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cc: P.C.

a minister set

10 DOWNING STREET

25 February 1985

From the Private Secretary

MEETING BETWEEN THE PRIME MINISTER AND THE DEPUTY PRIME  
MINISTER OF ITALY ON MONDAY 25 FEBRUARY AT 1115 HOURS

The Prime Minister received Signor Forlani this morning. He was accompanied by the Italian Ambassador.

The Prime Minister gave Signor Forlani an account of her visit to the United States, stressing how much she had been struck by the dynamic nature of the American economy, and in particular its success in creating new jobs. Signor Forlani suggested that the Americans had the advantage of a continental dimension to their economy. The Prime Minister pointed out that Europe was also a continent, but unfortunately although we had a common market in some sectors, this was not the case in all.

The Prime Minister continued that it was clear to her that we faced the prospect of a major clash between the United States and the European Community over agriculture if the Community kept on producing surpluses as at present. The United States, given its wealth, was well placed to emerge victorious from such a conflict. The problem was aggravated by the strong dollar. On this, she had found the United States Administration almost as preoccupied as we were: it was killing their export industries and aggravating trade problems. Signor Forlani enquired whether the Prime Minister saw any chance of measures to contain the surge of the dollar. The Prime Minister said that the short answer was no amount of intervention was big enough to stop it. The only practical way appeared to be to deal with the United States budget deficit and she believed that Congress would co-operate in this though difficult decisions would be required, particularly in the sensitive sectors of defence and social security. Her estimate was that the President would probably obtain about two-thirds of the deficit reduction which he sought.

Signor Forlani said that he had had a very good talk with the Lord President and they had identified many similarities between the situation in Britain and that in Italy. The Prime Minister said that she had always been

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struck by Italy's success in creating small businesses. She understood that actual production in Italy was well in excess of published figures. Signor Forlani said that the submerged economy was gradually coming more into the open, but that there were increasingly serious problems with the public sector which had a huge deficit and appeared to be out of control. Steel was a case in point. The Prime Minister observed that all European countries were overproducing in steel and competing to build steel plants in the third world.

Signor Forlani said that the most dramatic problem confronting Europe was that of unemployment. There appeared to be no way of bringing it down. The Prime Minister said that in the United States the problem was dealt with in good measure by starting up new businesses. She had been struck by the magnetic effect of the enterprise culture of the United States; witness the large number of Britons working in and around 'Silicon Valley'. The United States had the advantage of far fewer regulations, lower taxes and less of the national income being consumed by the welfare state. This was not the case in Europe. Moreover, only 18% of employees in the United States belonged to trade unions and these were almost all in the smokestack industries. Signor Forlani observed that union membership in Italy had fallen off greatly in recent years and the number of strikes even more so. He believed that when Europe found the way to integrate, the results were splendid. That was where the future lay. The Prime Minister agreed that collaboration on major projects was important, notably aircraft, space and scientific research, though in the case of the latter, we were much less good at turning research into business.

The Prime Minister stressed the importance of restraining agriculture prices in the Community this year. The Commission's proposals amounted to a zero increase but the Germans would inevitably press for higher prices. Britain and Italy should work together against this. Signor Forlani did not comment.

I am sending copies of this letter to Rachel Lomax (HM Treasury), Ivor Llewelyn (Ministry of Agriculture, Fisheries and Food) and David Williamson (Cabinet Office).

Charles Powell

Colin Budd, Esq.,  
Foreign and Commonwealth Office.



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10 DOWNING STREET

THE PRIME MINISTER

28 February, 1985

Dear Signor Forlani:

It was a great pleasure to see you again during your visit to London and I much enjoyed our talk. I was delighted to receive subsequently your very kind gift of the print of Monte Citorio. It is very handsome indeed and will look wonderful in my sitting room at No. 10.

With best wishes.

Yours sincerely  
Margaret Thatcher

His Excellency Signor Arnaldo Forlani

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Ambasciata d'Italia

Londra

25 February

Dear Charles,

here is the  
print that Signor Forlani  
asked me to forward to  
Mrs. Thatcher. Would you  
be so kind as to print it

To the Prime Minister with  
Signor Fulani's best greetings?

