

CONFIDENTIAL

file

A: (FOREIGN / ANDREOTTI)

MEM

MEETING RECORD

Subject cc Rowster



bcc PC  
CDP

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

23 February 1990

See Graph.

ANGLO-ITALIAN SUMMIT:  
23 FEBRUARY 1990

The Prime Minister had a talk this morning with the Italian Prime Minister, who was accompanied by his Diplomatic Adviser, Ambassador Vattani. They were subsequently joined by the two Foreign Ministers and Ambassadors, with discussion continuing over a working lunch. They also gave a joint press conference, of which I enclose a transcript.

The atmosphere of the meeting was very good and will, I believe, have given a helpful impulse to Anglo-Italian relations. Views on German unification seemed close. Rather contrary to our expectations, Andreotti did not press on the need to speed up integration in the European Community. His main pre-occupation seemed to be with the consequences of unification for NATO, and the need to re-define NATO's role for the future while maintaining the United States' military presence in Europe.

German Unification

Much the greater part of the discussion was concerned with German unification and its consequences. The Prime Minister started by saying that she and Signor Andreotti had in the past taken similar views on German unification. They both now understood that it was virtually inevitable. Their priority was to see the implications for NATO and the European Community thoroughly discussed. She had found the Polish Prime Minister very pre-occupied, on his recent visit, about the German/Polish border. He wanted a formal Peace Treaty to confirm it and thought negotiations should start now so that it was ready for signature as soon as Germany united. She thought he was justified in seeking this.

Signor Andreotti said that he had recently seen both Chancellor Kohl and Herr Genscher. He found it difficult to get straight answers out of them. For instance, he had asked why they had not got in touch with Germany's partners in the EMS before proposing monetary union with the GDR. Kohl had simply replied that the matter was too urgent. It was an example of how the West Germans were constantly trying to precipitate decisions. The Prime Minister was right to seek consultations about the

CONFIDENTIAL

MEM

# CONFIDENTIAL

- 2 -

consequences of unification: otherwise we should simply be faced with a fait accompli. It was particularly urgent to deal with the defence aspects. Germany's borders should also be settled definitively. There was no problem about them now, but there could be in the future. Signor Andreotti asked whether the Prime Minister thought German unification would lead to acceleration of European integration, or simply create new difficulties for the European Community.

The Prime Minister said that unification was bound to create difficulties. Other member states would find it uncomfortable to have one country which was so dominant economically. The careful balance of the Community would be upset. She thought the effects would be felt first on the monetary side. Like Signor Andreotti, she had been amazed at the speed with which the Germans had moved to propose monetary union with the GDR. She now understood it was all part of the tactic of bringing about unification as fast as possible. Her main concern was to make sure that the interests of other countries were fully considered. She was also worried about the implications for Mr. Gorbachev's position. There had been a great deal of unfavourable comment on the Soviet Government's policy at the recent Central Committee plenum. The character of the German people had shaped much of Europe's history in this century. Now they were on a euphoric high. She found it rather worrying.

The Prime Minister continued that determination to see the consequences of German unity properly considered had been her main motivation in seeking the Four plus Two forum. She did not regard it as exclusive. There would need to be parallel discussions within NATO, the EC and the CSCE framework, and we would want to keep in very close touch with friends like Italy bilaterally. But there had been an urgent need to tie the Germans down to consultations. She foresaw major problems over absorbing the GDR into the European Community. We must establish from the beginning that the additional costs would be borne by the Federal Republic.

Signor Andreotti said that the basic reason we were in this new situation was the change in Soviet policy and their acceptance of a united Germany. This had been frankly unexpected and not very welcome. We now had to see whether the EC, NATO and the CSCE could somehow balance or dilute the new Germany. Italy was not at ease with the Four plus Two framework. There was a risk that it would become a directorate for Europe and upset the delicate balance in NATO. The defence consequences of unification were the most urgent. He did not see how a re-assessment of NATO could be avoided. The highest priority would be to keep American forces in Europe. He found the concept of allowing Soviet forces to remain in the territory of the former GDR rather strange.

The Prime Minister agreed it was vital to keep American forces and their nuclear weapons. She acknowledged it did not make great intellectual sense to keep Soviet forces in what would be part of NATO's territory: but then the situation in Berlin was not exactly logical either, yet it had lasted for over 40 years. We had to recognise that all the progress made in the last few months could fall apart if Mr. Gorbachev did not survive. That

# CONFIDENTIAL

- 3 -

meant we had to take account of Soviet security interests. At the same time, we should make more use of the CSCE framework, so as to show the Soviet Union and other Warsaw Pact countries that Europe was not a monolithic bloc intended to exclude or threaten them. Our aim should be to incorporate the Soviet Union increasingly into Europe as a counter-weight to Germany, while remaining on our guard. Signor Andreotti said that NATO's whole strategy was based on fear of an enemy to the East. We would henceforth have to take a broader view of defence. He very much agreed that we had to help Mr. Gorbachev prevail over his opponents. But he was still sceptical whether Soviet forces should remain for long in the GDR. Perhaps there should be a transitional period with no time-limit set. But he came back to his point that the really urgent task was to study how NATO should update itself.

