

SUBJECT cc MASTER



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From the Private Secretary

19 June 1988

Dear Tony,

PRIME MINISTER'S MEETING WITH ITALIAN PRIME MINISTER

The Prime Minister had a talk this morning with the Italian Prime Minister before the start of the Economic Summit in Toronto. Signor de Mita was accompanied by his Diplomatic Adviser, Signor Vattani.

Introduction

The Prime Minister said that she was glad to have the opportunity to meet Signor de Mita before the start of the Summit. She quite understood the reasons which had made it necessary to cancel the planned bilateral summit in Italy. Signor de Mita explained that he had still been forming his government on the date in question. He was looking forward to their meeting in October. He was perfectly happy for this to take place in Pallanza as planned, although that might be a little chilly in October and he would be equally happy to move the meeting somewhere further south. The Prime Minister suggested we stick to Pallanza.

Bilateral Defence Co-operation

The Prime Minister referred to the important collaboration between Britain and Italy on the European Fighter Aircraft and the EH 101 helicopter. She thought the European Fighter Aircraft was a good project. But she was worried about the management arrangements for the EH 1010 helicopter. It was vital to get these right since the helicopter would play a very important role in the defence plans of both our countries. Signor de Mita shared the Prime Minister's assessment of the European Fighter Aircraft. He would look into the question of the management arrangements for the EH 101 immediately upon his return to Italy and would subsequently get in touch with the Prime Minister.

Tornado for Jordan

The Prime Minister said that it was important to enable the planned sale of Tornado to Jordan to go ahead. The Germans were being difficult about credit and she would be raising the matter with Chancellor Kohl later in the day. She hoped that there was no problem on the Italian side. Signor de Mita said there was no difficulty in principle. Italy was favourable. But the precise financial details remained to be worked out.

Arms for Argentina

The Prime Minister said that she was grateful for the restraint which Italy had shown in not selling arms to Argentina. She hoped this approach would continue. She understood their concern that other countries should not undercut their position. She was confident that the assurances which she had had from France and Germany were solid. Signor de Mita said that this was a very delicate problem for Italy. Provided there was a general prohibition observed by all the main countries on the sale of arms to Argentina Italy would go along. It was important that no country should try to use the situation to obtain an unfair advantage.

Proliferation of Weapons

Signor de Mita continued that the wider question of arms sales to the Third World might also be addressed by this or a future Summit. He was concerned by the contradiction between efforts to work for peaceful solutions to regional conflicts while pouring in arms to the countries concerned. The Prime Minister said that every country had a right to defend itself. The most important task in this area was to stop the proliferation of nuclear and chemical weapons.

Middle East

Signor de Mita said that Italy had evidence of Israeli plans to destroy Saudi Arabia's Chinese missiles. This was a matter of great concern since it would increase tension in the Middle East, which was already high. The Prime Minister said that she thought such an attack unlikely in the present situation. It had been useful that Saudi Arabia had agreed to sign the Nuclear Non-Proliferation Treaty. The most important task was to continue to bring pressure to bear on both Israel and the Arabs to enter negotiations. This could not be done without the United States, which was the only country in a position to bring serious pressure to bear on Israel. She had hoped that a major step forward would be taken under President Reagan but unfortunately the United States had been side-tracked by the arms for Iran affair. There was now no realistic prospect of reaching an international conference before the US and Israeli elections. Mr. Shamir was taking a very hard-line position.

Signor de Mita shared the Prime Minister's analysis. He had seen Shamir and had tried to make him realise that his uncompromising position would lead to a loss of sympathy for Israel in the West but he did not feel that he had made any impact. The Prime Minister commented that, while the unrest in the occupied territories continued, she feared that support would grow for Shamir's position in Israel. Signor de Mita said that he agreed that there was little immediate prospect of making progress towards an international conference. But both the United States and the Europeans must continue to press for it and to put forward proposals and suggestions.

Latin America

Signor de Mita said that he would like to talk to the Prime Minister on a future occasion about Latin America. The Prime Minister

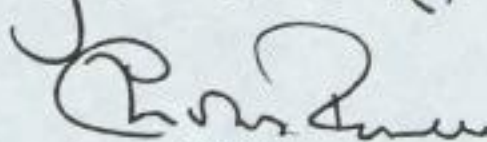
commented that it was a major problem area. The only country which seemed to be on the way to overcoming its economic difficulties was Chile. The situation in Argentina remained a matter for concern. In many ways, President Alfonsin had done remarkably well but even so he had not been able to overcome Argentina's economic difficulties. Debt issues would of course be discussed at the Summit but would focus on the problems of the poorest countries in sub-Saharan Africa. The debt problems of Latin America should continue to be dealt with on a case by case basis with the full involvement of the IMF. To some extent, the Latin Americans were their own worst enemies because they refused to welcome foreign investment.

Signor de Mita said that he did not entirely share the Prime Minister's views about Chile. Certainly the economic recovery was important but the general condition of the people remained poor. We should adopt a carefully modulated approach. More widely he felt that the European Community, the United States and Japan had a common interest in helping the Latin American economies to develop. He did not entirely share the Prime Minister's view of foreign investment: Italy had recently negotiated an investment agreement with Argentina and hoped to complete one with Brazil also. He would very much like to see a common approach by the European Community countries on these matters. The Prime Minister commented that she thought that investment was something better pursued on a bilateral basis.

State Visit

The Prime Minister said that we had been very sad that President Cossiga had been unable to come on his State Visit. He was a great friend to Britain. We hoped one day to reinstate the visit, but it could not be yet. These visits were planned long in advance and there were a number of countries to whom invitations were outstanding. Signor de Mita said that President Cossiga was no less disappointed. But, under the provisions of the Italian Constitution, he had no alternative but to remain in Italy during a Government crisis since the President was the person with responsibility for solving it.

I am copying this letter to Alex Allan (HM Treasury), Brian Hawtin (Ministry of Defence) and to Trevor Woolley (Cabinet Office).

Yours sincerely,

C. D. POWELL

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Foreign and Commonwealth Office.