Thank you very much  
for your cooperation.

Yours sincerely,

Umberto Cattani

CDP



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

My impression is that he plays very little role in foreign affairs business.

22 February, 1985

suggest:

- (a) tell him about your Washington visit
- (b) ask about the Christian Democrats prospects in the local elections in Italy
- (c) talk about links between the EGG & Christian Democrats in the European Parliament.

Dear Charles,

Visit of Italian Deputy Prime Minister, Signor Arnaldo Forlani: 25 February 1985

The Prime Minister has agreed to receive Signor Forlani, for a brief courtesy call on 25 February at 11.15 (your letter of 4 January refers). He will have seen Sir Geoffrey Howe immediately beforehand. Forlani is in London as guest of the Lord President of the Council. I enclose a personality note, details of his programme in London, and background on Italy.

Forlani has no departmental responsibilities. The post of Deputy Prime Minister was created for him as a prominent Christian Democrat in Craxi's government. Italian officials have been unable to tell us what precise subjects (if any) he wishes to discuss. But he will no doubt ask about the Prime Minister's visit to Washington. He will be able to boost his personal standing by speaking on this when he returns to Italy. We suggest that the Prime Minister might discuss Community issues following her meeting with Craxi on 14 February. A brief is enclosed.

If there is time the Prime Minister might ask Forlani how he assesses the Christian Democrat's (DC) prospects in the local elections due this May. These will be the first real test of electoral popularity since the June 1983 General Election when the DCs polled a disappointing result.

The Prime Minister met Forlani in November 1980 when the latter, as Prime Minister of Italy, led the Italian delegation for bilateral talks in London. He resigned in June 1981. He returned to government in August 1983 as Deputy Prime Minister under Craxi, a post which was recreated to compensate the Christian Democrats (DC) for the loss of the Premiership. Forlani plays an important role in smoothing out differences between the Coalition partners, especially Craxi's Socialists, and his own Christian Democrats.

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Forlani is a leading (but undeclared) candidate to replace President Pertini when the latter's mandate expires in July. He would have Socialist support because, more than any other DC politician he believes in a long term strategic alliance with the Socialists against the Communists. However although a good candidate, he may have difficulty in obtaining the unanimous support of his own party. Forlani will be accompanied by the Italian Ambassador, his Private Secretary (Signor Balboni Acqua) and an interpreter.

*Yours ever,  
Peter Ricketts*

(P F Ricketts)  
Private Secretary

C D Powell Esq  
10 Downing Street

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VISIT BY SIGNOR FORLANI, DEPUTY PRIME MINISTER OF  
ITALY: 24-25 FEBRUARY 1985  
EUROPEAN COMMUNITY

Our Objectives

- To support the Presidency in bringing the accession negotiations to an early conclusion.
  
- To persuade Signor Forlani of our positive approach to the future development of the Community.
  
- To dissuade the Italians from acquiescing in German ideas on vehicle emissions which would damage the unity of the internal market.
  
- To encourage closer links between CD and EDG Members of the European Parliament.

Arguments to Use

ENLARGEMENT

- Most important for Community and for applicants to meet target date of 1 January 1986.





#### FUTURE OF THE COMMUNITY

- Welcome Italian emphasis on completion of the common market which reflects growing consensus on what is now major EC priority.
- Much else all can agree on (formalisation of political cooperation; improved decision-making, including majority voting where Treaties so provide).
- Need to decide what we want to do before we decide whether or not it can be done within existing Treaties.
- European Council should decide in June what follow-up maybe necessary to Dooge Committee report in light of bilateral contacts between March and June.

#### VEHICLE EMISSIONS

- German proposals would split internal market for cars to detriment of all EC car manufacturers.
- Essential that Germans make concession on medium sized cars for which three-way catalysts are inefficient, ineffective and unreliable.



