on the Soviet Union. As she saw it, the Soviet desire to spread Communism the world over by one means or another was still strong. There had been an enormous military build-up, far greater than was needed for defensive needs. Other features were internal oppression and the isolation of Soviet leaders. If they had not been so isolated they would never have acted as they had to the Korean airliner disaster. They had made a terrible mistake. They should have admitted it straightaway and paid compensation. But because of their isolation,

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/they had

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they had not been able to act in this way. The incident had also shown the alarming nature of the command structure of the Soviet armed forces and of the rules of engagement under which they worked. In that the decision seemed to have been taken without reference to the political leaders, the shooting down of a military aircraft would have been almost as bad. It worried her that Andropov had never set foot in a free country.

Signor Craxi said that Andropov had nevertheless sent his agents, perhaps even his killers, to free countries. In his view, Communism was a modern form of oriental despotism. In the Soviet Union there was a strong nationalist element as well. He did not believe that the Soviet population were oppressed for they accepted the system. But the other peoples of the empire were being oppressed. This was the greatest problem of our time. As to isolation, this was what the Soviet leaders preferred. Italy had shown great friendship towards the Soviet Union which still owed Italy \$5 billion which had been lent at very low interest rates in the past. But this did not affect the basic Soviet attitude towards Italy. He had found their behaviour over the Korean airliner terrifying. Stalin had used to tell his generals not to worry about Europe which would tolerate anything. And indeed, perhaps in a few weeks time Europe would have digested the incident.

The Prime Minister said that she believed that people now understood more accurately the nature of the Soviet system. As to Signor Craxi's remarks about the oppression of the Soviet people, it was a fact that they had no opportunity to change the system. She did not expect to see fundamental change in her time but the Russian people would continue to be dissatisfied with the ideology and with the poverty which was found outside the cities. Modern technology now allowed a tyrant to maintain a monolithic system with greater ease. But, in the light of the incidents which occurred from time to time - in East Germany, Hungary, Czechoslovakia, Afghanistan - what should our attitude be? Signor Craxi said that he wondered which country was next on the list. There were areas of tension now, for example in Africa, in which we might see further Soviet

/expansion.

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expansion. The West must not consent to any more expansion. It should divide up tasks among individual Western countries to prevent this. It was not just a military question but one of economics and politics. We needed a sound strategy for the next 15 years, during which time the Soviet Union would try to encircle Europe by cutting off its sources of supply.

The Prime Minister then raised the question of the INF negotiations. Despite Soviet propaganda, the West had remained firm. We would deploy the INF missiles on time. Signor Craxi asked what, in our view, the Russians now expected to get out of Geneva since they knew that the West would not change its views. The Prime Minister replied that she thought they still hoped, by propaganda, to delay deployment. Signor Craxi said that there was no question of Italy changing its mind but the Russians knew this. He believed that they were trying to exploit pacifist feelings. They were organising some parts of the Peace Movement. The Prime Minister commented that they were also active in the World Council of Churches. Their main effort was to try to present the Western position as being unreasonable. This created a need for us to present the issues regularly to public opinion.

Signor Craxi said that the question of the French and British deterrents appeared to be a strong point for the Soviet Union. He had discussed this matter on the previous day with President Mitterrand. The latter had said that he did not use the hypocritical Gaullist argument that the French strategic force was aimed in all directions. He preferred to admit that it was concerned with the threat from the East but it was a strategic force, based mainly on submarines (there were only 18 strategic missiles on French territory). Therefore, if negotiations began on strategic weapons and included not only French but American and Russian submarines and missiles, France could participate. But these weapons, which at any given time could be as far away as the Pacific, could not be included in the INF talks. What was the Prime Minister's view?

/The Prime Minister

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The Prime Minister said that President Mitterrand was correct to argue that strategic weapons could not be included in the Geneva negotiations. They were last resort weapons with a strategic purpose. It would be ridiculous to include them in the INF negotiations when some 2,000 Soviet strategic missiles were excluded.

But President Mitterrand's apparent willingness to participate in negotiations about strategic weapons raised the question of what he would actually do when such negotiations occurred. It was very unlikely that the United States Congress or the American people would ever be prepared to have fewer strategic weapons than the Soviet Union. But if the French and British deterrents were counted in, the Americans would end up with less than the Russians. She would have to discuss this matter with the French President.

Signor Craxi said that he would be more precise about President Mitterrand's position. Mitterrand would not ask for negotiations. But if they were proposed he did not exclude the idea of participation. But he would then say that the French deterrent was of minimum irreducible size and that others must consequently make reductions before France did. The Prime Minister agreed that the French and British deterrents were the irreducible minimum. But to include them in negotiations raised the difficulties which she had already described. It had to be borne in mind that the Soviet Union might try to pick off Western countries individually. That meant that we must have our own deterrent. We did not intend to become involved in negotiations without having thought through all the implications very carefully. Our position was that if the number of strategic weapons was enormously reduced, and we saw no possibility of that at the moment, then a new situation would have been created. Meanwhile, our deterrent was the irreducible minimum. She was sure that President Mitterrand agreed with this analysis but she would discuss the matter with him.

/The Prime Minister

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The Prime Minister then expressed the hope that the development of the EH101 helicopter could proceed quickly. Signor Craxi said that at the first meeting of his Council of Ministers a week ago, the necessary Bill had again been approved. It would now have to go through a difficult Parliament. The Italian Government would exercise as much pressure as it could but it was difficult to forecast how things would go.

At 1040 Foreign Ministers and officials joined the discussion.

A. J. C.

16 September 1983

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Foreign and Commonwealth Office

London SW1A 2AH

Seen by P.D.

A.S.C. 16/9.

15 September 1983

P.D.

Gen Sir

Lebanon: * ~~~~~ *

I enclose a brief for tomorrow's discussion with Sr Craxi. The Line to Take has been cleared with the MOD.

Yes
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

cc: PS/Secretary of State for Defence
PS/Sir Robert Armstrong, Cabinet Office

* ~ * Passage deleted and retained
under Section 3(4)

(C)Wayland, 11 April 2014

DEPARTMENT/SERIES <i>PREM 19</i> PIECE/ITEM <i>1554</i> (one piece/item number)	Date and sign
Extract/Item details: <i>Brief for talks with Sr Craxi, enclosed with letter from Bone to Coles dated 15 September 1983</i>	
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J. F. Kydd



Foreign and Commonwealth Office

London SW1A 2AH

Dear Sir,

Visit by the Italian Prime Minister, 16 September

Thank you for Timothy Flesher's and your letters of 1 and 12 September. I now enclose the briefing for the Prime Minister's talks on 16 September. It consists of an extended steering brief with limited background material. An additional passage on INF, just received, is added at the end. It has not yet been seen by the Foreign and Commonwealth Secretary who is, as you know, on a visit to Hungary.

We understand that the note-taker at the Prime Minister's tete-à-tete with Signor Craxi is likely to be Counsellor Badini from his Private Office.

Sir Geoffrey Howe is holding separate talks, beginning at 0900, with Signor Andreotti, the Italian Foreign Minister. He and Signor Andreotti, accompanied by the Italian Ambassador, Lord Bridges, probably Signor Bottai, the Italian Political Director, and one FCO official (not yet decided) will walk over to No 10 at 1020 to join the Prime Minister and Signor Craxi. I understand that there will be no joint press conference but that there will be a photocall for the press before and after the talks.

An interpreter, Mrs P Newby, will be present at No 10 throughout the meeting.

Yours ever
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

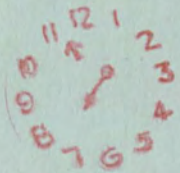
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v. 1 of pt 3

Directorate of Administration

London SW1A 2AT

13 SEP 1983





VISIT OF THE ITALIAN PRIME MINISTER: 16 SEPTEMBER 1983

STEERING BRIEF

Introduction

1. At his meeting with the Prime Minister on 16 September, Signor Craxi, Italy's first Socialist Prime Minister this century, will have been in power for six weeks. He is still feeling his way. The five-party coalition, which took office on 4 August, conveys an air of confusion and slowness. His calls on other Western European leaders are partly designed to demonstrate to domestic political opinion that the Craxi government is in business.

