

SUBJECT  
C.M.A.

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRIME  
MINISTER OF ITALY, SIGNOR AMINTORE FANFANI, AT 10 DOWNING STREET,  
ON FRIDAY 25 FEBRUARY 1983 AT 12 NOON

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Present:

Prime Minister	Signor Amintore Fanfani
Secretary of State for Foreign and Common- wealth Affairs	Signor Emilio Colombo
Chancellor of the Exchequer	Signor Pier Luigi Romita
Secretary of State for Defence	Signor Giovanni Gorla
Secretary of State for Industry	Signor Lelio Lagorio
Mr. C. Whitmore, Ministry of Defence	Signor Filippo Pandolfi
Mr. G. Littler, HM Treasury	Signor Andrea Cagiati
Sir Julian Bullard, FCO	Signor Maurizio Bucci
Lord Bridges, FCO	Signor Bruno Bottai
Mr. R. Evans, FCO	Signor Remo Paolini
Mr. S. Roith, Department of Industry	Dr. Mario Sarcinelli
Mr. A. J. Coles, No.10	Signor Fulvio Martini
Mr. A. Wood, FCO	Professor Umberto Ratti
	Dr. Vittoria Barattieri
	Signor Luigi Garofoli
	Signor Leonardo Visconti di Modrone
	Signor Luigi Fontana Giusti

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The Prime Minister welcomed the Italian participants and said that she and Senator Fanfani has had interesting and useful discussions, concentrating on the major problems, especially the deployment of Cruise and Pershing missiles in Europe in the context of the negotiations for the zero option. They had also discussed the wider question of the need to keep public opinion on our side in appreciating the need for resolution and strength in

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the negotiations. The Soviet Union, for its part, had no public opinion to worry about. Secondly, she had discussed with the Italian Prime Minister the approach to the Economic Summit at Williamsburg. Public opinion would expect a significant message to emerge from that Summit and we should approach it in a united and clear-minded way. Discussions at Williamsburg ought, no doubt, to be informal but there would also have to be a statement for the press either by means of a communique or by President Reagan speaking on behalf of all the participants. She and Mr. Fanfani had also discussed a variety of Community problems. She thought a general lesson was that we did not always pay sufficient attention to the public presentation of policies despite the care with which the policies themselves were considered.

Senator Fanfani thanked the Prime Minister for arranging the Plenary meeting. He thought her summary very complete and suggested that the other Ministers present report on their bilateral meetings.

Mr. Pym said that during his conversations with Signor Colombo they had considered two subjects:

- (a) INF and arms control, which were of central importance. Their perceptions had been very similar and both had taken a robust line on deployment. They had noted the emerging evidence that Andropov was taking a very hard attitude towards the Geneva negotiations. At some point reasoned comment would be necessary on the Soviet proposals to expose their unrealistic and unbalanced nature. An intermediate position looking towards the zero option would have to be considered in due course, bearing in mind the work by the negotiators at Geneva and the need to approach any particular proposal with extreme care;

/ (b)



- (b) the Middle East, where they had agreed that the next few weeks would be especially critical and important. The Palestine National Council had been critical of the Reagan plan, but had not rejected it. King Hussein would be meeting Arafat in the next few weeks. That might produce an Arab position to be put to the United States, thus focussing attention on whether Israel would be prepared to take part in the peacemaking process. There were two conditions for judging this: firstly, whether Israel would withdraw from the Lebanon (where there were some signs of movement, but not much of significance) and secondly, whether there was a freeze on Israeli settlements in the West Bank, the prospects for which looked doubtful. The political position in the United States in a pre-election period would soon inhibit action. He and Signor Colombo and perhaps the 10 jointly would be expressing the view to both the United States and Israel that early progress was needed.

Signor Colombo said that he agreed with this account of their talks.

Sir Geoffrey Howe said that he and Signor Gorla had discussed two of the three topics he had wanted to review:

- (a) the British and Italian domestic economies showed similarities. They had shared their concern about unemployment, especially among the young, talked over problems of growth and discussed how to secure progress in the battle against inflation. They had agreed on the need to keep interest rates down and control budgetary deficits. They thought this would make a gradual resumption in growth possible. One could see this coming in the United Kingdom. Signor Gorla had placed more emphasis on the Italian need for stimulus from growth in other countries.

