

RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND SIGNOR
CRAXI, PRIME MINISTER OF ITALY, AT 10 DOWNING STREET ON
19 OCTOBER, 1984 AT 1100 HOURS

Present:

Prime Minister	Signor Craxi
Foreign and Commonwealth Secretary	Signor Andreotti
Italian Ambassador	
Lord Bridges	Signor Badini
Mr. C.D. Powell	

The Foreign Ministers joined the Prime Ministers at 1100 hours.

Libya

The Prime Minister said that she had thanked Signor Craxi for Italy's assistance in protecting British interests in Libya and over the detainees. She understood that the Italian Government was considering the scope for further action to secure the release of the detainees. Signor Andreotti said that a possibility which was being examined was a mutual cancellation of penalties for Italians held in Libya and Libyans held in Italy. This would be a bilateral Italian-Libyan arrangement, but the Italians might seek the release of the British detainees as a part of it. It would be necessary to proceed very prudently and discreetly. He fully understood British worries about the implications. The Foreign Secretary said that it would indeed raise the same basic issue as an exchange of the detainees for Libyans held in British prisons. The same risk was there that it would encourage the taking of innocent hostages. The Prime Minister said that the situation was more complex. She had understood Signor Andreotti to say that an Italian held in Libya had also been convicted of a serious crime. This gave

a certain symmetry to an exchange. The UK would not be directly involved.

Signor Andreotti continued that it was very difficult to deal with Colonel Qadhafi given his sudden changes in mood. For instance the previous week he had made a speech which was very hostile to Italy but his Foreign Minister had warned the Italian Government of it in advance and told them to discount it. The Prime Minister commented that public attacks and private apologies were becoming altogether too recurrent a characteristic of modern diplomacy. Signor Andreotti said that Colonel Qadhafi claimed that he did not provide direct help to terrorists. It was a documented fact that he had not helped the Red Brigades. The Prime Minister said that this was hard to reconcile with the fact that his Embassy in London was piled high with arms and with the unprecedented action in firing on a crowd from the windows of an Embassy. Signor Andreotti said that he was not an advocate for Qadhafi, he was just trying to explain him. He was a maverick who was not bound politically to anyone, not even Moscow. The Prime Minister repeated that she was immeasurably grateful to the Italian Government for everything Italy had done. She hoped that they would continue to work for the release of the detainees. No-one had a better chance of pulling it off. Signor Andreotti said that Italy would continue to try.

European Community

The Prime Minister said that Signor Craxi had told her that he wished, through the Italian Presidency, to develop industrial co-operation in the Community. Too much attention had been given in the past to agriculture and it was now necessary to even up the balance. She had told Signor Craxi that it was also important to complete the internal market. She had also mentioned to Signor Craxi the importance of further work on standards, particularly mutual

recognition of each other's standards. Signor Andreotti commented that in some areas, for instance nuclear matters, it was important to have common standards but he agreed that in other areas only a general framework was needed with details left to national authorities. More widely, he agreed on the need to shift the focus to industry and to reduce the attention given to agriculture. The huge costs of stocking surpluses were insupportable. The Prime Minister said that they did harm to Europe's reputation.

The Prime Minister referred to the difficulties for the United Kingdom and Italy arising from the German proposal for the introduction of catalytic converters. This was a matter on which the two countries should work together. Signor Andreotti agreed.

Enlargement of the Community

The Prime Minister referred to the recent message from Senor Gonzalez urging faster progress in the accession negotiations. Apart from the need to complete enlargement for its own sake, it was important to reach an early conclusion if the Germans were to agree to bring forward entry into force of new own resources. This was essential to implementation of the Fontainebleau agreement. Sir Geoffrey Howe said that he had been through the current problems in the enlargement negotiations with Signor Andreotti. Signor Andreotti said that he thought that the moment had come to take a firm decision to conclude the negotiations. This would follow the precedent of the Greek accession negotiations. The present system of negotiation was humiliating for both Spain and Portugal. He thought that a determined push next week could break the back of the negotiations. Sir Geoffrey Howe said that Mr. O'Keefe had suggested the possibility of putting negotiations on a continuous basis, with a joint working party in permanent session. Signor Andreotti agreed that this made sense. All

the problems to be resolved were well known.

Signor Andreotti, picking up the Prime Minister's earlier point about new own resources, said that Herr Genscher had told him that if the enlargement negotiations could be completed quickly and ratified a few months before the end of 1985, he would have no objection to bringing forward the introduction of new own resources. Sir Geoffrey Howe said that this was very significant. When had Genscher said this? Signor Andreotti said that it had been about two weeks ago. The Prime Minister said that the key would be to accelerate the ratification of the Accession Treaty.

