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RECORD OF PLENARY DISCUSSION BETWEEN THE PRIME MINISTER AND THE
ITALIAN PRIME MINISTER AT 10 DOWNING STREET ON 9 NOVEMBER 1981 AT 1430 HRS

Present:-

Prime Minister	HE Signor G Spadolini
The Rt Hon The Lord Carrington, KCMG MC	HE Signor E Colombo
Sir R Armstrong KCB CVO	HE Signor A Cagiati GCVO
Sir M Palliser GCMG	Ambassador B Bottai
Mr M D M Franklin CMG CB	Ambassador M Bucci
Sir R Arculus KCMG KCVO	Min L M Fontana Giusti
The Lord Bridges CMG	Min S Berlinguer
Mr J L Bullard CMG	Min E Perlot
Mr C A Whitmore	Min L Cavalchini
Mr M O'D B Alexander	Cons L Ortona
Mr B Ingham	Dott Stefano Folli
Mr D A S Gladstone	Signor M Quagliotti
Mr R Culshaw	Signor S Biondo

The Prime Minister welcomed Signor Spadolini to the United Kingdom. She hoped they could find a way ahead on the many problems facing Europe. The Prime Minister suggested tackling those issues on which they would probably be questioned at the press conference following the discussions, namely the 30 May Mandate; the Middle East and Sinai; Poland; Defence Policy and Transatlantic relations. The two Heads of Government had already discussed domestic economic policies and had agreed on the need to continue the fight against inflation and to reduce both government expenditure and interest rates. The Mandate and Sinai had also been discussed over lunch.

Sinai Multinational Force

In discussion of what should be said at the subsequent press conference, Lord Carrington said it would be important to calm down a situation now publicly seen as a confrontation between the United States and its European allies. We should stress that there was no question of the Europeans seeking to impose conditions on their participation in the Force: but the basis of that participation must be made clear by reference to the Venice Declaration. The Prime Minister said that since the United Kingdom had been requested to supply a contingent by the

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United States, our reply would go to the United States. Signor Colombo said that Italy had received requests from both Egypt and Israel as well: France had been asked by Egypt only.

The two Political Directors were charged with drafting a line to take at the press conference. A line to take and replies to supplementary questions (at annex) were subsequently agreed.

Saudi Arabia

Lord Carrington said that two points stood out in relation to his recent visit to Saudi Arabia:

- (a) the Saudi Arabians, in the Fahd Plan, had now said publicly for the first time that they wanted a negotiated peaceful settlement in the Middle East; and
- (b) at a press conference Prince Saud had made it clear that Saudi Arabia was prepared to recognise Israel in the context of a peace settlement.

The Saudis were now taking their plan to the Arab conference at Fez. Prince Fahd had told Lord Carrington that Arafat had agreed the eight principles. If this was confirmed, all the other Arab states, bar the Libyans, could be expected to follow suit. Signor Colombo agreed with Lord Carrington's assessment. However, from a European viewpoint, some of Fahd's points were unacceptable and two at least needed further discussion, namely that based on Resolution 242 (the disputed definition of 'Withdrawal') and the division of Jerusalem.

The Prime Minister asked how the Fahd plan, the Venice Declaration and the Camp David agreements could be fitted together. Lord Carrington said that nothing further would happen before April when Sinai should be returned to Egypt. By then it should be clear whether the autonomy talks were likely to be successful. It should be possible to start wider negotiations following the return of Sinai, though such negotiations should not be described as a follow-up to Camp David. He saw no

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contradiction between the Venice Declaration and the Fahd plan: the latter was based on the premise that all states in the area had the right to live in peace. However, it was better not to say too much in public about the Fahd plan at present since it excited the Americans.

Poland

Signor Colombo reported that the Italian Ambassador in Warsaw had that morning been summoned to the Foreign Ministry in Warsaw and told that:-

- (a) Poland was making a formal request to join the IMF;
- (b) the Polish government wished to refinance all their debts for 1982;
- (c) negotiations between Poland and Western creditors over immediate liquidity problems should be resumed.

