

PRIME MINISTER

ANGLO-ITALIAN SUMMIT

The Anglo-Italian Summit is on Wednesday.

We hope to compress the whole event into the period 1000-1530. It will follow the usual pattern: tête-à-tête with Craxi: joined by Foreign Ministers: plenary: lunch: press conference. The other Italian Ministers attending are Andreotti, Scalfaro (Interior), Pandolfi (Agriculture), Darida (State Participation) and Zanone (Industry).

The meeting comes only a month or so before Craxi is due to hand over the Prime Ministership to the Christian Democrats. The most likely successor is Andreotti. The main Anglo-Italian event this year will be Cossiga's State Visit in November, which you are to announce at the press conference. The Economic Summit is in Venice in June.

The Italian economy is in good shape. Inflation down to 5 per cent. Growth this year expected to be 3-3½ per cent. But unemployment still high (11.3 per cent) and PSBR is 14 per cent of GNP. It has been suggested that Italy has overtaken us in national income per head. That is true if you use existing exchange rates. But if you use purchasing power parities, we are still 10 per cent ahead.

There are no great themes for the Summit, and you are familiar with all the main issues. There is no need to wade through the briefing.

You might start with East/West relations and Arms Control. Italian views are generally quite close to ours. They are sceptical about the prospects of any arms control agreement during President Reagan's remaining term of office. You will want to describe how you approach your visit to Moscow.

On the European Community, we shall find ourselves increasingly at odds with the Italians over the ex novo review of Community finances. They will want to see a large increase in own resources. You will need to disabuse them, on the lines of your remarks to Delors. The Italians are likely to press for a Community R&D programme of 7.75 billion écu. They are an obstacle to cheaper air fares.

You will want to ask Craxi how he intends to handle discussions at the Economic Summit. Much will presumably depend on the extent to which the US, Japan and Germany take action to reduce current account imbalances before then. The Italians remain very sensitive on the subject of G5 and G7.

It might be useful to have a brief exchange on Terrorism. The Italians are generally helpful (and have handled their own domestic terrorist problem bravely). They recently offered to organise - at American behest - a Summit Seven meeting on the hostages in Lebanon. We and the French said that we would not attend and the Italians dropped the meeting.

If there is time, there are a number of regional issues which could be dealt with. The main one is the Middle East (Lebanon, Arab/Israel, Iran/Iraq).

On the bilateral front, you will want to mention the State Visit. The Italians are much exercised about Ferruzzi's bid (in competition with Tate and Lyle) for British Sugar. Mr. Channon is considering a report from the Monopolies and Mergers Commission. There is to be a fourth Anglo/Italian Round Table in Glasgow in May.

None of it is very riveting. But you will be able to certify at the Press Conference that Anglo/Italian relations are in good shape.

C D P

PRIME MINISTER

ANGLO-ITALIAN SUMMIT: BRIEFING MEETING

You have a briefing meeting this afternoon. It need not take much time. I suggest you ask each department in turn to explain briefly what they expect to discuss, what specific agreements are likely to be reached, and whether there are any particular points for you to pick up in the plenary or the subsequent press conference. I suggest that you follow the order:

- (i) [Home Secretary
Mr. Partridge]

*Secure link between police forces
10/11/87 [at. Italy].*

The main issue is terrorism.

- (ii) Trade & Industry Secretary
Mr. Williams

The main issues are the internal market, liberalisation of air fares and road transport and trade problems with the United States. There is also the Italian interest in the Ferruzzi bid for British Sugar Corporation.

Shipping lib^{ty}

- (iii) Sir Michael Franklin

The main items are CAP reform and the 1987 price fixing.

- (iv) Foreign Secretary
Mr. Thomas

The main issues are East/West relations, the ex novo review of Community finances and the Middle East. You will want to ask Tom Bridges if there are any bilateral points he wants you to raise.

*Italy No free movement of
capital.*

(C.D. POWELL)
9 February 1987
JALBFI

*Insurance - Lloyd can write
non-life insurance*

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Brief No 1
6 February 1987

COPY NO

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ANGLO-ITALIAN SUMMIT, 11 FEBRUARY 1987

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

OUR OBJECTIVES

A GENERAL

- To convince the Italians that we value them as partners and allies of increasing importance: to be symbolised by President Cossiga's State Visit (17-20 November).

B EAST/WEST RELATIONS AND ARMS CONTROL

- To advocate commitment to the Camp David priorities.
- To argue for early Allied agreement on convening talks on mandate for negotiations on conventional arms and for Allied work on substantive proposals.
- To alert Italians to implications of possible early US development decisions on SDI.
- To compare assessments of Gorbachev's position and intentions.
- To encourage continued Twelve/NATO cohesion at CSCE Vienna meeting and firmness on human rights.
- To emphasise need to support Pakistan and importance of a co-ordinated EC approach on Afghanistan.

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C EUROPEAN COMMUNITY

- To seek Italian support for CAP reform in the negotiations on the ex novo review of Community finances.
- To deflate Italian expectations on new own resources and expansion of the structural funds.
- To explain that we shall be looking to build on and improve the Fontainebleau abatement system; and that any change would have to be one for the better.
- To acknowledge Italian cooperation on internal market during our Presidency, and to reiterate importance of liberalisation of internal market including transport.

D INTERNATIONAL ECONOMIC ISSUES

- To explain our views on which subjects should be high on the agenda for the economic summit (G7) in Venice in June: macroeconomic policies (current account imbalances in US, FRG, Japan), trade (GATT, protectionism), action on agricultural surpluses.

E TERRORISM

- To underline importance of no concessions.
- To encourage continued close bilateral and multilateral cooperation in countering terrorism.

F REGIONAL ISSUES

- Arab/Israel. To reaffirm the need for urgency in peace process, while arguing for well targetted European activity.
- Lebanon. To keep Italians steady on hostages and UNIFIL.
- Iran/Iraq. To compare assessments of the threat to the region and of proposals for a settlement; and to agree on no supply of arms.
- South Africa. To underline the importance of maintaining the Twelve's policy; and to avoid further divisions over restrictive measures.
- Central America. To reiterate our support for comprehensive political solutions on basis of Contadora principles.
- Falklands/Argentina. To seek a firm undertaking that advanced Italian torpedoes will not be exported to Argentina.

ITALIAN OBJECTIVES

A GENERAL

- To assert Italy's position as a major power enjoying prosperity and stability.
- To boost Craxi's domestic image.

B EAST-WEST RELATIONS AND ARMS CONTROL

- To review prospects in the light of Italian scepticism about the possibility of an arms control agreement during the Reagan Presidency.
- To compare objectives for forthcoming exchanges with the Russians (in view of the Prime Minister's visit to Moscow, Gorbachev's planned visit to Italy).
- On the CSCE to obtain support for Italian proposal for a scientific forum, for more emphasis on Mediterranean issues; and to compare views on proposal for a conference on "human rights" in Moscow.
- To press for Italy to be included in all important western fora where these subjects are discussed.

C EUROPEAN COMMUNITY

- CAP Reform. To protect Italian farmers from CAP reforms, on the ground that they are not responsible for the major surpluses.
- Ex Novo Review of Community finances. To justify a large increase in own resources on grounds of cohesion, enlargement, development of new policies, existing commitments and a decline in own resources as a proportion of GDP.
- Internal Market. To be lukewarm about the next steps to open the internal market, in the areas of capital movement and financial services (where their domestic market is tightly controlled).
- Transport. On air transport to maintain a restrictive approach to cheap fares; on road haulage to delay agreement on the Commission's liberalisation proposals; on coastal shipping to protect their domestic market.
- R & D. (Possible) To persuade the UK to agree to an EC R & D Framework Programme of 7.735 billion ecu as proposed by the Commission.

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D INTERNATIONAL ECONOMIC ISSUES

- To persuade us that the G7 (and not the G5) should play the central role in the management of the world economy.
- To ensure that Italy is not excluded from groupings (such as G5) to which she feels entitled to belong.

E TERRORISM

- To convince us that they are taking a firm line on terrorism and that they are an effective partner in countering terrorism.

F REGIONAL ISSUES

- Arab/Israel. To press for activity by the Twelve, including representation at any international conference.
- Iran/Iraq. To minimise the importance of their arms sales to Iraq.
- South Africa. To argue that failure to agree on a coal import ban would damage credibility of Twelve's South African policy.
- Central America. To exchange views after the meeting in San José against background of increasing tension.

G BILATERAL

- To press for a favourable decision on the Ferruzzi company's bid for British sugar.

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ARGUMENTS FOR USE
EAST/WEST, ARMS CONTROL

ARGUMENTS FOR USE

A EAST/WEST RELATIONS AND ARMS CONTROL

Gorbachev's position: implications for arms control

- Gorbachev's domestic priority - economic restructuring - points to need for arms control; but not at cost of unmatched concessions.
- Prime Soviet aim still to avoid technological arms race, restrict development of SDI: Gorbachev will use any new opportunities, eg early US development decisions on SDI.
- No sign of coherent high level opposition to Gorbachev's policies, including from military. But, as his Plenum speech shows, although obstruction and inertia hamper his drive for economic change, this will not divert him from exploring possibilities of agreement with US.
- Though disenchanted with Reagan at Reykjavik, Russians keeping open possibility of doing business with him. Looking both for West European influence with Americans, and for opportunities to drive wedges. This was Soviet message recently to Mr Renton.
- Therefore important time to emphasise NATO unity on achievable/realistic priorities, based on Camp David and NATO December 1986 meetings.
- This should be theme of Soviet-European high level contacts (Prime Minister to Moscow; ? Gorbachev to Italy). Urge Soviet Union not to hold up progress through illogical linkages with SDI.
- No question of UK trying to mediate, or of gap between us and US. Firm allied message could have effect on Gorbachev.

