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From the Private Secretary

21 October 1988

Dear dyn,

ANGLO-ITALIAN SUMMIT:
THE PRIME MINISTER'S MEETING WITH THE ITALIAN PRIME MINISTER

The Anglo-Italian Summit was held at the Villa Taranto in Pallanza on Lake Maggiore on 21 October. The Summit consisted of a number of bilateral meetings between British and Italian Ministers: but because the Prime Minister's meeting with Signor De Mita ran over the allotted time, there was no plenary session. You will be receiving separately the transcript of the subsequent Press Conference. I enclose a copy of the introductory statement which the Prime Minister used at the Press Conference, although she embroidered on it in delivery.

The Prime Minister's meeting with Signor De Mita lasted about an hour and a quarter. Most of this was devoted to East/West relations, although they also touched briefly on the Italian economy, credit for the sale of Tornado to Jordan, Libya and Operation Cleansweep in the Gulf. The two Foreign Ministers then joined the meeting to discuss the proposal to hold a human rights conference in Moscow and a number of European Community questions.

Italian Economy

Signor De Mita gave a generally bullish account of the Italian economy. The main problem was the public sector deficit, but the government was firmly resolved to deal with this. Another major task was to reform Italy's public administration before 1992. Although there were some tensions within the coalition government, he expected it to survive. It was the only feasible combination.

East/West Relations

The Prime Minister invited Signor De Mita to tell her about his visit to Moscow. Signor De Mita said that his visit had included some ten hours of discussion with President Gorbachev. Much of their talk had been of a very general, philosophical nature. President Gorbachev was indeed an extraordinary personality who did not fit the classical Marxist pattern. He was clearly committed to changing the

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system. But relatively little had been achieved so far. Many of those around Gorbachev did not seem to grasp fully the scale and seriousness of the Soviet Union's problems. This applied even to Ryzhkov, the Prime Minister. Gorbachev himself seemed to have a better understanding of the problems than the others.

In their discussions, Gorbachev had laid great stress on the urgency of further arms control agreements. This seemed to stem from his need to reduce military spending. He was willing to take full account of Europe's interest in these matters and had denied any intention to separate Europe from the United States. He had spoken a good deal about the Common European Home and had complained bitterly about a recent article by Henry Kissinger which asserted that the boundaries of Europe ended at Poland's eastern border. He wanted the United Nations to have a much more active role. He had also distanced the Soviet Union from the activities of foreign Communist parties. They should not be seen as instruments of Soviet power. They were simply part of the internal politics of other countries. Gorbachev had also spoken a great deal about the Mediterranean and urged Italy to take the initiative in holding a conference on the Mediterranean. De Mita had pointed out in reply the complexity of the Mediterranean, which made a conference embracing all its problems impractical.

De Mita concluded that his overall impression was that Gorbachev could be the beginning of a new process in the Soviet Union. But it was too early to conclude that this was definitely so. We were clearly dealing with someone who wanted to reach agreements, but we had to be careful and realistic and avoid hasty judgements. It was very important to maintain a co-ordinated Western approach to the Soviet Union. There was no point in any one country trying to obtain individual advantage, particularly in the commercial sphere. But we should encourage economic and commercial contacts with the Soviet Union and Eastern Europe, be prepared to invest in them and offer help with training in management and other techniques: this was what he had intended in speaking about a Marshall Plan. There should also be a shift in the emphasis of Western policy. Since World War Two our whole effort had been devoted to avoiding war: now we needed to think in terms of achieving peace.

The Prime Minister said that President Gorbachev was indisputably a major event in Russian history. It was in our interest that he should succeed. Any feasible successor was likely to be worse from the West's point of view. But we could not yet assume that his position and policies were irreversible. Moreover, he had so far only scratched the surface when it came to changing the Soviet system. The Soviet Union was not remotely a free society. People still expected to be told what to do. They felt insecure about the future. It was not impossible that they would want to return to the more regimented, but also more secure, system which they had enjoyed under Brezhnev.

In the light of all this, continued the Prime Minister, we must maintain our defences. In considering further arms control agreements we had to start from a recognition that the Soviet Union was a world power only because of its military strength. They would not easily give this up. We needed to examine all proposals very carefully and realistically. Her own expectation was that arms control negotiations would continue to be very difficult. We must not chase after quick agreements. There was particular cause for concern over chemical weapons, where it was quite clear that the Soviet Union had deceived us about its own stocks and programmes. We also had to recognise that Mr. Gorbachev's ambitions did not go beyond a one-party state in which the Communist Party was supreme. We were entitled to hope that a more plural society might develop, but there was little evidence to sustain this. The conclusion she drew was that Signor De Mita was absolutely right to say that we must be cautious and realistic in our approach, giving priority to maintaining our defences and keeping the United States firmly linked to Europe. British and Italian views were not very far apart, though there was some difference of emphasis.

Signor De Mita said that he agreed with much of the Prime Minister's analysis. He recalled telling Ryzhkov that Italy's strength lay in its hundreds of thousands of small family businesses. Ryzhkov's immediate reaction had been to ask how on earth the Government managed to control them. That said a lot about his approach. He agreed that the military strength and solidarity of the West must not be called into question. Equally, we should not under-estimate the pressures on Gorbachev to cut defence spending and achieve arms control agreements.

