

CONFIDENTIAL FILINGS

Visits by the Prime Minister to Rome.
Anglo/Italian Consultations Policy
Anglo/Italian Summits in Italy.

ITALY

P+1, Sept. 1979.

P+3, Feb. 1986.

(Briefing for 12/3/86 meeting in attached folder)

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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PART 3 ends:-

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PART 4 begins:-

FCO to COP. 23.3.88

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Foreign and Commonwealth Office

London SW1A 2AH

27 March 1986

CDP
27/3.

Dear Charles,

Anglo/Italian Summit in Florence on 12 March

I enclose the record of the plenary meeting at the Summit prepared by the Embassy at Rome.

I am copying this letter and the record to Rachel Lomax (HM Treasury), Stephen Boys Smith (Home Office), John Mogg (Department of Trade and Industry), Richard Mottram (Ministry of Defence), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Tim Abraham (Mr Pattie's office, DTI) and Michael Stark (Cabinet Office).

Yours ever,

Colin Budd

(C R Budd)
Private Secretary

C D Powell Esq
PS/10 Downing Street

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RECORD OF PLENARY MEETING: ANGLO/ITALIAN SUMMIT IN FLORENCE ON
12 MARCH

Present:

The Prime Minister	On Bettino Craxi
The Rt Hon Sir Geoffrey Howe	On Giulio Andreotti
The Rt Hon Douglas Hurd	On Oscar Luigi Scalfaro
The Rt Hon George Younger	Sen Giovanni Spadolini
Mr Geoffrey Pattie	Sen Luigi Granelli
and officials	and officials

Signor Craxi welcomed the Prime Minister to Florence. He spoke of the friendly exchange of views at their tête-à-tête, and listed the subjects covered. On East/West relations he stressed concern that if present disarmament negotiations produced no concrete results, strong disappointment would result. Discussion of areas of conflict in the world had focussed particularly on the Mediterranean and the Middle East, where terrorist acts affecting many European countries originated. Signor Craxi expressed appreciation for the degree of collaboration between HMG and Italy on terrorism. He made brief mention of the discussion of outstanding EC problems.

The Prime Minister thanked Signor Craxi for having held the summit in Florence at her request, and for the trouble taken over the arrangements. She endorsed the list of subjects discussed and wished to add three points. First, it was important to record that European unity and strength in the defence of its common freedom were now greater than ever. This was owed in part to the exceptional degree of close consultation between President Reagan and his European allies. Second, among the subjects discussed which would not find answers for a long time to come were both the Middle East and the CAP. Third, there had been discussion of the financial and trading decisions to be taken at the Tokyo Economic Summit.

Signor Andreotti reported the Foreign Ministers' discussion of EC problems. They had agreed on the difficulty caused for the Community budget by the worrying scale of debt on deferred non-obligatory payments which the Community was accumulating, and by the continued and automatic increase in agricultural surpluses.

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Foreign Ministers were rightly alarmed at these developments since the beneficiaries would not be Community farmers but international traders. The discussion had touched on the Extradition Treaty, the Air Service Agreement and the ISIS/SNS memorandum, (all to be signed after the plenary session). There had been a brief mention of the British-Italian Round Table and a discussion of Eureka, particularly the importance of avoiding conflict between Eureka projects and specifically EC Community research programmes.

Foreign Ministers had also discussed SDI, though not the technical and military aspects which lay more in the competence of the WEU. Italy was moving towards an agreement on research with the US along lines already discussed in WEU: The government would seek to ensure that firms engaged in SDI research respected US security requirements while obtaining a return ("fall out") from their participation. Italy had always been prudent in its assessment of the strategic implications on SDI, on which it was too soon - even for the US - to reach a conclusion.

Signor Andreotti said that the US/Soviet Arms Talks had been discussed, and British and French independent strategic nuclear forces. While the British position was understood it was important to avoid British and French nuclear forces being presented by the Russians as an obstacle to a global solution, which they were not. It was worrying that the climate of negotiations now seemed less promising than two months before.

Signor Andreotti referred to the discussion of recent events in South Africa: Italy agreed that the Commonwealth contact group could usefully take stock of the present situation and help push the South African government towards the political change needed to end violence.

Sir Geoffrey Howe endorsed Signor Andreotti's description of their discussions. They had also discussed the question of the Falkland Islands and Argentina. The Secretary of State had made clear continuing British anxiety that certain sophisticated weapons should not be sold to Argentina, especially the SUT torpedo, which a Ministry of Defence expert would shortly be discussing with the

Italian authorities. He had also described the recent meeting between Argentinian and British MPs: HMG regretted that the Argentinians had not accepted the offer of a meeting with a British Minister, but HMG would continue to work for the improvement of bilateral relations.

There had also been a discussion on Libya. British policy would continue to be one of strict limitation of its bilateral relations. It was important that Anglo-Italian cooperation on terrorism should continue. EC Ministers would need to discuss the possibility which had been raised of some contact between the Libyan authorities and the EC.

Signor Scalfaro said that he and the Home Secretary had discussed the recent terrorist attacks in Florence and Rome. The Italian authorities were examining what lay behind this terrorist resurgence with its attendant features of international links and connections with drugs, the arms trade and organised crime. The two Ministers had agreed on the importance of exchanging intelligence information to help prevent terrorist attacks. They looked forward to the meeting of the Trevi Group in the Hague on 24 April, and had discussed the recent declaration of EC Foreign Ministers on terrorism: terrorism was international and required international cooperation to combat it.

Signor Scalfaro stressed the importance of the new extradition agreement which extended the list of extradictable offences to drugs and weapons, though the agreement would have to be ratified by both parliaments. Future changes envisaged in British law relating to extradition would also be helpful. There had been discussion of the problems of immigration controls. Terrorism made it impossible to remove these controls, but a balance had to be found between the wish for open frontiers and the need to fight terrorism.

The two Ministers had discussed the position of foreign students in Britain and Italy and had agreed on the importance of arriving at residence procedures better suited to present circumstances. All EC countries shared similar problems in these areas and it was important that none should take unilateral decisions without

consulting their partners.

The Home Secretary agreed with this account of their discussion. He recalled the last two terrorist attacks in Italy and expressed his sympathy. Britain and Italy enjoyed excellent collaboration in the field of counter-terrorism: the exchange of information was increasingly important. The initiative of EC Foreign Ministers on terrorist matters was welcome but it should not overlap or confuse the cooperation already existing within the Trevi framework. The new Extradition Treaty was an important step forward, though not a final one: HMG's efforts to change its extradition laws were in recognition of the international content of much organised crime.

Signor Spadolini said that his first meeting with Mr Younger had provided the opportunity of a full examination of collaboration between Britain and Italy in the military field. There had been discussion of SDI and an identity of views on East/West relations in the light of recent developments in the disarmament negotiations. The two Ministers had shared a common concern to safeguard European defence within the framework of NATO: both the imbalance in conventional forces and the level of nuclear weapons needed to be taken into account.

There had been a discussion of bilateral collaboration on weapons development, and agreement on the particular importance of collaboration on helicopters. Close collaboration already existed over EH101. Both Ministers had expressed the wish that France and Germany might participate in the AH129 helicopter project. Signor Spadolini had reaffirmed Italy's wish to continue the EFA project along the lines already agreed in 1985. He had made clear Italy's hope for a good result in the Spanish referendum on membership of NATO.

Mr Younger agreed that this had been a useful meeting. Both sides had clearly reaffirmed their strong commitment to collaborate on major defence projects. HMG was committed to continuing its collaboration in the field of helicopters. Mr Younger had stressed the importance for Europe of maintaining the independent British and French nuclear deterrent, and of not agreeing to Soviet proposals

seeking to prohibit modernisation.

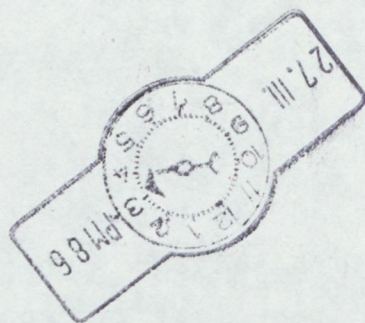
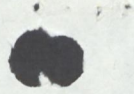
Signor Granelli said it had been particularly useful to meet Mr Pattie, and was pleased that Italy would now sign the ISIS/SNS memorandum. Many opportunities existed for British and Italian collaboration in the technical and scientific fields. The two Ministers had agreed to begin a regular series of bilateral consultations on these subjects at a technical level to supplement political consultations: this had been a particularly positive result of the summit.

There had been a discussion of Eureka and of the need for positive results from the meeting in June: too much bureaucracy must be avoided. There had been agreement on the particular importance of projects relating to industrial lasers and school computers. The two sides had noted a common interest in strengthening their already close cooperation in the field of European telecommunications.

Though there were differences between Britain and Italy on EC scientific collaboration, both agreed on the need to avoid red tape and improve the possible benefits to industry. Collaboration between Britain and Italy in the field of space was excellent, and the Italian side had expressed its interest in examining the Hotel project. Signor Granelli stressed the importance of East/West collaboration in scientific research: an opportunity to develop this had been provided by the recent meeting between Gorbachev and President Reagan and it should not be wasted.

Mr Pattie welcomed Italy's signature of accession to the Memorandum of Understanding. He was pleased that agreement had been reached that senior officials should meet regularly to review projects of common interest. There had been a review of the Eureka programme, though some outstanding issues remained to be resolved. There were some differences of approach on EC research and development as regards the content cost and balance of the commission's proposals: HMG wished to concentrate the research effort on areas of major technological advantage.

26 March 1986





CDP 13/7.

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NOTE FOR THE RECORD OF A MEETING WITH SENATORE SPADOLINI AT THE ANGLO/ITALIAN SUMMIT IN FLORENCE AT 1115 ON 12TH MARCH 1986

Those Present:

The Rt Hon George Younger MP Secretary of State for Defence	Senatore Spadolini Italian Defence Minister
Sir David Perry Chief of Defence Equipment Collaboration	Admiral M Porta
Mr G Fitzherbert British Embassy, Rome	Professor Manzini and others
Mr R C Mottram PS/Secretary of State	

The Secretary of State thanked Senatore Spadolini most warmly for his kind message on taking up his new appointment. Senatore Spadolini said that he and Mr Heseltine had worked closely together to further Anglo/Italian co-operation and he hoped that this could continue. The Secretary of State said that he too wished further to develop their co-operation.

2. The Secretary of State said that there was one personal point which he wanted to mention. In the ordinary course of events he would have been looking forward to attending the next meeting of the WEU in Venice in April. Unfortunately, the meeting was in the same week as his daughter's wedding and regrettably he felt that he must give that first priority. Senatore Spadolini said that he could understand Mr Younger's difficulty, adding that he would represent the British Defence Minister himself!

SDI

3. Senatore Spadolini said that the WEU meeting would be important to affirm Europe's autonomous position on SDI. At present every government seemed to follow its own path. The Italian Government was looking to sign an agreement with the United States but this would be done not by Defence Ministers but, as in Germany, by Ministers of Economic Affairs. This was intended to show that Italy was committed to the scientific and industrial benefits of participation but did not wish to give support to the underlying strategic aims of the SDI.



4. The Secretary of State said that the British Government's commitment to SDI was limited to support for the research programme. We were in no way committed to the case for the development of such defences or their deployment. Our MOU spelt out solely the methods by which British and American companies and institutions could work together on this research, including safeguarding intellectual property rights to which we attached considerable importance. Senatore Spadolini asked whether we had defined the areas in which we would participate. In his last conversation with Mr Heseltine he had gained the impression that we were expecting to sign large scale contracts. He also wondered whether these were signed on a Ministry to Ministry basis. The Secretary of State said that contracts were signed by the companies concerned rather than by the Government, although we had established an office to facilitate participation. He believed that there would inevitably be a slow build-up in the number and scale of the contracts and as yet only a limited number had been signed. We certainly hoped for substantial participation over a longer period.

Helicopter Co-operation

5. Senatore Spadolini asked about the British Government's position on participation in the EH101 and A129 programmes. The Secretary of State said that there was no change in our approach to the EH101. The project had our full support. We were also very anxious to carry on with the feasibility study on the A129 Mk II helicopter to meet our light attack requirement. We would welcome the participation of other countries in the project on the basis of a solution derived from an improved A129. Holland and Spain were known to be interested; and he wondered whether it would also be worth approaching the French and Germans to establish if they had any interest. Senatore Spadolini commented that there might be better possibilities of success with the Germans rather than the French. France in the end was concerned more with national pride than with working collaboratively with her European partners. The Secretary of State agreed that there could be no question of stopping work on the solution we envisaged and starting again from scratch but, on that basis, it would seem sensible to approach other countries. Senatore Spadolini suggested that they should pursue the matter first with the Germans and follow this approach up shortly afterwards with the French. The timing of an approach to the French would in any case have to take account of the forthcoming election.

European Fighter Aircraft

6. The Secretary of State said that he had had a very successful first visit to Germany and a useful exchange with Dr Woerner. Senatore Spadolini said that he had recently met Dr Woerner who had told him of the areas they had discussed and also thought that the meeting had gone well. There still seemed



to be some German concern over the weight limit on EFA. The Secretary of State said that, at his meeting with Dr Woerner, he had given him the clearest possible assurance that it was Britain's intention to stick absolutely to the aircraft parameters agreed at Turin. We were committed to a weight limit of 9.75 tonnes. He had recently had lunch with the Board of British Aerospace and had told them that their task was to design an aircraft within this limit. Senatore Spadolini confirmed that his approach was the same and similar instructions had been given to Italian industry.

Arms Control

7. Senatore Spadolini asked about the British Government's position on Gorbachev's proposals on arms control. The Secretary of State said that the British Government had been very pleased with the response that President Reagan had made and with the effectiveness of the consultation process with European Governments. Some aspects of the Gorbachev proposals were disappointing and we had been particularly concerned about the effort to constrain third country systems. It was important to Europe that we should not permit the Russians to confuse third country deterrents with intermediate nuclear forces. Senatore Spadolini said that he had had the impression that the Russians were being less insistent on the need to take account of these forces. The Secretary of State commented that the Russians were now putting the emphasis on constraining their modernisation. This might have some attraction for the general public but the reality was that, if weapons were not modernised, then after a period of time this was the same as removing them. It was important for all European countries that we and the French retained absolute freedom to modernise our deterrents in order that they remained credible.

8. Senatore Spadolini said that Gorbachev's proposals had particular dangers for countries like Germany and Italy without their own nuclear weapons, who depended upon the US for protection. The Secretary of State said that we were prepared to go along with the American approach of an interim solution on INF with the aim of zero eventually. Our feeling was that, as we got to the first stage, it would become more important to address conventional imbalances and the threat from shorter range systems, before any move to zero. Senatore Spadolini asked whether the Soviet SS20s in Asia were an obstacle to an agreement. Gorbachev probably realised that the SS20s in Western Europe had proved to be a mistake since they had prompted a resolute Western response. The Secretary of State said that the Asian INF could not be addressed in isolation since the system was mobile. He repeated that we were conscious of the need to address the security requirements of Europe as a whole. The defence of Britain began in Europe.



9. Senatore Spadolini said that he had discussed with Dr Woerner his ideas for strengthening European defence against tactical ballistic missiles. He told him that this should be handled cautiously. The Russians were always looking for pretexts to go back on arms control concessions they had already made and any German initiative would be likely to provoke a strong response. They remained very wary of the Germans for historical reasons. If there were to be an initiative, it would be better for it to come from somewhere other than Germany. The Secretary of State said that he had agreed with Dr Woerner that these issues were important and merited further study. We had to take account of the threat from short range missiles not only in terms of nuclear attack but also of conventional and chemical attack.