#### CD/EDG RELATIONS

- Wish to work closely with CD MEPs. Will help effectiveness and responsibility of European Parliament. Important to our efforts to improve Council/Parliament relations.

#### His Objectives

- To seek our agreement to an inter-governmental conference covering a new Treaty.
- To minimise impact of German vehicle emission standards on Italian exports (mainly small cars) by agreeing to German proposals for other car sizes.

#### Our Response

##### FUTURE OF THE COMMUNITY

- Self-defeating to have an inter-governmental conference unless prior agreement had been reached on what it might achieve.
- Inter-governmental conference would seem pretty hollow if Community had not been able to sort out major current issues.
- May well find that we can do all we want within



existing Treaties.

#### VEHICLE EMISSIONS

- UK supported Italy in resisting German solution for small cars. If Community cannot reach an agreement which meets our needs we would have to block directive, leaving Germans free to require three-way catalysts on all cars. This could have very serious effect on Italian exports of small cars.



## Background

### ENLARGEMENT

1. Position of UK and other Member States with fisheries interest stood up to pressure at 18/19 February FAC. Presidency successfully pressed Commission to move closer to the five. Spaniards could not accept Community approach.

### FUTURE OF THE COMMUNITY

2. Italian Government supports Spinelli Draft Treaty on European Union. Italians keen to have inter-governmental conference. They need to be dissuaded from trying to secure agreement to such a conference before full consideration of the Dooge Committee report by Heads of Government in June.

### VEHICLE EMISSIONS

3. Now that the Germans are showing flexibility on emission standards for small vehicles (the main area of Italian exports) the Italians seem disposed to accept German standards for other car sizes.

FOREIGN AND COMMONWEALTH OFFICE

21 FEBRUARY 1985



VISIT OF ITALIAN DEPUTY PRIME MINISTER, SIGNOR FORLANI:  
21-25 February 1985

PROGRAMME:

|             |      |  |
|-------------|------|--|
| 21 February | 1800 | Arrival  |
|             | 2000 | Dinner hosted by the Italian<br>Ambassador (attended by<br>Mr Rifkind)   |
| 22 February | 1100 | Call on Viscount Whitelaw  |
|             | 1300 | Lunch hosted by Lord Whitelaw<br>(guests will include<br>Lord Thorneycroft, Baroness Elles,<br>Sir Hugh Rossi, Mr Peter Shore,<br>Mr Alexander Chancellor,<br>Mr Adam Fergusson) |
| 23 February | pm 5 | Italian Hospital Ball  |
| 25 February | 1045 | Call on Sir Geoffrey Howe  |
|             | 1115 | Call on the Prime Minister   |

Afternoon departure

22 February 1985



FORLANI, ONOREVOLE ARNALDO

Deputy Prime Minister and Former Prime Minister (Christian Democrat).

Born at Pesaro in the Marche Region in 1925. Secretary of Provincial DC in Pesaro 1948-57; Provincial and Municipal Councillor 1951-56. Member of DC National Council since 1952 and of Directorate since 1954. Directed DC publicity and press section 1955-57 without great success. Deputy for Ancona since 1958. Party Vice-Secretary 1968-69. Minister for State Holdings 1968-69; Minister for the United Nations, August to November 1969. Party Secretary, November 1969 to June 1973. Minister of Defence under Moro, November 1974 to August 1976, when he became Minister of Foreign Affairs under Andreotti (1976-79).

Forlani has spent most of his political career under Fanfani's shadow. He had an uphill struggle as Party Secretary in trying to hold the balance between the left and right wings of the party. He kept to the centre and gave wholehearted support to Andreotti's centre government in 1972-73. He resigned as Party Secretary at the 1973 DC Congress when it was clear that the Andreotti government was going to fall. He refused posts in the ensuing centre-left governments under Rumor, but returned as Minister of Defence in Moro's November 1974 two-party Christian Democrat/Republican government. He did that job quite well, and avoided controversy. Forlani stood as the candidate of the DC right against Zaccagnini for the post of Party Secretary at the DC Congress of March 1976, but lost. As Minister of Foreign Affairs, he seemed to spend only a small proportion of his time on the affairs of his own Ministry, using the office partly to further his own political career. Ambassadors complained that he hardly ever saw them, but he was quite an effective performer during bilateral Ministerial visits. He visited Britain on multilateral business, for example in June 1977 for the European Council and the NATO Summit.