 2. Craxi is relatively isolated. The price he paid for the premiership was a reduced PSI presence in the Cabinet. But it would be wrong to underestimate him. He is ambitious and capable. He chooses his words carefully. He will think hard before taking decisions, and once he has made up his mind may prove hard to shift. He will benefit domestically from the disarray of the Christian Democrats, who (in Italian terms) performed badly in the elections. Craxi's coalition is likely to survive the winter's difficult EC, INF and economic policy decisions, but it could be a bumpy ride.

 3. In presenting his Government's policies to the Chamber, Craxi identified five main areas: foreign policy, "healing" the economy to foster growth and employment, social policy, the fight against organised crime, and institutional reform. In the economic fields, reducing inflation to 10% by 1984 is the top priority. The Government aim to reduce the PSBR deficit to 15% of GDP this year. New investment programmes will concentrate on the energy, transport, housing and research sectors. The reduction of unemployment is seen as the by-product rather than the determinant of soundly based economic development. Craxi's economic policy in Government does not have a markedly socialist flavour.
-

/UK

UK Objectives

4. The meeting, though short, will provide a valuable opportunity for the Prime Minister to establish an effective working relationship with Craxi, and to influence him early in office on a few key issues (he will just have come from a meeting with his fellow-socialist Mitterrand). It has been agreed that the talks will concentrate on East/West political and military relations, Middle East/Lebanon and EC issues. Specific UK objectives which the Prime Minister might ensure are covered in the talks are:

i) to stiffen the Italian Government's commitment to INF basing;

ii) to assess East/West relations in the aftermath of the Korean airliner disaster;

iii) to explain the principles guiding the UK's approach to this autumn's EC negotiations;

iv) to reaffirm our readiness to proceed quickly with development of the EH101 helicopter.

Italian Objectives

5. Apart from the domestic objective already referred to, Craxi will want as detailed an exchange as time permits on two issues:

i) INF, on which he has so far been firm in his support for the 1979 dual-track decision;

ii) Lebanon and the MNF on which he will welcome discussion, encouragement and advice from a fellow contributor to the MNF. He will have a harder time defending the retention of the 2,000-strong Italian contingent than the deployment of cruise missiles at Comiso.

Craxi will not be prepared for a detailed discussion of EC issues: this will be the first time he will have focussed on the papers. He

/will



will be briefed to raise a number of bilateral issues, including:

EH101

Airbus

Fast Breeder Reactor collaboration (simply to thank us for our recent decision).

Handling the Meeting

6. In the initial tête-à-tête the Prime Minister might begin by asking Craxi for a short account of his Government's policy objectives, before moving on to East/West relations and INF. She could then make some fundamental points about the EC negotiations before being joined by the two Foreign Ministers (at about 1020). After further discussion of the EC, the Prime Minister could turn to Arab/Israel and Lebanon. (All these items will also be the Foreign Ministers' agenda.) A brief word on the Falklands and the UNGA resolution would be valuable.

7. Bilateral issues could be left to last. The EH101 helicopter project will be seen as evidence of a positive attitude by HMG to bilateral co-operation. This could be an effective note on which to end the talks. However, Craxi will no doubt raise the question of the next Anglo-Italian Summit. The Prime Minister has decided that in view of her heavy autumn schedule, there should be no Summit this year. The Italians are likely to be disappointed. For this reason, the Prime Minister may judge it preferable to cover bilateral issues during the tête-à-tête.

8. The briefing which follows contains Points to Make (and, where indicated, Essential Facts) on:

Korean Airliner/East-West Relations (paras 9-10)

INF (paras 11-13, Essential Facts at Annex A)

European Community (paras 14-21 Essential Facts at Annex B)

/The



The Greek Presidency (para 22)

Middle East (Lebanon, Arab/Israel, Iran/Iraq) (paras 23-25)

Essential Facts at Annex C)

Falklands (paras 26-28)

Bilateral topics

EH101 helicopter (paras 29-30)

Airbus A320 (paras 31-32)

Surface to surface guided weapon (SSGW) for the Royal Navy
(para 33)

Tornado (para 34)

Round Table (para 35)

Regional Issues (paras 36-39) (Libya/Chad, Central America,
Cyprus)

Italian Political Scene (Annex D)

Personality Notes on Signor Craxi and Signor Andreotti
(Annex E)

Korean Airliner and East/West Relations

9. The Prime Minister could say that we have made clear our horror and condemnation of Soviet action. Sir G Howe spoke plainly to Gromyko at Madrid. We should welcome united decision to suspend air services to the Soviet Union for limited period - it would be an emphatic gesture and demonstration of unity. The Prime Minister could explain that our longer term aims must be (as President Reagan said) "justice and action to see this never happens again".

Italy
has now
done so.
15.
A.T.C.9

10. The airliner is symbolic of deeper problems, namely the attitude of mind and outlook of the Soviet Union, isolated, suspicious and inclined to see enemies everywhere. Change in Soviet Union will only come about slowly. This requires long-term consistent and co-ordinated Western policy, including readiness for dialogue with the Russians even at periods of tension. The West must continue to expose Soviet leaders to clear and well prepared

/statements



statements of Western values. We must take care not to compound the isolation which Soviet leaders impose on themselves and their own people.

INF

11. The Prime Minister will want to make clear that Britain remains resolute on the basic principles of NATO's INF negotiating position (US and Soviet right to parity and a global approach to limitations) but that we are prepared to be flexible in examining possible shifts in the Alliance's negotiating position on the outstanding secondary issues (eg, regional sublimits on missiles, aircraft limitations and collateral constraints on short range systems). She could reaffirm our determination to begin deployments of cruise missiles at Greenham Common by the end of the year in the absence of an arms control agreement obviating the need for them.

12. Expanding on these basic points, she could say that while it remains crucially important for NATO Governments to convince public opinion of the sincerity of the negotiating effort being made at Geneva during the count-down to the first deployments, they need to maintain a steady nerve and calculate the balance of advantage in any move in the negotiating position, between short term presentational advantage and long term security interests. She could say that the Alliance also needs to assess likely Soviet reactions to a move by NATO. If the Russians are not looking for a negotiated settlement this year, concessions by NATO now will be pocketed for use later. If the Russians are prepared to make concessions, NATO should take care not to put all its cards down too early.

13. Finally, the Prime Minister could make the general point that the Allies, especially the Italians, Germans, British and Americans, needs to coordinate closely in the coming months.

European Community

14. The Prime Minister might begin by saying that this is a critical moment for the European Community. Community discussion

/for



for some years has been plagued by budgetary problems. The negotiation launched at Stuttgart offers an opportunity to solve these problems once and for all and set the development of the Community off to a new start. The British Government are fully determined to seize that opportunity. The General Election has given the Government a mandate to work for the development of the Community in a dynamic way and that is what we shall do. We have indeed recently circulated a paper setting out our views on how the Community should develop.

15. The Prime Minister could go on to say that the problems of recent years over the budget have been of two main kinds: excessive burdens on certain Member States particularly the UK - only the UK and Germany are net contributors while we are below average Community GDP per head; and excessive growth in spending on the CAP which has increased no less than 40% this year and which takes some two thirds of the budget.

16. We are aware that Italy and some other Member States wish to see an increase in Community's own resources. But we must deal with the two problems already mentioned first. That is why the Prime Minister made clear at Stuttgart that she would be prepared to consider an increase in own resources provided that we reached an agreement on an effective control of the rate of increase of agricultural and other expenditure and provided that it is accompanied by an arrangement to ensure a fair sharing of the financial burden so that no country has to pay a share disproportionate to its relative national wealth. Decisions on these two areas are essential if we are to break the back of the negotiation at Athens.

17. To deal with the first problem we have put forward a proposal for a "safety net". The principle is that there should be an upper limit on the net burden that any Member State should be expected to bear. This limit would reflect each Member State's relative size and prosperity and poorer Member States would not in any circumstance be net contributors. If a Member State's net contribution in one year was above its limit, their VAT contribution in the following year would be reduced accordingly. There would be



no need for refunds and payments from one Member State to another. Such a scheme would free the Community from persistent disputes of recent years over the budget and on a self-evident fair and reasonable basis.