Terrorism

10. Senatore Spadolini asked whether we had any information about the role of Libya in international terrorism. The Secretary of State said that Italy was perhaps better placed to advise on this. Speaking more generally, he felt very strongly about the need to combat terrorism and we were very glad to assist Italy when problems arose to which she needed to respond. He was in no doubt that terrorism was a matter on which it was not possible to compromise. Senatore Spadolini commented that he too took this point very seriously and, as Mr Younger knew, had risked his position within his Government over it.

Iran/Iraq War

11. Senatore Spadolini referred to recent Iranian gains in the war and differences in the capacity of the two countries to absorb losses. The Secretary of State said that there were some signs that Iraq would be able to regain territory and it was important to bear in mind that in conventional warfare a large numerical preponderance was needed for successful attack.

Middle East

12. Senatore Spadolini said that he found the position in the Middle East depressing. Peres was under pressure from Shamir. He believed that it would be a good idea to involve the Soviet Union in the peace process. The Secretary of State said that he could see the attractions from the Russian point of view since they had suffered a number of setbacks recently in the area, perhaps most notably in South Yemen where it was clear that they had had no idea what was happening. The PLO was very fragmented and lacked either a sense of direction or a capacity to achieve it. There seemed little hope of early progress.

13. Senatore Spadolini said that he was very concerned about recent events in Egypt which could undermine her contribution to stability in the area and particularly to the handling of Libya.



He felt that the main danger was that Qadhafi was so unpredictable rather than that he was dependent on the Soviet Union. He could at any time start a crisis which might lead the Americans to respond in a way which made matters worse. We had seen such American overreaction in the Lebanon.

Yugoslavia

14. Senatore Spadolini said that he had recently visited Yugoslavia. He agreed with the Secretary of State that there were continuing tensions between the republics, as well as concern over the possibility of increased Russian influence in Albania. The Yugoslavs were also worried about the disputes between Greece and Turkey. They felt that these weakened NATO's Southern Flank and thereby strengthened the Soviet position to the potential disadvantage of their own country.

Turkey

15. The Secretary of State said that the Turkish Prime Minister had recently visited the United Kingdom and the Turks had expressed considerable interest in Tornado. This might be of interest to the Italian Government. In the case of the British Tornado programme, we were already extensively re-scheduling our requirements in order to fulfil the contract with Saudi Arabia. Senatore Spadolini commented (obscurely) that the final Saudi deal seemed a good deal less than had been envisaged earlier. He would himself be visiting Saudi Arabia later in the year. He did not take up the point about the possible Turkish sale.

Imbalances in Defence Trade

16. Senatore Spadolini went on to refer to the adverse trade balance between Italy and Saudi Arabia. It was important to balance trade as much as possible and yet the Anglo/Italian balance on defence products seemed to be getting worse. There were, he knew, reasons for this in terms of purchases of aircraft engines and so on but it was a matter for concern. The Secretary of State commented merely that this strengthened the argument for collaborative equipment projects. Senatore Spadolini made no attempt to press the point.

STOVL

17. The Italian side raised the recent Anglo/US agreement on STOVL. Sir David Perry emphasised that the MOU concerned research on future systems rather than the present programme to which there was no change. The Secretary of State asked about the prospect of a change in Italian law to permit the Sea Harrier to be carried on the Garibaldi. We would be very happy to help in any way we could in showing the merits of the Sea Harrier. Senatore Spadolini said that a change in the law would be a very difficult road to follow and, while he hoped this



could be achieved, he could make no commitment. This was an issue which went back 60 years. Since there was no tradition of aircraft carriers in Italy, it was very difficult to persuade public opinion to accept what were seen as offensive systems. The problem in the Lebanon, where the Italian contingent had had no air cover, had shown the merits of such a capability but this now needed to be identified also in the NATO context.

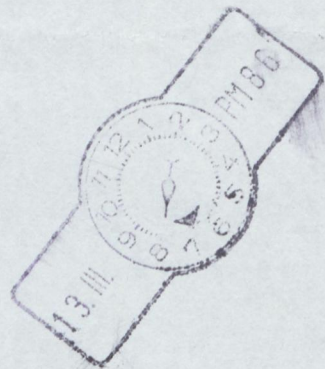
18. The meeting ended at 1250.

Rh
Ministry of Defence
13th March 1986

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E.R.

COP
 13/3

Mr Harrington

ANGLO/ITALIAN SUMMIT 12 MARCH

I attach a note of yesterday's discussion between the Home Secretary and the Italian Interior Minister. The Home Secretary was most grateful for the briefing you and others prepared.

2. In the plenary session the Interior Minister summarised his meeting with the Home Secretary, expressing thanks for the co-operation received from the British authorities. He reiterated his willingness to make available the documents left by those claiming responsibility for the recent attacks on the former Mayor of Florence and the associate of the Prime Minister, together with the analysis the Interior Ministry had undertaken of the incidents. He referred to the importance of exchanging intelligence about terrorists and to the need to prepare the ground well for the forthcoming Ministerial Trevi meeting. He emphasised the international nature of terrorism and the importance of co-operation between countries, drawing attention to the fact that terrorist organisations of left and right were ready to co-operate with each other and that both might feed on the profits of drugs and other organised crime. He welcomed the extradition treaty, pointing to the fact that until it was ratified and applications from the Italian authorities had been examined by the British courts it could not have practical effect. He drew attention to the proposed change in the prima facie requirement, which he welcomed. In speaking of frontier controls he emphasised the need to ensure a balance between the desirable movement of people and the importance of preventing terrorists from entering countries clandestinely. He referred briefly to the difficulties which had arisen over residence permits for certain British citizens in Italy. He concluded by drawing attention to the dangers for international co-operation against terrorism if countries acted unilaterally to relieve pressures upon themselves without regard to the implications their decisions might have for others.

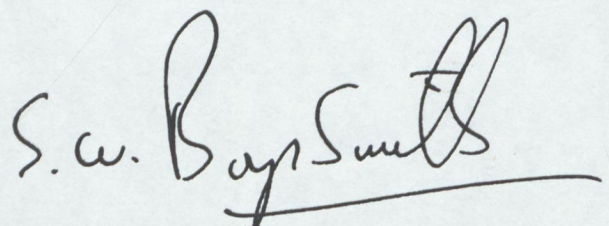
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/3. In responding

3. In responding briefly to the Interior Minister, the Home Secretary endorsed his summary of their discussion; expressed sympathy for the recent attacks; and emphasised the importance of effective exchanges of intelligence on terrorists. He looked forward to the Trevi meeting and welcomed the initiative taken by EC Foreign Ministers within the framework of political co-operation, adding that there must be no confusion between the two activities. He believed that the measures already taken or contemplated would prevent such confusion arising. He described the extradition treaty as an important step forward and believed that the proposed change on the prima facie requirement in UK law would also prove a useful development: it was a step the UK Government was taking in the interests of international co-operation.

4. In opening the plenary session the Italian Prime Minister said that in their bilateral talks he and the Prime Minister had expressed their approval of the extensive collaboration on terrorism between the two countries. The Italian Foreign Minister said that he and the Foreign Secretary had spoken about the extradition treaty.

5. I have no doubt we will be receiving a record of those parts of the plenary session and the bilateral discussions in which Home Office matters were mentioned.



S W BOYS SMITH
Principal Private Secretary

Private Office
13.3.86

E.R.

International Co-operation on Terrorism

4. Signor Scalfaro said it was essential to enhance co-operation between the agencies in different countries concerned with terrorism and international crime. He was very grateful for the welcome given to the Italian security experts who had visited the United Kingdom on 23 January, following his visit, to discuss airport security. The Home Secretary expressed his pleasure that their visit had been successful.

5. Signor Scalfaro referred to the danger of countries acting unilaterally to solve their own immediate difficulties over terrorist incidents without regard for the interests of others. This could be very damaging to the international effort against terrorism. The Swiss and French authorities had recently allowed offenders to leave their jurisdiction.

6. The Home Secretary agreed it was vital that countries should not act in isolation. The British Ambassador in Madrid had, for example, recently made representations to the Spanish Government following reports that it had agreed to free Arab prisoners in Spain in return for 3 Spanish Embassy hostages in Beirut. Countries undoubtedly faced different threats, but if they yielded matters would become a great deal worse.

7. Signor Scalfaro had had a long talk about terrorism with Mr Whitehead, US Deputy Secretary of State. He had mentioned to Mr Whitehead the responsibility the US Government had to support freedom throughout the world, but had explained that there were difficulties if it pressed ideas on other countries which, though they might make very good sense in American terms, were not attuned to local realities. The Achille Laro incident was a case in point. The US Government had pressed its principles very hard, but the reality lay in the Mediterranean and in Italy, not Washington. Moreover, the US Government had not understood that as Interior Minister he had been little involved in the handling of the incident which, because of its nature, largely fell to his Ministerial colleagues. The hijacking of ships on the high seas added a new dimension to international terrorism.

8. The Home Secretary asked whether Signor Scalfaro thought it would be valuable to hold meetings of Interior Ministers to discuss the whole range of their responsibilities, or whether it would be better to adhere to bilateral exchanges. Signor Scalfaro hoped the time might come when discussions amongst Interior Ministers collectively might bring all the issues together, but in his view the time was not yet right. If 2 countries shared a concern or proposals they had added strength in pursuing their ideas with the Governments of other countries; that was the best way to proceed.

9. The Home Secretary referred to the Working Group on terrorism set up by EC Foreign Ministers within the framework of political co-operation. He was anxious to ensure that there was no confusion between this group and Trevi. There must be clear lines of responsibility and communication to avoid differences arising between these 2 necessary kinds of exchange. The Working Group had already suggested to Trevi that a list of nations regarded by

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Member States as involved in Terrorism should be drawn up. This request could be discussed at the Ministerial Trevi meeting in the Hague on 24 April. The Dutch Government was aware of the need to ensure there was harmony between the EC Working Group and Trevi. When the UK assumed the presidency he would consider whether other steps were needed to preserve and promote that harmony.

10. Signor Scalfaro appeared by his response to have only a very limited understanding of the EC Working Group. Speaking personally, he said he was not jealous of the involvement of others, but he did not think terrorism could be discussed in several different places at one time. Terrorism was for Interior Ministers, and only they had access to all the necessary information. Interior Ministers should co-operate with Foreign Ministers, but ought always to concert their position before Foreign Ministers engaged in discussions on terrorism. He welcomed the fact that Interior Ministers would be able to discuss matters in the Hague before the EC Working Group next met.

11. In response to questions from the Home Secretary about talks between the Italian Government and the Governments of Austria, Switzerland and Germany, Signor Scalfaro referred to the number of different groups which engaged the interests of Interior Ministers. Most prominent were Trevi and the Pompidou group. The Club of Five to which the Home Secretary referred consisted of Austria, Switzerland, Germany, France and Italy; the first 2 did not join in the other groups. It was still very important to have bilateral discussions.

Frontier Controls

12. The Home Secretary referred to pressure within the EC to ease movement between countries. At the same time there was concern about the vulnerability of the EC's external frontiers to infiltration by terrorists. These 2 factors had to be reconciled. He recollected Signor Scalfaro's concern about terrorists gaining access to Italy, as they had before the attack at Rome airport at Christmas.

13. Signor Scalfaro recognised there was a contradiction. He was anxious to encourage free movement within the EC but it was hard to do that and secure effective monitoring of undesirables. The Rome airport terrorists had entered Italy with legitimate documents, although they had later changed them for illegal ones and had been without documents at all when they made the attack. The Italian Government had recently proposed new laws to Parliament to restrict migrant workers who had entered the country clandestinely, and who incidentally were as a result sometimes exploited by their employers. There were no startling new ideas in the legislation but he would ensure that the text was made available to the British authorities. It was interesting, however, that whereas at the time of the Rome attack he had been criticised for having inadequate checks on foreigners, he had now been accused by some of trying to harrass foreign workers through his proposed legislation.

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Extradition

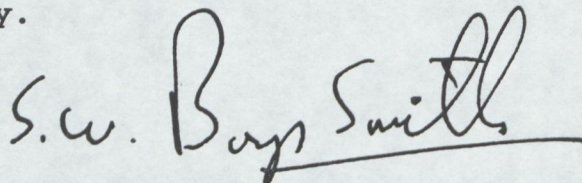
14. The Home Secretary welcomed the new extradition treaty. He understood that parts of the Italian press appeared to expect it would produce early results. But the treaty needed first to be ratified. The Italian authorities then needed to make applications and only when such applications were successful in the British courts could people be returned to Italian jurisdiction. He would be proposing changes in the UK extradition law to Parliament later in the year which would reduce the level of evidence required by an English court before it could agree to extradition. These changes, when enacted, would make extradition easier.

15. Signor Scalfaro pointed out that responsibility for extradition lay with the Minister of Justice. He welcomed the new treaty and the part his Ministerial colleague had played in bringing it about. The staff of the Justice Ministry had not been keen but he felt it was better to proceed by gradual steps, such as this one.

Residence Permits in Italy for British Subjects

16. The Home Secretary thanked Signor Scalfaro for his efforts to ease the difficulties which had recently arisen over renewing residence permits for long term British residents in Italy and for students. There might still be room for further progress, and he hoped there would be talks between experts to take things forward.

17. Signor Scalfaro said he saw one of the jobs of a politician as overcoming procedural difficulties. He respected the law, but was impatient with formalities, and believed the political will existed to solve the present problem. He wanted to achieve the best outcome as soon as possible. He greatly welcomed the presence of British students in Italy.



Private Office
13.3.86

S W BOYS SMITH
Principal Private Secretary

cc. Mr Pike
Mr Duke-Evans
Miss Stewart
Mr Partridge
Mr Hyde
Mr Phillips
Mr Head
Mr Hilary
Mr Mower
Mr Harrington
Mr Nagler
Mr Fries
Mr Durbin
Mr Bickham
Mr C Powell, PS/No 10
Mr L Appleyard, PS/FCO
Mr Herbert, WED/FCO
Mr Tantum, British Embassy, Rome

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10 DOWNING STREET

From the Private Secretary

12 March 1986

Dear Len,

ANGLO/ITALIAN SUMMIT

I enclose a record of the meeting between the Prime Minister and Signor Craxi at the Anglo/Italian Summit in Florence on 12 March. I also enclose the text of the speaking note which the Prime Minister used at the subsequent Press Conference.

I am copying this letter, and enclosures, to Rachel Lomax (H.M. Treasury), Stephen Boys Smith (Home Office), John Mogg (Department of Trade and Industry), Richard Mottram (Ministry of Defence), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food), Tim Abraham (Mr. Geoffrey Pattie's Office, DTI) and Michael Stark (Cabinet Office).

Yours sincerely,

CHARLES POWELL

Len Appleyard, Esq., C.M.G.,
Foreign and Commonwealth office.