East-West relations: Human Rights: Soviet Internal

- Russians trying to narrow everything down to arms control and international security. West must maintain broad front approach - arms control, human rights and contacts, regional questions.
- Logic of this: human reasons; but also arms control requires greater confidence, which in turn means progress on human rights. Release of Sakharov, Orlov etc welcome. But too early to speak of fundamental changes.
- Same applies to 'democratisation' which Gorbachev sees as instrument to revive the Party. Should not jump to conclusions that

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one party rule is about to crumble.

CSCE

- Must keep up pressure at Vienna CSCE Meeting; focus discussion on Western proposals. EC/NATO cohesion vital.
- Soviet proposal for Moscow "Human Rights" Conference poses problems. No question of attending without strict conditions. But should not foreclose on possibility: proposal gives West leverage over Soviet human rights performance.

Conventional Stability

- Disturbed that procedural wrangles (US-France) have held up both issuing of invitation to Warsaw Pact for mandate talks and alliance work on substance of conventional negotiations.
- Further delay will seriously embarrass Allies at Vienna CSCE meeting and give Russians propaganda advantage.

Afghanistan

- Soviet signals that they seriously want negotiated settlement have interested Pakistan, who are under domestic pressure to get rid of Afghan refugees.
- No evidence of any real change in Soviet policy. Doubt that Russians are under sufficient military external or domestic pressure for them to accept genuine compromise.
- Najib intends to keep key posts for Communists despite national reconciliation process.
- Little prospect of present moves leading to genuine settlement. Immediate Soviet aim to detach Pakistan from the US and the Mujahedin, and split the latter.
- Important for West to coordinate response to Soviet initiative; complete Soviet troop withdrawal key to settlement. Should also support Pakistan and encourage Pakistanis and Mujahedin to develop joint political strategy [internationally to counter Soviet/regime propaganda and test Russians].
- But must not fall into Soviet propaganda trap, and appear to be wrecking chances of genuine settlement.

B EUROPEAN COMMUNITY

CAP Reform: Community proved political will to tackle CAP with decisions on milk and beef.

- Must build on this to put CAP on permanently sound footing.

Ex Novo Review of Community Finances: Background very different from last time; need for CAP reform accepted; doubt any increase justified when half Community budget spent on surpluses, yet 90% of Europeans not in agriculture.

- Commission recognises that financial guideline cannot control CAP spending, that control of public expenditure not working, that dubious budgetary practices have been introduced. Effective, automatic mechanisms to required control agricultural commodity regimes and to constrain spending essential.

- Massive expansion of structural funds not justified by cohesion or by internal market. Need to concentrate funds: but not to detriment of declining industrial regions or effective measures against long-term unemployment.

- UK remains, despite VAT abatements, second largest net contributor. Net contribution £750 million pa and set to grow steadily even on 1.4% VAT ceiling. Will seek improvements in Fontainebleau mechanism; prepared to consider generalised systems.

- Fontainebleau and Own Resources Decision say 1.4% VAT ceiling may be raised on 1 January by unanimous decision of the Council and after agreement has been given in accordance with national procedures. We stick by that.

Internal Market: Grateful for substantial Italian movement on the package of 13 measures agreed during the UK Presidency following the Prime Minister's letter to other Heads of Government. Looking forward to even faster progress when Single European Act comes into force.

- Must keep up momentum, particularly on free movement of capital, financial services including non-life insurance.

Transport: Political agreements at June and December's Transport Councils on road haulage and air transport must be followed up by early action to liberalise both areas.

- Regret failure to reach agreement in December on liberalisation of coastal shipping markets. Still an important issue.

C INTERNATIONAL ECONOMIC ISSUES

Venice Summit

- Economic discussions at Venice Summit will be easier if there has been prior US/FRG/Japanese action to reduce current account imbalances.
- No quick fix: but important that right signals are given (FRG tax reduction, Japan to do more to stimulate domestic demand, US action on budget).
- December US trade figures have temporarily deepened market unease.
- Summit communique language on trade will need careful handling. Agriculture a priority; Summit must stress need to reduce domestic support policies, encourage OECD work. Clear message needed to contain protectionist pressures; this would help US domestically.

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ARGUMENTS FOR USE
TERRORISM

D TERRORISM

- Welcome effective cooperation which already exists.
- Continued closest cooperation on counter terrorism essential both bilaterally and multilaterally.
- Our firm policy is no concessions to terrorists. This was first principle endorsed by London European Council statement 6 December 1986. Concessions only invite more hostage taking.
- Welcome practical measures taken by Italy and support for firm measures against Syria. Must keep pressure on states involved in terrorism; no sign Syria has mended her ways.
- Concerned over exchange of prisoners with Libya in 1986; understand humanitarian considerations but exchanges endanger others.
- Five Abu Nidhal terrorists in UK prisons.
- We are pursuing President Cossiga's request for attachments of members of Italian security forces
- Look forward to close cooperation at all levels during Italian chairmanship of Summit Seven.
- Regret unable to agree to Summit Seven Experts Meeting on hostage problem: such a meeting might send wrong signals to kidnappers: understand French and Germans also had reservations.
- Understand Awni Hindawi released on bail but still faces criminal charges: when will he come for trial?
- (If raised) Prefer to concentrate on improvement of existing cooperation arrangements (TREVI, Political Cooperation, G7, Council of Europe) rather than duplicate effort on lines of President Cossiga's proposal to establish Interpol equivalent limited to EC or a smaller group.

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ARGUMENTS FOR USE
REGIONAL ISSUES

E REGIONAL ISSUES

Arab/Israel: Outlook worsening.

- Important to target activity. High profile European initiative not appropriate now: risk of exposing Europe's inability to deliver.
- Quiet diplomacy preferable.
- Welcome emerging consensus on utility of international conference. But many procedural problems still to be resolved.

Lebanon: No concessions even over Waite. He acts independently of governments. Seeks release of all hostages. Waite met Mrs Molinari (wife of Italian hostage) in January.

- Welcome Italian role in UNIFIL. UNIFIL remains force for stability in South Lebanon; shows international concern.

Iran/Iraq: Conflict threatens stability of the whole region. Moves at UN to engage Iranians in discussion to be encouraged.

- Our arms sales policy strictly impartial; sell nothing to either side which will enhance capability to prolong or exacerbate the conflict.

South Africa: Common policy by Twelve a major achievement in 1986. Should seek a fresh practical political contribution to promote dialogue and peaceful change.

- UK could accept coal import ban if all Partners agreed, but no sign of this.
- Important to help enable FLS to reduce transport dependence on South Africa. Must encourage FLS to take realistic view of implications of sanctions and South African retaliation. UK not prepared to cushion them from effects of sanctions they impose.

Central America: Convinced that limited bilateral agreements in Central America will not deal with basic problem or lead to peace.

- Must recognise US strategic and security interests. But do not believe solution lies in military action.

Falklands/Argentina: Opposed to possible supply to Argentina of equipment which could increase threat to Falklands and our forces.

- Recall Chancellor Kohl's assurance on non-supply of advanced torpedoes to Argentina; disappointed Italy unwilling to give corresponding undertaking.

F BILATERAL RELATIONS

State Visit

- Intend to announce the visit and the dates (17/20 November) at the press conference.

Industrial and Scientific Collaboration

- Welcome recent valuable Ministerial and official exchanges.
- Welcome commitment of British and Italian companies.
- UK committed to continuing industrial and scientific collaboration on European scale as in Tornado, EFA and the EH101 helicopter project.
- Commitment to EH101 unaffected by development difficulties: hope recent efforts will ensure no further slippage.

Ferruzzi/British Sugar

- (If raised) Mr Channon considering Monopolies and Mergers Commission report on rival bids by Tate & Lyle and Ferruzzi for British Sugar.

Round Table

- Now well established; fourth Round Table to be held in Glasgow on 14 and 15 May.
- Theme "Man and his Environment" fits with EC Environment Year.

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RESPONSE TO THEIR ARGUMENTS

OUR RESPONSE TO THEIR ARGUMENTS

A EAST/WEST RELATIONS AND ARMS CONTROL

- Reagan still well placed to achieve national consensus for agreement. Wrong to waste that opportunity.
- Russians are showing signs that (despite frustrations) they too want to reach agreements quickly. Temperamentally Gorbachev activist.
- Will look carefully at proposal for scientific forum. Might it not duplicate other work, and give opportunity to East to raise COCOM and transfer of technology?
- Agree that Mediterranean issues must feature at Vienna; but keep time spent on them in proportion, and avoid "regionalisation" of CSCE.

B EUROPEAN COMMUNITY

CAP Reform: Better for farmers to have gradual reforms that head off future trouble than last ditch measures imposed to stop regimes collapsing (eg milk quotas).

Ex Novo Review of Community Finances: No link between cohesion and internal market: latter our obligation and of benefit to all. Italy already major recipient from Structural Funds. (In 1986 Italy received 22% of Social Fund; UK 16.4%; and 35% of Regional Fund; UK 24.4%). Structural Funds increased in real terms by 47% since 1984.