18. As regards the CAP, the problem is that production has raced ahead while consumption has stagnated. This has led to excessive increases in expenditure which cannot be allowed to continue. We believe that changes are needed in the commodity regimes themselves to make them less open-ended. And we think a firm financial framework should be set within which agriculture Ministers can take their annual decision. To be effective such a framework would have to be legally binding and we have tabled a paper explaining how it might work.

19. We must also agree basic changes for commodity regimes which are most in surplus (particularly milk) and must avoid repeating mistakes made for northern regimes on southern regimes. Otherwise the financial consequences of enlargement will be unworkable.

20. Commission proposals refer to "sharing the burden" with third countries. This appears to mean trying to solve its problems at the expense of others. To do this would penalise our consumers who would have to pay higher prices and would jeopardise our industrial exports. It would also run counter to the undertakings made at Williamsburg. We cannot accept it.

21. The Prime Minister could draw on the following Defensive points as appropriate:

Danish Proposal for a Convergence Fund

The Danish proposal recognises that there is a UK problem which has to be solved but would not in fact promote convergence since none of poorer Member States apart from the UK would benefit. Moreover the benefit to the UK would be insufficient to deal with the budget problem. And the mechanism would last for only 5 years. So we do not consider it provides a basis for agreement at Athens.



Linkage

There have been a number of unilateral interpretations of what was agreed at Stuttgart on compensation to the UK for 1983. The text of Stuttgart conclusion made it perfectly clear that the decision on UK refunds for 1983 was taken in the context of the adoption not the implementation of Stuttgart Declaration. There was therefore no link between refunds and the outcome of these negotiations and I could not agree to such a link.

Oils and Fats

We are particularly concerned about the oils and fats tax which would cause great difficulties with our trading partners including the US and many developing countries. We could not agree to it.

Enlargement

The Community must break the back of the accession negotiation this winter in order to get negotiations finished this year. It would be intolerable for Spain and Portugal if negotiations run beyond 1984, and the deadline of 1 January 1986 is missed. We should make a start this autumn with the agricultural chapters with both Spain and Portugal.

Greek Presidency

22. The Greek Presidency is behaving very badly in Political Co-operation. PASOK representatives shadow the Greek Chairman in working Groups. At the Ministerial Meeting on 12 September, Harambopoulos blatantly allowed maverick Greek views over the KAL disaster and INF deployment to dominate his handling as Chairman. Continuing partisan Chairmanship must seriously undermine the effectiveness of Political Co-operation. As a fellow socialist Craxi may have some influence with Papandreou. It would be useful

/if

if the Prime Minister would draw Craxi's attention to the partisan Greek performance in the Chair, notably over the KAL disaster, point out that the Greek Presidency is only half way through and suggest that he might be able to influence Papandreou.

Middle East

23. The Italians have a 2,000-strong contingent with the MNF in Lebanon and this subject will be much on Signor Craxi's mind. There are signs that the contingent believe they are not getting clear enough instructions from Rome, eg on retaliation. Craxi may urge the Prime Minister to increase the size of the British contingent to MNF. The Prime Minister could confirm that we fully intend to maintain our MNF contribution as long as the force can play a useful role. But we have no intention of expanding the size or role of the contingent. The RAF Bucaneers* ~~~~~ *will be able to provide support for the MNF as necessary. It is important to deter deliberate attacks on our forces, but we have no intention of becoming involved in inter-communal conflict. The most useful role which the Ten can play is to support efforts by President Gemayel in conjunction with the Saudis and US to promote a political agreement. The Foreign and Commonwealth Secretary discussed the MNF briefly with Andreotti and Cheysson in the margins of the Foreign Ministers' meeting of the Ten. *

24. On Arab/Israel it will be important for the Ten to show that they remain committed to the search for a negotiated settlement. The moderate Arabs are becoming increasingly frustrated and the Ten can help to prevent further polarisation until peace prospects improve.

25. We are concerned that imminent delivery of French Super Etendard aircraft to Iraqis may lead to widening of the Iran/ Iraq conflict. Prospects for mediation are bleak. The Prime Minister might wish to follow up a recent report from our Embassy in Baghdad that Italians may be considering a new peace initiative.

~ Passages deleted and retained under Section 3(4). CM Dayland, 11 April 2014 /Falklands

Falklands

26. The Prime Minister might thank Signor Craxi for Italy's abstention on the Argentine resolution at last year's UN General Assembly and say that we attach great importance to Italy maintaining that vote this year, and indeed to all our EC partners abstaining. We have noted that Dr Giorgio Benvenuto (a close colleague of Signor Craxi and General Secretary of Italy's third largest trade union, which is allied with Craxi's Italian Socialist Party) has said in a recent speech in Buenos Aires that his union 'would support Argentine claims to sovereignty over the Islands as both just and logical'.

27. In April Italy tried to persuade us to make some goodwill gesture to Argentina as a contribution towards keeping Argentina in the Western camp. The Prime Minister, while reiterating our position that there can be no negotiations over sovereignty, might remind Signor Craxi of our attempts to normalise our relations with Argentina and repeat our request for Italian assistance in commending this to the Argentines as the only realistic way ahead.

28. On arms sales to Argentina, the Prime Minister could speak of the concern with which we would view the conclusion by our partners of new contracts for the sale of sensitive weapons while Argentina continues to refuse to renounce the use of force in pursuit of its claim to the Falklands. She could express the hope that we and the Italians can remain in close consultation on this important matter.

Bilateral TopicsEH 101 Helicopter

29. The Prime Minister will want to stress that we are ready to proceed with development of the EH 101, the Anglo-Italian helicopter which is proposed for the needs of the two navies and for the commercial market. The Italians have funds available for the civil version and, after an intervention by the Prime Minister with Signor Fanfani in May, have made financial provision for the military version until December. But they have yet to pass the necessary

/legislation

legislation authorising full expenditure on the military version, and the new Government has not re-affirmed the commitment of its predecessor to the project as a whole.

30. Mr Heseltine has written to his new Italian colleague strongly commending EH 101, pointing out the employment advantages (some 10,000 jobs in the UK and probably similar numbers in Italy), the balance of payments benefits and the good commercial forecasts (total sales worth some £12 billion). He has urged an early decision in favour of the project. Mr Parkinson has written similarly to his colleague. The Prime Minister could emphasise the importance of an early decision by Italy to launch full development from 1 January 1984. Any further delay would seriously prejudice the project's commercial viability and make it difficult to meet the time-scale required for naval re-equipment.

Airbus A320

31. Signor Craxi is likely to ask for our views on the A320, the 150 seat short/medium range aircraft planned by Airbus Industrie (major partners UK, France and FRG). The French have been trying to persuade the Italians to share in its manufacture, and President Mitterrand can be expected to have raised the subject with him.

32. The Prime Minister could remind Craxi of our firm policy - that we are interested in principle in supporting A320 but that it must demonstrate commercial viability. We do not see British Airways' recent proposal (not yet approved by HMG) to lease Boeing 737s as relevant, since this is a short term solution to meet BA's requirements until the new generation short/medium range aircraft like A320 are available from 1988 onwards. We would welcome Italian participation if the project is to go ahead, but consider that this would have to be discussed between the industrial partners (British Aerospace for the UK) in the first place.

(Not for use) We do not want the Italians to commit funds to A320 while there is still uncertainty over the financing of EH101.

/Surface

Surface to Surface Guided Weapon (SSGW) for the Royal Navy

33. (Not for use) The Defence Secretary has minuted to the Prime Minister and OD colleagues seeking approval for an early announcement in favour of the American Harpoon weapon. The other contenders are Sea Eagle (British Aerospace), Exocet MM40 (France) and Otomat (Italy). In view of the Trade and Industry Secretary's objections, it is unlikely that a decision on SSGW will be taken before Craxi's visit. However, despite recent improvements in the Italian package including the offer of 100% offset, Otomat runs well behind Harpoon in terms of cost effectiveness and is unlikely to be chosen. Should Craxi raise the subject, the Prime Minister may wish to say that all options are still being studied carefully, that she cannot anticipate a decision, but that she hopes it will be made soon.

Tornado

34. The Prime Minister will remember that the Secretary of State for Defence handed over a personal message from her to Mr Papandreou on 2 September. The Prime Minister may like to thank Signor Craxi for associating himself at the last minute with her letter, and stress the need to ensure that the best possible credit terms are offered to the Greeks. We hope for Craxi's continued support.