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CC MASTER

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND SIGNOR
CRAXI IN THE PITTI PALACE IN FLORENCE ON WEDNESDAY, 12
MARCH 1986 AT 1115 HOURS

PRESENT

The Prime Minister
Mr. Charles Powell

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RETAINED UNDER SECTION 3 (4)
OF THE PUBLIC RECORDS ACT

Terrorism

Signor Craxi referred to recent terrorist attacks which had taken place in Florence and Rome. The Prime Minister expressed sympathy for these as well as for the Rome Airport attack in December. Extreme Arab groups, in particular Abu Nidal, showed no sign of diminishing their terrorist activities. They were difficult to penetrate and intelligence on their plans was in consequence hard to come by. Signor Craxi said that Libya claimed not to be behind recent attacks by Arab terrorist groups. The Italian authorities thought that this was probably right. Those involved in the Rome Airport attack appeared to have come from Syria. The Prime Minister said that she had recently tackled the Syrian Foreign Minister on Syrian support for terrorism without much effect.

Signor Craxi said that Italy had received intelligence in mid-January of impending terrorist attacks in Northern Europe. This made him wonder whether there could be any Middle Eastern involvement in Mr. Palme's assassination. The Prime Minister said that she was not aware of any evidence for a Middle Eastern connection. The assassination appeared to be a mystery.

Iran/Iraq

In reply to a question from Signor Craxi, the Prime Minister said that the United Kingdom did not supply arms to

Iran. Indeed, probably the only way to bring the war to an end was to ensure that Iran was starved of arms, although it was clear that quite a lot were still getting through. The Iraqis seemed to be finding it difficult to recapture Faw. We were worried about the increased risk to Kuwait following recent Iranian statements.

Arab/Israel

The Prime Minister expressed concern about the wider Middle East situation and enquired whether Signor Craxi had any information on the PLO's intentions following the breakdown of King Hussein's initiative. The peace process was in disarray. It was clear that King Hussein could not enter direct negotiations with Israel without some wider international framework. She was in not in favour of the European Community rushing in with an initiative.

Signor Craxi agreed that the prospects were bleak but that there was no immediate role for the European Community. He ascribed the breakdown of King Hussein's initiative to internal divisions within the PLO. The Prime Minister observed that the PLO found it very difficult to take decisions. She saw little likelihood of their being able to take the plunge of accepting UNSCRs 242 and 338 or recognising Israel's right to exist. But there would be no negotiations until they took this step. Signor Craxi said that Arafat was well aware of this. But he faced serious obstacles within the PLO, both from pro-Syrian groups as well as within Fatah. His own view was that the Soviet Union had been exploiting these divisions to obstruct King Hussein's initiative. But the fact remained that Arafat was a symbol for the Palestinians. The Prime Minister doubted whether Arafat seriously wanted negotiations: indeed, his own position was more secure without them. His first priority was to keep the PLO united. Signor Craxi disputed this. Arafat had wanted negotiations last summer and would not give up.

The Prime Minister concluded that she could not for the present see a way forward. The United States was unlikely to take any new initiative. The Administration was already pre-occupied with preparations for the next US/Soviet Summit. The date for rotation between Peres and Shamir was fast approaching. And the Gulf countries were more concerned with the Iran/Iraq war than with Arab/Israel problems.

Arms Control

Signor Craxi invited the Prime Minister to give her assessment of the prospects for the arms control negotiations.

The Prime Minister said that she had set out her thinking at some length in a recent message to President Reagan. She had also replied to Mr. Gorbachev's proposals of 15 January. Her assessment was that Gorbachev was not seeking or expecting early progress on the main issues in arms control negotiations with the possible exception of INF. This was the only conclusion one could draw from the Soviet Union's continued linking of reductions in strategic weapons to United States' renunciation of the SDI.

The Soviet proposals on INF had included restrictions on the modernisation of United Kingdom and French nuclear weapons. But our nuclear weapons were wholly different in kind, a strategic deterrent of last resort, and had no part in the INF negotiations. British and French nuclear weapons amounted to only some three per cent of Soviet strategic nuclear forces and were the minimum that we needed in order to be able to deter an attack. We had to be free to modernise these weapons. A deterrent would not deter if it was antiquated and unable to penetrate Soviet defences, which were currently being up-dated. She noted, however, that the Soviet Union had dropped its earlier insistence on compensation for British and French nuclear weapons. This justified the expectation that, if the Alliance remained firm, the Russians would in time come to accept that the British and French

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deterrents could not be drawn into the INF negotiations.

The Prime Minister continued that Gorbachev's recent proposal on INF had not been a genuine zero-zero option since it was restricted to Europe and left out of account Soviet SS20s in Asia. The zero-zero option was acceptable only on a global basis and would need to be achieved by stages, starting with interim reductions. It was for this reason that the United Kingdom had supported President Reagan's recent proposals for achieving a genuine global zero-zero solution over a period of years.

The Prime Minister added that she had stressed to Mr. Gorbachev that a world without nuclear weapons was not a credible negotiating target. If arms control negotiations were to be serious, they needed to get down to practical discussion of balanced and verifiable reductions in nuclear weapons. It was also important to work for reductions in conventional arms, particularly in the field of chemical weapons and MBFR. She was not over-optimistic about the prospects for progress. Gorbachev evidently saw scope for playing on Western public opinion by linking progress on arms control with United States' renunciation of the SDI. There was other evidence, for instance in Afghanistan, of his willingness to take a very tough line on matters affecting the Soviet Union's security. The only real hope was that both sides would feel under some pressure to meet the expectations created by the United States/Soviet Summit in Geneva and be prepared to work for limited agreement this summer. INF seemed to offer the best chance.

Signor Craxi said that arms control negotiations were bound to be long drawn out. He agreed that the Soviet Union would have to "digest" the SDI and come to terms with it. It was not realistic to make progress in all other arms control negotiations depend upon the United States giving up the SDI. He did not think that the United Kingdom and French deterrents would play a decisive role in negotiations. The first step was to deal with the United States and Soviet arsenals. Only

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when substantial reductions had been agreed in them would United Kingdom and French nuclear weapons become relevant. If negotiations reached that point, he did not believe that Britain or France would prove to be a sticking point.

East/West Relations

Signor Craxi said that the recent CPSU Congress had exposed many of the failings of the Soviet system. Gorbachev gave the impression of being a man who wanted to do something to correct these failings but his freedom of manoeuvre was very limited without calling into question the nature of the Communist system. He might be described as the best available operator of a bad system. The Prime Minister observed that the only measure of Gorbachev's which seemed to have achieved results so far was the campaign against alcoholism. Signor Craxi suggested that it would be better to have more drunks and more liberty. The Prime Minister thought that people took refuge in alcohol when they despaired of obtaining liberty.

The Prime Minister agreed with Signor Craxi that the Soviet system was under considerable pressure, not least because of continuing high rates of defence expenditure and, more recently, the decline in oil prices which would affect the Soviet Union's hard currency earnings. There was no doubt that the Soviet Union faced much greater problems than the West. But Gorbachev would never allow himself to appear weak before his own people. She enquired whether Signor Craxi expected Gorbachev to visit Italy. Signor Craxi said that an invitation had been issued but there had been no reply. He added that the Soviet Union faced growing pressures in Eastern Europe which it would find increasingly difficult to control.

Oil Prices

Signor Craxi asked whether the recent fall in oil prices

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created serious problems for the United Kingdom. The Prime Minister said that the fall certainly created problems, notably by cutting the Government's revenue by some £5 billion a year. But we were able to take this because of the very prudent financial policies pursued by the Government and the very low deficit. At the same time, oil represented only some six per cent of GDP; and for most industries, falling oil prices were a plus. They should also considerably benefit world trade generally, though some Middle Eastern markets would become more difficult. Signor Craxi said that Italy was already experiencing considerable problems in these markets and mentioned in particular Libya. The Prime Minister said that although her assessment of the effect was basically favourable, she hoped the fall would not go too far because it would only be followed by a steep rise.

Bilateral Issues

The Prime Minister gave a summary of various bilateral issues on which progress could be recorded at the current meeting. The new Extradition Treaty was beneficial for both countries as was the Confidential Memorandum of Understanding on Air Services. She understood that scientific collaboration was going well. A Memorandum of Understanding on Italian Participation in the Spallation Neutron Source was to be signed and there appeared to be agreement on regular meetings between Ministers responsible for science and research. Britain and Italy were involved in at least three joint projects under EUREKA though in general she was disappointed with the fruits of EUREKA. The recent sale of Tornado to Saudi Arabia was good news for both countries. Co-operation between Westland and Augusta on the EH101 helicopter project continued and the United Kingdom was interested in taking part in work on the Al29 Mark II light attack helicopter. Co-operation against terrorism was good. On the cultural side, there was to be a further Anglo/Italian round table conference in April.

Signor Craxi registered polite interest with the air of

some-one hearing all this for the first time.

Group of Five

The Prime Minister recalled that she had written to Signor Craxi in January on the subject of the Group of Five. She stood by what she had said then. Signor Craxi said that he thought it was now the Group of Seven rather than the Group of Five. The Prime Minister said that there would, on occasion, no doubt be a Group of Seven. But it must be clear that the Commission of the European Communities would not be invited to participate at such meetings. Signor Craxi said that Italy had no time for the Commission's attempts to insert itself.

European Community

Signor Craxi invited the Prime Minister to give an account of the United Kingdom's objectives during its forthcoming Presidency of the Community.

The Prime Minister said that our Presidency would be a period of consolidation in the Community's affairs. We would aim to take further practical steps towards opening up the Community market and reducing the burdens on business. We should also want to see the Community tackle the problem of surpluses under the CAP. It would be necessary to be very firm with the Federal Republic of Germany. The measures which needed to be taken would cause difficulty for farmers in all Community countries. Our own farmers in the United Kingdom had suffered a 43 per cent drop in income last year. Signor Craxi agreed that the Community could not go on producing and storing surpluses as at present. The Prime Minister noted that Chancellor Kohl had referred recently to the possibility of national aids if sufficient funds for agriculture were not forthcoming through the CAP. She thought that it might be necessary to resort to this, although to do so would not necessarily reduce costs. She was also concerned by the prospect of an export subsidy war between the Community and

the United States. She had no doubt the United States would win a competitive subsidy battle.

Spain and NATO

The Prime Minister asked whether Signor Craxi thought that the referendum on Spain's membership of NATO could be won. Signor Craxi thought that there would be a last-minute swing in favour of continued membership though this might just be wishful thinking on his part. The Prime Minister commented that the position of the Alianza Popular had been ridiculous. It had been a great mistake on their part to play party politics with defence.

Elections in France

Signor Craxi said that he thought that the Socialist Party would do well in the forthcoming elections but that the Centre Right would inevitably win a majority. Mitterrand had seemed curiously detached about this. The Prime Minister said that it would be interesting to see what would happen at the Economic Summit if the Centre Right were to win the elections. Would President Mitterrand have to bring a Centre Right Prime Minister? Signor Craxi agreed that this was an interesting point.

Tokyo Economic Summit

The Prime Minister said that it would be important not to let Japan off the hook at the forthcoming Economic Summit. Although there had been a significant strengthening of the yen, Japan's market-opening measures had been pitiful and Japan continued to use unfair measures in the export field.

At this point Foreign Ministers joined the meeting.

Signor Andreotti referred to the statement issued by the European Community on 11 March on Japan. This had been satisfactorily firm. The Prime Minister said that there had

been many such statements in the past, but they never led to any significant action. She saw two problems. When European countries tried to sell major items such as aircraft to Japan, the United States promptly put pressure on Japan to direct the business to them. Secondly when the Japanese were competing for major projects in third world markets, they made their aid conditional upon the award of contracts to them. The Prime Minister recalled that she had taken a firm line with Mr. Nakasone at the Bonn Economic Summit but had not received a great deal of support. Sir Geoffrey Howe added that it would be important for the Sherpas to press the Japanese Government for action so that there could be some response at the Summit itself. It might be easier for the Japanese to appear to take some voluntary action at the Summit rather than be put under siege by their partners on their home ground.

Common Agricultural Policy

The Prime Minister noted that she and Signor Craxi had agreed on the need for action to tackle agricultural surpluses in the European Community. Signor Andreotti confirmed this. Surpluses had reached an unsupportable level. Moreover, much of agricultural spending in the European Community did not help farmers but enriched traders. The costs of agricultural policy appeared to be on auto-pilot and increased without any decisions being needed. The result was to put at risk other Community expenditure, particularly in the social field. The Community was accumulating debts to some of its own Member States in these fields at an alarming rate, a matter which he had recently raised at the Foreign Affairs Council. He wondered whether the answer was to nominate Three Wise Men with instructions to make proposals within four months for a realistic reform of the CAP. Another alternative would be to put an arbitrary limit on Community support at, say, 110 per cent of consumption in each sector. The Prime Minister said that if Governments could not agree a solution, she doubted whether Wise Men would be able to impose one. Sir Geoffrey Howe commented that there were effective measures for restraining production and reducing prices such as guaranteed

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thresholds. Sadly, the Commission had backed away from these. The Prime Minister said that we needed a system which stopped surpluses from being grown.

The meeting ended at 1245 hours.

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12 March 1986.

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Master ✓
Please attach to
record of
Anglo-Italian Summit.
C.D.

SP2AAK

ANGLO/ITALIAN SUMMIT:

OPENING STATEMENT FOR PRESS CONFERENCE

May I first thank Prime Minister Craxi for holding these Anglo/Italian consultations here in Florence.

It is my first visit and sadly only a very brief one. But I shall have a chance to see something of Florence's treasures immediately after this press conference.

[So the shorter your questions, the longer I shall have to do so!]

Signor Craxi has already given you an account of the main issues we discussed.

I think it is fair to say that we found ourselves substantially in agreement on most of them - which is a reflection of the extent to which our two governments keep very closely in touch in between meetings of this sort, and a tribute to the excellent work done by our respective Ambassadors.

¶And may I say how pleased we were to
welcome Ambassador Bottai to London.¶

We had a thorough discussion of East/West relations
and arms control.

I explained to Signor Craxi the reasons
why we have rejected Soviet demands for a
freeze on the modernization of the United
Kingdom's nuclear deterrent.

Our force is a strategic force and the minimum necessary to deter an attack on the United Kingdom.

It amounts to a mere three per cent of the Soviet nuclear force.

It is not relevant to the negotiations on intermediate nuclear weapons.

In any case, the INF negotiations are bilateral negotiations between the United States and the Soviet Union and cannot

involve constraints on third country
forces.

We have always made clear however that, if
the strategic nuclear forces of the United
States and the Soviet Union were to be
reduced ^{very} substantially, then we would be
prepared to consider the position of our
forces. But of course we are a long way
from that.

~~[Add any wording agreed during the talks.]~~

We also discussed European Community matters though rather less than in the past.

I take this as an encouraging sign.

The debate of the last year or two about institutional questions and the future shape of the Community is over and we have to focus on the serious and detailed questions of the Community's management.

I told Signor Craxi that during the forthcoming United Kingdom Presidency of the European Community we would want to concentrate on a number of practical issues: further steps to complete the common market, to reduce the burden of regulation, to liberalise transport and to reform the Common Agricultural Policy.

On this last we both agreed that the immense costs of intervention and storage

of surplus products could simply not be sustained.

On bilateral matters we confirmed the very good cooperation which exists between Britain and Italy in a number of areas including - and I stress this - collaboration on helicopters.

A great deal of nonsense was talked during the recent Westland affair about a choice

between the United States and Europe.

Anyone who deals with these matters knows that it is not a case of "either/or" but "both/and".

We need to promote both collaboration in Europe and with the United States.

That has been the experience of the British helicopter industry and of the Italian industry.

I am delighted that a solution was found

that will permit both an important Italian stake in Westland and continuing collaboration between Westland and Augusta on the EH 101 and the A 129 Mark 2 helicopters.