/ They both



They both thought the fall in the oil price level might help provided it was not too severe and kept under control. They welcomed the signs of growth in the US economy, hoping that growth would be sustained. He trusted that Williamsburg would underline our general commitment to responsible policies;

- (b) their exchanges on the Community had concentrated on the Budget. They had agreed on the need to avoid an annual argument and therefore the need for a durable solution. Their ideas were different, but not contradictory, on how to achieve the latter.

Signor Gorla had pointed to the necessity, as he saw it, of an increase in the Community's financial resources if a just result was to be obtained. The Chancellor had observed that it would be hard to impose higher burdens on European taxpayers during a recession. They had agreed it would be useful to explore the mechanisms which would allow proper adjustments to take place.

Signor Gorla said that he would like to underline two points in Sir Geoffrey Howe's account. Firstly, they had both been worried about the lasting nature of the US recovery and thought this question might be looked at before Williamsburg. Secondly, the Italians thought the Chancellor had understood their point that the terms of discussion over the Community Budget needed to be widened. It was in this context that they had agreed on further discussions. The views of the two sides did not coincide but he hoped neither would be too rigid.

Mr. Heseltine said his discussions with Signor Lagorio had covered four points:

- (a) the Italian Government remained committed to achieving a 3% growth in real terms in its defence budget. So did HMG;

(b)



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- (b) the EH 101 helicopter had taken up a considerable amount of their discussion. Both Italy and the UK were moving through the decision-making process and Signor Lagorio was a firm supporter of the project. He hoped for an Italian decision in March, to be confirmed in the summer. For his part, Mr. Heseltine thought the British position would become firm within the next few weeks;
- (c) Tornado had been offered to the Greeks through Panavia on agreed credit and offset terms. Greek reactions were awaited; meanwhile it was necessary to watch the competition;
- (d) their attitudes towards installing Cruise missiles in Sicily and the UK had been clear and consistent. Signor Lagorio said he had nothing to add. He had been glad of the opportunity for their talks.

/Mr. Jenkin said



Mr. Jenkin said that he, Signor Pandolfi and Signor Romita had discussed a wide range of subjects of which he would report on three:-

- (a) The EH101 helicopter had been seen by both sides as important and they hoped it would be possible to sign an agreement before Easter. This might perhaps be mentioned to the press. They had also agreed that an official committee on aerospace matters should be set up to consider matters like the Airbus, the A320 and space;
- (b) they had had a useful exchange on nuclear and industrial collaboration which they hoped would lead to wider cooperation. Many areas they had looked at were perhaps more the province of individual enterprises than the Government. He, for his part, would be speaking to those involved on the British side;
- (c) he had emphasised the importance of bringing European steel-making capacity into line with demand and made the point that this would only be possible if all 10 members of the Community collaborated in implementing agreed policies. Signor Pandolfi had explained that substantial reductions were in hand in the private sector but that the public sector in Italy presented great difficulties. He would be discussing the matter with Commissioner Davignon in Brussels, but accepted the need to make the Community policy work.

Signor Pandolfi commented that Mr. Jenkin's summary had been comprehensive. So far as the EH 101 helicopter was concerned, there would be no problem of funding or of a political decision for the civil version and agreement on that could be signed before Easter. So far as steel was concerned, it was easier to combat over-production in the private than the public sector. Lastly, in agreeing to the development of coal policies in a Community framework, Italy had accepted progress in an area of interest to



the UK would would offset the budgetary imbalance. This would help with the mechanisms for adjusting the problem mentioned by Sir Geoffrey Howe. In answer to a comment of approbation from Senator Fanfani, the Prime Minister commented that all we needed now was some 19 or 20 similar mechanisms and the problem might be solved.

Signor Romita said that he accepted Mr. Jenkin's observation that bilateral cooperation was very much the business of individual enterprises. Italian enterprises, for their part, were ready and willing to meet their UK counterparts with a view to collaboration in applying research results in the fields of space, energy and bio-technology. Secondly, he wished to stress the importance of our joint commitment in the Community context to research as symbolised by ISPRA. If Super Sara were to be abandoned alternatives would have to be found for ISPRA and he was looking for a clear commitment to this effect from the next meeting in Brussels. He hoped this might be mentioned in the final statement.

The Prime Minister said that the bilateral conversations had <sup>clearly</sup> covered a wide range of problems most effectively. She thought the meeting as a whole had taken place in a happy atmosphere and could properly be described as friendly and successful. Senator Fanfani agreed.

The meeting ended at 1255 hours.

A-J-C.

25 February, 1983.