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10 DOWNING STREET

From the Private Secretary

24 October 1985

Dear Colby, (Signed by mistake)

PRIME MINISTER'S MEETING WITH SIGNOR CRAXI
IN NEW YORK ON 24 OCTOBER

The Prime Minister had a brief meeting with Signor Craxi at the United Nations building this morning.

Signor Craxi talked about the political situation in Italy. It had not been strictly necessary for him to resign, but the rules of fair play said that when a coalition partner pulled out, the Government fell. He was now engaged in consultations to form a new Government and expected to succeed in a few days. It was urgent to form a new government because the budget had to be agreed by the end of the year.

The Prime Minister complimented Signor Craxi on bringing the hijackers of the Achille Lauro to face justice. Craxi said that a number of accomplices had now been arrested. The hijackers themselves were very young men and probably small fry. He was concerned at the spread of terrorism in Europe, particularly Arab terrorism.

The Prime Minister asked Signor Craxi's views on the forthcoming US/Soviet summit. Craxi said that he wanted to see it be a turning point in US/Soviet relations. He did not expect great results in negotiating terms: one had to proceed gradually. But he hoped it would open a new phase of readiness to negotiate.

The Prime Minister said that she thought President Reagan's speech to the General Assembly had been excellent, though his proposals for US/Soviet discussions on regional issues needed to be considered very carefully. Signor Craxi appeared to agree.

The Prime Minister said that she was increasingly doubtful whether it would be possible to bring the issues before the Inter-governmental conference to the point of decision by the time of the European Council in December. Certainly faster progress

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than hitherto would be needed if this was to be a realistic goal. Signor Craxi agreed that the work was complex and was proceeding slowly. It would be a mistake to press for decisions prematurely.

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

Yours sincerely,

Charles Powell

C D POWELL

Colin Budd, Esq.,

Foreign and Commonwealth Office

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