Round Table

35. It was agreed at the last Anglo-Italian Summit to hold a Round Table, bringing together Italian and British politicians, journalists, businessmen and academics. Preparations for the first (experimental) meeting, which may take place in February 1984, have been held up by the Italian elections. But detailed work should recommence soon. If Craxi raises the Round Table, the Prime Minister may care to say that we welcome this means of thickening Anglo-Italian official and unofficial contacts.

/REGIONAL



REGIONAL ISSUES

Libya/Chad

36. UK interests in Chad are slight but the threat of destabilisation in the region posed by illegal military intervention by Libya is a matter of concern. HMG deplore Libyan aggression against her neighbours and were extremely disappointed by the Security Council's failure to take proper action. We believe that a negotiated settlement is the only way to provide a long-term peace.

Central America

37. The Prime Minister could say that we are concerned at the continuing tensions in Central America, which could affect the stability of the whole area. We are particularly concerned at the drift towards a Marxist/Leninist totalitarian state in Nicaragua and at the backing given to Nicaragua by Cuba and the Soviet Bloc. We welcome the Contadora Group's efforts to find a peaceful solution to the crisis, and American Special Envoy Stone's attempts to bring together the opposing factions in El Salvador.

38. We understand and support the basic United States aims. They have a difficult job and should be given more credit for substantial economic assistance, efforts to encourage democracy and reform. We must not get US military activity out of proportion: it is a vital 'security shield' to help Central American governments combat insurgency and terrorism which threaten efforts to rebuild shattered economies and reform political structures.

Cyprus

39. Italian and UK views are now very similar. If Craxi raises it, the Prime Minister could say that we support the UN Secretary-General's efforts and have told the parties that his new ideas present an opportunity for progress which they should value. We understand the Italians have done the same. We should keep in touch.

ESSENTIAL FACTS

INF

1. 112 ground launched cruise missiles are to be based in Italy, at Comiso in Sicily, the first at the end of 1983. Because construction of the base is behind schedule the first missiles will not become operational until the spring of 1984 (whereas Greenham Common missiles first become operational at the end of December 1983) but the first major items of equipment will arrive in Sicily in October - just ahead of the first deliveries of major items of equipment at Greenham Common or to Germany.

2. In NATO consultations the Italians have argued for a fairly early move in the secondary issues in the agreed negotiation position for presentational reasons, stressing that they do not wish to offer any real concessions to the Russians at this stage. To provide maximum advantage for the Italians, a move by NATO needs to be made before the delivery of equipment in October.

3. In statements since his appointment, Signor Craxi has made clear his support for both tracks of the INF double decision, and for the beginning of deployment of NATO's missiles on schedule, although he has stressed the importance of the arms control negotiations. He will need to be able to claim later in the year that NATO has explored all possible avenues in the INF negotiations, not least to satisfy the left wing of the Italian Socialist Party who are likely to show themselves increasingly unhappy at the prospect of cruise missiles in Sicily. There is likely to be a major parliamentary debate in Rome on the INF question during the autumn.

4. During the summer, the US Administration has been reviewing the existing negotiating position agreed by the Allies. The papers have been sent to President Reagan but the process has been frozen following the Korean airliner massacre.

ESSENTIAL FACTS

Italian Approach to the Stuttgart Negotiations

1. The disappearance of Colombo, the arrival of two relative newcomers to EC affairs in the form of both Craxi and Andreotti, and the almost complete change in personnel at official level in the MFA on EC issues (the newcomers have no previous EC experience) offer the theoretical possibility of a fresh look at EC issues, but also mean that it is going to take even longer than usual for the Italians to develop a coherent approach to the great negotiation. Co-ordination among the principal Ministries involved, now complicated by the enhanced role sought by Forte, ex-Minister of Finance and confidant of Craxi, in the hitherto Ministerial non-job of internal co-ordination of EC policies, has not even begun.

2. Andreotti's performance at the special Council on 30 August together with contacts with officials here, offer a foretaste of their initial thinking on CAP changes. The Italians, as always heretofore, want to have their cake and eat it: paying lip service to the need for CAP reform but in the last analysis unwilling to give up much on current support regimes for northern products while demanding even more generous treatment for Mediterranean products. There is a need to reiterate that the simple need to get CAP spending under control (which the Italians admit) involves spending less money (which they effect not to recognise).

3. On future financing only the Treasury (and the Bank of Italy) have shown interest in our safety net ideas. Since the Secretary of State will be seeing Andreotti only 4 days before the 20 September Special Council it will be an ideal opportunity to explain the basic thinking behind our proposal, while reiterating our line on own resources since Stuttgart, which is a good deal more reassuring from the Italian point of view.

ESSENTIAL FACTS

Middle East (Lebanon, Arab/Israel)

1. Italian Attitudes. The Italians contribute 2,000 men to the MNF in Beirut. So far this has not been a major issue within the Government coalition, but now that the security situation is deteriorating, Craxi will have a harder time defending the retention of their contingent in Beirut. At a meeting in Madrid on 8 September the Italian Foreign Minister showed no inclination to withdraw their contingent. Like the US and French, they see no alternative to maintaining the MNF in Beirut without expanding its size or role. The Italians are also active politically. Craxi has invited Jumblatt (the Druze leader) to Rome for discussions aimed at encouraging him to support Gemayel's efforts at national reconciliation, but no date for this has yet been fixed.

Lebanon

2. Fighting in the Shouf between Christian and Druze (Muslim) militias following Israel's partial withdrawal on 3-4 September is likely to continue for several days. The Druze, with Syrian and Palestinian support, have had some initial success: their capture of the Christian town of Bhandoun on the Beirut/Damascus road and their advance further west to Aley has greatly disturbed the Christian population. The Druze and Syrians may only be willing to consider a ceasefire and negotiations once they have pushed Christian militias completely out of Druze territory. The Lebanese Army has managed to capture and hold the important Khalde road junction south of Beirut airport and is cautiously extending its operations on the edge of the Shouf. The army is holding together and performing more effectively than many had expected. But in the absence of a political agreement it is unlikely to be able to deploy into the central Shouf or enforce a ceasefire.

3. US and Saudi efforts at mediation continue. The Saudis, having briefly disengaged are in touch again with the Syrians through

/Prince



Prince Bandar. Mr McFarlane, initially encouraged by his talks in Damascus on 7 September now has doubts about Syrian willingness to take seriously a US/Lebanese/Saudi formula involving a ceasefire, restraint on operations by the Lebanese army and political negotiations between Lebanese confessional leaders, including Syrian and Saudi representatives, but without US participation. These negotiations would decide on future security measures in the Shouf and presumably formation of a new Government with greater Druze participation. Mr McFarlane suspects that the Syrians may be playing for time, hoping that military pressure alone will persuade the Lebanese Government to accept all Syrian Demands. He told MNF representatives in Beirut on 8 September that he intended to recommend to President Reagan a public statement in Lebanon solely on Syria, backed up by a threat to use force against Syrian subversion in Lebanon. The Administration's reaction to this idea is likely to be cautious.

4. There have been a number of attacks on MNF contingents, some of them apparently deliberate. All (except BRITFORLEB so far) have suffered casualties. The US have responded with artillery and naval gunfire and will shortly have an additional 2,000 marines offshore. The French have threatened retaliatory air strikes. BRITFORLEB HQ came under small-arms fire on 6 September (no casualties and no fire returned), probably an attempt by Shia gunmen in nearby Beirut suburbs to provoke a response.

5. There is little scope for action by the Ten. Political Directors discussed the possibilities in Athens on 5 September. The Presidency undertook to contact McFarlane to ask what the Ten could usefully do. We suggested the Presidency might follow up, on behalf of the Ten, representations made to the Syrians by the US, Italy and UK, urging Syria to give political reconciliation in Lebanon a chance. Most of our partners were in favour of some form of public expression of the Ten's support for efforts to achieve national reconciliation and restore Lebanon's independence, which would certainly be welcome to the Lebanese and the Americans.