- Enlargement was used to justify increase to 1.4% VAT. New policies and existing commitments must be financed by cutting back on CAP spending.

- No question of move to 1.4% GDP ceiling (2.2% of VAT). See no case to introduce new Community taxes. We want to cut taxes, not raise new ones. Doubling of structural funds not appropriate.

Transport: In transport, where liberalisation has been tried, it brings more business to industry and cheaper services for the customer.

R & D: (Defensive) Cost of Framework Programme should be product of assessment of EC's R & D/Industrial needs at Community level and resources available to meet them. Cannot expect to spend more in every research sector. Must concentrate on priority subjects.

- Like France and Germany we believe a Framework Programme of high quality, and industrial relevance could be constructed for around 4 billion ecu in addition to 750 mecu of payments still outstanding from the First Framework Programme.

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RESPONSE TO THEIR
ARGUMENTS

C INTERNATIONAL ECONOMIC ISSUES

- We are alive to Italian concerns about G5. That was why UK supported formation (at Tokyo Summit) of G7 Finance Ministers.
- But it was also clearly agreed at Tokyo that G5 should continue.

D TERRORISM

- Essential we adhere to European Council's agreement on principle of no concessions. Concessions lead to more hostage taking.

E REGIONAL ISSUES

- Arab/Israel; prime role in search for settlement must lie with the parties. Urge US to fulfil crucial role.
- Not opposed to idea of conference. Need careful preparation to achieve results. Danger of "pre-cooking" alienating those not brought in at early stage.
- Participation by 12 as a body in international conference would only increase problems: hard to reach consensus; other groups claim equal right to participate; increase Israeli/US fears of a ritual talking shop.
- Role for Europe as guarantor of settlement. "Declaratory diplomacy" no positive contribution.
- Iran/Iraq: Would welcome explanation of Italy's commitments to both Iraq and Iran.
- Proposed sale of warships to Iraq would destroy impartiality and not contribute to a solution.
- South Africa: Twelve's credibility will be worse damaged if we continue to draw attention to our differences. Restrictive measures are not a policy in themselves; only one way of signalling our concern to SAG.
- Central America: Continue to encourage Contadora efforts.
- Guatemala City meeting of EC/Central America/Contadora Ministers practical demonstration of our support.

F BILATERAL ISSUES

Ferruzzi/British Sugar

- Mr Channon considering Monopolies and Mergers Commission report on rival bids by Tate & Lyle and Ferruzzi for British Sugar;
- This will take time, cannot announce MMC recommendations until report published.

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BACKGROUND

EAST/WEST, ARMS CONTROL

BACKGROUND

A EAST/WEST RELATIONS AND ARMS CONTROL

Conventional Arms Control

- "Brussels Declaration" on Conventional Stability in Europe issued at NATO Foreign Ministers on 11 December.

- East/West contacts proposed by Declaration expected to begin shortly in Vienna but held up by US-French difficulties over participation in eventual negotiation. Differences over procedure also blocking Allied work on substantive proposals for tackling East-West conventional imbalance.

Soviet Internal: Recent events

16 December: Removal of Kunaev, Kazakhstan Party leader followed by riots in Alma-Ata in protest at his replacement by a Russian.

18 December: Sakharov released from internal exile.

27-28 January: Central Committee plenum. Personality changes less far-reaching than rumoured; more criticism by Gorbachev of obstructive bureaucratic attitudes. Sweeping criticism of Brezhnev years; calls for secret ballots, multiple candidates in regional elections. Extraordinary Party Congress to be convened (first since 1941) to discuss reform proposals.

Soviet-Italian Relations

- Gorbachev's visit to Italy agreed in principle: no date. Italian Political Director visited Moscow in last week of January.

Afghanistan

Ceasefire

- On 30 December Najib announced a six month ceasefire. Mujahedin, rejected ceasefire and countered with proposal of interim resistance government to supervise elections to Islamic Parliament. But evidence of divisions among the seven groups.

Islamic Summit

- Relatively moderate language in communique, signalling that Russians could improve relations with Islamic countries if they withdrew their troops.

National Reconciliation

- Najib also announced willingness to negotiate with opponents, with aim of broadening the base of the regime; but participants in a new government would have to accept present leadership and policies.

B EUROPEAN COMMUNITY

CAP Reform

- Craxi and Andreotti have repeatedly said that the Community could not go on producing and storing surpluses as at present. Craxi made a strong attack on the CAP in December, saying that "with its contradictions and distortions [it had] its back to the wall". When Delors visited Rome on 10 January, Craxi was reported as supporting CAP reform "so long as it did not require indiscriminate sacrifices by those farmers who had not contributed to the present stockpiles". Italy is a major CAP recipient. In 1985 it received 17% of CAP funds, while contributing 14% to the Community budget.

Ex Novo Review of Community Finances

- Delors in UK on 5 February as part of tour of EC capitals on ex novo review. Commission likely to propose at end February an increase in own resources to 1.4% of EC GDP (=2.2% VAT), the introduction of new revenue sources, CAP reform including automatic "stabilisers" to avoid future overruns, doubling of structural funds and their concentration on poorer regions.

- Commission ideas welcomed by Italians, who generally support CAP reforms which cut overproduction of non Mediterranean crops; and are major beneficiaries of the structural funds. Italy has made much of SEA commitment to "cohesion" which it sees as an quid pro quo for completion of the internal market. Italy is unsympathetic to continuation of current arrangements for UK abatements.

Internal Market

- Italy had more difficulty than most with package of 13 measures about which Prime Minister wrote to EC Heads of Government but eventually substantially agreed.

- Italians may oppose directive which will lead to significant liberalisation of capital movement and financial services. Their attitude on the mutual recognition of test data and certification, an essential precondition to progress on standards, is also unclear.

Transport

- Italy is restrictive both on air transport and coastal shipping. UK may take some member states including Italy to ECJ on shipping cabotage if Commission do not do so.

BACKGROUND

ECONOMIC ISSUES

C INTERNATIONAL ECONOMIC ISSUES

- Italian anxieties about the existence of the G5, which surfaced after the Plaza meeting in September 1985 (Craxi sent a message to the Prime Minister, Goria to the Chancellor) have not disappeared, despite the creation of the G7 at Tokyo specifically to meet Italian and Canadian concerns.

- Goria wrote to the Chancellor of the Exchequer on 29 December 1986 inviting G7 Ministerial colleagues to a meeting in Italy to discuss recent developments in financial markets. Craxi made the same proposal in a message to the Prime Minister on 29 January following press speculation about possible G5 meetings. The Prime Minister replied on 3 February, reaffirming our commitment to the agreements reached at Tokyo and suggesting that these issues be discussed at a (previously arranged) meeting of G7 Deputies in Rome on 4 February. A G7 Ministerial is now unlikely to take place before April.

Economic Summit

- Preparations for the Venice Summit are at an early stage. Personal Representatives are meeting in Florence under Italian Chairmanship on 4-6 February for a preliminary discussion of likely themes.

- First indications that the Italians share most of our economic objectives for the Summit: but place greater emphasis on developing country issues (including debt).

D TERRORISM

Italian approach to Terrorism

- Approach more robust over past two years. One national (Molinari) held hostage in Lebanon. Italy is committed to EC measures against Libya and Syria; and has fully accepted the consequences for relations with Libya (where Italy continues to protect our interests). The Italians have taken practical measures including the conclusion of a new Extradition Treaty with the UK (signed in March 1986 in Florence but not yet ratified), tighter immigration controls and stricter control of foreigners in Italy.

Meeting on Hostages

- Italians proposed an emergency meeting of Summit Seven experts on hostages in Rome on 6 February at US suggestion. Both we and French unenthusiastic, Germans also reluctant. We prefer close bilateral contacts on this delicate issue.

New Counter-Terrorist Machinery

- When President Cossiga saw the Prime Minister on 23 November 1986, he urged closer cooperation within the EC against terrorism and proposed the establishment of an Interpol equivalent limited to the EC or a smaller group, to exchange information and assessments. But better not to complicate the already effective cooperation in TREVI and in Political Cooperation. A smaller European group would also cause problems with those who were excluded.

Exchange of Prisoners

- Three Libyans were released from Italian gaols in October 1986 in exchange for four Italians held in Libya. The Italians explained the deal on humanitarian grounds.

Terrorists Detained

- Awni Hindawi (cousin of Nezar Hindawi) charged with membership of armed band.
- Sarhan, survivor of December 1985 Rome attack.
- A member of the Hawari group (a known terrorist), on immigration charges.

E REGIONAL ISSUES

Arab/Israel

1. King Hussein visited France and Italy on 12-23 January. Peres here on 21-23 January showed no evidence of fresh Israeli thinking or sense of urgency in search for peace. Murphy shuttle 5-15 January: he took no new ideas but renewed the efforts made last year to help the parties "pre-cook" the modalities for an international conference. He confirmed that the Israelis and Jordanians are prepared to stand by the limited understanding reached last year but seems to have made little progress towards bridging the gap between them on the main problems - Soviet and Palestinian participation and the link between a conference and direct negotiations. Following Prime Minister's meeting with President Reagan in November 1986, we are urging the US to play a more prominent role.
2. Some pressure within the Twelve for a more prominent role. In the 14/15 January meeting of the Political Committee, the Italian joined the Belgian Presidency in arguing that the Twelve should be represented at any international conference.