Conference on Human Rights

The Prime Minister said that she was very concerned about the apparent readiness of some governments to accept the proposal to hold a conference on human rights in Moscow without insisting on proper conditions. Many people in the Soviet Union and Eastern Europe who had fought bravely for human rights would feel that the West had allowed itself to be hoodwinked if it accepted such a proposal. The reality was that there were still political prisoners and prisoners of conscience in the Soviet Union, together with restrictions on religion and emigration. We should only consider a conference on human rights in Moscow once the Soviet Union had fully met our criteria on human rights.

Signor De Mita said that he did not dissent from this. He had understood that the Prime Minister was altogether opposed to such a conference on grounds of principle. The position she now put forward was a more sustainable one, namely that we could agree to a conference in Moscow if clear progress was being made in extending basic human rights. If there was not sufficient progress, then the West would not attend and it would be the Russians' own fault. The Prime Minister pointed out that this was not quite what she had said. The Soviet Union wanted the accolade of having a human

rights conference in Moscow without actually guaranteeing full human rights. Her point was that the most we could do was say that we would provisionally accept the proposal for a conference if certain agreed criteria for the Soviet Union's human rights performance had actually been met. It was not enough to talk about progress or steps in the right direction: the Soviet Union must actually have implemented its commitments under the Helsinki Agreements in full. The balance of probability must be that the Soviet Union would not achieve this, in which case there should be no conference in Moscow. Signor De Mita said that he agreed that there could only be a conference if the Soviet Union had improved its performance.

The issue was pursued further when Foreign Ministers jointed the meeting. Signor Andreotti argued that many of the West's criteria for Soviet human rights performance had already been met. We should need to obtain guarantees about the conduct of a conference, but should not be too exigent. The Prime Minister said that it would be a calamity to have a conference in Moscow unless the Soviet Union had already implemented its obligations. Once again she had to say that talking of improvements was not enough. We must set out clear criteria and not compromise on them. Signor Andreotti said that the Soviet Union had never had human rights. It would be sufficient to say that they were on the right path. A conference would itself be a means of taking forward the process. The Prime Minister's position might make it impossible to bring the Vienna meeting to a successful conclusion. Signor De Mita said that he was comfortable with a conclusion to the effect that it was possible to envisage holding a human rights conference in Moscow provided that specific improvements in the Soviet Union's human rights performance had been registered. In practice it would be clear in three years' time whether or not there had been genuine improvements.

Tornado For Jordan

The Prime Minister said that she was discouraged at the failure of the Italian Government so far to agree credit arrangements for the sale of Tornado to Jordan. It was already bad enough that Germany had failed to provide credit cover. The UK could not bear the burden alone. There would be implications for future collaborative projects.

Signor De Mita said that the Italian Government faced a parliamentary problem not a financial one. He had discussed the matter with the Finance Minister, who had suggested that Italy's 12 per cent share should be exempted from the arrangements for credit cover. It would be difficult to get Parliament's agreement to repeal the existing ban on credit for arms sales overseas. The Prime Minister said this was not good enough. She really must appeal to Signor De Mita to make an effort to resolve the problem in a way which did not leave the United Kingdom alone to bear the burden. Signor De Mita said that he did not exclude being able to persuade Parliament

of the need to help in this case. But they would be worried about creating a precedent.

Libya

The Prime Minister said that she hoped that, before taking any steps to improve relations with Libya, the Italian Government would reflect on Libya's record of supplying arms to the IRA, which were used to indiscriminately kill people in Northern Ireland.

The Gulf

The Prime Minister welcomed the Italian Government's decision to take part in Operation Cleansweep, to clear mines in the main shipping lanes in the Gulf.

European Community

This was discussed when Foreign Ministers joined the meeting. After the Foreign Secretary had reported on their discussions, Signor Andreotti expressed the hope that the Prime Minister would rally to the concept of European union. The Prime Minister asked Signor Andreotti to define what it meant. Signor Andreotti listed three points: giving more power to the European Parliament; seeking convergence in the foreign policies of Member States; and speaking with a single voice on the greatest possible number of issues. The Prime Minister said that this was a rather limited definition. She had no problem with the two latter points which had featured in her speech in Bruges (from which she proceeded to read an excerpt). She reminded Signor Andreotti that the original idea of a Treaty on political co-operation had been ours. But she was against giving any extra powers to the European Parliament.

Signor Andreotti countered that the Single European Act had committed the members of the Community to create a European union. The Prime Minister retorted that the only way to move forward in Europe was by practical steps and here the United Kingdom was well ahead of most other Member States. But she was worried by a number of proposals which were being made. It was neither practical nor desirable to harmonise taxes. Anyway it would require unanimity and that would not be forthcoming. The biggest obstacles to the Single Market were the hidden barriers to trade which no regulation could reach. The demands made in some quarters for reciprocity in the field of trade were a veil for protectionism. Signor Andreotti said there could not be a Single Market without tax harmonisation. Moreover, the Single European Act imposed a juridical obligation to gradual harmonisation of policies across the board. Signor De Mita interjected that it was clearly difficult to agree on principles. There was no need for the Community to decide on political union now, but we must not forget that it was the eventual goal. There were a number of practical problems such as tax harmonisation, a single European currency and a European Central Bank which would need to be discussed at the

European Council in Madrid. In his own view, you could not have a Single Market without a single currency and a political union. But all these matters must be discussed in a practical spirit. The Prime Minister said that the credentials which one brought to such a discussion were important.

I am copying this letter to Alex Allan (HM Treasury), Philip Mawer (Home Office), Brian Hawtin (Ministry of Defence), Neil Thornton (Department of Trade and Industry) and Trevor Woolley (Cabinet Office).

Yours sincerely,
Charles Powell

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Lyn Parker, Esq.,
Foreign and Commonwealth Office.