6. At the UN the Lebanese have floated the idea of a new Security Council mandate to put a UN force into Beirut and the Shouf to



replace the MNF. The UN Secretariat think that agreement on a mandate for such a force is not impossible, though Syrian/Soviet support must be doubtful. Much will depend on the outcome of mediation efforts in Beirut and Damascus. An early meeting of the Security Council is unlikely. The Secretary General is starting consultations with the USSR, MNF contributors and the Syrians but is anxious not to cut across McFarlane's efforts.

7. The Ten are aware of the need to maintain their Arab/Israel diplomacy at a time of growing US absorption in the problems of Lebanon. But there is no disposition to mount a major new initiative. The previous Italian Government maintained a regular dialogue with the PLO at Foreign Minister level, but there has been no recent meeting.

D

ITALY POLITICAL BACKGROUND

1. Following the fall of the Spadolini (Republican) Government on 1 December 1982, a four-party coalition Government was formed under the Christian Democrat, Fanfani. The Socialists, Social Democrats and Liberal Parties joined the coalition. The Republicans remained outside.
2. It was believed that the Socialists had made early elections a precondition of their participation in this Government. It was, therefore, no real surprise when Craxi withdrew from the coalition in April and called for elections in June. He probably calculated that his own position in his party demanded this; he did not want to give the Christian Democrats time to build up strength under their new leader De Mita; and he wanted an election before the Socialists were held partly responsible for the austere 1984 Finance Bill.
3. The election results of 26/27 June proved a shock for the Christian Democrats whose share of the vote dropped by 5% to 32.9%. Since they had been in government continually since the war they were probably worst affected by the apparent disillusionment of the Italian electorate with entrenched political privilege and inefficiency. Diminished fear of the Communists may also have contributed. The Socialists did less well than they expected by only increasing their share of the vote by 1.5% to 11.4%. The smaller parties, including the neo-Facists with 6.8% of the vote, gained ground; the Republicans did well and obtained 5.1% of the vote. The Communists declined slightly to 29.9%.
4. After (by Italian standards) a fairly brief period of negotiation, Craxi announced a new five-party government on 4 August (Italy's 44th Government since the war). This consisted of the Socialists, Christian Democrats, Republicans, Social Democrats and Liberals. In his introductory programme statement to Parliament, Craxi said that the key areas would be foreign policy, 'healing' the economy to permit growth and employment, social policy, the fight against organised crime and institutional reform. He felt that the Geneva negotiations could succeed, but if not, INF deployment plans

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must be implemented.

5. Craxi's initial programme has been well received by the coalition partners but differences in policy are likely to emerge fairly quickly. In particular, severe economic difficulties will not allow a honeymoon period. A poor competitive position with no forecast growth will require determined action by the new Government to make appropriate exchange rate adjustments, reverse the deterioration in public finances and encourage wage restraint. Any resultant decline in living standards will not be popular.

FOREIGN AND COMMONWEALTH OFFICE

13 September 1983

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CRA XI, Onorevole Bettino

Prime Minister (Socialist). Former Secretary of the Socialist Party (PSI).

Born in Milan in 1934. Career as a full-time party official. Milan City Councillor 1960-70. Party Directorate Member since 1965. Deputy for Milan-Pavia since 1968.

He replaced De Martino as Party Secretary in July 1976, when the latter was removed following the PSI's disappointing performance in the general election the previous month. Craxi at this time aligned himself with the small 'Autonomist' faction of the party, led by Nenni, and his election as Secretary was due to the support of all the younger (i.e. less than about 45 years old) members of the PSI National Council, and of Mancini .

The national congress of the PSI in March 1978 overwhelmingly confirmed Craxi's leadership and backed his policy of asserting the party's independence of the PCI. Craxi wanted to take the Socialists back into government with the DC, but had to bide his time because there was vocal opposition among the rank and file. Craxi's advocacy of concessions to Moro's kidnappers and his restless pursuit of independent policies have caused some questioning of his political judgement.

In early 1980, he narrowly defeated the left wing in a power struggle within the party; since then, he has consolidated his position. In April 1980, he took the PSI back into government and was thus able to reward some of his supporters with Ministerial jobs. The April 1981 Congress confirmed his dominance over the PSI and re-elected him as Secretary for three years. His relations with the PCI, and especially Berlinguer, are bad and the left wing of the DC also regard him as an untrustworthy ally and potential threat to DC supremacy.

Following the June 1983 elections called after the fall of the Spadolini Government the preceding December, after a period of negotiation, Craxi announced a five party government coalition on 4 August consisting of Socialists, Christian Democrats, Republicans,



Social Democrats and Liberals.

A tall, dominating figure, he looks older than his years. Fond of good living and eloquent in private conversation, but spends most of his time with close party colleagues. Held in respect by other PSI Deputies though not greatly loved; generally distrusted by other politicians, and hated by the Communists. Something of a bully. Scathing in his attacks on the inequalities and inefficiencies of Italian society. Has a difficult relationship with the Socialist President Pertini. A clever self-publicist.

Visited UK as guest of HMG, and attended Labour Party Conference at Blackpook, in September 1976. Caused us a lot of trouble over the Falklands affair.

Little English, fair French.

Married.



ANDREOTTI, Onorevole Giulio

Foreign Minister. Former President of the Chamber's Foreign Affairs Commission (Christian Democrat).

Born Rome 1919, and still lives in the centre of the city. Graduated in law. Served in the army for 12 months 1940-41, and was released for health reasons. He then made his mark in Catholic University politics and student journalism. He worked for a time in the Vatican library, where he was noticed by De Gasperi and taken up as a protégé. Was one of the founders of the DC newspaper 'Il Popolo' during the clandestine period. Appointed a member of the DC National Council at the party's 1944 Congress in Naples. Member of the Constituent Assembly 1946-48 and a Deputy for Rome since 1948. Under-Secretary (junior Minister) in the Prime Minister's office under De Gasperi and Pella, 1947-54; Minister of the Interior 1954; of Finance 1955-57; of the Treasury 1958; of Defence 1959-66; and of Industry 1966-68. DC group leader in the Chamber 1966-72. He was asked to form a government during the political crisis of August 1970 but failed because he was thought too close to the Socialists. Prime Minister of a minority DC government February to June 1972, and of a centre-right coalition June 1972 to July 1973. Minister of Defence under Rumor March 1974 to November 1974; Minister for the Budget, Economic Planning and Mezzogiorno under Moro November 1974 to August 1976, when he formed a minority DC government without a parliamentary majority and relying for its survival on the abstentions in parliament of the other centre-left parties and of the PCI. When in early 1978 the PCI and others forced a change in this formula, he formed a new but virtually identical government (his fourth), with the PCI included for the first time ever in the parliamentary majority. In January 1979, the withdrawal of the PCI precipitated a crisis and Andreotti headed a caretaker government (his fifth) to prepare for elections. Became Foreign Minister in the Five Party Coalition government formed in August 1983 by Socialist Prime Minister, Bettino Craxi.

Andreotti is a supreme political tactician. Initially somewhat to the left in DC terms, he became identified with the party's right-wing as Prime Minister in the period leading up to the General Election of May 1972. The centre-right orientation which

/he



he gave to the DC's election campaign paid off and in June 1972 he formed a coalition excluding the Socialists and including the right-of-centre Liberals. When this government fell, Andreotti, let it be known that he was one of those Christian Democrats who could envisage a working relationship with the Communists. He was thus the right man for the DC to field as their Prime Ministerial candidate when, after the General Election of June 1976, a parliamentary majority could not be found for a DC-led government due to the uncooperative attitude of the Socialists. He maintained this delicate balance with the Communists, allowing them to make the step forward in March 1972 from abstention to inclusion in the parliamentary majority. He remains willing to look with the PCI at the problems of government in a businesslike way. Above all, he is good at getting things done; this is a major reason for the success of his career (no Italian has wider political experience). He operates an enormous and efficient patronage system. He has also proved adroit enough to resist several attempts to implicate him in scandals - so far.

Andreotti remains a potent political force with a reputation as perhaps the most adroit and possibly the least scrupulous of DC leaders, with very close links to the Vatican. He almost became President of the DC party in late 1980, of the IPU in September 1982, and he pressed hard to become Foreign Minister in Fanfani's government in November 1982. He uses his position on the Foreign Affairs Commission to maintain his good contacts with many foreign leaders. He is widely believed to have his eyes on the presidency when Pertini goes.

