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Foreign and Commonwealth Office

London SW1A 2AH



Sir Antony Acland KCMG KCVO  
Permanent Under-Secretary of State

5 February 1986

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Sir Robert Armstrong GCB CVO  
CABINET OFFICE

cc - Mr. Powell (No. 10)  
Mr. Jay

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My dear Robert,

**ANGLO-ITALIAN SUMMIT: 12 MARCH 1986**

1. The Anglo-Italian summit, postponed from 29/30 October 1985, will be held in Florence on 12 March. This letter sets the scene.
2. The last Anglo-Italian Summit was held on 18/19 October 1984 in London. Since then the two Prime Ministers have met several times, most recently at the Luxembourg Council in December. They had a short bilateral in the margins of President Reagan's pre-Geneva consultation with major allies in New York on 24 October.
3. Italy is sensitive to slights. She sits at some but not all of the world's top tables and resents being consigned to the second division. This was amply illustrated by Craxi's determined lobbying of G5 members about Italy's exclusion. Italians consider that their political standing, as a democracy and as a member of the alliance, as well as their economic performance (Italy may by certain economic yardsticks soon overtake the UK), entitle them to equal treatment with the other three major West European powers. In Britain, we tend to underestimate both Italy's influence and her relative consistency of purpose, well exemplified in recent years by her firm policy over INF deployment. She will hold a seat on the Security Council in 1987-88. Within the European Community, Italian support can be useful in furthering British objectives: Italian opposition, especially when added to that of France and Germany, can be damaging (as at the Milan Summit). Failure to pay Italy the attention she considers she deserves can therefore carry costs: it is always important to show the Italians that we take them seriously.

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Our Objectives

4. Our main objectives at the Summit are:
- (a) To bind the Italians as closely as possible to us in the crucial area of defence and arms control issues.
  - (b) To get Craxi's support for our objectives for the Presidency, and the need for CAP reform.
  - (c) To keep Italian ambitions for political cooperation realistic (particularly on the Middle East).
  - (d) To welcome the determination of the Italian Government to combat international (particularly Libyan-supported) terrorism, and to compare notes on how best to foster close counter-terrorist cooperation both bilaterally and multi-laterally.
  - (e) To coordinate our aims and tactics for the Tokyo Economic Summit.
  - (f) To further our own objectives in civil and military industrial collaboration.
5. A note on our bilateral relations, the Italian internal scene and Italian foreign policy is attached.

Participation and Agenda

6. The Prime Minister will be accompanied by the Secretaries of State for Foreign and Commonwealth Affairs, Defence, the Home Department, and Trade and Industry. The Italians have let it be known that, like us, they favour a small team.

7. The main areas for discussion are likely to be:

(i) Arms Control, Defence and East/West Relations

Craxi - the first Western leader to meet Gorbachev after he became General Secretary - will be keen to discuss the latest messages from Moscow and how they affect Europe's interests and objectives in the East-West and strategic fields. The Italians are generally sound on these issues (including such detailed aspects as EC/CMEA relations) and should be useful allies in resisting Soviet wedge-driving.

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They have fulfilled their responsibilities under the INF basing programme conscientiously and with no real domestic difficulty. We should canvass their support now on such specific points of British interest as the handling of third-country nuclear systems. An important sub-theme, to be pursued between the Foreign and Defence Ministers, will be European defence: the strength of Britain's commitment to such ventures as the IEPG and WEU "revivals", and our value and good faith as partners in equipment collaboration. This theme has an obvious connexion with that of civil technology, and should help to put the Westland episode (see (vi) below) in a better perspective.

(ii) WEU

The Summit comes before Foreign and Defence Ministers are due to meet at Venice (29 and 30 April) during the current Italian Presidency of the WEU. The difficult question of possible enlargement of the WEU is expected to be on the agenda, and prior bilateral discussion with the Italians at the summit could be opportune.

(iii) Community affairs

These are unlikely to loom as large as in the November summits with France and Germany. We hope that the inter-governmental conference agreement will have been approved by Denmark as well as the other member states by 12 March. The Prime Minister will wish to brief Craxi on our plans for our Presidency and we hope will support a meeting with Craxi in London (not in a full-fledged summit) before our European Council on 5-6 December, ideally agreeing a date with him. The main focus of attention in March will be the CAP price fixing. It might be useful to provide the Prime Minister with some statistics showing the need for CAP reform which she could hand over to Craxi. But we suggest that the main discussion on the Community might take place between the Foreign Secretary and Andreotti.

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(iv) Terrorism

Italy has become increasingly active in countering Arab-inspired terrorism following the number of incidents on Italian territory or against Italian interests in recent months. But Italian interests are also vulnerable to Libyan action. Our counter-terrorist cooperation with Italy is close both bilaterally and in multilateral fora. Talks will take place in late February on the revision of the Anglo-Italian extradition treaty.

(v) Regional Issues

These are likely to include the Horn of Africa; the Middle East (Italy's major source of energy and an important market); Libya (where Italy is our protecting power and has a large community); Latin America (where Italy has historical ties, particularly with Argentina whom she supported at the UNGA in 1985); South Africa; and Third World debt.

(vi) Industrial Collaboration

We agree on the importance of civil and defence industrial collaboration. A meeting of senior Foreign Ministry officials in February will prepare the agenda. In the high technology field, the Italians have proved a useful counterweight to potential French and German domination of Eureka, and the summit is an opportunity to discuss joint projects. Aerospace has been the field in which the greatest advances have been made: notably our partnership in the Tornado, the EH101 helicopter project and the European Fighter Aircraft. The Italians are likely to want to discuss Westland in the light of the situation then reached. The Italians' attitudes to industrial collaboration with the UK may have been affected by the Westland affair, though government opinion is divided between those whose sympathies lie with the European consortium and others who favour Sikorsky/Fiat. The Italians will welcome any assurance we can provide over safeguarding future collaboration with Agusta and over our continued commitment to wider European collaboration.