In March 1979 he became President of the DC (a less important post than Secretary) and when Cossiga's second Government fell in October 1980 Pertini chose him to form a new government. This he did, bringing in the PSDI to broaden his parliamentary base. His performance as Prime Minister in his first few months was uninspiring (eg at his bilateral talks with Mrs Thatcher in November 1980), but he at least survived serious difficulties like the earthquake and terrorism. His main virtues are those of a conciliator rather than a leader. Forlani's government resigned in May 1981 following the outbreak of a major scandal (not affecting him personally) over the activities of the P2 Masonic Lodge. He was given the opportunity to form a new government but was obliged to admit defeat. At the 1982 DC Congress he stood unsuccessfully against De Mita for the post of Secretary. Brought back in August 1983 to be Deputy Prime Minister, a post re-created to compensate the DC for the loss of the Premiership; so far he has made little impact, and he remains primarily interested in party affairs.

A pleasant, young-looking, handsome man with a reputation for laziness. Forlani is married with two children. He was formerly very keen on football, and might, they say, have played for Italy had he chosen that career. Still goes to matches whenever he can. Sails and skis. Weak in foreign languages. Not very approachable, unlike his quiet, pretty wife who is thoroughly nice but keeps entirely in the background.

## ITALY : POLITICAL BACKGROUND

1. The present 5 party Coalition Government of Signor Bettino Craxi, (Italy's first Socialist Prime Minister since the War), took office in August 1983. The Coalition partners are the Christian Democrats (DCs) in the majority with Socialists (PSI), Republicans, Liberals and Social Democrats.
2. The balance of forces within the legislature means PSI support is essential for any Parliamentary majority which excludes the Communist Party (PCI) and neo-Fascists. The leader of the PSI thus enjoys a relatively strong position. The PCI constitute the main opposition party in Parliament. They are, however, strongly represented in Government at regional and local level.
3. Now into its second year of office, Craxi's Government looks relatively secure despite continuing strains within the coalition. The June 1984 European elections regarded as a yardstick of domestic popularity for the coalition partners were a disappointment for Craxi and the Socialists who polled a disappointing 11.2%. The winners were the PCI whose leader, Enrico Berlinguer, died a few days before the elections, gaining for the first time more votes (33.3%) than the DC (33%). While not recovering from their June 1983 election shock, when their vote dropped by 5% to 32.9%, DC morale was boosted by the result. But since then they have suffered the political fall-out of cases of corruption and mafia involvement. After a shaky period in September 1984, Craxi now appears to have a reasonable chance of remaining in office until the middle of the year, despite a number of political difficulties caused by the unreliability of his coalition partners. One recent case involved de Michelis, the Socialist Minister of Labour, who attracted wide criticism over his (chance) meeting in Paris with an Italian intellectual closely associated with Italian terrorism and now exiled in France. The politically important local elections, which take place on 12 May, will be the first test of party strengths since 1984. These are followed in July by the Presidential elections.



4. Craxi's top priority has been the economy. His government is committed to reducing the public sector deficit (16%) and inflation, which at 10.6% for 1984 is the lowest rate for 10 years. The economy shows signs of emerging from the recession and GDP growth for 1984 is estimated at 2.8%. The Government's package of anti-inflationary measures introduced in February 1984, which included a proposal to cut the degree of wage indexation, met with strong opposition from the Communist-led unions and the PCI in Parliament before finally becoming law in June. This opposition is being maintained and the PCI have called for a referendum on wage indexation. In December, in the face of strong political criticism, the Government used a decree to force through measures against tax evasion (the Visentini package) arousing strong opposition from the self-employed and small shop keepers. Italy's 'grey economy' continues to flourish, accounting for perhaps as much as 20% of GDP.