Although physically unimpressive, with rather a hunch back, Andreotti is a witty and effective speaker, appearing regularly on television. He masters a brief quickly and does his homework thoroughly. Sometimes initially chilly, he improves on longer acquaintance and is generally very courteous. Friendly towards Britain. He paid an official bilateral visit to the UK in March 1962, and was most recently in Britain for the European Council and the NATO Summit in June 1977. As Prime Minister, received Mr Heath on his visit to Italy in October 1972, and Mr Callaghan in September

/1977;



1977; he also met Mr Pym in July 1982 in Rome. Married with several children. Speaks no English but quite good French. A devout Catholic who attends mass every morning and makes sure that his supporters know that he does.



INF

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VISIT OF SIGNOR CRAXI TO LONDON, 16 SEPTEMBER 1983

INF: SUPPLEMENTARY BRIEFING

1. We have been told that the Italian Foreign Minister, like his German and Dutch colleagues, would like to see a more forthcoming British position on the relevance of British nuclear forces to arms control. If Signor Craxi or Signor Andreotti raise this question, the Prime Minister might like to say that NATO has agreed since 1979 that in no circumstances should British and French nuclear forces be taken into account in the INF negotiations. Nor should they be placed on the agenda of the START talks which are about the search for super-power parity. Super-power strategic arsenals are vast in comparison with the very small British and French forces. If there were to be enormous cuts in these arsenals, and the strategic picture should change radically as a result, then we have always said we would look at the arms control question again. But that is probably a long way off.

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PRIME MINISTER

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TALKS WITH MR. CRAZI

You have two hours of talks on Friday - from 0930 to 1130.

The first hour will be tête-à-tête with only Private Secretaries and interpreters present (I suggest in the White Room).

At about 1020 to 1030 you may like to invite the two Foreign Ministers, who will be waiting, to join you. They would be accompanied by the Italian Ambassador, Lord Bridges, Signor Bottai and Julian Bullard.

We have made it plain that there cannot be a joint press conference, but have offered a photocall before and after the talks.

I suggest that you take the subjects in the order set out on the attached card - this would bring the Foreign Secretary in some time during the discussion of EC issues.

A. J. C.

Manuscript note deleted and retained under Section 3(4).

*Wayland
11 April 2014*

15 September 1983

TALKS WITH MR. CRAXI

1. Situation in Italy
His economic policy?

2. East/West relations
Korean airliner: nature of Soviet regime.

INF - firm on basic principles,
flexible on secondary issues.

Allies to co-ordinate closely in
coming months.

3. EC issues
Our fundamental approach to budget/CAP problems.

Explain safety net proposal (para 17 of brief).

Greek performance on political co-operation - can he influence Papandreou?

4. Middle East
Situation in Lebanon.

No intention of becoming involved in civil war.

Passage deleted and retained
under Section 3(4) - O'Wayland
/ 5. 11 April 2014

5. Falklands

Hope Italy will abstain on this year's Argentine resolution.

No negotiations on sovereignty but want normal relations.

No contracts to supply sensitive weapons to Argentina.

6. Anglo/Italian Summit

Sorry cannot manage this year but will arrange for very early next year.

7. EH101 helicopter

We are ready to proceed with development from January, 1984. Hope you will take necessary steps soon.

8. Airbus A320 (if raised)

Interested but still have to be sure of commercial viability.

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Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister

*This additional briefing has
just arrived.*

*A.S.C. 15.
9*

15 September 1983

Dear Sir,

MB

Signor Craxi's Visit

The MOD have just learned (through British Aerospace) that Signor Craxi may raise with the Prime Minister the question of Italian participation in discussion of a possible European collaborative combat aircraft. I enclose a brief prepared by the MOD, to be added to the briefing material we have already sent you.

*See a
R B Bone*

(R B Bone)
Private Secretary

John Coles Esq
10 Downing Street

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PRIME MINISTER'S TALKS WITH SIGNOR CRAXI

POSSIBLE ITALIAN PARTICIPATION IN FUTURE COMBAT AIRCRAFT MS

Points to make (if raised)

Delighted that Italy should be involved in these discussions. Hope that Air Staff consultations, in which Italy is already participating, will result in an agreed statement of operational requirement by the end of 1983.

Background

1. It is understood that Signor Craxi may raise the question of Italian participation in discussions of a possible European collaborative combat aircraft. Italy may be concerned that she will be excluded from these discussions by the European 'big three' (UK, France and FRG) - there is precedent for her showing sensitivity on this - but the UK would welcome Italian participation.
2. Italy is already taking part in 5-nation Air Staff talks (with UK, France, Germany and Spain) to define an agreed operational requirement. There are also industrial links between British Aerospace (BAe), Aeritalia and the German firm MBB - the three partners in the Tornado project - to develop a successor aircraft which BAe, who are making the running, see as meeting the operational requirement which the staff talks aim to specify.
3. The Defence Secretary is meeting his French and German opposite numbers in Paris next week with the aim of reaching agreement that the military and industrial consultations should be brought together.

Ministry of Defence

15 September 1983

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Foreign and Commonwealth Office

London SW1A 2AH

15 September 1983

John S. ...

Meeting with Sr Craxi: EH 101 Helicopter

Paragraphs 29-30 of the Prime Minister's brief for her meeting with Sr Craxi refer to the EH 101 helicopter. Since this was drafted, Italian officials have told us informally that the Italian Cabinet considered EH 101 on 12 September, and decided in principle that they wished to support the project. The Cabinet are also said to have decided to introduce the necessary legislation in the Italian Parliament without delay.

Italian Ministers have not confirmed this formally to HM Ambassador, possibly because Sr Craxi would like to tell the Prime Minister personally. If he does, we recommend that the Prime Minister welcome the news and emphasise the need for early action to finalise the arrangements between the two governments. If the reports prove to have been premature, we should still like to stress the importance of an early Italian decision.

John S. ...
[Signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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✓ Disasters: Alitalia
Korean Airlines
Boeing 747 : Sept '83



Foreign and Commonwealth Office

London SW1A 2AH

14 September 1983

Jan T...

*Amended.
AM 19/9*

Visit of the Italian Prime Minister: South Korean Airliner

You will have seen from Rome telno 427 (copy attached) that the Italians have decided to suspend all Alitalia and Aeroflot flights between Italy and the USSR from 15 September for 15 days.

Paragraph 9 of the Steering Brief for the Prime Minister's meeting with Signor Craxi suggested that the Prime Minister might urge the Italians to take such action. You may wish to amend the paragraph accordingly, and suggest that she welcome the Italian Government's decision.

[Handwritten signature]

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

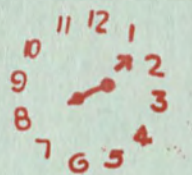
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1 SEP 1983



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FM ROME 131615Z SEPT 83

TO IMMEDIATE FCO

TELEGRAM NUMBER 427 OF 13 SEPTEMBER

INFO PRIORITY SEOUL, MOSCOW.

INFO SAVING TO NATO POSTS, E C POSTS, TOKYO, PEKING.