[And may I point out for the record that I was flown here this morning from Pisa in a Sikorsky helicopter.]

On international financial matters I was able to

tell Signor Craxi that we agree that arrangements need to be made to allow Italy to take part in discussions of exchange rates especially when these involve important decisions affecting her.

We shall certainly not stand in the way of a satisfactory solution which enables this to happen.

Finance Ministers will be working out the details next month.

Perhaps I could just mention briefly three final points before taking your questions.

First, our discussions dealt with terrorism.

I congratulated Signor Craxi on the progress made by your government in dealing with the problem in Italy.

Our foreign Ministers signed an important

Extradition Treaty.

May I also here express my sympathy at the recent murder of a most distinguished former mayor of Florence at the hands of terrorists.

Secondly, we both welcomed the forthcoming meeting of the Anglo-Italian Round Table in Naples.

And, lastly, may I mention the very excellent work done by the British Institute here in Florence.

Sadly, I shall not have time to visit it during my very brief stay.

But I have heard a great deal of its achievements and take this opportunity to congratulate the Director and his staff upon them, and wish them success in the appeal which has been launched for funds

to safeguard the Institute's future.

TRANSCRIPT OF A PRESS CONFERENCE

GIVEN BY THE PRIME MINISTER

THE RT HON MARGARET THATCHER FRS MP

AND THE ITALIAN PRIME MINISTER, SIGNOR CRAXI

IN FLORENCE

ON

WEDNESDAY 12 MARCH 1986

Press Office
10 Downing Street
Whitehall
London SW1
01-930 4433

Transcript by
JAMES LEE of:

PRESS CONFERENCE IN FLORENCE BY THE PRIME MINISTER,
MRS. THATCHER, AND THE ITALIAN PRIME MINISTER, SIGNOR
CRAXI, ON WEDNESDAY, MARCH 12, 1986.
=====

SIGNOR CRAXI (INTERPRETER)

The delegations of the British Government and the Italian Government have had fruitful conversations, such as the one between myself and the British Prime Minister. This opportunity of meeting here in Florence has allowed us to take stock of the excellent relations between us and we have once again been able to verify our relations of great esteem, friendship and frankness.

Our conversations have been very useful, both because they have enabled us to exchange views on the international problems of importance to both of us, allowing us also to examine our bilateral relations. In the light of this, we have signed important agreements concerning the collaboration between our two countries, one regarding extradition and the other one concerning aerial traffic and the Italian signing of adhesion to collaboration project in the field of peaceful nuclear research.

In summary, I would like to tell you about common concerns and the concern concerning the trend of the disarmament negotiations, that we would like to meet the great expectations that have been raised and which should not therefore be disappointed. We know that there are difficulties before us that still have to be solved.

SIGNOR CRAXI (CONTD.)

We have also proceeded to a non-optimistic examination of the way in which the Middle East problems have been existing because the initiatives that would have led us to a solution seem to have failed and for the moment we are faced by a situation of deadlock instead of progress.

We have examined in depth, therefore, the problems also existing in the field of the Community area, problems that Great Britain will also have to tackle when assuming the Presidency.

An exchange of views has also taken place and we have been able to see once again the good collaboration between our two Governments in the struggle against international terrorism or any type of terrorism that still faces us and there is that need, therefore, that this collaboration shall go on together with a strong will of overcoming terrorism with a struggle that would be as intransigent as possible.

I have thanked Mrs. Thatcher for the positive answer that the British Government has given to the Italian request of having an enlargement to seven, that is including Italy and Canada, in the Monetary Club.

We have also exchanged views about the economic summit that will take place in Tokyo in the coming months. The economic summit takes place in a year which is marked by a particular situation with perspectives that can be encouraging once if they are met by Government will and capacity to face the monetary and economic situation throughout the world.

SIGNOR CRAXI (CONTD.)

Finally, we have also stressed the will of both our Governments to honour the friendship between our countries by collaboration and relationship that will continue to be a close one.

=====

PRIME MINISTER

Prime Minister, Craxi, Ladies and Gentlemen:

May I first thank Prime Minister Craxi for holding these Anglo-Italian consultations here in Florence. It is my first visit to Florence and sadly it is only a brief one, but I shall have a chance to see something of Florence's treasures immediately after this press conference.

The Prime Minister has already given you an account of the main issues we have discussed and I think it is fair to say that we found ourselves substantially in agreement on most of them, which is a reflection of the extent to which our two Governments keep very closely in touch in between meetings of this sort, and a tribute to the excellent work done by our respective ambassadors, and may I say how pleased we were to welcome Ambassador Botai (phon.) to London.

We had a thorough discussion of East-West relations and arms control, as the Prime Minister indicated. I explained to Signor Craxi the reasons why we have rejected Soviet demands for a freeze on the modernisation of the United Kingdom's nuclear deterrent. Our force is a strategic force and the minimum necessary to deter an attack on the United Kingdom. It amounts to a mere 3% of Soviet nuclear force. It is not relevant to the negotiations on intermediate nuclear weapons. In any case, the INF negotiations are bilateral negotiations between the United States and the Soviet Union and cannot involve constraints on third country forces. We have always made clear, however, that if the strategic nuclear forces of the United States and the Soviet Union were to be reduced very substantially, then we would be prepared to consider the position of our forces, but of course, we are a long way from that.

PRIME MINISTER (CONTD.)

The Prime Minister told you we also discussed European Community matters, though perhaps rather less than in the past. I take this as an encouraging sign. The debate of the last year or two about institutional questions and the future shape of the Community is over, and we have to focus on the serious and detailed questions of the Community's management.

I told the Prime Minister that during the forthcoming United Kingdom Presidency of the European Community we should want to concentrate on a number of practical issues. Further steps to complete the Common Market; to reduce the burden of regulations; to liberalise transport; perhaps above all, to reform the Common Agricultural Policy. On this last, we both agreed that the immense cost of intervention and storage of surplus products could simply not be sustained.

On bilateral matters, we confirmed the very good cooperation which exists between Britain and Italy in a number of areas, including - and I stress this - collaboration on helicopters. A great deal of nonsense was talked during the recent Westland affair about a choice between the United States and Europe. Anyone who deals with these matters knows that it is not a case of either/or but a case that we both need Europe and we both need America. We need to promote both collaboration with Europe and with the United States. I am delighted that a solution has been found that will permit both an important Italian stake in Westlands and continuing collaboration between Westlands and Augusta on the EH.101 and the A.129 Mark 2 helicopter.

PRIME MINISTER (CONTD.)

On international financial matters, I was able to tell the Prime Minister that we agree that arrangements need to be made to allow Italy to take part in discussions of exchange rates, especially when these involve important decisions affecting her. We shall certainly not stand in the way of a satisfactory solution which enables this to happen. Finance Ministers will be working out the details next month.

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First, our discussions dealt with terrorism, and I congratulated Signor Craxi on the progress made by your Government in dealing with the problem in Italy. Our Foreign Ministers signed an important extradition treaty. May I also here express my sympathy at the recent murder of a most distinguished former Mayor of Florence at the hands of terrorists.

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All together, a very successful and happy bilateral between Britain and Italy in Florence here today!

=====

QUESTION

I have a question for Prime Minister Craxi. Have you agreed on some initiative to stop the war between Iraq and Iran?

And I have a question for Mrs. Thatcher. The oil situation is in favour of Great Britain. How does Great Britain...to proceed about prices and the international market for oil?

SIGNOR CRAXI

If our Governments would be convinced that any initiative that they would take that could become useful for the solution of this terrible conflict, it is quite evident that we would not refrain from taking these initiatives, but no-one has convinced us about the possibility of exercising this type of influence. Let it be this way! Pray to God it may be so! If we could in any way induce these countries to cease fire and to find a way to peace, we would do so!

PRIME MINISTER

I agree with what Prime Minister Craxi has said about the Iran-Iraq matter. If there were any new initiative, we should already have taken it. Although we are all anxious to end this war, it is easy to state one's objective; it is much more difficult to find a way of achieving it.

With regard to oil, may I make this quite clear: we are an oil-producing country, but we believe that the fall in the price of oil is to the benefit of the world economy and will release many many resources for increased trade and therefore

PRIME MINISTER (CONTD.)

countries will hope to pick up on trade some of the income which as oil producers they may have lost from exporting oil. So, although we have to deal with both sides of the balance sheet, both as a producer and a consumer of oil, we believe the fall in price is to the advantage of the world economy and therefore to the advantage of exporting countries like ourselves.

QUESTION

Can I speak in English? I would like to know from Mrs. Thatcher, you are building now the Channel jointly with the French people (Channel Tunnel?). Are you not afraid that it could be a terrorist playground?

PRIME MINISTER

I look forward to the Channel being built between France and Britain. I believe it is something we can do for our generation of young people that has not been done before. I point out that it is all going to be financed out of private finance, which is something that no-one would have dreamed could have happened a few years ago.

There are always dangers from terrorism. We know of them in Italy, we know of them in the United Kingdom. There are dangers of terrorism on ferries, on aircraft, in airports, on coasts, in cities. Everything has its terrorist dangers. We took that into account in the decision we reached and we shall take the usual precautions, do everything possible to prevent any acts of terrorism of the kind which you mention.

QUESTION

I would like to say to the Prime Minister that she has presented the British point of view. In speaking of the French and British systems, in counting these systems, have you agreed on this or have there been different views.

SIGNOR CRAXI

I have been able to tell the British Prime Minister that in the Italian view we do not think that this is a question preventing the success or the moving on of the negotiation and this is not the most important question. Yes, it is important for Great Britain and as Mrs. Thatcher has said to me, because this is the British deterrent system, but this is not the obstacle that is going to prevent in the future once the negotiation will start moving and will not prevent a well-balanced agreement that will have to take into account everything.

PRIME MINISTER

...the question aright, and it is not very easy to hear it all. May I make it quite clear that our French friends and ourselves take the same view each about our own independent nuclear deterrent. They are strategic; they are last-resort defence for our respective nations. Each of them is a minimal number which is needed to be effective as a deterrent. They are both strategic. Our own - and I do not think France is very different - our total strategic weaponry represents only 3% of the strategic weapons which the Soviet Union has. They really are therefore irrelevant for the talks which are taking place between the Soviet Union and the United States, for reasons which

PRIME MINISTER (CONTD.)

you can see: if ours only represent 3% of the Soviet Union, then the Soviet Union and the United States have to get their strategic weaponry down an enormously long way before our strategic weapons have become relevant. If they do get it down substantially, enormously, then of course we would consider also negotiating with ours, but there is so far to go before that happens that the question does not become pertinent at this moment.

QUESTION

I have the same question for both Mrs. Thatcher and Mr. Craxi. I imagine that in your talks you have also spoken about the perspectives of the East-West negotiations after the last Congress of the Soviet Communist Party. Can we know what your assessments have been about this? Thank you.

MR. CRA XI

I have already said at the beginning of this press conference that the Geneva meeting has raised many expectations. It has been important because it has re-established a situation of dialogue; negotiations have resumed, but up to now concrete results have not appeared. The positions appear distant ones, starting from the condition as regards the SDI initiative. So our assessment is that everything must be done to avoid a deterioration of the situation. This, in my view, requires an evolution of the Soviet approach, especially about this question that we have already discussed, that is the SDI initiative. If the Soviet position would become a pre-condition,

MR. CRAXI (CONTD.)

therefore blocking the development of the negotiation, then I think matters would rapidly deteriorate from negotiation success point of view.

We have stressed all the time for this not to happen and we are going to continue to do so. It has seemed to us that the American position included on a potential basis all the elements that the Soviet Union would require as a guarantee, that is the non-military application of the results of the space research but these negotiations are necessary because they must guarantee that no security decisive element would be upset in the balanced systems. In other words, we have proceeded to a careful assessment of the situation.

PRIME MINISTER

...one or two words to that. Both President Reagan and Mr.

Gorbachev have said that they have an aspiration in a world where there are no nuclear weapons, but that I think is an aspiration and I think it is important in the meantime to get on with the practical things which could be achieved provided Mr. Gorbachev really has the will - and I am sure President Reagan has - to get the number of nuclear weapons down, and I think it is very important to concentrate, not on distant aspirations, but on practical measures of reduction of weapons now - practical measures such as getting the number of strategic weapons down on both sides; practical measures such as accepting President Reagan's suggestion on intermediate weapons, that there should be zero on both sides, but taking zero as relating to the global

PRIME MINISTER (CONTD.)

scene. It is no earthly good having zero-zero in Europe, if some of the weapons belonging to the Soviet Union could be moved up right over to the eastern side of the country and then be moved back. That could not be anything like equality, so it has to be zero-zero on a global basis, and that would take a few years to work towards that. Practical measures to achieve agreement on reduction of chemical weapons, where the United States has a view - we have none; the Soviet Union has a lot, and it is important to get hers down. Practical measures on reduction of conventional forces, particularly on the Soviet side, where they have greatly superior numbers of conventional weapons to us; and the more one gets down nuclear weapons, the more something nearer a conventional balance becomes important.

So I think we are both saying the same thing. Let us concentrate on practical measures to get existing stocks of weapons down; then I think we are far more likely to be able to show some achievement to the world, which it so anxiously needs.

DAVID RHODES (ITN)

May I ask the Prime Minister what the importance to Great Britain is of signing this extradition treaty and may I ask the Italian Prime Minister if it is true that they want half a dozen Italians returned in connection with the Bologna bombing?

PRIME MINISTER

The importance to Britain of the extradition treaty is that it increases the scope of the offences for which extradition can be obtained. For example, it increases them to firearms offences

PRIME MINISTER (CONTD.)

and also in particular to drugs offences. These were not there in the former extradition treaty. The treaty will now have to be ratified by Parliament and then, along with this treaty, as

know, the Home Secretary is thinking of bringing in a White Paper, followed by another Bill, to change the procedure in our country which it is necessary to go through before extradition is granted, because at the moment our procedure prevents extradition, although we believe that on some grounds that extradition, if the procedure were changed, would be justified.

MR. CRAXI

I cannot be very precise, but I certainly know that extradition requests will be renewed on the basis of the new agreement.

QUESTION

I would like to ask Mrs. Thatcher if she thinks that after the break of talks between the PLO and Jordan, peace is still possible in the Middle East and whether Britain, during their forthcoming Presidency of the EEC, would work for an international peace conference on the Middle East.

PRIME MINISTER

We continue to work for peace in the Middle East. The recent hiatus, I think, is deeply worrying. We shall continue trying and I am sure King Husain will try to do the same thing: to get a team of Palestinians who could negotiate with him against the background of international support, but I do not at the moment see the way ahead so we shall have to work together to try to find one.

MR. CRAXI

I think that when a given hypothesis is eliminated it is not easy to find again immediately an initiative, an alternative initiative situation we find ourselves now. It has failed because of different responsibilities and reasons, but it is the initiative that had started on the basis of agreement between King Husain and the PLO that has failed and therefore agreement that did not find sufficient consensus and this initiative has fallen and therefore now we have to try to reconstruct, and it is not easy because the scenario has become fragmented, more confused, and more dangerous, so it is not easy at all.

QUESTION

I have a question for both Prime Ministers. How can you make profit from the favourable situation stemming from the drop of the oil price? How can you make profit of this and face the serious problem in Europe, unemployment?

