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

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Present:

Prime Minister

Senator Spadolini

Mr. Coles

Mr. Berlinguer

Interpreter

Interpreter

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

Lebanon

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

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

/Mr. Spadolini

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

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

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

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

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

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

/Mr Berlinguer

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

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

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

/The Ten

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

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

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

/The Prime Minister

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

#### US/EC Relations

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

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

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

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

#### Spain

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

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

#### European Community

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

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

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

#### Bilateral Affairs

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

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

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

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

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

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/Middle East

Middle East

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

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

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

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

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

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

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

The conversation ended at 1335 hours.

A. J. C.

8 July 1982

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