YOUR TELNO 1484 TO WASHINGTON: SOUTH KOREAN AIRLINER

1. ACTION TAKEN WITH THE RELEVANT M F A OFFICIAL (BATTISTINI) IN ACCORDANCE WITH PARAGRAPH 3 OF YOUR T U R . BATTISTINI WAS AWARE OF OUR MEASURES AS DESCRIBED TO YOUR COMMUNITY COLLEAGUES ON 12 SEPTEMBER.
2. ITALIAN ACTION HAS BEEN AS FOLLOWS.
ON 10 SEPTEMBER (SATURDAY) THE DUTY OFFICER AT THE SOVIET EMBASSY (IN THE ABSENCE OF THE AMBASSADOR) WAS SUMMONED TO THE M F A TO RECEIVE A NOTE COMMUNICATING ITALIAN INTENTION TO SUSPEND ALL ALITALIA AND AEROFLOT FLIGHTS BETWEEN ITALY AND THE U S S R FROM 15 SEPTEMBER FOR 15 DAYS. SIMULTANEOUSLY, AN M F A PRESS RELEASE (TEXT BY BAG, NOT TO ALL) ANNOUNCED THE GOVERNMENT'S DECISION, ADDING THAT THE ACTION WAS UNDERTAKEN TO SHOW SOLIDARITY WITH THE VIEWS OF THE MAJORITY OF THE WESTERN ALLIES AS EXPRESSED AT THEIR MEETINGS IN MADRID AND BRUSSELS. THE PRESS RELEASE ALSO MENTIONED ITALIAN SUPPORT FOR THE DRAFT SECURITY COUNCIL RESOLUTION ON THE SUBJECT, FOR THE NECESSARY IMPROVEMENTS TO I C A O CONVENTIONS CONCERNING OVERFLIGHTS, AND FOR SOUTH KOREAN CLAIMS FOR COMPENSATION.
3. THE GOVERNMENT'S DECISION WAS REVIEWED BY THE ITALIAN CABINET ON SEPTEMBER 12. THE ABSENCE OF A REFERENCE IN SATURDAY'S STATEMENTS TO A SUSPENSION OF OVERFLIGHTS OF ITALIAN TERRITORY BY AEROFLOT WAS NOTED BY THE CABINET AND WILL BE CORRECTED (THIS WILL ENTAIL A FURTHER NOTE TO THE SOVIET EMBASSY). THE M F A ASSURE US THAT THE ORIGINAL OMISSION WAS AN ERROR, AND THAT THE GOVERNMENT HAD ALWAYS INTENDED FOR OVERFLIGHTS TO BE SUSPENDED FOR THE SAME PERIOD. THE M F A DID NOT ENVISAGE ANY HITCHES LEGAL OR ADMINISTRATIVE PROBLEMS IN EXECUTING THE GOVERNMENT'S DECISIONS IN TIME (PARLIAMENTARY APPROVAL IS NOT (NOT) REQUIRED).

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/S. ITALIAN

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5. ITALIAN REPRESENTATIVE AT I C A O HAS BEEN INSTRUCTED TO EMPHASISE THAT ITALY REGARDS THIS SOVIET ACTION AS A FUNDAMENTAL BREACH OF I C A O PRINCIPLES. I C A O INQUIRY IS NEEDED TO ESTABLISH THE FACTS AND RESPONSIBILITIES FOR THE INCIDENT IS A PREREQUISITE TO I C A O MEASURES TO PREVENT A REPETITION. THE ITALIAN DELEGATION HAS BEEN INSTRUCTED TO KEEP IN CLOSE TOUCH WITH THE TEN, THE U S A , JAPAN AND KOREA.

F C O PLEASE PASS SAVING ADDRESSEES .

BRIDGES

(REPEATED AS REQUESTED)

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MR CARTLEDGE

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MR COLVIN)
MR WILLIAMSON)
PS/S of S FOR TRANSPORT
(MARSHAM ST)

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FILE

CU

10 DOWNING STREET

From the Private Secretary

12 September, 1983

VISIT OF THE ITALIAN PRIME MINISTER

Thank you for your letter of 8 September.

The Prime Minister expects that her tête-à-tête conversation with Signor Craxi will last for about an hour. I suggest, therefore, that the Foreign and Commonwealth Secretary and Signor Andreotti come to No.10 at about 1020 hrs and join the talks as soon as the two Prime Ministers are ready.

There is no objection to the Italian suggestion that the second half of the meeting be attended by the two Ambassadors and one official on either side, in addition to a Private Secretary.

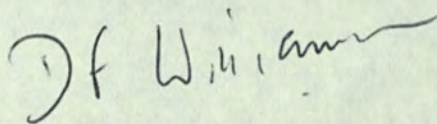
A. J. COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office

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as swiftly as practicable; to resist protectionism in world trade but to use our combined strength to defend ourselves, if necessary; and to avoid the misuse of precious resources (eg overloading the budget by too much support for excess milk production).

2. The Prime Minister may wish to put these points to Signor Craxi
--- on the lines attached.



D F WILLIAMSON

9 September 1983

020
Qz.03287



M 16
1
h.c.

MR COLES

cc: Mr Kerr, H M Treasury
Mr Fall, FCO
Sir Robert Armstrong

PRIME MINISTER'S MEETING WITH SIGNOR CRAXI, 16 SEPTEMBER

We have participated in the preparation of the briefing for the Prime Minister covering a range of Community issues and are content with it. There are, however, two major points for the post-Stuttgart negotiations which we would wish to draw to the Prime Minister's special attention:-

(i) "The political moment for a lasting budget solution". Italy has so far opposed or reserved its position on more equitable budget arrangements (safety net) and has been the most ready of all member states to claim that the United Kingdom's approach is purely budgetary and contrary to the development of the Community. Nonetheless, we believe that the Italians may be open in the end to the political argument that the moment has come for a lasting settlement, despite the budgetary disadvantages for themselves. We therefore want Signor Craxi to understand at the outset that the safety net is an indispensable part of any solution.

(ii) "Strengthening the Community". We are working hard to break down the Italian mistrust of our position. The paper which we are tabling in Brussels on "other policies" is intended to show that we have our clear idea of a strong and developing Community. We should be able to obtain some support for our conception of the Community as an area of relative economic stability in which our first objectives should be to make sure that the barriers to competition (for example, technical barriers to internal Community trade and the absence of a genuine common market for many services) are removed

"The United Kingdom is fully committed to all elements of the declaration made by heads of state and government at Stuttgart. The Community must break the back of these negotiations at the next European Council in Athens at the beginning of December. We are sometimes rather aggrieved in the United Kingdom when it is said that we are only concerned with the budget. That is not so. We are resolutely in favour of the European Community in which our first objectives should be:

- to create wealth by reducing as soon as we practically can the many barriers to competition which still remain, for example technical barriers to trade in goods and the absence of a common market for many services;
- to resist protectionism in world trade but to use our combined strength to defend ourselves if it proves necessary to do so;
- not to misuse our economic resources, as we are now doing in over-supporting excess milk production.

Italian industry has much to gain, as we have, from this return to the first principles of the common market. Furthermore, as inflation-stoppers and food importers, the United Kingdom and Italy do have a common consumers' interest in avoiding artificially high prices for basic products such as corn or milk.

The negotiations launched at Stuttgart can set up the conditions for pursuing these objectives to strengthen the common market. I know that Italy is looking for an increase in own resources. I took an important step in setting out for the first time at Stuttgart the conditions on which we would be prepared to consider the Community's requirements in terms of own resources. One of these criteria is that the budgetary injustice must be corrected and we have proposed a safety net to achieve this. I think that the moment has come when the Community can and must correct on a lasting basis the budgetary inequity from which the United Kingdom particularly suffers, and at the same time relaunch progress towards the Community objectives which I have outlined."

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TO IMMEDIATE FCO

TELEGRAM NUMBER 424 OF 9 SEPTEMBER

Hd/WED
Hd/ECD (1)
PS (6)
PS/PUS
Sen J. Bullard
Mr James.
RC

YOUR TELNO 234: VISIT OF ITALIAN PRIME MINISTER TO LONDON

1. ANDREOTTI'S OFFICE HAVE CONFIRMED THAT HE WOULD WELCOME STARTING HIS TALKS WITH YOU AT 0900 AT THE F C O ON FRIDAY, 16 SEPTEMBER.

BRIDGES

NNNN

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Mofax (8/9)



Foreign and Commonwealth Office

London SW1A 2AH

8 September, 1983

Dear John,

Visit of the Italian Prime Minister: 16 September

Thank you for your letter of 6 September. We have now heard that Signor Andreotti will accompany Signor Craxi on his visit to London.

The Italians would also like an opening tete-à-tete between the two Prime Ministers, but wonder whether it need last for a full hour. Perhaps the duration could be left flexible. Sir Geoffrey Howe proposes that, after separate talks here, he and Signor Andreotti join the Prime Ministers between 1015 and 1030.

The Italians have suggested that the second half of the meeting at No 10 be attended by the two Ambassadors and one official on either side, in addition to a Private Secretary. We should be grateful if you could seek the Prime Minister's agreement to this.