Lebanon

3. Hostages: Alberto Molinari, insurance businessman, long-time resident of Beirut, kidnapped 11 September 1985. Captors unknown, possibly Islamic Jihad.
4. UNIFIL: Forty-eight Italian soldiers flying helicopter logistic support for UNIFIL. Italy solid on UNIFIL, voted in Security Council 15 January for renewal of mandate to 31 July. No Italian UNIFIL casualties.

Iran/Iraq

5. Three Iranian offensives since Christmas Eve; halted approximately 10 miles from Basra. Seven missiles on Baghdad this year. Further claims of Iraqi use of chemical weapons. UNSG still only hope of settlement. Italy contracted to sell 4 warships to Iraq before the revolution. Delivery held up for lack of finance.

South Africa

6. South Africa is not a prominent issue in Italy; Italian Ministers have until recently limited themselves to low-key condemnations of apartheid, calls for dialogue and respect for human rights. They have not been enthusiastic for sanctions. But

following his meeting with the NAM delegation in October, Andreotti favours a ban on coal imports from South Africa (Italy reportedly has three-year contracts for South African coal which would not be affected). He argues that the credibility of the Twelve's measures is at stake having been overtaken by the US measures and their effect on international opinion. Andreotti is said to support a ban on import of South African agricultural products (advocated by NAM Ministers). This is not entirely altruistic: it would improve the EC market for Italian produce.

Central America

7. Italian position close to ours but some suspicion that UK less supportive of Contadora and EC/Central America cooperation.

8. US Congress approved \$100 million military aid for Contras in October 1986. In January Shultz emphasised US policy of military pressure on Nicaragua through Contras: Assistant Secretary Abrams said US objective to "see the Sandinistas out of office".

Ambassador Habib is saying that US still support Contadora settlement.

9. Contadora and Support Groups plus Secretariat General of UN and OAS visited Central American States 18-19 January to try to reduce tension and revive peace process. Little result. Meeting of Ministers of EC/Central America/Contadora States in Guatemala City 9/10 February to reiterate support of all for negotiated settlement on basis of Contadora principles and rejected use of force.

Falklands/Argentina

10. The Italians claim to be concerned that the Germans may sell Surface and Underwater Target (SUT) torpedoes to Argentina, to Italian commercial disadvantage. With German consent, HM Ambassador last September gave Andreotti a copy of Chancellor Kohl's letter of 24 July 1986 to the Prime Minister, which reaffirmed his assurance that the export of advanced torpedoes to Argentina would not be authorised as long as the situation in the South Atlantic was unsettled. But despite this Italian officials profess to be unconvinced of German intentions.

11. In registering disappointment at their reaction to Chancellor Kohl's letter we need to repeat our opposition to any possible Italian sale of SUT torpedos to Argentina.

F BILATERAL RELATIONS

1. The Italians consider that their political and economic standing entitle them to be treated on an equal footing with the UK, France and Germany in NATO and the EC. Maintaining regular bilateral summits confirms the importance we attach to the bilateral relationship. Originally established on a twice yearly basis, summits are now at roughly annual intervals. The next would normally be in Italy in 1988 and it will be for the Italians to propose dates.
2. State Visit: President Cossiga has now formally accepted the Queen's invitation to pay a State Visit from 17-20 November. We have agreed with the Italians to announce the timing at the Summit press conference. The Italians are anxious for the programme to include an address to both Houses of Parliament.
3. Ferruzzi/Tate & Lyle/British Sugar: Tate & Lyle bid for British Sugar, a subsidiary of S & W Berisford in April 1986. This was referred to the Monopolies and Mergers Commission. Hilldown Holdings was also involved in a bid which was referred. Ferruzzi then bought out Hilldown Holdings' stake and also bid for British Sugar. This bid was referred to MMC. The report on both Ferruzzi and Tate & Lyle bids was submitted on 16 January. It is under consideration; publication and an announcement expected within a month. Italian Ambassador wrote to Foreign Secretary in support of Ferruzzi on 21 January.
4. Industrial Collaboration: A meeting in London on 29 January of senior officials from Foreign, Defence and Trade Ministries discussed main areas of cooperation. EH101 helicopter project has suffered development delays over the past year. First flight now due summer 1987, largely due to lack of firm management. Imperative project now brought quickly back under control. Joint Augusta/Westland company now taking steps to tighten up management.
5. Mr Butcher, PUSS at the DTI, visited Italy for talks on telecommunications cooperation on 2-4 February.
6. British Italian Round Table: The Prime Minister and Signor Fanfani agreed in 1983 to establish a Round Table to bring together academics, journalists and businessmen from both countries to discuss issues of current interest and future importance. The fourth Round Table will take place in Glasgow on 14 and 15 May.

PRESS HANDLING

1. The joint press conference will be held at 12 Downing Street. Each side (host first) makes an opening statement before questions.

Points for the Prime Minister to draw on in her statementA Bilateral

- Relations particularly close; fourth summit with Craxi.
- Symbolised by President Cossiga's acceptance of HM The Queen's invitation to pay a State Visit to the UK on 17-20 November.
- Close cooperation between our two countries on key policy issues including East/West Relations, arms control, counter terrorism.
- Also close industrial collaboration particularly in aerospace (Tornado, EFA, helicopters) growing collaboration in other technological fields (telecommunications, defence equipment).

B East/West Relations and Arms Control

- Full and useful discussion of East/West relations and the prospects for arms control.
- Agreed that the key to progress lies in the priorities for arms control which President Reagan and I agreed at Camp David.
- Despite certain welcome signs in the field of human rights, such as the release of Doctor Sakharov, the overall picture remains bleak.
- Western countries should continue to press strongly both at Vienna in the CSCE Meeting and bilaterally for progress.
- Reviewed the situation in Afghanistan, where the key remains the prompt withdrawal of all Soviet troops.

C European Community

- CAP Reform: Both sides recognise that situation where half the Community budget is devoted to storing and disposing of CAP surpluses cannot continue. We made an excellent start on beef and milk in our Presidency. There must be continued adaptation of other regimes.
- Ex Novo Review: We are net contributors to the Budget, Italy a net recipient. So the UK are bound to have a particular concern to

PRESS HANDLING

ensure that money spent on the Community rather than nationally is well spent. But Italy is a net importer of some agricultural products and shares our concern to curb their costs and ensure that Community spending is not taken up by the costs of surpluses.

- The United Kingdom's approach to the renewal of Community finance is the same as our approach at home: if we are spending too much in a particular area and in the wrong way, our answer is not to ask the taxpayer for more but to change the pattern of spending. So for Britain the main focus of the negotiations must be continuing the adaptation of the CAP which is already under way.

- Internal Market: Emphasised benefits to industry and public of liberalisation and creation of the common market. These should remain a priority in 30th anniversary year of Treaty of Rome which made the creation of a true common market a priority.

D Terrorism

- Reaffirmed support for principle of no concessions and need for firm action against terrorism by the international community.

E Regional Issues

- Arab/Israel: There was full agreement on the need to work actively for peace negotiations within an international framework, and to keep closely in touch. The talks also covered Lebanon.

- Iran/Iraq: Agree desirability of early negotiated settlement. Strongly support UNSG's efforts.

- Central America: Both sides emphasised their support for political settlement on basis of Contadora principles. (If necessary) Do not believe problems of the region can be solved by use of force.

The following are attached:

Annex A : Programme

Annex B : Personality Notes

Annex C : Background and Basic Statistics on the Italian
Political and Economic Scene

Foreign and Commonwealth Office

6 February 1987

ANGLO-ITALIAN SUMMIT: 11 FEBRUARY

PROGRAMME

- 0900 Mr Hurd's meeting with Signor Scalfaro
- 1000 Signor Craxi arrives at 10 Downing Street:
Prime Ministers' tête à tête
- 1030 Foreign Secretary's meeting with Signor
Andreotti
- 1030 Other Ministers' individual meetings with
counterparts
- 1130 Heads of Government joined by Foreign
Ministers
- 1200 Plenary
- 1300 Lunch hosted by the Prime Minister
for 1315 for Signor Craxi, Ministers and some senior
officials
- 1500 Joint Press Conference (12 Downing Street)
- 1545 Italian party depart central London
- 1640 Italian party take off from London
Heathrow

BACKGROUND

Internal Situation

1. The Summit will take place in a period of increasing political uncertainty in Italy. Craxi is expected to stand down as Prime Minister in March in favour of a Christian Democrat. The DC-led coalition government which will succeed Craxi's until the next elections (which are due by 26 June 1988 but may be held sooner) will probably be weak. Their choice of a Prime Minister for this period will be difficult. One obvious choice, Party Secretary De Mita, has said he does not want it. So, while the DC need someone credible, both to boost their electoral prospects and to control the coalition during the final months of the Parliament, whoever is appointed could not necessarily expect to continue at the head of the government after the election. The Foreign Minister, Andreotti, is currently favourite to replace Craxi, who will probably leave government for a while. A major ministerial reshuffle is also likely: the PSI will want senior office to compensate for the loss of the Premiership. But, in the tradition of Italian politics, the same principal actors will probably continue to hold the stage; and Craxi, in whatever role, is likely to remain prominent on the political scene for a long time to come. The PSI will remain pivotal in negotiations to form any future government excluding the PCI.