Unemployment

The Prime Minister said that unemployment was a problem which would be a major preoccupation for all Member States during the Italian Presidency. To some extent it was a side effect of new technology. Redundancies occurred faster than new job opportunities were created. The surge in the birth rate in the 1960s was also a factor. The Community had to help create new jobs. Signor Andreotti said that Italy had a particular problem over inability to find suitable employment for growing numbers of young people with secondary and university education. Signor Craxi said that numbers in employment in industry were bound to fall. The development of services was an uncertain factor and would not necessarily provide adequate numbers of new jobs. Sir Geoffrey Howe said that deregulation in the United Kingdom had contributed to increasing jobs. He cited the example of long distance coach services. There was scope for deregulation in other areas too, particularly air services. Lord Bridges referred to the Conference which the Italian Government was organising next April in Venice on technology and new jobs. The Prime Minister commented that this all went to show the wisdom of Signor Craxi's theme of concentrating on industry during the Italian Presidency.

Sir Geoffrey Howe stressed the importance of developing a common market in services. For example although 44% of the UK's trade was with the Community, only 3% of Lloyd's business worldwide was with the Community. Lloyd's had a better prospect of enlarging their market share with Japan than with the Community. This was absurd. Although the example which he had picked was British, a European interest was at stake.

International Financial Questions

Signor Andreotti said that there was resumed debate on whether the price of oil needed to be linked exclusively to the US dollar. The ecu alone would not be an acceptable substitute, but a basket of currencies including the dollar, the ecu and the yen was a possibility. He had discussed this with Sheikh Yamani. One problem was that the producers wanted to hold their deposits in dollars. The Prime Minister said this was natural enough. It pointed to the need to strengthen Europe economically and politically to make it as attractive a haven as the United States for foreign investors.

Bilateral Issues

The Prime Minister said that various collaborative Anglo-Italian projects would be discussed in the plenary session. The UK was very pleased with progress with the EH101 helicopter programme. We were examining the A129 anti-tank helicopter project. Britain and Italy were both associated with the European fighter aircraft studies, on which their positions were closely aligned though there were difficulties with the French. Both of course were involved in Tornado. Signor Craxi asked about the sales prospects for Tornado. The Prime Minister said that some Gulf countries and Turkey had shown an interest but there were problems over credit. It was however very important to

secure some sales, in order to spread the overheads.

Malta

Sir Geoffrey Howe said that there were grounds for concern about where Mr. Mintoff might take Malta. Malta's strategic importance could not be overlooked. Mr. Mintoff's chosen successor looked likely to be as difficult as he was. Signor Craxi asked what the real problem between Britain and Malta was. The Prime Minister reported her recent discussion with Mr. Mintoff on bombs and wrecks.

Sir Geoffrey Howe said that the real problem, if the UK were to offer to help to remove the bombs and wrecks, would be to get a clear and limited agreement. Otherwise Mr. Mintoff would keep increasing his demands. Signor Craxi asked whether such an operation would be costly. The Prime Minister said that it could be enormously so. Sir Geoffrey Howe reverted to the point that Mintoff's general unreasonableness was worrying. Signor Craxi said that Mintoff was hardly a novelty. He had also had some discussion with him about the bombs and wrecks. He thought that if Mintoff failed to secure British help he would turn to Italy. Presumably some of the bombs were Italian. Signor Craxi said that he did not believe that Mintoff would leave the Western orbit.

Cyprus

Signor Craxi said that he was very worried about the situation in Cyprus. He had seen President Karamanlis recently who had told him that the situation was serious and there could even be a risk of war. It was very important for friendly countries to do all they could to bring about a settlement in Cyprus. The Prime Minister said that as a guarantor power, the UK had invited Turkey and Greece for discussions but Greece had declined. We had been very active in encouraging the UN Secretary General to mediate.

He had encountered considerable difficulties. She had been in touch with the Turkish Prime Minister to urge him to put pressure on Mr. Denktash for territorial concessions. The Turkish Cypriots would have to give up territory in order to get a better constitutional settlement. We were putting all our weight behind Senor Perez de Cuellar. Sir Geoffrey Howe said that both the Greek and Turkish Cypriots had to make concessions. It would be helpful if other governments could put pressure on Denktash through Turkey. He agreed with Signor Craxi that the problem was a landmine.

The meeting was adjourned at 1200 for a plenary session.

EDP

(C.D. POWELL)

20 October 1984

BEMADC