MR. CRAXI

New resources come into play and the problem is to see where these resources are going, in which direction. We have in our country already raised this question and this will be of course examined in further depth. We have entered in Italy in a new phase because on the one hand important margins have been created in the productive system. There is a new space for benefits in the productive system. On the other hand, process of modernisation has already taken place and restructuring of our industrial productive apparatus that have absorbed a large part of investment

MR. CRAXI (CONTD.)

..of the large investment of the outstanding investments that have been made in the last few years, so the problem before us today is how to use , make use of, resources that have been created, that are going to accumulate, so as to enlarge the productive basis, so as to be able to adopt new initiatives, to implement structures that exist, by increasing production, and therefore creating new job. This is the problem facing all those who have decisional responsibilities, so that the economy, industry and the social system of our country would all function harmoniously. Perhaps we face this in a different way but we all face the same issue, that is in industrialised European countries that at the same time face unemployment. These are the terms before us in Italy.

PRIME MINISTER

If I understood the question aright, I would answer it in this way. A drop in the price of oil obviously releases resources to the extent that you do not pay as much for oil as you did, and that money can be spent on other goods and services. Therefore, other goods and services will create more jobs, more jobs both at home and more jobs in export. The countries which are most competitive in their goods and services obviously will be most likely to secure that release in resources and they will get the jobs. Really, it is like a tax cut and acts like a tax cut, but it is one which unfortunately government cannot take credit for.

QUESTION

Yesterday, some British officials said they looked at this meeting as a possible occasion to talk about Libya and possibly by the British part to put some pressure or to convince Italy to put some pressure on Libya to behave better. Could you brief us if there was anything said about how to handle the Libyan problem or any kind of agreement on how both countries want to handle the Libyan problem regarding terrorism?

MR. CRAXI


Do you think that up to now we have told the Libyans not to behave? That we have told them to misbehave? We have insisted on the fact that..we have insisted so that Libya would behave in a way not to look as though they are co-existing with terrorist groups and especially so with terrorist organisations that have perpetuated attacks in our country and in other European countries. We want to create a situation of less tension in the Mediterranean and we are endeavouring so that in the Mediterranean system of relations between the states and countries the neighbouring countries can be set up. That is a system of normal peaceful relations open to collaboration, but unfortunately as everybody knows, this is not so. This is the aim before us and this is therefore in the light of this that we act towards all countries including Libya that should have an interest in being in a non-conflictual situation, in a situation that raises no suspicions, no accusations, that is to be in a system of normal relations with the neighbouring countries, with those countries that still have say with our country good normal trade relations. So this is our position.

PRIME MINISTER

Can I just briefly tell you what our position is with regard to Libya.

Since the shooting from the Libyan Embassy on London streets nearly two years ago, we have not had diplomatic relations with Libya and we are very grateful to Italy for representing the interests of our citizens in Libya through her embassy. We have no diplomatic relations. Moreover, we have severe limitations on immigration to the United Kingdom of people from Libya, very severe limitations indeed. Thirdly, we do not export defence equipment to Libya and fourthly, we have strict limits on export credit guarantee for goods exported there. I think that is probably one of the strictest set of measures that there are in existence. We do not in fact believe that economic sanctions over and above those which I have indicated would be more effective than the ones that I have told you about.

=====



MR. WICKS

The Mayor of Florence will be present in the courtyard of the Pitti Palace when Prime Minister Craxi says goodbye to the Prime Minister. The Mayor will lead the Prime Minister into the Vasari Corridor and on to the Uffizzi Gallery. The Mayor has two gifts for the Prime Minister - a gold ~~sovereign~~^{florin} given to very distinguished visitors and a book of Michaelangelo drawings.

Mr. Rawlinson, the Consul, said that the Mayor mentioned at the airport that he would raise with the Prime Minister the question of Britain lending Florence some paintings for Florence's Cultural Year (1986). The Consul said he should not raise this because the Prime Minister would not have been briefed and it would be better if the Mayor were to give the Consul a piece of paper and he would take action on it. However, you may wish to warn the Prime Minister in case the Mayor mentions it.

Sheila Waghorn

Sheila Waghorn

12 March 1986

The Power

- The Home Secretary should have this.

- We have briefed accordingly

- NB - The extradition Treaty will have to be ratified and that could take a year.
- The Italians are not giving home to anyone we want; we have 5 or 7 people they want whom

NOTE ON EFFECT OF NEW EXTRADITION TREATY

12/3

- Under the new Extradition Treaty, the Italian authorities can reapply to the English Courts for the extradition of the group of so-called neo-fascists. If they produce evidence of offences connected with fire arms, explosives or drugs, ~~or~~ ^{all} newly covered by the Treaty, then extradition can follow.

- Furthermore, the Home Secretary is proposing a draft law to Parliament which would reduce the levels of evidence (prima facie or probable cause) which an English court would require before agreeing to extradition. If that new law is approved next year it will automatically become easier to achieve extradition from England in all cases.

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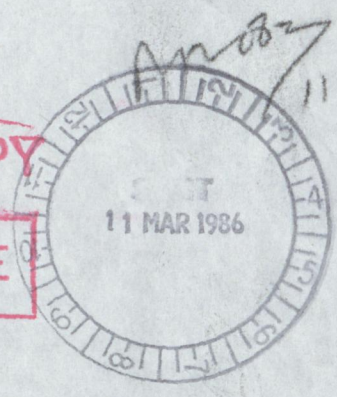
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ANGLO/ITALIAN SUMMIT MEETING IN FLORENCE: ITALIAN PRESS COMMENT.

1. ALL PAPERS HAVE STORIES ON THE PRIME MINISTER'S VISIT TO FLORENCE. MUCH IS MADE OF THE PROPOSED EXTRADITION AGREEMENT WHICH, IT IS CLAIMED, WILL EASE THE EXTRADITION OF RIGHT-WING ITALIAN TERRORISTS FROM BRITAIN. OTHER POINTS COVERED ARE TERRORISM, EAST/WEST RELATIONS AND AEROSPACE COOPERATION. THE FLORENCE AND BOLOGNA PAPERS BOTH CARRY THE INTERVIEW WITH THE FOREIGN SECRETARY.

2. LATE LAST NIGHT A 24-HOUR JOURNALIST STRIKE WAS DECLARED FROM 6 AM TODAY, SO IT IS FORTUNATE THAT WE HAVE FULL COVERAGE TODAY. ARTICLES GIVE A REASONABLY ACCURATE LIST OF SUBJECTS TO BE DISCUSSED AT THE SUMMIT MEETING, BASED MOSTLY ON A LONDON DATED ANSA REPORT. THIS REPORT SAYS THAT THE NEW EXTRADITION TREATY 'WILL EASE THE CAPTURE OF TERRORISTS' AND STATES THAT THE 1873 AGREEMENT 'PERMITTED VARIOUS NEOFASCIST ITALIANS CONDEMNED FOR PARTICIPATION IN 'ARMED TERRORIST ACTIVITY' TO SEEK REFUGE IN LONDON WHERE THEY HAVE REMAINED UNPUNISHED'. A LEADING ARTICLE IN THE SOCIALIST PARTY PAPER AVANTI PLACES EMPHASIS ON EAST/WEST RELATIONS AND THE WORLD ECONOMIC SITUATION IN VIEW OF THE TOKYO SUMMIT. THE PAPER STATES THAT THE UK 'IS PARTICULARLY SENSITIVE TO THE QUESTION OF THE FRANCO/BRITISH NUCLEAR DETERRENTS' AND STATES THAT CRAXI WILL GIVE THE ITALIAN POINT OF VIEW AND HOPES THAT, IN THE CONTEXT OF THE US/USSR DIALOGUE, THIS QUESTION CAN ALSO BE SOLVED. IT GOES ON TO STATE THAT CRAXI INTENDS TO REAFFIRM THE CONVICTION OF THE ITALIAN GOVERNMENT THAT THE TOKYO SUMMIT SHOULD NOT CONFINE ITSELF TO THE DEVELOPMENT OF THE INDUSTRIALISED COUNTRIES BUT MUST ALSO TAKE INTO ACCOUNT THE NEEDS OF POORER COUNTRIES. THE CENTRE-LEFT DAILY REPUBBLICA COVERS THE SAME GROUND BUT ADDS THAT A MEMORANDUM OF UNDERSTANDING REGARDING CIVIL AIR SERVICES WILL BE SIGNED BETWEEN THE TWO COUNTRIES.

3. THE FOREIGN SECRETARY'S INTERVIEW IN LA NAZIONE AND IL RESTO DEL CARLINO DEALS WITH FIVE SUBSTANTIVE SUBJECTS: THE EEC AFTER THE DANISH REFERNDUM; THE REAGAN/GORBACHOV SUMMIT TALKS; THE BRITISH NUCLEAR DETERRENT; MIDDLE EAST TERRORISM AND THE COLLAPSE OF THE PLO/KING HUSSEIN TALKS; AND THE QUESTION OF WHETHER ITALY COULD HELP IN ANY ARGENTINE/BRITISH RECONCILIATION. THE FOREIGN SECRETARY'S REPLIES CONTAIN NO OBVIOUS MISREPORTING.

4. COMMENT: THE PRESS HAVE RAISED THE EXPECTATION THAT EXTRADITION OF RIGHT-WING ITALIANS ACCUSED OF TERRORISM LIVING IN LONDON WILL BE CONSIDERABLY EASED, AND WILL ALMOST CERTAINLY RAISE THIS QUESTION AT THE PRESS CONFERENCE ON 12 MARCH.

FITZHERBERT

YYYY

FCO PLEASE ADVANCE TO POWELL NO 10 AND BOYS SMITH AT HOME OFFICE.

RFHPAN 0905

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the negotiations might resist implementation: proper coordinating machinery would be needed. Signor Ruggiero asked what we thought about advance implementation of the Agreement. MR WILLIAMSON said that we regarded the outcome of the IGC as positive, though not startling. We must now make the most of it. It should be ratified by the end of this year. We had argued from the beginning for quick changes in the decision making process. In the period before ratification, it would be important to take account of the concerns of national parliaments. But we thought that some progress could be made on a best endeavours basis. Our approach did not seem all that different from the Italians.

United Kingdom Presidency of the EC

MR WILLIAMSON said that we had distinguished in the preparations for our Presidency between our own priorities and our obligations, which would include budgetary and perhaps some environmental issues. Our two main priorities related to employment and progress on the internal market. We believed that there was scope for improving job prospects through more flexibility in the labour market, and that we should look into this. Public opinion would be intolerant of a Community that did not give sufficient attention to the problem of unemployment. We also needed to take stock of progress on the internal market and ensure that the momentum generated by the Cockfield White Paper and the rolling Presidency programmes were maintained. It would also be important to make clear that the Community had a major role to play in a new GATT round. As for agriculture, we thought that some current issues might be covered at the June European Council. We wanted to maintain progress towards reform, but were inclined not to take too high a profile during our Presidency unless forced to do so by events.

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SIGNOR RUGGIERO said that higher growth in 1986 and 1987 should make it easier to remove labour market rigidities. There was, indeed, a unique opportunity to make progress. It would be necessary to influence trade unions as well as politicians on the issue: a meeting in Brussels during our Presidency with politicians and unions present with the aim of convincing unions that labour market flexibility could help employment would be useful. On the internal market, deregulation was important. But implementing the internal market programme was another area in which disagreements within national governments could make implementation difficult. The programme for completing the internal market would need to have clear objectives, a clear timetable and a proper measure of its economic effect, taking account of the different interests of member states. These interests would need to be properly balanced.

SIGNOR RUGGIERO added that he was worried about the prospects for a new GATT round. The issues this time were qualitative rather than quantitative. It was important to eliminate non-tariff barriers, to enlarge the scope of GATT to include, for example, services and intellectual property, and to extend OECD rules to the newly industrialised countries. This last point was important but difficult, and would require the developed countries to open their own markets to the developing world. A new GATT round would also provide an opportunity to tackle trade in agriculture, to deal not just with problems facing the Community but also other countries including the United States. As far as the Community was concerned the real problem lay with restitution payments to exporters. It was consistent with the Community's stated wish of helping developing countries that the Community should seek to maintain self-sufficiency for its own consumers but not that it should harm production in developing countries by subsidized exports.

MR WILLIAMSON said that it ought to be possible to bring some greater order into agricultural export markets and thus to curb

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subsidies and costs - not just in respect of the Community but also of US exports. It would only require small reductions in Community production of certain commodities to reduce quite substantially surplus storage and disposal costs.

SIGNOR RUGGIERO said that he hoped that there would not be a substantial discussion of agriculture matters at the European Council in The Hague. If there were, it would need proper preparation, so that it would not only be Mrs Thatcher who understood the issues. But what really mattered was the medium term objectives for the CAP, and these could not be satisfactorily discussed against the background of the horse trading that inevitably surrounded discussions of the annual price fixing.

Supplementary Budget

MR WILLIAMSON said that we would much prefer there not to be a supplementary budget this year, but the Commission was certain to propose one, and we would respond appropriately in our Presidency. Signor Ruggiero noted that the fall in the dollar meant that the Commission's preliminary figure had already been exceeded, and would be close to the 1.4% VAT ceiling.

Electronic Switchboards

SIGNOR RUGGIERO said he wished to stress the importance of current negotiations on electronic switchboards taking place between Italian (Italtel), French (Alcatel) and British (GEC and Plessey) interests. This was an important European collaborative programme, but would not succeed unless there was political will behind it on the part of governments. It would, in particular, be necessary to make sure that there was a willingness on the part of the large buyers in the three countries to purchase the equipment. The matter was urgent because Siemens were trying to reach agreement with different (non-British) partners to produce such equipment.

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Signor Ruggiero handed over an aide-memoire (copies already sent to the FCO and DTI) which he said he had also given to M Attali who had promised a quick reply.

MR WILLIAMSON said we would look at the problem and reply as soon as we could. The fact that British Telecom had been privatised could, however, be relevant.

Group of 5

SIGNOR RUGGIERO said that the Italians appreciated the open position which the United Kingdom had taken on this question. They had not thought it necessary to approach us, as they had the French and Germans, with a second round of correspondence. But they did need our backing now. A solution which led to the formation of a group of seven, but with a group of five continuing in existence, would not be satisfactory, nor what President Reagan or President Mitterrand in their correspondence, nor Chancellor Kohl in his public statement, had envisaged. A second question concerned the participation of the Commission. This might be raised at today's Foreign Affairs Council. The Italians had never objected to the participation of the Commission in international fora when they had a clear interest in being, or obligation to be, present. But this did not apply in monetary matters as clearly, for example, as in trade. The Italians had asked M Delors why the Commission had not reacted to their exclusion immediately after the meeting held on 27 September, 1985, doing so only after the Italians had raised the point. This suggested that they were not primarily motivated by questions of Community competence. The Italians had also asked M Delors whether, if the group of five did continue to exist, the Commission would try to join and to help excluded Community countries to join. Signor Craxi would wish to raise the question of the group of five with the Prime Minister.

MR WILLIAMSON said he suspected the Commission were motivated more

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by a sense of exclusion than by concerns over competence. Mrs Thatcher would be briefed on the subject for the Anglo-Italian Summit.

Press Conference after the Anglo-Italian Summit

MR WILLIAMSON asked what issues the Italians would want to see raised in public after the summit. Signor Ruggiero said that Signor Craxi played his cards close to his chest. The two Prime Ministers would need to discuss this at the end of the summit and before the press conference.