Economy

2. In 3½ years of unprecedented governmental stability under Craxi Italy has enjoyed a period of economic growth and increased self-confidence in their international standing. This has culminated in recent claims that Italy's current national income per head is now higher than that of the UK. This might be true if comparisons are made using present exchange rates. But more reliable estimates made by the OECD and the EC Commission using purchasing power parities suggest that the UK's measured GDP per capita remains around 10 per cent higher than that of Italy. Claims that the greater importance of the black economy in Italy mean that true national income per head is higher in Italy, even on a purchasing power parity basis, cannot be proven or effectively refuted.

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3. Inflation is now below 5 per cent, having been over 16 per cent when Craxi took office. The fall in oil prices has been particularly beneficial to Italy, as has the appreciation of the lira, together with the other EMS countries, against the dollar. The consequent huge terms of trade gain has improved the current account, contributed to the reduction in inflation and provided scope for the Government to raise duty on petrol in order to cut its deficit. GDP growth in 1987 is forecast at between 3 and 3.5 per cent.

4. Short-term prospects look favourable: small business flourishes and State enterprises are returning to profit. But unemployment remains high at 11.3 per cent. Medium and long-term prospects are overshadowed by the accumulation of public debt, which is now roughly equal to annual GDP, and is continuing to grow. In 1986 the PSBR is estimated to have been equivalent to over 14 per cent of GDP (compared with 16.1 per cent in 1985). The target for 1987 is 12.2 per cent.

Foreign Relations

5. Italian foreign policy under Craxi and Andreotti has shown increased energy and self-confidence. Italy is a sound partner in NATO (supporting INF basing and an SDI agreement with the US) and in WEU, and is an enthusiastic advocate of European integration. Her geographical position and commercial interest in North Africa and the Middle East lead her to pay special attention to the Arab world. Elements of major concern in the last 12 months have been international terrorism and relations with the United States, which suffered after the Achille Lauro affair. While Italy remains vulnerable to terrorism, her counter-terrorist policy has shown increased robustness with consequences in particular for her relations with Libya (where she continues to protect British interests). Italian confidence in adopting a firmer policy has been sustained by considerable success in dealing with domestic terrorism.

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ITALY BASIC STATISTICS

			ITALY -----	UK --
POPULATION	(mill)	1985	57.1	56.5
LABOUR FORCE	(mill)	1985	23.6	27.6
UNEMPLOYED	(%-oecd rate)	1984	10.2	12.8
		1985	10.5	13.0
		1986q1	11.3	13.1
GDP	(\$bn)	1985	358.5	447.3
GDP PER HEAD	(\$)	1985	6,280	7,920
ANNUAL RATE OF GROWTH OF GDP	(% pa)	1984	2.8	1.8
		1985	2.3	3.2
INFLATION	(% pa)	1984	10.6	5.0
		1985	8.6	6.1
	12 mths to Nov	1986	4.8	3.5
ANNUAL RATE OF GROWTH OF INDUSTRIAL PRODUCTION	(%pa)	1984	3.4	1.3
		1985	1.4	4.8
ANNUAL INCREASE IN MANUFACTURING UNIT LABOUR COSTS	(%pa)	1984	3.5	3.8
		1985	6.8	6.1
BALANCE OF PAYMENTS ON CURRENT ACCOUNT	(\$bn)	1984	-2.9	2.1
		1985	-4.2	4.6
		1986e	4.8	-.3
TRADE BALANCE	(\$bn)	1984	-6.1	-5.8
		1985	-7.0	-2.7
		1986e	1.3	-11.8
DEFENCE SPENDING TOTAL ARMED FORCES	(% of GDP) (000's)	1983	2.8	5.5
		1985	385.1	327.1
TRADE: UK EXPORTS TO ITALY	(£ mn)	1984	3,466	
		1985	2,904	
	11 mths to Nov	1986	3,105	
UK IMPORTS FROM ITALY	(£ mn)	1984	3,809	
		1985	4,293	
	11 mths to Nov	1986	4,274	

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PERSONALITY NOTES

Signor Bettino Craxi

Signor Giulio Andreotti

Signor Oscar Luigi Scalfaro

Signor Flippo Pandolfi

Signor Clelio Darida

Signor Valerio Zanone

Signor Bruno Bottai

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CRAXI, ONOREVOLE BENEDETTO (known as BETTINO)

Prime Minister and Secretary of the Socialist Party (PSI).

Born in Milan on 24 February 1934. Career as a full-time party official. Milan City Councillor 1960-70. Party Directorate Member since 1965. Deputy for Milan-Pavia since 1968.

He replaced De Martino as Party Secretary in July 1976, when the latter was removed following the PSI's disappointing performance in the general election the previous month. Craxi at this time aligned himself with the small "Autonomist" faction of the party, led by Nenni, and his election as Secretary was due to the support of all the younger (ie less than about 45 years old) members of the PSI National Council, and of Mancini.

The National Congresses of the PSI in 1978 and 1981 over-whelmingly confirmed Craxi's leadership and backed his policy of asserting the party's independence of the PCI. Craxi always wanted to take the Socialists back into government with the DC, but had to bide his time because there was vocal opposition among the rank and file. He was re-elected Secretary of the Party by acclamation at its national congress in 1984.

In early 1980, he narrowly defeated the left wing in a power struggle within the party; since then he has consolidated his position. In April 1980, he took the PSI back into government and was thus able to reward some of his supporters with Ministerial jobs. His relations with the PCI are bad although he continues to exploit the threat of an alliance with them to reinforce his authority with the DC. The left wing of the DC also regard him as an untrustworthy ally and threat to DC supremacy. Craxi made no secret of his ambition to become Prime Minister as quickly as possible. Electoral results suggest that his line is paying modest electoral dividends: in June 1980 the PSI gained 2% to poll 12% in local elections, and they got 11.4% in the general elections of June 1983. He was able to achieve his ambition of becoming Italy's first Socialist Prime Minister because of the drop in the DC vote and morale following the 1983 elections. In 1985 his government became

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Italy's longest serving since the War. It has brought Italy unaccustomed stability, though the Achille Lauro crisis in 1985 caused the Government to offer its resignation, which was turned down by the President.

A tall, dominating figure, he looks older than his years. Fond of good living and eloquent in private conversation, but spends much of his time with close party colleagues isolated from criticism. Held in respect by other PSI Deputies though not greatly loved; generally distrusted by other politicians. Something of a bully. The joke that he was really christened Benito (like Mussolini) says much about his style. But he chooses his words carefully and his salvos are never accidental. Scathing in his attacks on the inequalities and inefficiencies of Italian society, but less eloquent when forced to suggest remedies. A clever self-publicist. Regarded as pro-American but took a firm line over the aftermath of the Achille Lauro affair and on sanctions against Libya. A staunch supporter of NATO's "double track" policy on INF. His readiness to face up to difficult decisions as Prime Minister has won him respect particularly from the business community in the North.

Visited UK as guest of HMG, and attended Labour Party Conference at Blackpool, in September 1976. Caused a lot of trouble over the Falklands affair in 1982, but has taken a much more restrained line since then. Craxi visited London for talks with the Prime Minister in September 1983, and hosted the Anglo/Italian Summit in Italy in January 1984. He attended the London Economic Summit and the Anglo-Italian Summit in Italy in January 1985; and the London Economic Summit and the Anglo-Italian Summit in London in June and October 1984. He had bilateral discussions with the Prime Minister in London in February 1985. Hosted 1986 Summit in Florence.

Married with a daughter who is a journalist and a son who is a member of both the Socialist and Radical Parties. He enjoys basketball.

Little English. Fair French.

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ANDREOTTI, ONDREVOLE GIULIO

Italian Minister for Foreign Affairs (Christian Democrat).

Born Rome 1919, and still lives in the centre of the city. Graduated in law. Served in the army for 12 months 1940-41, and was released for health reasons. He then made his mark in Catholic University politics and student journalism. He worked for a time in the Vatican library, where he was noticed by De Gasperi and taken up as a protege. Was one of the founders of the DC newspaper "Il Popolo" during the clandestine period. Appointed a member of the DC National Council at the party's 1944 Congress in Naples. Member of the Constituent Assembly 1946-48 and a Deputy for Rome since 1948. Under-Secretary in the Prime Minister's office 1947-54; Minister of the Interior 1954; of Finance 1955-57; of the Treasury 1958; of Defence 1959-66; and of Industry 1966-68. DC group leader in the Chamber 1966-72. He was asked to form a government during the political crisis of August 1970 but failed because he was thought too close to the Socialists. Prime Minister of a minority DC government February to June 1972, and of a centre-right coalition June 1972 to July 1973. Minister of Defence under Romor March 1974 to November 1974; Minister for the Budget, Economic Planning and Mezzogiorno under Moro November 1974 to August 1976, when he formed a minority DC government without a parliamentary majority. In early 1978, the PCI were included for the first time ever in the parliamentary majority, supporting Andreotti's fourth government. In January 1979, the withdrawal of the PCI precipitated a crisis and Andreotti headed a caretaker government (his fifth) to prepare for elections. President of the Chamber's Foreign Affairs Commission from 1979 to 1983, he became Foreign Minister in the first Craxi Government (1983).

