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Dep. in Sir A. Duff's office

OPW 080/1

Telephone 01-

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Your reference

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Date

3 January, 1979.

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Sir Alan Campbell, KCMG,
Rome.

My dear Alan,

THE IEFG: ITALY AND TRILATERALISM

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Thank you for your letter of 4 December, which arrived while I was away in Africa. I am sorry to be replying only now.

2. We agree with you that Italy presents a tricky problem in the context of trilateralism, and one which needs more sensitive handling than it sometimes receives, particularly from the Germans. But it will only be possible to make a success of future European equipment cooperation if the main potential producers and buyers of any cooperatively produced system are free to meet - when necessary at the political level - so as to thrash out their problems without the complications which inevitably arise when other countries are present, in the wider forum of the EFG and its sub-groups.

3. If one follows Bagehot's division of democratic institutions into the dignified and the effective, the EPG clearly falls into the former category. It makes a European approach to equipment cooperation a possibility in political terms; but a less cumbersome and less disparate group is needed to tackle the problems of getting actual projects off the ground - and these problems are formidable. We agree that we must certainly treat Italy as an equal partner when her potential contribution warrants it; her participation in the Tornado and FH70/SP 70 programmes, and in discussion on future military helicopters, bears witness to this. But it seems to be a fact of life that, where the development of high technology equipment is concerned, it will much more often be with the French and the Germans that we need to talk; and it is really only among the three countries that the volume of potential defence equipment business is great enough to warrant the engagement of Ministers.

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4. The presence of an "outsider" at the trilateral Ministerial table - particularly an outsider claiming to represent the interests of the other EPG members as a whole - would undermine the whole purpose of the exercise. We cannot, therefore, meet the Italians on this point. In explaining our position to them we have taken the line that we see disadvantage in institutionalising the trilateral meetings, which have so far been held on a very informal basis, by establishing a formal link between them and the EPG. We do not see three-power cooperation in this field as an institution in its own right - simply as an ad hoc response to the existence of a number of related issues involving primarily our three countries on which business can be done more expeditiously in this way than in any other.
5. At Ditchley in July, Ministers met to discuss a specific range of equipment projects, in most of which their three countries will have to play the decisive part. It was logical that a review of this kind should take in the question of helicopter cooperation, despite the absence of the Italians. But certainly, had we known that the Italians would react so strongly, we might have thought twice about asking Ministers to sign the Declaration of Principles on helicopter cooperation on that particular occasion; we had, perhaps, been misled by the apparently relaxed attitude of the Italians to the previous year's trilateral meeting. Much of the subsequent Italian unhappiness was the result of German tactlessness at a 4-Power meeting on helicopter cooperation which took place later at official level.
6. We shall all clearly have to be much more careful in future about the handling of trilateral meetings in relation to other EPG members, and particularly the Italians, who are as you point out in so many respects closer in the capabilities of their defence industry to the three major equipment producers than to the rest of the EPG. We do not underestimate the difficulties. It may be that the practice of trilateral contacts at Ministerial level will eventually prove too damaging to the cohesion of the EPG to be maintained. But if this happens, the EPG itself will be the loser. Meanwhile, as you suggest, we must show understanding of reasonable Italian concerns, and I hope this letter gives you and your staff enough of the background to enable you to pour on some conciliatory oil when necessary.

Yours ever,
Antony
(Antony Duff)

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