Franco-German Relations

SIGNOR RUGGIERO said that the recent Franco-German accord on defence issues and on military cooperation strengthened his view that the construction of Europe would increasingly be based not just on the Community but on other European groupings too, and that the Franco-German axis would be increasingly important. Against this background the United Kingdom and Italy shared an interest in maintaining close contacts on a wide range of issues. Mr Williamson agreed that the United Kingdom and Italy must maintain close contacts on a range of issues.

Cabinet Office

10 March 1986

/Distribution:

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Mr Twyman		D/Emp
Mr Andrews		MAFF
Head of Chancery		British Embassy Rome (with Italian aide-memoire)

cc Mr C Munn WED, FCO to arrange urgent trans p1
Mr R Acland TP, DTI to consider briefing
requirements for Anglo Italian Summit

PROPOSTA DI COOPERAZIONE TRA FRANCIA, INGHILTERRA E ITALIA NEL
SETTORE DELLA COMMUTAZIONE DIGITALE

1. Da circa un anno la STET ha avviato approfonditi contatti con gruppi industriali operanti nel settore delle telecomunicazioni in G.B. (Plessey e GEC) e Francia (Alcatel), allo scopo di sondare le concrete possibilità per la realizzazione di un'intesa industriale nel settore. Dovendo tener conto delle diverse realtà storiche e degli investimenti già effettuati sui prodotti in campo, si è valutato l'interesse di dare inizio a questa collaborazione incentrandola sullo sviluppo congiunto di una centrale di commutazione di grande capacità, che oggi non viene prodotta da nessuna delle industrie indicate. Gradualmente nel tempo la tecnologia adottata per le nuove centrali dovrebbe essere estesa anche a quelle medio-piccole, dando in tal modo vita ad un sistema comune, adottato dai rispettivi organismi di esercizio di telecomunicazioni.

L'ipotesi qui formulata tende a recuperare per l'Europa Comunitaria un ruolo strategico che, al momento, soltanto la Germania con la SIEMENS può ritenere di avere.

Ogni altra intesa diversa da quella esposta, data la forza dei possibili partners alternativi, risulterebbe comunque molto sbilanciata per ciascuna industria dei tre paesi indicati.

2. La collaborazione industriale ipotizzata richiede il pieno avallo dei Governi dei tre Paesi, data l'importanza del settore ed il grande peso politico ad esso associato. Si richiede anche il coinvolgimento e la collaborazione attiva dei rispettivi organismi di gestione dei servizi di telecomunicazione (British Telecom, DGT e SIP), che

costituiscono il mercato di sbocco naturale dei prodotti oggetto dell'intesa.

In questo momento le elezioni politiche in Francia e l'offerta di acquisto da parte GEC della Plessey in Inghilterra, hanno comportato una pausa di riflessione su questo tema. Peraltro si ha notizia che Plessey e GEC avrebbero raggiunto un accordo tecnologico e commerciale nella commutazione che dovrebbe diventare operativo nelle prossime settimane, prima che spiri il termine di 6 mesi imposto dalle Autorità inglesi a Plessey e GEC per la definizione dell'operazione di acquisto citata. Di conseguenza potrebbero esserci le condizioni per una tempestiva decisione in proposito da parte delle società inglesi.

3. Il progetto di collaborazione sul quale si sta lavorando parte dalla costituzione di una società congiunta di progettazione e sviluppo, avente una ripartizione azionaria paritetica fra i tre Paesi. Nei passi successivi sono previste azioni di razionalizzazione nel settore produttivo ed un accordo commerciale per le esportazioni all'esterno dei tre Paesi.

Dal punto di vista della gestione di questa società dovranno essere effettuate chiare e precise scelte manageriali per garantire una conduzione improntata al massimo d'efficienza.

L'Italia dà il massimo di priorità a questa proposta di collaborazione, sottolineando però che l'urgenza del problema richiede soluzioni in tempi brevi.



10 DOWNING STREET

CP

message from RTA's office.

Tomorrow's briefing
meeting.

Geoffrey Pattie will
now be accompanied
by DTI official
Mr S. Bower.

JB

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SH

10 DOWNING STREET

From the Private Secretary

10 March 1986

ANGLO-ITALIAN SUMMIT

I enclose a draft of the short speech which the Prime Minister will make at lunch in Florence for the Anglo-Italian Summit. I should be grateful for any comments or amendments in the course of the day.

C D POWELL

Colin Budd, Esq.,
Foreign and Commonwealth Office

SM

PRIME MINISTER

BRIEFING MEETING FOR ANGLO-ITALIAN SUMMIT

I attach a list of those attending. Mr. Hurd is out of town.

You may like to start with

DEFENCE. The main issues are:

Arms Control on which Craxi is thought to be unsound when it comes to inclusion in negotiations of the British and French forces;

Defence Procurement Collaboration, including the European Fighter Aircraft, the EH101 helicopter project and our possible participation in the A129 Mark 2 helicopter with Agusta. You will want to establish whether any difficulties have arisen with the Italians about collaboration with Westland since Sikorsky/Fiat took a stake. You might also discuss what you should say publicly about Westland and future collaboration at the joint press conference.

Mentice helicopter - 2 letters by name ? PRA?

Participation in SDI research, on which the Italians have yet to commit themselves, and Craxi may press you for details of our arrangements with the United States. (These are confidential but you could describe the various instruments e.g. Memorandum of Understanding and considerations e.g. defence of intellectual property which guided 46).

W.G.U. - 28-30 April

On TERRORISM - on which Mr. Partridge will speak in Mr. Hurd's absence - the main event of the Summit is the new Extradition Treaty. You will want to establish whether there are particular points for you to discuss with Signor Craxi; and what you should lay stress upon at your press conference.

*Review
Ding -
Preston
P.R. reference*

On INDUSTRIAL and SCIENTIFIC COLLABORATION, you might ask Mr. Pattie which particular aspects he wants you to highlight (Memorandum of Understanding on Italian participation in Spallation Neutron Sources, Eureka, proposal for meetings of

British and Italian Scientific Research Ministers).

Sir G.
L-11111

On ITALY'S PARTICIPATION IN G5, you might invite Mr. Braithwaite to give an account of any discussion of this in the margins of the Sherpa meeting this weekend: and how this affects anything which you say to Craxi.

On the EUROPEAN COMMUNITY, the two main themes are our Presidency; and the future of the CAP. On this latter we are having a note of some of the most telling statistics translated into Italian, for you to hand to Craxi. You might ask Mr. Williamson for some further details of the costs of Mediterranean products.

Finally, ARMS SALES TO ARGENTINA. You might ask for rather fuller information than the brief volunteers. What exactly are the Italians thought to be selling or about to sell?

C.D.P.

C.D. Powell
10 March 1986

BM2AFO

BRIEFING MEETING FOR ANGLO-ITALIAN SUMMIT

FOREIGN OFFICE

Sir Geoffrey Howe
Lord Bridges
Mr. Braithwaite

MINISTRY OF DEFENCE

Mr. Younger
Sir D. Perry

DEPARTMENT OF TRADE AND INDUSTRY

Mr. Pattie

HOME OFFICE

Mr. Partridge

CABINET OFFICE

Mr. Williamson

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ANGLO-ITALIAN SUMMIT: INTERNAL POLITICAL SCENE.

SUMMARY.

1. THE FUTURE OF CRAXI'S COALITION REMAINS UNDER DISCUSSION BETWEEN THE POLITICAL PARTIES. BECAUSE OF THE DIFFICULT CHOICES FACING THE CHRISTIAN DEMOCRATS (DC) NEGOTIATIONS BETWEEN THE MAJOR PARTIES HAVE HARDLY BEGUN. GOVERNMENT BUSINESS CONTINUES AS USUAL, BUT THE COALITION LOOKS JADED. NO SOLUTION IN SIGHT.

DETAIL.

2. ALTHOUGH THE PASSAGE OF THIS YEAR'S CONROVERSIAL FINANCE BILL WAS FINALLY ACHIEVED BY THE END OF FEBRUARY, SIX WEEKS OF DISCUSSION AND PUBLIC DEBATE BETWEEN THE COALITION PARTIES OVER THE FUTURE FORM OF CRAXI'S GOVERNMENT HAVE SO FAR BEEN WITHOUT RESULTS. THE PRESSURE FOR CHANGE REMAINS. CRAXI IS THE LONGEST-SERVING ITALIAN PRIME MINISTER SINCE THE WAR (HE CAME TO OFFICE IN AUGUST 1983). THIS BRINGS ITS OWN PRESSURE FOR A RE-SHUFFLE OF MINISTERIAL POSITIONS IN A POLITICAL SYSTEM NURTURED BY FREQUENT RE-ARRANGEMENT OF GOVERNMENTS. CRAXI AND HIS SOCIALIST PARTY (PSI), WHO HELD ABOUT 12 PERCENT OF THE VOTE IN THE LAST GENERAL ELECTION, WISH TO RETAIN THE PRIME MINISTER'S CHAIR AND THEIR LEADING ROLE IN GOVERNMENT. THE DC, LED BY DE MITA, WANT THE CRAXI GOVERNMENT TO END AT THE MOST FAVOURABLE POLITICAL MOMENT, MAKING ONE OF THEIR NUMBER PRIME MINISTER - WHICH THEY SEE AS THEIR RIGHT, GIVEN THAT THEY REMAIN THE LARGES POLITICAL PARTY IN THE COALITION - AND ENTERING THE NEXT GENERAL ELECTION (NOT DUE UNTIL 1988) IN AS STRONG A POSITION AS POSSIBLE. THE REPUBLICANS (PRI), LED BY SPADOLINI, AND THE SMALL LIBERAL AND SOCIAL DEMOCRAT PARTIES, WISH TO HANG ON TO THEIR PRESENT POSITIONS IN THE COALITION AND AVOID EARLY ELECTIONS AND THE RISK OF LOSING VOTES. THE COMMUNIST PARTY (PCI) HAS LATELY BEEN FLIRTING IN PUBLIC WITH THE PSI, SO AS TO GIVE THE SHIVERS TO THE DC, BUT IN FACT IS LARGELY PREOCCUPIED WITH SETTING ITS OWN HOUSE IN ORDER AND IS OUTSIDE THE MAIN CONTEST.

3. THE DC ARE THE KEY TO REACHING AGREEMENT ON NEW TERMS OF REFERENCE FOR THE GOVERNMENT. THEY WOULD DEARLY LOVE TO CUT CRAXI DOWN TO SIZE, BUT HAVE BEEN UNABLE TO DECIDE THEIR TACTICS BECAUSE OF THEIR INTERNAL DIFFERENCES. DE MITA'S EFFORTS TO REDUCE THE INFLUENCE OF THE DIFFERENT FACTIONS WITHIN THE PARTY (BEFORE THE DC PARTY CONFERENCE) HAS SHARPENED ARGUMENT WITHIN THE DC, AND POLITICAL BARGAINING HAS BECOME EVEN MORE

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COMPLICATED THAN USUAL. CRAXI AND DE MITA HAVE NOW FINALLY MET THIS WEEK TO DISCUSS THE FUTURE OF THE GOVERNMENT. BUT THAT IS ONLY THE START OF THE NEGOTIATION.

4. THE OPTIONS STILL SEEM TO BE:

(A) AGREEMENT AMONG THE COALITION PARTIES ON THE GOVERNMENT PROGRAMME FOR THE NEXT FEW MONTHS (A 'VERIFICA'), WHICH WOULD LEAVE ASIDE QUESTIONS OF A MINISTERIAL RESHUFFLE UNTIL AFTER THE DC PARTY CONGRESS IN MAY.

(B) A 'VERIFICA' COUPLED WITH A SUBSTANTIAL GOVERNMENT RESHUFFLE, DESIGNED TO PRODUCE A SECOND AND STRONGER CRAXI GOVERNMENT ABLE TO LAST INTO 1987. THIS SOLUTION WOULD NEED A HIGH DEGREE OF POLITICAL MANAGEMENT AND AGREEMENT BETWEEN THE PARTIES AND THEIR FACTIONS, LACKING AT PRESENT. IT WOULD, HOWEVER, PLEASE THE PSI AND THOSE MAJOR DC FIGURES WHO VALUE THE ALLIANCE WITH THE PSI AND WANT TO REDUCE DE MITA'S INFLUENCE. BUT DE MITA HIMSELF AND THE MAJORITY OF HIS PARTY DO NOT WANT TO COMMIT THEMSELVES TO SUPPORTING CRAXI FOR SO LONG.

(C) A GOVERNMENT CRISIS SOMETIME AFTER THE DC CONGRESS WHICH WOULD EITHER RESULT IN A DC-LED GOVERNMENT (ALMOST CERTAINLY A CARETAKER ONE LEADING TO EARLY ELECTIONS): OR IN A SECOND CRAXI GOVERNMENT LASTING INTO 1987 BUT SO RESHUFFLED AS TO WEAKEN CRAXI'S OWN AUTHORITY.

ALL THESE OPTIONS ARE STILL OPEN.

5. SO IS THE STATUS QUO, STRENGTHENED SOMEWHAT TO PERMIT THE GOVERNMENT TO CARRY ON WITH ADEQUATE AUTHORITY. THE PARTIES MAY FIND NEGOTIATING ANY MAJOR GOVERNMENTAL CHANGE TOO DIFFICULT, AND MAY BE CONTENT WITH A SHORT-TERM UNDERSTANDING WHICH WOULD SEE CRAXI THROUGH THE DC CONGRESS THIS SPRING AND BEYOND. ON THE OTHER HAND, SOME COMMENTATORS BELIEVE THAT THE PARTIES MAY NOW BE MORE INCLINED TO REACH AGREEMENT IN ORDER TO TAKE ADVANTAGE OF THE BENEFITS WHICH THE RECENT DROP IN OIL PRICES IS EXPECTED TO BRING TO THE ITALIAN ECONOMY.

6. THIS IS, EVEN BY LOCAL STANDARDS, A COMPLEX AND FLUID SITUATION, AND I WOULD NOT RULE OUT SOME UNEXPECTED, SUDDEN MOVE, I HAVE HEARD THAT CRAXI HAS CONSIDERED SEEKING EARLY ELECTIONS, BUT HAS REJECTED THE IDEA FOR THE PRESENT.

7. CRAXI HAS BEEN MUCH PRE-OCCUPIED BY THESE DOMESTIC POLITICAL CONCERNS AND THE PRIME MINISTER MAY FIND THEM MORE ON HIS MIND NEXT WEEK THAN OTHER SUBJECTS. HIS STAFF HAVE RECENTLY FOUND IT DIFFICULT TO GET CRAXI TO CONCENTRATE ON ANY BUT THE MOST PRESSING FOREIGN POLICY PROBLEMS. HE WILL HAVE FOCUSED ON THE DETAILS OF THE ANGLO-ITALIAN SUMMIT ONLY AT THE LAST MOMENT. MIFT (TO FCO ONLY) CONTAINS A LIST OF SUBJECTS WHICH CRAXI AND HIS MINISTERS MAY RAISE DURING THEIR MEETINGS ON 12 MARCH.

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MIPT: ANGLO-ITALIAN SUMMIT: AGENDA.

CRAXI.