Andreotti is a supreme political tactician. In 1974 he let it be known that he was one of those Christian Democrats who could envisage a working relationship with the Communists. He was thus the right man for the DC to field as their Prime Ministerial candidate when, after the General Election of June 1976, a parliamentary majority could not be found for a DC-led government. He maintained this delicate balance with the Communists, allowing

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them to make the step forward in March 1978 from abstention to inclusion in the parliamentary majority. He retains the respect of the PCI. Above all, he is good at getting things done; this is a major reason for the success of his career (no Italian has wider political experience). He operates an enormous and efficient patronage system. For years he proved adroit enough to resist attempts to implicate him in scandals. In Autumn 1984 however he had to struggle to survive votes in Parliament on motions calling for his resignation because of his alleged role in the Guidice and Sindona scandals during the Seventies. After initial hesitation the PCI voted for his removal. His reputation also suffered during 1984 from disclosures of the involvement of some of his party henchmen with organised crime in Sicily.

Andreotti successfully survived these attacks and remains a potent political force with a reputation as perhaps the most adroit and possibly the least scrupulous of DC Leaders, with very close links to the Vatican. He almost became President of the DC party in late 1980, of the IPU in September 1982, and Foreign Minister in Fanfani's fifth government in November 1982. He used his position on the Foreign Affairs Commission to maintain his good contacts with many foreign leaders. He had his eye on the Presidency in 1985, until his position was weakened by the scandals which affected him towards the end of 1984 and by the row which followed his unjudicious remarks on "pan-Germanism" at a PCI festa in summer 1984. His policy of maintaining close links with Arab Governments, both moderate and rejectionist, and dialogue with East European Governments has brought criticism from the right. But he has brought greater confidence to the conduct of Italian foreign policy and is respected by his staff.

Although physically unimpressive, with rather a hunch back, Andreotti is a witty and effective speaker, appearing regularly on television. He masters a brief quickly, does his homework thoroughly, and pushes his staff hard. Sometimes initially chilly, he improves on longer acquaintance and is generally very courteous. Friendly towards Britain.

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SCALFARO, ONOREVOLE OSCAR LUIGI

Minister of the Interior (Christian Democrat).

Born at Novara, where he still lives, in 1918. Law Graduate from the Catholic University of Milan. Magistrate. Deputy for constituency of Turin-Novara-Vercelli since 1948. Member of the Party National Council.

Under-Secretary for Labour in the First Fanfani Government (1954) and for Tourism in Scelba Government (1954). Under-Secretary for Grace and Justice in the first Segni and Zoli Governments (1955-58). Under-Secretary for the Interior from 1959-62. Minister for Transport in III Moro, II Leone, and I Andreotti Governments (1966-68 and 1972). Minister for Education in II Andreotti Government (1972-73).

Elected Vice-President (Deputy Speaker) of the Chamber in 1976. Appointed Minister of the Interior in First Craxi Government (1983). He has set about tackling the considerable problems (particularly from drugs, organised crime, and terrorism) facing his ministry in a serious manner, but has yet to come up with effective solutions. Very talkative, particularly in the presence of press microphones, but prone to generalities.

In party terms he was for years close to Fanfani but now tries to take a more independent line. Paid highly publicised visits to Washington and to European capitals in 1985 for bilateral talks. Visited London again and met Mr Hurd in January 1986.

A widower, he has one daughter. No English.

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PANDOLFI, ONOREVOLE FILIPPO MARIA

Minister of Agriculture (Christian Democrat).

Born 1927 in Bergamo. Degree in Philosophy. Began career in business, and has been a Deputy for Brescia since May 1968. Specialised in Treasury and financial matters. Under-Secretary at the Ministry of Finance (the tax-gathering Ministry) during Moro's fourth and fifth Governments (November 1974-July 1976), and Minister of Finance in the third Andreotti Government (July 1976-March 1978). Promoted to succeed Stamatii in the more international job of Minister of the Treasury in Andreotti's fourth and fifth Governments in March 1978.

In July 1979, he was given a mandate to form a government but did not succeed, primarily because of PSI opposition. He remained at the Treasury until the fall of Cossiga's second Government, when he was the sacrificial victim because it was failure to get an economic package through Parliament which led to that defeat. Here Pandolfi's lack of a faction worked to his disadvantage. However, his ability, honesty and energy are recognised and Forlani was glad to bring him back as Minister of Industry after the resignation of Bisaglia. He lost his Ministerial post with the resignation of the Forlani government in May 1981. At the beginning of 1982 he was a candidate for the post of OECD Secretary-General but despite Britain's support he did not get the job. With the formation of the fifth Fanfani government in December 1982, was brought back as Minister of Industry. He was moved to become Minister of Agriculture in the Craxi Government (1983).

Speaks good English and French. Ebullient, oversize and still very Neapolitan.

Married. His attractive wife is of partly English descent.

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DARIDA, ONOREVOLE CLELIO

Minister for State Holdings (Christian Democratic).

Born in 1927 in Rome. He has a degree in law and joined the DC in 1946. He joined the DC Rome Committee in 1947 and later became its Vice Secretary; he also directed the party's youth movement and propaganda office. He was a Deputy for the Rome constituency from 1963 until 1969, when he resigned to become Mayor of Rome (1969-76). He was then re-elected a Deputy in the same constituency.

He was Under-Secretary of State for the Interior in Adreotti's third, fourth and fifth governments and in Cossiga's second government, until being made Minister for Relations with Parliament in early 1980. In Cossiga's second government, he was Minister of Posts and Telecommunications; Forlani gave him the post of Minister of Public Administration in October 1980. Temporarily replaced Sarti as Minister of Justice in May 1981. Appointed Minister of Grace and Justice in the Spadolini-led coalition government in June 1981 and retained this in the Fifth Fanfani Government (1982). He became Minister for State Holdings in the First Craxi Government.

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ZANONE, ONOREVOLE VALERIO

Minister for Industry (Liberal)

Born Turin 1936.

Degree in literature. Journalist. Member of PLI National Council since 1969. Member of Piedmont Regional Council 1970-76. Member of PLI Directorate since 1971. Elected Party Secretary in February 1976. Deputy for Turin since June 1976, but lives in Rome. Member of Chamber Foreign Affairs Commission.

Zanone was elected PLI Secretary in a generational change after the removal of Malagodi following the party's severe defeat in the general election of June 1976, in which it was reduced from 20 to 5 seats in the Chamber of Deputies (it now has 12). Malagodi was thought to have taken the party too far to the right, identifying it with middle-class and business interests, and Zanone tried to give it a more reformist image. At the party's 1981 Congress Zanone led it still further in the direction of an Italian-style "Lib-Lab" alliance, isolating the small group of right wingers who still opposed him. But he is rather grey, and the Liberals did not do as well as they had hoped in the 1983 elections. Re-elected Secretary at the 1984 Congress. In August 1985 he swapped jobs with Biondi and became Minister for the Environment. Appointed to his present Ministry in August 1986.

Zanone is well disposed towards Britain, where his daughter was for a short time at school, and spent his summer holidays there in 1983. He has sought increased contact between the PLI and the British Liberal Party. One of the few leading politicians who goes out and about in Rome. Friendly and sociable. He speaks French but not English.

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BOTTAI, BRUNO

Italian Ambassador to London.

Born in Rome on 10 July 1930. Went to Rome University where he graduated with a degree in Law in July 1952. Joined the Diplomatic Service in 1955, working in the Directorate-General of Economic Affairs. Vice-Consul in Tunis from 1956-58. Second Secretary in the Office of the Italian Permanent Representative to the European Community in Brussels from 1958-61. MFA - Planning Department - from 1961-66. Counsellor in London from 1966-68. MFA - Vice Head of the Minister's Cabinet from 1968-70. Seconded to the Council of Ministers as Diplomatic Adviser to the Prime Minister from 1970-72. MFA - Head of News Department - from 1972-76. Vice Director-General of Political Affairs from 1976-79. Italian Ambassador to the Holy Sees from 1979-81. Director-General of Political Affairs, MFA, 1981-85. Appointed to his present post in November 1985.

A confirmed bachelor. Able and hard working, he has the respect of Andreotti. Likes to travel outside London when possible. Speaks several languages fluently, including English, French, German and Spanish and is widely read.

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ANGLO-ITALIAN SUMMIT 11 FEBRUARY 1987

HANDLING BRIEF FOR PLENARY SESSION

Brief by the Foreign and Commonwealth Office

1. The Prime Minister will take the Chair and report on her discussions with Signor Craxi.
2. The Prime Minister might then invite reports from other Ministers in the following order.

REPORT ON DISCUSSIONS BY FOREIGN MINISTERS

3. Main subjects likely to be included in the report:
 - a) Middle East/Terrorism/Iran Iraq
 - b) EC issues, including ex novo review of Community finances
 - c) East/West Relations

Other items which may be commented on:

- a) South Africa
- b) Central America
- c) Bilateral relations

REPORT ON DISCUSSIONS BETWEEN MR HURD AND SIGNOR SCALFARO

4. Main subject likely to be included in the report:
 - a) Terrorism
 - Developments over last six months in TREVI, meetings of Interior/Justice Ministers in London and at the Council of Europe in Strasbourg.
 - Improved multilateral cooperation; but need for greater cohesion through Trevi and in cooperation with like minded states such as Sweden, Austria.
 - Agreement on importance of external terrorist threat analysis;

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need for discussion by Foreign Ministers as a tool for more concerted political action.