Lucian
R B Bone

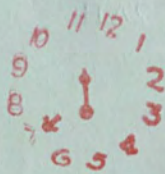
(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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Italy: A/I Summits
Pt 3

8 SEP 1983



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FILE

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10 DOWNING STREET

From the Private Secretary

7 September 1983

Possible Anglo/Italian Summit

John Holmes wrote to Willie Rickett on 23 August.

I have now put to the Prime Minister the various considerations which argue for the holding this autumn of the next Anglo/Italian Summit. Mrs. Thatcher has, however, decided that she cannot, owing to her extremely heavy diary between now and the end of the year (which involves more foreign affairs commitments than usual) make available time for an Anglo/Italian Summit in this period. She has, as you know, recently postponed other engagements in order to receive Signor Craxi in London on 16 September.

This subject may well arise during the Prime Minister's talks with Signor Craxi. I think it best that our inability to envisage a Summit this year emerges then and not before - but meanwhile we should clearly not give the Italians any encouragement to think that a Summit will be possible at this time.

Before Signor Craxi's visit I will look at the possibilities of a Summit being held early next year.

A. J. COLES

A handwritten signature in dark ink, appearing to be 'R. Bone'.

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER

POSSIBLE ANGLO-ITALIAN SUMMIT

As you know Signor Craxi is visiting London on Friday, 16 September for two hours of talks (given interpretation this is not all that long).

He will almost certainly raise the question of the next Anglo-Italian Summit. He has already stated publicly that he expects one during the autumn - and as you know the Italians tend to be very sensitive about the Summits, largely because we for good reasons try to escape our commitment to hold two a year. It is the Italians' turn to host the Summit.

I am very reluctant to add any more foreign visiting to your programme this year. But it will not be easy to put the Italians off and Lord Bridges thinks we ought to have an early Summit in order to influence Italian views on Community financing before Athens (the French will be working on the Italians in the opposite direction) and to compare notes on INF.

The best date might be Friday, 18 November, but this would mean that you could not attend the enthronement of the Archbishop of York.

Another alternative is Monday, 31 October, which would mean moving your proposed lunch with the IBA.

Would you like us to suggest 31 October to the Italians?

*No. we can't
Put in a
Summit at
such short notice - especially
when I have charged engagements
to see Craxi.
not*

6 September 1983

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File



Q

10 DOWNING STREET

From the Private Secretary

6 September 1983

Visit of the Italian Prime Minister:
16 September

Thank you for your letter of 6 September.

I am sure that the Prime Minister would expect her discussions with Signor Craxi to cover the items proposed by the Italians though she will not wish to be bound by a formal agenda. I agree that briefing on the lines you suggest will be appropriate - though the Prime Minister will need a fairly detailed account of recent discussions of EC Budgetary questions.

We shall not be able to take firm decisions on the format of the talks until we know whether the Italian Foreign Minister will be accompanying his Prime Minister. But I suggest that in any contacts that you may have with the Italians you should say that we envisage the talks opening with a tête-à-tête between the two Prime Ministers, accompanied only by interpreters and one Private Secretary per side, which might last for about an hour.

A. J. COLES

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

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Foreign and Commonwealth Office

London SW1A 2AH

6 September 1983

John Taylor

Visit of the Italian Prime Minister: 16 September

Timothy Flesher wrote on 1 September about the Prime Minister's talks with Signor Craxi on 16 September.

Signor Craxi is expected to arrive in London from Paris during the evening of 15 September. We do not yet know whether Foreign Minister Andreotti will accompany him.

The visit is at the request of Signor Craxi. Having only recently, and with some difficulty, formed his coalition government, he clearly wishes, for domestic as well as European reasons, to make his mark with other European leaders. As well as his visits to Paris and London, plans are under way for a visit to Bonn on his way home.

The Italians have proposed the following agenda:

- East/West Relations, political and military
- Middle East
- European Community questions

The first item will no doubt focus partly on INF. We should seek to reinforce the Italian commitment (firm so far) to INF deployment. The Italians would like to discuss the Middle East in view of their involvement with the MNF in Lebanon. As far as the Community is concerned, this will provide a useful opportunity for putting across our views to the new Italian Government at an early stage in the run-up to the major negotiations this autumn. There may be one or two other topics arising nearer the time. Subject to your views, we would propose to provide a full steering brief, incorporating Points to Make on each subject, with limited background where appropriate.

John Taylor
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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Italy: Anglo-Italian Summit
Pt 3

London and Commonwealth Office

London W1A 2AT

11 12 1
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7 6 5
4 3 2

- 6 SEP 1983



10 DOWNING STREET

Tim

Are 24 and 31 October
and 18 November still
available ?

A. J. C. $\frac{5}{9}$

file

1 September 1983

BT

As I told you, Signor Craxi, the Prime Minister of Italy, is coming to see the Prime Minister at 0930 hours on 16 September. I should be grateful if you would arrange for the briefing to arrive here by Tuesday 13 September. I understand that an interpreter will be needed but no doubt we can discuss the detailed arrangements nearer the time when Signor Craxi's final plans become known.

Timothy Flesher

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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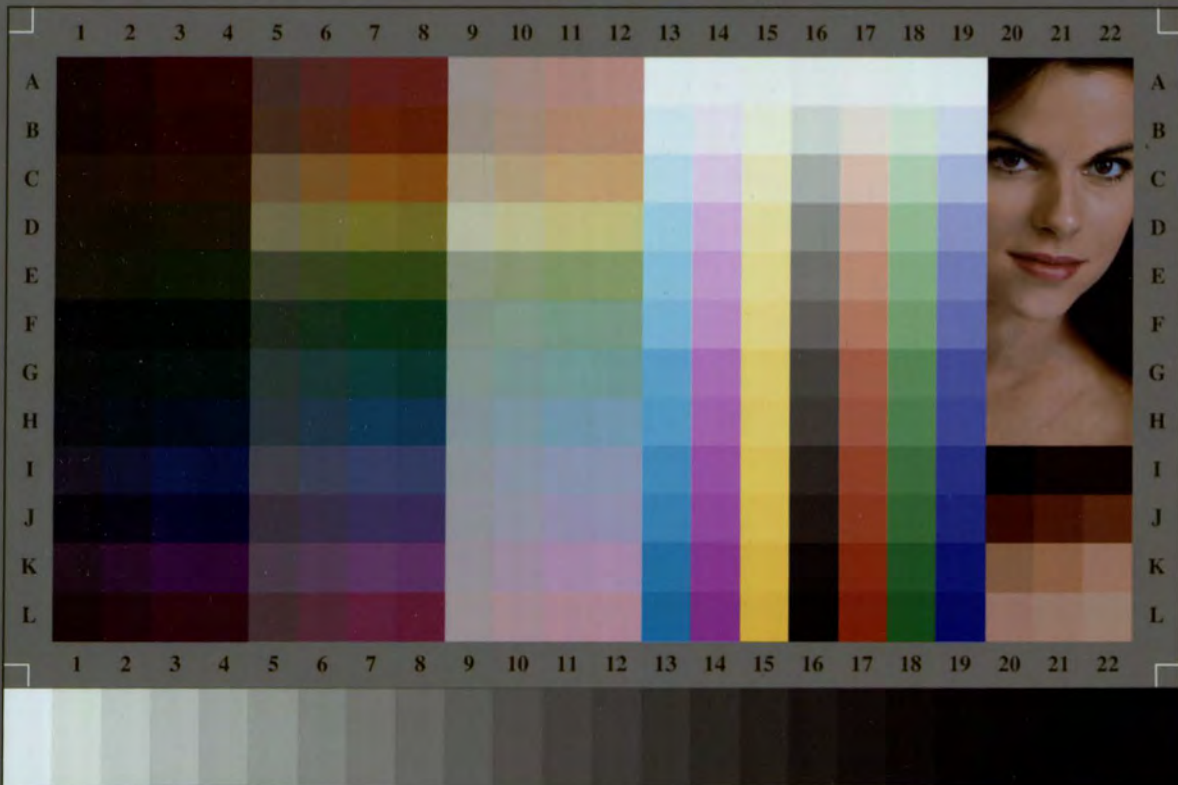
PART 2 ends:-

PM to Fanfani (T32/83)
21/3/83

FCO to WK 23/8/83

PART 3 begins:-

TF to FCO 1/9/83



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