5. Italian foreign policy has assumed a higher profile under Craxi and Foreign Minister, Andreotti. The Mediterranean area to which Italy regards herself as a bridge between Europe and the Arab World is an important feature of Italian foreign policy, partly for geographical and historic reasons but also because of her heavy reliance on energy imports. The Italian contingent made a largely successful contribution to the Lebanese MNF. Italy now protects British interests in Libya. Craxi held firm over Italy's commitment to the stationing of Cruise missiles Comiso in Sicily in 1984. The Communist opposition never campaigned hard against deployment, which proceeded without serious domestic tension.

6. Urban terrorism by the Red Brigades and by the extreme right, against which the security forces have had a number of successes, exists as a continuing, if now diminished, threat. The bomb outrage against the Milan/Naples Express in December is confirmation however that terrorism is by no means finished. Organised crime and drug trafficking increasingly preoccupy the government. The Minister of Justice, Scalfaro, has been active recently meeting his European and US colleagues to discuss concerting action against terrorism and drugs.

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7. The last Anglo-Italian Summit was held in October 1984 when Craxi brought a delegation of five Ministers to London. Craxi met the Prime Minister on 14 February when he paid a short visit to London to discuss Community issues. Signor Forlani, Deputy Prime Minister, will be in London as guest of Viscount Whitelaw from 22-25 February. President Pertini visited London (February 1984) for the Genius of Venice Exhibition at the Royal Academy, which he attended with HM The Queen. The Queen Mother visited Venice in October 1984 and the Prince and Princess of Wales make an official tour of Italy from 21 April to 5 May.

8. Italy has the presidency of the EC for the first half of 1985.

Foreign and Commonwealth Office  
20 February 1985

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Foreign and Commonwealth Office

London SW1A 2AH

23 January 1985



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Dear Charles,

Visit of Signor Forlani

Thank you for your letter of 4 January about the Italian Embassy's request for a meeting between the Prime Minister and Signor Forlani. The Italian Embassy have confirmed that 1115 hours on Monday 25 February is acceptable.

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Yours ever,

Colin Budd

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

23 JAN 1985

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bc PC



10 DOWNING STREET

*From the Private Secretary*

4 January 1985

VISIT OF SIGNOR FORLANI

BF |  
The Italian Embassy have been pestering us for a call on the Prime Minister by Signor Forlani who, they say, is visiting the United Kingdom from 21 to 25 February as a guest of the Lord President. We have pointed out that the Prime Minister is likely to be away for much of the period in question but have offered a 30-minute meeting at 1115 on Monday 25 February. I hope that this fits in with other plans.

I am copying this letter to Janet Lewis-Jones in the Lord President's Office.

(C.D. POWELL)

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

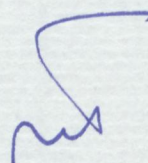
PRIME MINISTER

Signor Forlani, Italian Deputy Prime Minister and a Christian Democrat, is visiting the UK in February as a guest of the Lord President. He has asked to see you.

You will be in the United States for most of the time he is here, but could see him for half-an-hour on Monday 25 February on your return. The fact that Italy is current President of the European Community makes it difficult to decline to see him.

Agree to see Mr. Forlani?

CDP.

Yes 

3 January 1985

E.R.

Charles

If we must. At 11.15.

David

Dms  
3/1

Can we offer him  
30 minutes on the  
morning of 25 Feb.?  
C.

MR POWELL (o.r.)

A Signor Battani (?) telephoned today and spoke to me in your absence. Apart from passing on his good wishes to you, he was enquiring about the forthcoming visit of Signor Forlani, who is coming at the invitation of Lord Whitelaw.

Signor Battani was angling for a slot in the Prime Minister's diary. I was not able to offer him any encouragement, particularly since the visit takes place in the week beginning 18 February, when the Prime Minister may well be in the United States.

I mentioned the call to the Foreign Office, and asked them to let us have some formal advice. I am not sure whether you need to wait for this, but I think that Signor Battani would appreciate a call from you this week if possible.

Dms

2 January 1985