1. I HAVE SUGGESTED TO BADINI, CRAXI'S DIPLOMATIC ADVISER THAT THE ISSUES WHICH MAY COME UP IN THE PRIME MINISTER'S TALKS WITH CRAXI INCLUDE: EC AFFAIRS (INCLUDING CAP PRICE FIXING); INTERNATIONAL ECONOMIC ISSUES AS THE TOKYO ECONOMIC SUMMIT; DISARMAMENT AND EAST/WEST RELATIONS; TERRORISM; EXTRADITION; SCIENTIFIC COOPERATION; INDUSTRIAL COLLABORATION; REGULAR AND BILATERALS; AND THE ANGLO-ITALIAN ROUND TABLE. BADINI AGREED AND ADDED THAT CRAXI WOULD ALSO WISH TO DISCUSS THE MIDDLE EAST, (A SUBJECT OF PARTICULAR PERSONAL INTEREST). ON PARTICULAR POINTS:

(I) EAST/WEST RELATIONS. I HAVE MADE CLEAR TO BADINI OUR FIRM VIEW ABOUT THE ROLE OF THE BRITISH DETERRENT AND THE FACT THAT IT CANNOT BE REGARDED AS PART OF THE PRESENT INF NEGOTIATIONS. I THOUGHT IT PROBABLE THAT THE PRIME MINISTER WOULD MENTION THIS.

(II) ON MONETARY AND ECONOMIC ISSUES CRAXI WILL WANT A WIDE-RANGING TALK IN THE LIGHT OF THE FALL IN OIL PRICES AND THE VALUE OF THE DOLLAR. HE AND ANDREOTTI ARE LIKELY TO BE PARTICULARLY CONCERNED ABOUT DEVELOPING COUNTRY DEBT. AFTER HIS SUCCESS IN PERSUADING KOHL TO GO FURTHER ON G5 IN PUBLIC THAN HAD BEEN EXPECTED, AND A RECENT HELPFUL MESSAGE FROM THE JAPANESE, CRAXI IS CONFIDENT OF GETTING HIS WAY ON THIS. HE WAS PLEASED BY THE PM'S LETTER OF JANUARY 27.

(III) EC ISSUES ARE LIKELY TO FEATURE LESS PROMINENTLY THAN USUAL. BUT IT WILL BE WORTH REMINDING CRAXI OF THE NEGATIVE EFFECT OF THE CAP ON THE COMMUNITY'S EXTERNAL RELATIONS, IN PARTICULAR WITH THE US. CRAXI WILL LOOK TO THE PRIME MINISTER FOR A PREVIEW OF THE PRIORITIES IN OUR PRESIDENCY.

(IV) SCIENTIFIC AND INDUSTRIAL COOPERATION. THE PRIME MINISTER MAY WISH TO STRESS THE VALUE THAT WE ATTACHE TO COOPERATION WITH EUROPEAN PARTNERS IN THE MILITARY AND CIVIL FIELDS E.G. EFA, HELICOPTERS (EH101), EUREKA AND SNS, (THE DETAILS OF WHICH WILL BE DEALT WITH BY THE DEFENCE SECRETARY AND MR PATTIE).

ANDREOTTI

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ANDREOTTI.

2. HIS PRIVATE SECRETARY HAS TOLD ME THAT HIS MINISTER WOULD LIKE A THOROUGH DISCUSSION OF SDI WITH YOU. ANDREOTTI HOPES YOU WILL BE ABLE TO INDICATE ENOUGH OF OUR OWN APPROACH AND EXPERIENCE IN OUR BILATERAL NEGOTIATIONS TO HELP HIM PREPARE FOR THE PARLIAMENTARY DEBATE ON SDI, WHICH IS EXPECTED TO TAKE PLACE BEFORE LONG. I WAS NOT (NOT) TOLD THAT ANDREOTTI WOULD BE SEEKING INFORMATION ABOUT THE CONTENT OF OUR BILATERAL AGREEMENT.

3. OTHER ISSUES ON ANDREOTTI'S MIND ARE:

(I) MIDDLE EAST: BOTH GENERAL ISSUES AND EGYPT (THE ITALIANS ARE DISMAYED BY THE EFFECT OF RECENT EVENTS ON MUBARAK'S AUTHORITY, AND BELIEVE THAT EGYPT COULD BE FURTHER UNSETTLED BY FALLING OIL PRICES).

(II) WEU. ANDREOTTI MAY WISH TO TOUCH ON THIS GIVEN THE FORTHCOMING SPANISH REFERENDUM AND THE VENICE MINISTERIAL MEETING IN APRIL. (MFA OFFICIALS NOW SEEM TO FAVOUR THE POSSIBILITY THAT SPAIN MIGHT MAINTAIN HER APPLICATION TO JOIN WEU EVEN IF THE REFERENDUM SHOULD GO BADLY).

(III) ARMS FOR ARGENTINA. I HAVE REMINDED BIANCHERI THAT YOU INTEND TO RAISE THIS.

(IV) BRITISH NUCLEAR FORCES. ALTHOUGH THE PRIME MINISTER HERSELF PROPOSES TO RAISE THIS WITH CRAXI THERE WILL BE AN OPPORTUNITY FOR YOU TO COVER THE SAME GROUND IN DISCUSSION ON EAST/WEST RELATIONS.

SPADOLINI.

4. CONVERSATION WITH SPADOLINI'S POLITICAL ADVISER SUGGESTS THAT HELICOPTERS, THE FORTHCOMING IEPG MEETING IN MADRID AND THE VENICE WEU MINISTERIAL MEETING ARE LIKELY TO COME UP IN DISCUSSION. EFA MAY ALSO BE MENTIONED, AND SPADOLINI HAS BEEN ASKED TO PUT IN A WORD ON RTM322: THE ITALIAN MOD WANT HMG'S INTERVENTION TO CLARIFY PRESENT DIFFICULTIES.

5. SPADOLINI MAY ALSO SEEK A DISCUSSION OF THE MEDITERRANEAN WHERE HE IS ANXIOUS THAT THERE SHOULD BE A MORE VISIBLE "EUROPEAN" PRESENCE TO BALANCE THAT OF THE US AND SOVIET NAVIES. SPADOLINI SEEMS TO HAVE NO SPECIFIC PROPOSALS TO MAKE BUT IS ANXIOUS TO FIND SOME MEANS TO HIGHLIGHT THE EUROPEAN COMPONENT OF THE NATO NAVAL PRESENCE IN THE MEDITERRANEAN.

6. WE HAVE TELEGRAPHED SEPARATELY ABOUT ISSUES WHICH THE HOME SECRETARY MIGHT DISCUSS (OUR TELNOS 155, 159 AND 167) AND HAVE BEEN IN DIRECT CONTACT WITH MR PATTIE'S OFFICIALS ABOUT HIS TALKS WITH GRANELLI.

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PRIME MINISTER

c Mr Ingham

ANGLO/ITALIAN SUMMIT

You may like to look at the briefs for the Anglo/Italian Summit (on Wednesday) over the weekend.

I can't pretend that there is a great deal of substance to discuss. But it is eighteen months since the last Summit - you agreed with Fanfani in 1981 that they should be twice a year - and the Italians are beginning to feel left out and unloved. That was deserved last year after their performance at the Milan Council. But it won't help us to have a feeling of estrangement.

The main aim of the Summit is therefore to show that last year's problems are behind us and a valuable working relationship re-established. This really is important if we are to get the Italians working with us rather than against us during our Presidency of the Community. A secondary aim is to demonstrate that your political vim and vigour is no whit diminished by the events of recent months (which were hysterically reported in Italy) nor your determination to give a strong lead on all major international issues. In this respect the television coverage and the joint press conference assume particular importance.

I suggest that the subjects on which you should concentrate with Craxi are:

(i) Arms Control. He has made unsound comments in the past about the need to take the UK and French deterrents into account in arms control negotiations. You will want to spell out our position and try to get him to endorse it. More widely you might take him through your general approach to arms control, as set out in your message to President Reagan (in folder); and caution him against outright support for a European zero-zero option on INF.

(ii) Group of Five. He is bound to raise this. There's something to be said for your taking the initiative. In practice we are going to have to include Italy and Canada BUT go on with separate and secret meetings of G-5. You might agree the line which you propose to take at the press conference: we support expansion from five to seven, but the details still have to be worked out.

(iii) Bilateral issues. Here I suggest you make quite clear to him that Sikorsky's participation in Westland in no way affects our intention to continue participating in European collaborative projects. (Incidentally you will have flown in a Sikorsky helicopter from Pisa to Florence.) The EH101 project is on course and we are ready to move to a joint feasibility study of Augusta Al29 Mark 2. The Westland affair was never a choice between Europe and America: it was about the right of a private company to seek its own salvation.

(iv) Arms Sales to Argentina. You should tell Craxi that you have Kohl's personal assurance that the Germans will not sell STU torpedoes to Argentina (the Italians are perennially scared that the Germans will get ahead of them).

(v) Effect of lower oil prices. Craxi has in the past discussed with you his ideas for pricing oil in terms of a basket of currencies. This looks less relevant than ever. You might ask how he assesses the effect on the Italian economy of lower prices.

(vi) European Community. You might save this until Foreign Ministers join the meeting. The point that you will want to get over to him is that the time for Declarations, Conferences, Treaties, European Union etc is over. The Community has to get down to hard practical issues, above all reform of the CAP. (You could hand over some statistics showing what a financial disaster the CAP is.) This is the way we intend to run our Presidency: unglamorous but down to earth. You hope to make the European Council more reflective with a less crowded agenda.

(vii) Middle East. Again might be handled with Foreign Ministers present. there is a bit of a vacuum with the ending of King Hussein's initiative: but we don't want the European Community rushing in with ill thought-out missions. You might see what news he has of Libya, on which he prides himself as an expert (you will have seen the recent JIC assessment).

There is a separate brief (no. 2) on the handling of the plenary session.

You will wish to consider whether you want a briefing meeting (for which we have set aside an hour on Tuesday). They can be a bit tedious when there's nothing very substantial on the agenda: and there will be a chance to talk to your colleagues on the flight.

Prefer to:

- (a) keep the briefing meeting?
- or
- (b) cancel it?

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7 March 1986

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PRIME MINISTER'S TOAST AT LUNCH ON WEDNESDAY 12 MARCH

1. CRAXI'S OFFICIALS EXPECT THE ITALIAN PRIME MINISTER TO SPEAK FOR ABOUT 5 MINUTES. HE USUALLY SPEAKS FROM A TEXT WHICH IS SUBSEQUENTLY DISTRIBUTED TO THE PRESS. I RECOMMEND WE DO THE SAME AND SUGGEST THE FOLLOWING DRAFT FOR THE PRIME MINISTER'S REPLY.

2. ^{Treat} IT IS ALWAYS A ~~SPECIAL PLEASURE~~ TO COME TO ITALY FOR OUR REGULAR MEETINGS. BUT I WAS PARTICULARLY PLEASED THIS TIME THAT WE COULD HOLD OUR TALKS IN THIS OUTSTANDING PALAZZO IN THIS FAMOUS AND BEAUTIFUL CITY. I AM GRATEFUL TO YOU, PRIME MINISTER, AND TO YOUR OFFICIALS AND THE AUTHORITIES AND PEOPLE OF FLORENCE, FOR MAKING IT POSSIBLE. WE HAVE A LONG ASSOCIATION WITH FLORENCE. THE BRITISH CONSULAR PRESENCE DATES BACK TO THE 15TH CENTURY. THE BRITISH INSTITUTE OF FLORENCE AND ITS WORK OF TEACHING ENGLISH AND ITALIAN AND SPREADING UNDERSTANDING OF THE CULTURES OF BOTH COUNTRIES, DATES BACK TO THE FIRST WORLD WAR. AND FOR HUNDREDS OF YEARS BRITISH PEOPLE HAVE VISITED, AND SETTLED IN, THIS CITY. FOR ME, IT IS ALSO A SPECIAL HONOUR TO BE IN FLORENCE IN 1986, WHEN THE CITY IS THE CULTURAL CAPITAL OF EUROPE. THIS IN AN ACHIEVEMENT WHICH FLORENCE SO OBVIOUSLY DESERVES AND BRITAIN (THROUGH THE BRITISH COUNCIL) WILL BE PROUD TO MAKE A DISTINCTIVE CONTRIBUTION TO THE CELEBRATIONS IN A NUMBER OF WAYS DURING THE YEAR. MR PRIME MINISTER, OUR MEETINGS ON THESE OCCASIONS ARE ALWAYS TOO SHORT BUT I AM PLEASED, EVEN SO, TO BE ABLE TO LOOK FORWARD TO LOOK BRIEFLY AT SOME OF THE MANY BEAUTIFUL SIGHTS FOR WHICH FLORENCE IS SO JUSTLY FAMOUS, WHEN OUR BUSINESS IS OVER LATER THIS AFTERNOON.

3. THIS IS THE FOURTH TIME I HAVE COME TO ITALY FOR A BILATERAL SUMMIT, THOUGH YOU AND I, MR PRIME MINISTER, DO OF COURSE MEET MUCH MORE FREQUENTLY. THIS TIME WE HAVE HAD MUCH TO DISCUSS. WE HAVE CONCENTRATED PARTICULARLY ON IMPORTANT SUBJECTS WHICH ARE TODAY AT THE FOREFRONT OF OUR CONCERNS. AMONG THESE I LIST PEACE FIRST. PEACE IN THE WORLD REMAINS AN OBJECTIVE WHICH OUR TWO COUNTRIES SHARE ABOVE ALL OTHERS. WE HAVE HAD THE CHANCE TO SHARE OUR VIEWS ON THE IMPORTANT STAGE WHICH EAST/WEST RELATIONS AND ARMS CONTROL NEGOTIATIONS HAVE NOW REACHED. I BELIEVE WE BOTH SUPPORT TO THE FULL THE IMPORTANCE OF FINDING A MEANS OF REDUCING THE LEVEL OF NUCLEAR ARMAMENTS IN THE WORLD SO AS TO MAKE IT A SAFER AND MORE SECURE PLACE FOR ALL COUNTRIES AND PEOPLES. THAT IS WHY THE NEGOTIATIONS THAT ARE GOING ON BETWEEN THE UNITED STATES AND THE SOVIET UNION REMAIN OF THE UTMOST IMPORTANCE. PRESIDENT REAGAN AND HIS NEGOTIATORS, WITH WHOM YOU AND I KEEP IN CLOSE TOUCH, HAVE OUR FULLEST SUPPORT IN THEIR VITAL TASK.

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4. WE ALSO, MR PRIME MINISTER, SHARE A COMMON DETERMINATION TO CONFRONT THE RENEWED THREAT FROM TERRORISM. THE WORLD HAS WITNESSED RECENTLY THE TRAGIC EXAMPLES OF THE SENSELESS KILLING OF OUR COLLEAGE OLAF PALME, AND, HERE IN FLORENCE, THE BRUTAL MURDER OF LINDO CONTI, THE CITY'S FORMER MAYOR. TERRORISM IS NOT ONLY A PERSONAL THREAT. IT ALSO ATTACKS THE ROOTS OF CIVILISED SOCIETY. IT IS AN EVEIL WHICH WE CAN ONLY COMBAT EFFECTIVELY IF WE WORK TOGETHER. ITALY AND BRITAIN COOPERATE IN THE CLOSEST POSSIBLE WAY ON THESE PROBLEMS. FOR THAT REASON I AM PARTICULARLY GLAD THAT WE HAVE BEEN ABLE TO INCLUDE IN OUR TALKS TODAY ONOREVOLE SCALFARO AND MR HURD.

5. WE HAVE ALSO HAD A FULL DISCUSSION ON THE MIDDLE EAST WHERE PEACE, ALL TOO OFTEN IN THAT TROUBLED PART OF THE WORLD, REMAINS AT A PREMIUM. I BELIEVE IT REMAINS OUR DUTY, AS MEMBERS OF THE EUROPEAN COMMUNITY, TO CONTINUE TO GIVE OUR SUPPORT TO THOSE COUNTRIES DIRECTLY INVOLVED IN THE EFFORT TO FIND A PEACEFUL SOLUTION.