REPORT ON DISCUSSIONS BETWEEN MR JOPLING AND SIGNOR PANDOLFI

5. Main subjects to be included in the report:

- a) Forthcoming CAP price fixing
- b) Reform of the CAP in the context of the ex novo review of Community financing

Other items which may be commented on:

- a) Socio-structural package
- b) Cereals land diversion

REPORT ON DISCUSSIONS BETWEEN MR CHANNON, SIGNOR DARIDA AND SIGNOR ZANONE

6. Main subjects to be included in the report:

- a) Current International Trade Scene
- b) EC R & D Framework Programme (may also be raised by Signor Andreotti)
- c) Regional Policy aspects of ex novo review of Community financing
- d) Steel
- e) Civil Industrial Collaboration including Telecommunications

7. In summing up, the Prime Minister might mention the main points which she and Signor Craxi will aim to bring out at their Press Conference, notably the forthcoming State Visit by President Cossiga on 17-20 November.

Foreign and Commonwealth Office
6 February 1987

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✓ CD/612
MR POWELL (NO 10, DOWNING STREET)

ANGLO-ITALIAN SUMMIT: WEDNESDAY, 11 FEBRUARY

1. Mr Parker of the Foreign and Commonwealth Office wrote to you yesterday about the administrative arrangements for the Anglo-Italian Summit on 11 February.
2. The briefing for the Prime Minister will reach you separately this afternoon. It follows the agreed format for bilateral summits held in the United Kingdom:
 - a steering brief for the Prime Minister's use at her tête à tête with Signor Craxi
 - a short handling brief to guide the Prime Minister at the plenary session. This identifies the main subjects likely to be included in the reports by individual Ministers.
3. A briefing meeting has, as you know, been arranged for 4 pm on Monday, 9 February.
4. I am copying this minute to Mr Parker, FCO and to Mr Woolley.

M H Jay

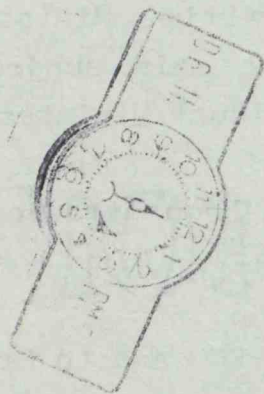
M H JAY

6 February 1987



MR POWELL (NO 10, DOWNING STREET)

ANGLO-ITALIAN SUMMIT: WEDNESDAY, 11 FEBRUARY



M R JAY



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone 01-~~330 7812~~ 218 2111/3

MO 14/7V

6th February 1987

See Andy
CS
d.

ANGLO-ITALIAN SUMMIT

Thank you for your letter to Bill Clark of 3rd February. In the light of Mr Spadolini's decision not to come to the Summit, my Department has advised that Defence representation would not be necessary for Monday's briefing. (I have already conveyed this informally to the Cabinet Office.)

I am sending a copy of this letter to Trevor Woolley (Cabinet Office).

Yours ever
David Ball

(D C J BALL)
Private Secretary

P A Bearpark Esq
10 Downing Street

ITALY: Anglo-Italian Summit Part 4

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1
Telephone: 07-530 1012





FILE
DA
PCP

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 February 1987

ANGLO-ITALIAN SUMMIT

Thank you for your letter of 5 February about the arrangements for the Anglo-Italian Summit. The revised programme looks fine, but I wonder whether we need two hours for lunch. I would have thought that we could plan on finishing lunch at 1430, with the press conference at 1445.

The Prime Minister will not want the session with Foreign Ministers to be so large. We can include Ambassadors but not other officials. This has in fact been the practice at the last three Anglo-Italian summits.

I am grateful for the efforts to restrict attendance at the plenary. But can it be made clear, please, that no-one else will be admitted to No.10. We simply do not have facilities for others to mill about outside the Cabinet Room.

(C.D. POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

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Foreign and Commonwealth Office

London SW1A 2AH

5 February 1987

Dear Charles,

Anglo-Italian Summit: 11 February

Thank you for your letter of 30 January. The Italians have agreed to bring forward the start of the Summit as you suggest.

The programme we now propose is at Annex A. Signor Craxi will arrive in London on the afternoon of 10 February to speak at a dinner hosted by the Lord Mayor of London. He will be met by Mrs Chalker. Signor Scalfaro will also arrive on that day. Signore Andreotti and the other Italian Ministers, Pandolfi (Agriculture), Zanone (Industry) and Darida (State Holdings), will arrive on the morning of 11 February. Signor Spadolini (Defence) will not now be coming.

I should be grateful for confirmation that, as at recent Summits with Italy, the Prime Minister would be content for the Ambassadors and one senior adviser to accompany Foreign Ministers when they join the Heads of Government. The Italians have said that they attach importance to this.

In addition to Mr Stephen Lamport, who will interpret at this meeting on the British side, Signor Craxi will have his own interpreter. For the Plenary Meeting and Press Conference we propose Mr Anthony Lawrence, who has interpreted for the Prime Minister at previous meetings with the Italians.

I attach at Annex B a proposed guest list for the Prime Minister's lunch totalling 27. Those not included will attend a separate lunch at Admiralty House.

At Annex C is a list of those we envisage attending the Plenary Session. We have made clear to the Italians the restriction on numbers because of space.

I am copying this letter to John Howe (MOD), Stephen Boys Smith (Home Office), Shirley Stagg (MAFF), Timothy Walker (DTI) and Trevor Woolley (Cabinet Office). The enclosed lists have been compiled in consultation with their Departments.

Yours ever,

[Signature]

(D Parker)
Private Secretary

ANNEX A

ANGLO-ITALIAN SUMMIT: 11 FEBRUARY

PROGRAMME

- 0900 Mr Hurd's meeting with Signor Scalfaro
- 1000 Signor Craxi arrives at 10 Downing Street:
Prime Ministers' tête à tête.
- 1030 Foreign Secretary's meeting with Signor
Andreotti
- 1030 Other Ministers' individual meetings with
counterparts.
- 1130 Heads of Government joined by Foreign
Ministers.
- 1200 Plenary.
- 1300 Lunch hosted by the Prime Minister
for 1315 for Signor Craxi, Ministers and some senior
officials.
- 1500 Joint Press Conference (12 Downing Street).
- 1545 Italian party depart central London.
- 1640 Italian party take off from London
Heathrow.

ANGLO-ITALIAN SUMMIT : 11 FEBRUARY
PROPOSED GUESTS AT PRIME MINISTER'S LUNCH

ANNEX B

Prime Minister
PS/Prime Minister

(Italian participants in order of
protocol)

Sir Geoffrey Howe

Signor Craxi

Mr Douglas Hurd

Signor Andreotti (Minister of Foreign
Affairs)

Mr Paul Channon

Signor Scalfaro (Minister of the
Interior)

Mr Michael Jopling

Signor Pandolfi (Minister of
Agriculture)

Lord Bridges

Signor Zanone (Minister of Industry)

Mr Derek Thomas (FCO)

Signor Darida (Minister of State
Holdings)

Mr David Williamson
(Cabinet Office)

Ambassador Bottai

Mr Michael Partridge
(Home Office)

Signor Biancheri (Political Director)

Mr Roy Williams (DTI)

Signor Acquaviva (Prime Minister's
Political Adviser)

Mr Derek Andrews (MAFF)

Signor Cavalchini (Notetaker)

(12)

Signor Lattarulo (Ministry of the Interior)

Signor Pricolo (Ministry of Agriculture)

Signor Barattieri (Ministry of Industry)

Signor Castellari (Ministry of State
Holdings)

Signor Badini (Prime Minister's
Diplomatic Adviser)

(15)

ANGLO-ITALIAN SUMMIT : 11 FEBRUARY
PROPOSED PARTICIPANTS FOR PLENARY SESSION AT 1200

ANNEX C

Prime Minister	Signor Craxi
Private Secretary	Signor Badini (Prime Minister's Diplomatic Adviser)
Sir Geoffrey Howe	Signor Acquaviva (Prime Minister's Political Adviser)
Lord Bridges	Signor Andreotti (Minister of Foreign Affairs)
Mr Derek Thomas (FCO)	Ambassador Bottai
Mr Douglas Hurd	Signor Biancheri (Political Director, MFA)
Mr Michael Partridge (Home Office)	Signor Scalfaro (Minister of the Interior)
Mr Michael Jopling	Signor Lattarulo (Ministry of the Interior)
Mr Derek Andrews (MAFF)	Signor Pandolfi (Minister of Agriculture)
Mr Paul Channon	Signor Pricolo (Ministry of Agriculture)
Mr Roy Williams (DTI)	Signor Zanone (Minister of Industry)
Mr David Williamson (Cabinet Office)	Signor Barattieri (Ministry of Industry)
Mr David Dain (FCO Notetaker)	Signor Darida (State Holdings Minister) Signor Castellari (Ministry of State Holdings)
(13)	Signor Cavalchini (Notetaker)

(15)



[The text in this section is extremely faint and illegible. It appears to be a list or a series of entries, possibly names and titles, arranged in two columns. Some words like 'Director' and 'Secretary' are faintly visible.]



He DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

3 February 1987

Dear Lyn

ANGLO-ITALIAN SUMMIT

The briefing meeting for the above Summit will take place at No.10 at 4.00 pm on Monday 9 February. Could you please arrange for the Foreign Secretary, plus one official, to attend this.