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(vii) Aid

During the past year or so senior officials have had occasional but valuable exchanges about aid. Italy is rapidly becoming a major aid donor and is heavily committed in Africa. There are indications that the Italians would welcome regular high-level consultations about aid. It would be useful if Foreign Ministers could agree at the Summit to set up regular consultations on development aid.

Public Handling

8. The summit will be announced about ten days in advance. We shall arrange a pre-summit briefing of the British press in London by senior officials. The summit will end with a press conference, which will probably be held in the historic Pitti Palace. We intend to prepare and discuss with the Italians ideas on what to highlight. Themes that might be included are: successful British-Italian defence and industrial collaboration ventures; our commitment to and cooperation in Eureka; our common approach to terrorism and cooperation on counter-terrorist measures; our aim to promote cultural interchange; the British-Italian Round Table in May.

9. We would welcome ideas from Whitehall Departments on areas of cooperation with Italy which can usefully be highlighted in this way.

Programme

10. Subject to final confirmation from the Italians, the Prime Minister's delegation will arrive in Florence at 1030 on 12 March. The Prime Minister will have a one hour tête-à-tête with Craxi, after which they will be joined by Foreign Ministers. Separate talks will be held between the Secretaries of State for Defence, the Home Department, and Trade and Industry and their counterparts. A plenary meeting will take place at 1230, lunch at 1400, and a joint press conference at 1530. The Prime Minister would leave for London after a brief (half hour) visit to the nearby Sala dei Cinquecento.

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Briefing

11. We envisage that the Prime Minister would have only a steering brief and a summary of the main points likely to be raised at the plenary. It would be for Departments to brief their own Ministers for their bilateral talks, clearing the briefs as necessary with other Departments. If there are any topics on which Departments think it essential that the Prime Minister should have a separate subject brief, would they please let us know as early as possible?

*Yours ever*  
*Antony*

Antony Acland

cc:

Sir Peter Middleton KCB  
HM Treasury  
Sir Michael Franklin KCB CMG  
MAFF  
Sir Clive Whitmore GCB CVO  
MOD  
Sir Brian Hayes KCB  
DTI  
Sir Brian Cubbon GCB  
Home Office

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ANNEX

Bilateral Relations

1. In 1985 this relationship was mixed. The goodwill engendered by the colourful and successful visit by the Prince and Princess of Wales in the spring was overtaken by the Brussels football disaster and the disharmony of the Milan European Council under the Italian Presidency. But Heysel seems unlikely to have long enduring effects and Milan was superseded by the more realistic results of the inter-governmental conference. The election of the Anglophile President Francesco Cossiga augurs well, as does the prospect of a State Visit to Britain during his period of office (perhaps in 1987). Britain continues to have close and active cultural links with Italy within the limits of the resources available. The British-Italian Round Table is an increasingly useful component of bilateral relations.

2. The Italians officially protect British interests in Libya. Although our approach differs on some Community issues (eg reform of the Common Agricultural Policy and the role of the European Parliament), on East/West matters and transatlantic relations, and on security and defence we are in fundamental agreement.

Internal Situation

3. In an unprecedented period of governmental stability, Craxi, Italy's first Socialist Prime Minister, is now in his third year in office and leads the country's longest serving government since 1945. In the 1985 local elections the coalition consolidated its position, regaining political control in the provinces and ousting the Communists in Rome, Genoa, Milan and Venice. But although his personal popularity has grown, there is no love to spare between Craxi and his partners in the five-party governing coalition. The Christian Democrats, as dominant partner, are thought to want to reclaim the Prime Ministership in 1986, their confidence boosted by the election of Cossiga, their candidate, to the Presidency. The Spring 1986 party political congresses may prove a decisive time for the coalition's future. But with the coalition disunited over the 1986 budget, change may come sooner.

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The Economy

4. Some economic indicators have given the Italian Government cause for satisfaction in a country where statistics are more fallible than usual and may underestimate national performance. The private sector is buoyant and there have been improvements in the showing of the state holding companies. The climate of industrial relations improved in 1985; and monetary restraint and restriction of wage indexation (sanctioned by the voters in a referendum in June) have helped to bring inflation down from 16% in 1983 to 8.6% in 1985. But public debt is expected to exceed annual GDP in 1986, putting Italy behind her European partners in this respect. At the time of writing, the 1986 Finance Bill, which contains provisions for spending cuts on social policies but no overall increase in taxation, continues to meet blocking opposition in Parliament.

Foreign Policy

5. Aside from her active role in the Community presidency, which did not bring the successes Andreotti had hoped for, Italy also took a stronger line in other aspects of her external relations, notably in standing up to the United States over the Achille Lauro affair and in her condemnation of Latin American dictators. Italy's situation, her vulnerability to Middle Eastern terrorism, and her commercial interests in North Africa and the Middle East (including energy supplies) lead her to pay special attention to the Arab world. Recent terrorist attacks, however, caused the Government to distinguish between their policies towards Libya (and other "rejectionist" states) and towards other Arab governments. The authorities also accept the need to tighten visa procedures, entry controls and the supervision of the large number of illegal immigrants in the country.

6. Within the framework of her alliances and partnerships the Italian line has looked firmer and more confident than in the past. This was reflected in the defence field: despite problems of under-equipped but overmanned armed forces, Italy remained firm in support of INF basing, was a useful ally in WEU, and is close to taking part in the SDI research programme.

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