Signor Andreotti continued that he would like to return to his question whether the right response to unification was not to take further steps towards European integration, and especially economic and monetary union. The Prime Minister said she did not see how he could make much progress on EMU until we knew what was going to happen over monetary union between the two Germanies. She thought it rather strange that the Community was not being allowed to make any input on German monetary union. It had consequences for the other EMS countries, because of its effect on the DM and on interest rates. Surely ECOFIN should discuss it. She would like to see several of the key EC countries, including Italy, France, the Netherlands and Britain, get together privately to discuss the consequences for the Community of German monetary union and of GDR membership of the Community. We could not rely on M. Delors alone. While she welcomed Mr. Haughey's decision to call a special meeting of the European Council, she thought the end of April was really too late. We should be getting on with the work now. It would be very important to secure a commitment that Germany would meet the costs of GDR membership, otherwise poorer regions elsewhere in the Community would be deprived of help. There would also need to be transitional periods and derogations. We had to work out the conditions on which we would all accept the GDR into the Community.

Signor Andreotti agreed that careful preparation was needed, although there were difficulties about expressing some of these worries openly. He also agreed that work in the Community could not wait until the end of April. He also wanted to see more consultation with the United States about the consequences of unification for NATO. He would be visiting President Bush on 6 March and would raise this. The Prime Minister concluded that she and Signor Andreotti ought to keep in close contact. His visit to the United States came at an important moment. They should both keep each other informed.

The Foreign Ministers and Ambassadors joined the discussion at this point. The Foreign Secretary reported that he and Signor De Michelis had also talked about the consequences of German unification. Italy wished to see them fully discussed in NATO and the EC, but was somewhat suspicious of the Four plus Two framework. The Prime Minister explained that it had been set up as the best way to bring both the Americans and the Russians into

the discussion. It was not a substitute for NATO or the EC. We needed to get on with work in both bodies, to prepare a response to the situation which would probably emerge rapidly after the GDR elections on 18 March. Signor Andreotti repeated his worry about the emergence of a directorate, and added that we also had to re-define the role of NATO in the new Europe which was emerging, drawing in the United States.

Summing up this part of the discussion, the Prime Minister said that the message which both sides wanted to come out from the Summit was that discussion on the consequences of German unification was needed now in NATO, the EC, the CSCE and the Four plus Two framework: we should not wait until after 18 March. We also had to think about how to make more extensive use of the Helsinki framework in the future. Our message should be that we were building a new framework for the future in Europe.

#### GATT Negotiations

The Prime Minister said that the Italian Presidency of the Community would have a very important task in bringing the GATT negotiations to a successful conclusion at the end of the year. Neither Signor Andreotti nor Signor De Michelis evinced much enthusiasm for this.

#### South Africa

The Prime Minister said that we had given President de Klerk clearly to understand that, if he took certain steps, we would respond positively. In practice he had moved further and more boldly than she had expected or thought possible. Without a positive response, he would have no encouragement to continue. This was why we had decided to lift some of the voluntary sanctions. Others remained in force. She was disappointed that other EC countries had not followed suit.

Signor Andreotti said that Italy very much welcomed the steps which President de Klerk had taken and had made this clear in various public statements. The South African proposal to provide aid for other African states was another positive development. He was, however, worried about the risk of a white backlash in South Africa. The Prime Minister said that de Klerk needed more than words: he had a right to expect action by others. This was a point on which Britain and Italy appeared to differ.

#### UNESCO

Signor Andreotti asked whether the United Kingdom had given thought to returning to UNESCO. It was a rather insipid organisation without Britain and the United States. The Prime Minister said that we had agreed to look again at the question of membership, but were not in any great hurry to do so. We thought we could use the funds which would otherwise go to UNESCO better by providing direct assistance to developing countries for cultural and educational purposes.

CONFIDENTIAL

- 5 -

Discussion over lunch ranged widely, covering Eastern Europe, the Middle East, the Horn of Africa, Argentina, Brazil and much else besides. The Prime Minister took the opportunity of thanking Signor Andreotti for the Italian Government's co-operation over preparations for Britain's participation in the World Cup.

I am copying this letter and enclosure to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

*Yours sincerely,*

*Charles Powell*

CHARLES POWELL

J. S. Wall, Esq.,  
Foreign and Commonwealth Office

CONFIDENTIAL