I am copying this, with a similar request, to Sarah Ashby (Home Office), Bill Clark (Ministry of Defence), Nicola Parkins (Department of Trade and Industry), and Valerie Heathorn (MAFF). I am also sending copies to Trevor Woolley in the Cabinet Office, which I expect to be represented by Michael Jay, and to Sir Geoffrey Littler's office (HM Treasury).

Tom
Andy

(P.A. BEARPARK)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

JK

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B.031

MR POWELL

010
PAB/CR
Card you please
invite to Ministers listed
+ one official each + Mr.
Jay (Chief of Staff).
ANGLO-ITALIAN SUMMIT: WEDNESDAY 11 FEBRUARY 1987

Participation in the Prime Minister's Briefing Meeting

4 p.m. MONDAY 9 FEBRUARY

The Italians have still not completely made up their minds about their participants in the Anglo-Italian Summit in London on Wednesday, 11 February. In addition to Signor Craxi, Signor Andreotti (Foreign Affairs), Signor Spadolini (Defence), Signor Scalfaro (Interior), Signor Zanone (Industry) and Signor Darida (State participation), will definitely attend. There is some uncertainty still about Signor Granelli (Technology) now that the Minister of State, Department of Trade and Industry (Mr Pattie) is unavailable; and over Signor Pandolfi (Agriculture) who we hope will attend for a thorough discussion on the 1987 price fixing negotiations and on reform of the common agricultural policy.

2. The Foreign and Commonwealth Office will be writing to you when participation is finally agreed. Meanwhile, I recommend that the following might be invited to the Prime Minister's briefing meeting arranged for 4 p.m. on Monday, 9 February:

Foreign and Commonwealth Secretary
Home Secretary
Secretary of State for Defence
Secretary of State for Trade and Industry
Minister of Agriculture, Fisheries and Food



- Lord Bridges (HM Ambassador Rome)
- Mr D M D Thomas (Foreign & Commonwealth Office)
- Mr R Q Braithwaite (Foreign & Commonwealth Office)
who has recently chaired official level Anglo-Italian
economic talks
- Sir Michael Franklin (MAFF)
- Sir Clive Whitmore (Ministry of Defence)
- Sir Geoffrey Littler (Treasury)
- Mr M Partridge (Home Office)
- Mr R Williams (Department of Trade & Industry)
- Mr M H Jay (Cabinet Office).

3. I am sending a copy of this minute to Trevor Woolley.

C L G Mallaby

2 February 1987



CONFIDENTIAL



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

30 January 1987

Dear Hugh,

ANGLO-ITALIAN SUMMIT

Colin Budd's letter of 19 December last year enclosed a draft programme for the Anglo-Italian Summit. This was predicated on the arrival of the Italian party from Rome on the morning of 11 February. I understand that Signor Craxi at least is now likely to arrive the day before. In that event, it would be more convenient to start the Summit at 1000 on 11 February, with Foreign Ministers joining at 1100 and the Plenary held before lunch. The press conference would be at 1500 hours in 12 Downing Street. I should be grateful if you would let me know whether this is feasible.

I should also be grateful if you could let me have a list of those who should be invited to the Plenary and to the lunch, on both sides. Constraints on space in the Cabinet Room mean that we cannot allow more than a Minister plus one official into the room. On the Italian side this can be supplemented by the Ambassador, two other Embassy officials and an additional member of Mr. Craxi's staff. On the UK side, Mr. Williamson and a notetaker can be added. Only those whose names are on a list submitted in advance will be admitted to No. 10. If you can let me have names soon we shall have nameplates made for the Cabinet table. For lunch we can manage up to 48.

Yours sincerely,
Charles Powell

C D POWELL

Lyn Parker, Esq.,
Foreign and Commonwealth Office

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 January 1987

Anglo-Italian Summit: 11 February:
Interpretation

Thank you for your letter of 16 January proposing that Stephen Lamport should interpret at the Anglo-Italian Summit on 11 February. I am sure that the Prime Minister would be content with this.

(CHARLES POWELL)

Lyn Parker, Esq.,
Foreign and Commonwealth Office.

off



Foreign and Commonwealth Office

London SW1A 2AH

16 January 1987

Dear Charles,

Anglo Italian Summit, 11 February
Interpretation

It has been the practice at Summits with the Italians to provide the Prime Minister with an interpreter from our Rome Embassy for her meetings with Craxi.

For the Summit in London we propose that Stephen Lamport, First Secretary in the Chancery at the Embassy, interpret for the Prime Minister. He speaks Italian fluently and has passed the higher grade language examination.

I should be grateful to know if the proposed arrangement is acceptable to the Prime Minister.

Yours ever,

L. Parker

(L Parker)
Private Secretary

C D Powell Esq
PS/10 Downing Street

10





DEPARTMENT OF TRANSPORT
2 MARSHAM STREET LONDON SW1P 3EB

01-212 3434

OUR REF : JM/PSO/16172/86

Charles Powell Esq
Private Secretary
10 Downing Street
LONDON SW1

29 December 1986

CDP - 15 WFE o/v.

Dear Charles,

MGT

THE ANGLO ITALIAN SUMMIT ON 11 FEBRUARY 1987

Colin Budd's letter to you of 19 December held open the possibility of participation by Transport Ministers in the 11 February summit on the off-chance that this might be warranted by the outcome of the EC Transport Council on 15 and 16 December. In the event, the outcome of the Council does not suggest that participation by Transport Ministers in the Summit would serve any useful purpose and my Secretary of State does not wish to pursue it further.

/ I am copying this letter to Colin Budd.

Yours ever,

Jon Cunliffe

JON CUNLIFFE
Private Secretary

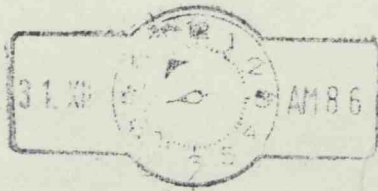
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DEPARTMENT OF TRANSPORT

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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

21 December 1986

Dear Col.

THE ANGLO-ITALIAN SUMMIT ON 11 FEBRUARY

Thank you for your letter of 19 December enclosing a draft programme for the Anglo-Italian Summit together with suggestions for participation in it and for the agenda. The Prime Minister is content with what is proposed.

I am copying this letter to the Private Secretaries to the Home Secretary, the Secretary of State for Defence, the Secretary of State for Trade and Industry, the Secretary of State for Transport, the Minister of Agriculture, Fisheries and Food and Sir Robert Armstrong.

Yours sincerely,

(Charles Powell)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL

h



Foreign and Commonwealth Office

London SW1A 2AH

19 December 1986

Dear Charles,

Yes Mr

Prime Minister
Content with these
proposals?

CDP 14/12.

The Anglo-Italian Summit on 11 February 1987

You will have seen from Lord Bridges' telegram 731 that Craxi has accepted the Prime Minister's invitation and that he is content for the Summit to take place within one day. I attach a proposed draft programme. Your Press Office have suggested announcing the Summit on Monday 2 February. We expect this to be acceptable to the Italians.

We need to consider participation and the programme. According to our soundings Craxi would favour participation similar to that at Florence on 12 March 1986. There have been no changes since then among the senior Italian Ministers involved. We understand from MAFF that Mr Jopling would like the addition of Agriculture Ministers. We suggest, therefore, that in addition to Foreign Ministers the following participate on our side and that their opposite numbers be invited :

- The Home Secretary
(in the context of strengthening cooperation in counter-terrorism)
- The Secretary of State for Defence
(continuing the dialogue on joint projects, including now a possible sale of Sea Harriers to the Italian Navy; but also covering a wide field of defence issues);

/The



- The Secretary of State for Trade and Industry (to maintain momentum on bilateral civil, industrial and technological collaboration and to discuss Community questions);
- The Secretary of State for Agriculture (especially CAP reform);

The Department of Transport have told us that, subject to the outcome of the Transport Council, Mr Moore may wish to propose also the inclusion of his opposite number. The Chancellor of the Exchequer does not wish to participate.

As regards the agenda for Heads of Government, we propose suggesting at this stage to the Italians as a guide: arms control, Community matters, international economic issues (in advance of the Economic Summit at Venice in June), any current regional issues (possibly the Middle East and Southern Africa) and terrorism.

Would you please let me know if the Prime Minister agrees with these outline arrangements, and whether you have any ideas regarding the agenda. On the assumption that the Prime Minister will give lunch to Craxi, could you also say how many in total you would wish to seat.

I am copying this letter to the Private Secretaries to the Ministers mentioned above and to Sir Robert Armstrong's Private Secretary.

*Yours ever,
Colin Budd*

(C R Budd)
Private Secretary

C D Powell Esq
No 10 Downing St

ANGLO-ITALIAN SUMMIT: 11 FEBRUARY 1987

DRAFT PROGRAMME

- 1000 Italian Prime Minister accompanied by Ministers and officials arrive Heathrow/Northolt.
- 1100 Party arrives in central London.
Signor Craxi ~~proceeds~~ to 10 Downing Street; other Ministers to individual meetings with British counterparts.
- 1115 Prime Minister's tete-a-tete with Sig Craxi.
- 1215 Prime Ministers joined by Foreign Ministers.
- 1300 Working lunch hosted by Prime Minister for Sig Craxi, Ministers and senior officials.
- 1430 Plenary
- 1530 Joint Press Conference.
- 1615 Italian party depart central London.
- 1715 Italian party take off
- 2100 Arrive at Rome airport.
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