6. PERHAPS ON THIS OCCASION WE HAVE DEVOTED LESS TIME TO THE PROBLEMS OF THE EUROPEAN COMMUNITY. I FOR ONE AM PLEASED AT THAT BECAUSE TO ME IT SHOWS THAT THE COMMUNITY, FOR ALL ITS PROBLEMS, WORKS TO THE BENEFIT OF ALL ITS CITIZENS. BRITAIN AND ITALY MUST SEE TO IT THAT THAT TREND CONTINUES.

7. MR PRIME MINISTER, BEHIND ALL THE DISCUSSIONS WHICH YOU AND I AND OUR COLLEAGUES HAVE HAD TODAY LIES THE FACT THAT RELATIONS BETWEEN OUR TWO COUNTRIES HAVE NEVER BEEN CLOSER. WE HAVE SHOWN THIS IN A CONCRETE WAY. WE HAVE TODAY BEEN ABLE TO SIGN TWO IMPORTANT AGREEMENTS ON AIR SERVICES AND ON EXTRADITION. WE HAVE AGREED TO HOLD REGULAR TALKS ON AID POLICY AND SCIENTIFIC COLLABORATION OF WHICH ITALY'S PARTICIPATION IN THE SPALLATION NEUTRON SOURCE AT OXFORD (WHICH I OPENED LAST OCTOBER) IS A MOST WELCOME EXAMPLE. THE CLOSENESS OF OUR RELATIONS IS BORNE OUT BY THE HUNDREDS OF THOUSANDS OF BRITISH VISITORS EVERY YEAR WHICH ITALY - AND FLORENCE - WELCOME. OURS IS A FRIENDSHIP BETWEEN NATIONS WHICH, AS EVENTS HAVE BORNE OUT IN THE LAST YEAR, IS DEEP ENOUGH TO TAKE THE OCCASIONAL KNOCKS AND BUMPS WE ALL SUFFER. IT IS A FRIENDSHIP WHICH I FOR ONE WISH TO SEE CONSTANTLY DEEPEMED AND ENRICHED. I HOPE YOU WILL AGREE THAT OUR BEING HERE IN THE PALAZZO PITTI IS AN IMPORTANT AND CONCRETE EXAMPLE OF THE AFFECTION AND REGARD WHICH BRITAIN AND ITALY HAVE FOR EACH OTHER. IN RAISING MY GLASS TO DRINK ALSO TO THE FUTURE OF THE VERY SPECIAL FRIENDSHIP WHICH EXISTS BETWEEN OUR TWO COUNTRIES''.

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Anglo-Italian Briefing

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cc. Mr. Williams
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Sir Antony Acland KCMG KCVO
Permanent Under-Secretary of State

5 February 1986

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Sir Robert Armstrong GCB CVO
CABINET OFFICE

cc - Mr. Powell (No. 10)
Mr. Jay

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My dear Robert,

ANGLO-ITALIAN SUMMIT: 12 MARCH 1986

1. The Anglo-Italian summit, postponed from 29/30 October 1985, will be held in Florence on 12 March. This letter sets the scene.
2. The last Anglo-Italian Summit was held on 18/19 October 1984 in London. Since then the two Prime Ministers have met several times, most recently at the Luxembourg Council in December. They had a short bilateral in the margins of President Reagan's pre-Geneva consultation with major allies in New York on 24 October.
3. Italy is sensitive to slights. She sits at some but not all of the world's top tables and resents being consigned to the second division. This was amply illustrated by Craxi's determined lobbying of G5 members about Italy's exclusion. Italians consider that their political standing, as a democracy and as a member of the alliance, as well as their economic performance (Italy may by certain economic yardsticks soon overtake the UK), entitle them to equal treatment with the other three major West European powers. In Britain, we tend to underestimate both Italy's influence and her relative consistency of purpose, well exemplified in recent years by her firm policy over INF deployment. She will hold a seat on the Security Council in 1987-88. Within the European Community, Italian support can be useful in furthering British objectives: Italian opposition, especially when added to that of France and Germany, can be damaging (as at the Milan Summit). Failure to pay Italy the attention she considers she deserves can therefore carry costs: it is always important to show the Italians that we take them seriously.

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Our Objectives

4. Our main objectives at the Summit are:
- (a) To bind the Italians as closely as possible to us in the crucial area of defence and arms control issues.
 - (b) To get Craxi's support for our objectives for the Presidency, and the need for CAP reform.
 - (c) To keep Italian ambitions for political cooperation realistic (particularly on the Middle East).
 - (d) To welcome the determination of the Italian Government to combat international (particularly Libyan-supported) terrorism, and to compare notes on how best to foster close counter-terrorist cooperation both bilaterally and multi-laterally.
 - (e) To coordinate our aims and tactics for the Tokyo Economic Summit.
 - (f) To further our own objectives in civil and military industrial collaboration.
5. A note on our bilateral relations, the Italian internal scene and Italian foreign policy is attached.

Participation and Agenda

6. The Prime Minister will be accompanied by the Secretaries of State for Foreign and Commonwealth Affairs, Defence, the Home Department, and Trade and Industry. The Italians have let it be known that, like us, they favour a small team.

7. The main areas for discussion are likely to be:

(i) Arms Control, Defence and East/West Relations

Craxi - the first Western leader to meet Gorbachev after he became General Secretary - will be keen to discuss the latest messages from Moscow and how they affect Europe's interests and objectives in the East-West and strategic fields. The Italians are generally sound on these issues (including such detailed aspects as EC/CMEA relations) and should be useful allies in resisting Soviet wedge-driving.

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They have fulfilled their responsibilities under the INF basing programme conscientiously and with no real domestic difficulty. We should canvass their support now on such specific points of British interest as the handling of third-country nuclear systems. An important sub-theme, to be pursued between the Foreign and Defence Ministers, will be European defence: the strength of Britain's commitment to such ventures as the IEPG and WEU "revivals", and our value and good faith as partners in equipment collaboration. This theme has an obvious connexion with that of civil technology, and should help to put the Westland episode (see (vi) below) in a better perspective.

(ii) WEU

The Summit comes before Foreign and Defence Ministers are due to meet at Venice (29 and 30 April) during the current Italian Presidency of the WEU. The difficult question of possible enlargement of the WEU is expected to be on the agenda, and prior bilateral discussion with the Italians at the summit could be opportune.

(iii) Community affairs

These are unlikely to loom as large as in the November summits with France and Germany. We hope that the inter-governmental conference agreement will have been approved by Denmark as well as the other member states by 12 March. The Prime Minister will wish to brief Craxi on our plans for our Presidency and we hope will support a meeting with Craxi in London (not in a full-fledged summit) before our European Council on 5-6 December, ideally agreeing a date with him. The main focus of attention in March will be the CAP price fixing. It might be useful to provide the Prime Minister with some statistics showing the need for CAP reform which she could hand over to Craxi. But we suggest that the main discussion on the Community might take place between the Foreign Secretary and Andreotti.

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(iv) Terrorism

Italy has become increasingly active in countering Arab-inspired terrorism following the number of incidents on Italian territory or against Italian interests in recent months. But Italian interests are also vulnerable to Libyan action. Our counter-terrorist cooperation with Italy is close both bilaterally and in multilateral fora. Talks will take place in late February on the revision of the Anglo-Italian extradition treaty.

(v) Regional Issues

These are likely to include the Horn of Africa; the Middle East (Italy's major source of energy and an important market); Libya (where Italy is our protecting power and has a large community); Latin America (where Italy has historical ties, particularly with Argentina whom she supported at the UNGA in 1985); South Africa; and Third World debt.

(vi) Industrial Collaboration

We agree on the importance of civil and defence industrial collaboration. A meeting of senior Foreign Ministry officials in February will prepare the agenda. In the high technology field, the Italians have proved a useful counterweight to potential French and German domination of Eureka, and the summit is an opportunity to discuss joint projects. Aerospace has been the field in which the greatest advances have been made: notably our partnership in the Tornado, the EH101 helicopter project and the European Fighter Aircraft. The Italians are likely to want to discuss Westland in the light of the situation then reached. The Italians' attitudes to industrial collaboration with the UK may have been affected by the Westland affair, though government opinion is divided between those whose sympathies lie with the European consortium and others who favour Sikorsky/Fiat. The Italians will welcome any assurance we can provide over safeguarding future collaboration with Agusta and over our continued commitment to wider European collaboration.

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(vii) Aid

During the past year or so senior officials have had occasional but valuable exchanges about aid. Italy is rapidly becoming a major aid donor and is heavily committed in Africa. There are indications that the Italians would welcome regular high-level consultations about aid. It would be useful if Foreign Ministers could agree at the Summit to set up regular consultations on development aid.

Public Handling

8. The summit will be announced about ten days in advance. We shall arrange a pre-summit briefing of the British press in London by senior officials. The summit will end with a press conference, which will probably be held in the historic Pitti Palace. We intend to prepare and discuss with the Italians ideas on what to highlight. Themes that might be included are: successful British-Italian defence and industrial collaboration ventures; our commitment to and cooperation in Eureka; our common approach to terrorism and cooperation on counter-terrorist measures; our aim to promote cultural interchange; the British-Italian Round Table in May.

9. We would welcome ideas from Whitehall Departments on areas of cooperation with Italy which can usefully be highlighted in this way.

Programme

10. Subject to final confirmation from the Italians, the Prime Minister's delegation will arrive in Florence at 1030 on 12 March. The Prime Minister will have a one hour tête-à-tête with Craxi, after which they will be joined by Foreign Ministers. Separate talks will be held between the Secretaries of State for Defence, the Home Department, and Trade and Industry and their counterparts. A plenary meeting will take place at 1230, lunch at 1400, and a joint press conference at 1530. The Prime Minister would leave for London after a brief (half hour) visit to the nearby Sala dei Cinquecento.

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Briefing

11. We envisage that the Prime Minister would have only a steering brief and a summary of the main points likely to be raised at the plenary. It would be for Departments to brief their own Ministers for their bilateral talks, clearing the briefs as necessary with other Departments. If there are any topics on which Departments think it essential that the Prime Minister should have a separate subject brief, would they please let us know as early as possible?

Yours ever

Antony

Antony Acland

cc:

Sir Peter Middleton KCB
HM Treasury
Sir Michael Franklin KCB CMG
MAFF
Sir Clive Whitmore GCB CVO
MOD
Sir Brian Hayes KCB
DTI
Sir Brian Cubbon GCB
Home Office

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ANNEX

Bilateral Relations

1. In 1985 this relationship was mixed. The goodwill engendered by the colourful and successful visit by the Prince and Princess of Wales in the spring was overtaken by the Brussels football disaster and the disharmony of the Milan European Council under the Italian Presidency. But Heysel seems unlikely to have long enduring effects and Milan was superseded by the more realistic results of the inter-governmental conference. The election of the Anglophile President Francesco Cossiga augurs well, as does the prospect of a State Visit to Britain during his period of office (perhaps in 1987). Britain continues to have close and active cultural links with Italy within the limits of the resources available. The British-Italian Round Table is an increasingly useful component of bilateral relations.

2. The Italians officially protect British interests in Libya. Although our approach differs on some Community issues (eg reform of the Common Agricultural Policy and the role of the European Parliament), on East/West matters and transatlantic relations, and on security and defence we are in fundamental agreement.

Internal Situation

3. In an unprecedented period of governmental stability, Craxi, Italy's first Socialist Prime Minister, is now in his third year in office and leads the country's longest serving government since 1945. In the 1985 local elections the coalition consolidated its position, regaining political control in the provinces and ousting the Communists in Rome, Genoa, Milan and Venice. But although his personal popularity has grown, there is no love to spare between Craxi and his partners in the five-party governing coalition. The Christian Democrats, as dominant partner, are thought to want to reclaim the Prime Ministership in 1986, their confidence boosted by the election of Cossiga, their candidate, to the Presidency. The Spring 1986 party political congresses may prove a decisive time for the coalition's future. But with the coalition disunited over the 1986 budget, change may come sooner.

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The Economy

4. Some economic indicators have given the Italian Government cause for satisfaction in a country where statistics are more fallible than usual and may underestimate national performance. The private sector is buoyant and there have been improvements in the showing of the state holding companies. The climate of industrial relations improved in 1985; and monetary restraint and restriction of wage indexation (sanctioned by the voters in a referendum in June) have helped to bring inflation down from 16% in 1983 to 8.6% in 1985. But public debt is expected to exceed annual GDP in 1986, putting Italy behind her European partners in this respect. At the time of writing, the 1986 Finance Bill, which contains provisions for spending cuts on social policies but no overall increase in taxation, continues to meet blocking opposition in Parliament.

Foreign Policy

5. Aside from her active role in the Community presidency, which did not bring the successes Andreotti had hoped for, Italy also took a stronger line in other aspects of her external relations, notably in standing up to the United States over the Achille Lauro affair and in her condemnation of Latin American dictators. Italy's situation, her vulnerability to Middle Eastern terrorism, and her commercial interests in North Africa and the Middle East (including energy supplies) lead her to pay special attention to the Arab world. Recent terrorist attacks, however, caused the Government to distinguish between their policies towards Libya (and other "rejectionist" states) and towards other Arab governments. The authorities also accept the need to tighten visa procedures, entry controls and the supervision of the large number of illegal immigrants in the country.

6. Within the framework of her alliances and partnerships the Italian line has looked firmer and more confident than in the past. This was reflected in the defence field: despite problems of under-equipped but overmanned armed forces, Italy remained firm in support of INF basing, was a useful ally in WEU, and is close to taking part in the SDI research programme.

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PART 2 ends:-

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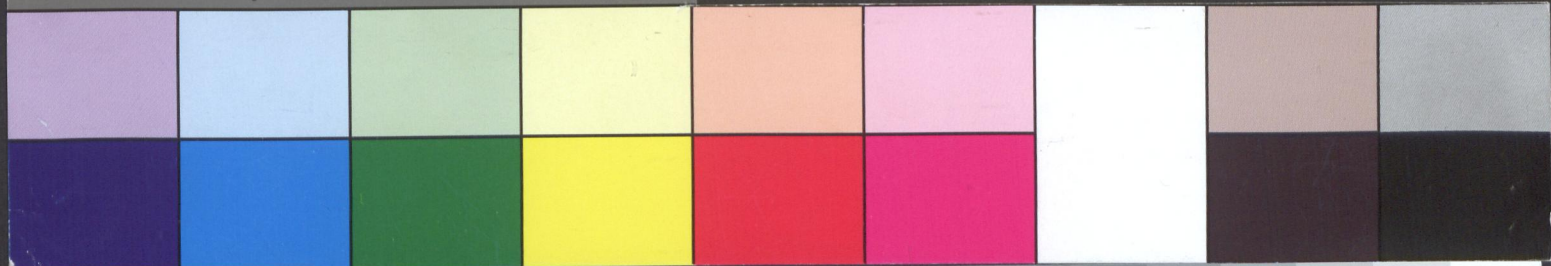
PART 3 begins:-

Added to RTA 5/2/86.

Inches 1 2 3
Centimetres 1 2 3 4 5 6 7 8

Colour Chart #13

Blue Cyan Green Yellow



A 1 2 3 4 5 6 M 8 9 10 11 12 13 14 15 B 17 18 19

Grey Scale #13

