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PRIME MINISTER

MEETING WITH THE ITALIAN PRIME MINISTER

Signor Andreotti is coming to see you at Chequers tomorrow, to conclude his round of consultations as President of the EC ahead of next weekend's European Council in Rome. He arrives by helicopter at 1300 for a talk over lunch, leaving by helicopter some time after 1500. (He is going to pay a private visit to the Royal Academy to see the Monet exhibition.) He will be accompanied only by his Diplomatic Adviser - who used to be Minister in the Italian Embassy here - and an interpreter. I have suggested that the two interpreters be at the table for lunch.

You will want to say a few kind words at the beginning about President Cossiga's State Visit next week.

The main subject for discussion will be the European Council in Rome. Goodness knows why we are having it. The original excuse was to prepare for the CSCE Summit. But that is now all wrapped up. The Italians say the main purpose is to hurry up the preparations for the two IGCs: and their hidden agenda is to set guidelines and deadlines for them. We shall resist that. What it comes down to is that the Italians like drawing attention to themselves and dressing up in their best European togs.

I think your approach should be that frankly we doubt the utility of the meeting. But since it is being held, it should focus on the real issues of current importance: the Gulf and burden-sharing, the Soviet Union and Eastern Europe, the GATT negotiations which are in trouble, enlargement of the Community, South Africa. The Community will make itself absurd if it meets at Head of Government level in the midst of these momentous events and then spends its time snuffling around in abstruse preparations for IGCs and the site of Community institutions.)

This approach will conflict with the Italians' intentions and ambitions and Andreotti will do his best to thwart you when we get to Rome. But I think you might consider writing to him and other Heads of Government in advance of the Council next week,

CONFIDENTIAL

seeking equal time for the issues which you judge important. That said, I think you should approach the discussions with Andreotti in resolute but not volcanic mode! The real battles lie further ahead: the need at this stage is to build a few coalitions.

You will want, therefore, to start by asking Andreotti to explain how he, as Chairman, proposes to organise the Rome meeting. This will almost certainly lead you straight into the exchange above. But, once you have made clear our view that preparations for the IGCs are not the main issues to be discussed, you will want to give views on them.

The Italians are hopelessly advanced on EMU and we have little common ground with them. They will try to get the European Council to declare ECOFIN's preparations over and ask for treaty drafting to begin. They will also want Foreign Ministers as well as Finance Ministers to be involved, indeed to be in the lead. They may press for agreement on a starting date of 1 January 1994 for Stage 2 of EMU. Indeed I think you are quite likely to face an ambush on this from the French, Germans and Commission.

You will want to argue that it is patently clear that preparations are nothing like over. The debate is still developing, in particular on our proposals for a hard ecu and an EMF. It would be absurd to set a date to start Stage 2 before we have decided what the content should be. Britain is the only country, apart from Spain, to have put forward any serious proposals for it. We have got to go on working patiently and methodically and reach agreement on the substance. The European Council should not try to settle issues which are for the IGCs themselves to discuss. EMU is not political theatre, it is serious business affecting livelihoods and living standards as well as the role of national Parliaments. You are not prepared to have a single currency imposed, although our hard ecu could in the long term evolve towards a single currency if that is what markets wanted.

CONFIDENTIAL

- 3 -

You will also want to say something about the political union ICG. Again there is no case for the European Council to agree anything specific or binding: it should just take note of the preparations undertaken so far and ask for further work to be done. There has to be a practical and realistic approach and the more advanced ideas, which stand no chance of being accepted by all Member States, should be winnowed out over the next few months.

Thereafter there are quite a number of subjects which really need to be discussed. You need no briefing on the Gulf. We want a firm statement from the Council.

There will also need to be discussion on the GATT. Agriculture Ministers are unlikely to agree to the Community position on Friday, in which case Foreign Ministers will have a further go on Monday. At worst it will come to the European Council itself to settle. We regard the Commission's proposal as a minimum. We are not prepared to see exceptions made to it (the Italians want Mediterranean products excluded: and they and the Germans want compensation for their farmers). If the Community causes the GATT negotiations to fail, it will do enormous damage to its reputation and to its economic interests, and bear the main responsibility for driving the world towards protectionism. The impact on relations with the United States, in particular, will be devastating.

There should certainly be discussion of development in the Soviet Union and Eastern Europe. It looks as though the Commission are being quite sensible in accepting there is little point in making recommendations about economic assistance to the Soviet Union until the IMF has reported. But the Italians may be more ambitious, not least because they have just offered substantial credits. You are likely to have to put a brake on unlikely expectations.

Andreotti was charged at the last European Council with finding a solution on the site of the European Community Institutions. He has been working on a package. There is nothing in it for us.

CONFIDENTIAL

But I suggest you give no hint of what position we shall adopt, in case we are able to trade our eventual support for help from the Presidency in some other area.

The Commission are likely to report on progress with absorption of the GDR. The European Council will not be asked to take any decisions.

There are a number of additional subjects which you might warn Andreotti that you want to have aired at the Council discussions. They are:

- South Africa. Now that de Klerk has lifted the state of emergency, the case for the Community to relax its measures is surely overwhelming. You hope that by the December Council at the latest there will be agreement to this. Otherwise we shall be letting de Klerk down, indeed undermining him.

- Enlargement. You will want to set out your views about eventual membership for Eastern European countries and press for a successful conclusion to the negotiations with EFTA on a European economic area.

You may like also to take the opportunity to mention your concern about the Italian proposal for a Conference on Security and Co-operation in the Mediterranean. We think that the disparities between countries in the area are far too wide to make it sensible to address their problems in a single forum. We are not prepared to support initiatives which would involve extra expenditure. We do not want to complicate the search for peace in the Middle East, which is already difficult enough.

You will find a fuller letter by the Foreign Office in the folder which sets out the main issues.

CDP
Charles Powell

19 October 1990

c: Andreotti (MJ)

PRIME MINISTER

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STATE VISIT BY PRESIDENT COSSIGA

You may like to glance over the weekend at the brief for President Cossiga's visit. You will see quite a lot of him: State Banquet on Tuesday, and dinner at the Italian Embassy on Friday (you have accepted this instead of the return banquet on Thursday).

There is provision in the programme for 45 minutes of formal talks after lunch on Wednesday. President Cossiga will be accompanied by your not so favourite Italian Foreign Minister.

I suggest that the subjects to cover (depending a bit on what you discussed over lunch) are:

- the Gulf, where after a slow start the Italian's record has been quite good;
- the Soviet Union;
- the European Community. You might make the point that it was Cossiga who managed to find a solution to the British budget problem in 1980: you hope the present Italian government will be no less skilful in finding solutions which keep all Twelve members of the Community together.

CHARLES POWELL
19 OCTOBER 1990

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C.D.P.

Prugs - Cocaine

Terrorism

Can't be
do better.

Law, no limit
withdraw / best last

Int.
Adv.
Work.