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

Sat. 9

Present:

Prime Minister
Mr A J Coles
Intepreter

Signor Craxi
Signor Badini

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

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

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

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

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

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

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Signor Craxi did not appear to know of this fact.

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

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

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

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

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

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

In conclusion, Signor Craxi congratulated the Prime Minister on the success of the Economic Summit. Everything had gone very well.

The discussion ended at 1915.

A.J.C.

9 June 1984

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