Signor Colombo thought that the recent 'summit' between Solidarity, the Government and the Church had introduced a little more stability into an unstable situation. Lord Carrington said that the scale of help required by the Poles had reached impossible proportions: they needed something like \$4.3 billion next year alone. It was still more worrying that almost all the Eastern European Ambassadors had called on the Foreign Office within the past week or so to complain about the economic situation in their countries. Signor Colombo recalled that at a European Council some time previously, Chancellor Schmidt had drawn attention to the increasing indebtedness of Eastern European countries to the West and to the dangerous implications this could have for the West. The West was now caught in a dilemma: either they took on their own shoulders the defects of the Eastern European economic system or, if they failed to do so, they would create enormous problems for the entire Eastern Bloc. Lord Carrington commented that the Poles were from a Western point of view in a different category from e.g. the Romanians. Signor Colombo said that Yugoslavia was actually much closer to the West (especially to Italy) than Poland and in her case there was also a delicate internal political balance to take into account. The Prime Minister said that we could not go on for ever supporting Eastern

European economies. We ought perhaps to publicize the fact that countries with their political systems had proved unable to supply their own people. Signor Spadolini said that it was slightly awkward in this context that Poland was the least Communist country of the Communist world. The Communist party was much weaker there than in any other Eastern European country. Poland's problem was that it consumed more than it produced, despite having acquired some profitable former parts of Germany. But the fact remained that Poland was unique. It would be impossible to help other Eastern European countries on the Polish scale.

TNF

Signor Spadolini said that the Italian government had in early August identified publicly their cruise missile site. This had produced a strong public reaction which would have been milder had the US ERW decision not been announced only the day before. The Italian government had held firm and the peace marches had less effect there than in northern countries. Nevertheless, the ERW issue had an especially powerful effect on Catholic opinion. He had discussed the TNF issue recently with Chancellor Schmidt and agreed with him on the necessity for East/West negotiations aimed at bringing down nuclear levels to a minimum. It was vital to demonstrate that such negotiations were serious and making progress.

The Prime Minister said that the revived CND campaign had now attracted a number of moderate people who simply did not like nuclear weapons. The British government was conducting a publicity campaign with three aims:

- (a) to explain that there was no point in giving up our own nuclear weapons before the Russians showed willingness to reduce theirs;
- (b) to bring home to British public opinion that there were no unilateralists in Moscow;
- (c) to convince public opinion that we needed enough weapons to defend ourselves and to deter aggression.

The campaign would also deal with proposals for a European Nuclear Free Zone, pointing out that SS20s stationed beyond the Urals could still reach all of Western Europe with the possible exception of Southern Spain. HMG thought such a campaign necessary since the anti-nuclear campaign was being co-ordinated throughout Europe.

Lord Carrington said that the CND movement reflected widespread disillusionment resulting from the absence of the super-power dialogue foreseen in the NATO Double Decision of December 1979. He feared that even when talks began between the super-powers there would be no visible results for a long time: the two sides were not even agreed on data. There was thus a danger of renewed public disappointment in a few months time. This despite an opinion poll in the previous day's Observer which showed British public opinion overwhelmingly in favour of the retention of a British nuclear deterrent, (sadly the same survey also showed a strong anti-American sentiment). In all these circumstances he thought it very important to try and get the proposal for a Conference on Disarmament in Europe (CDE) off the ground.

Signor Spadolini said that Western European public opinion had been adversely affected by some injudicious US statements. People were now treating the USA and the USSR as if they were on the same level, and equating the SS20 with NATO's TNF programme. The result could be creeping Finlandisation. Lord Carrington said that the generation which had automatically given the Americans the benefit of the doubt was now disappearing. The Prime Minister said that some people in the United Kingdom were treating their biggest ally as if we were non-allied. It was bad enough when the genuinely non-allied treated the USA and the USSR as being on a par.

Signor Colombo said that these considerations strengthened the case for public espousal of the zero option. We should not underestimate the strength of the pacifist movement in Western Europe, which could all too easily become a neutralist movement. There was an obvious inconsistency in claiming that negotiations were just

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round the corner while, in the meantime, beginning to install nuclear weapons of all kinds on our territories. This was a delicate matter since the arguments could only be deployed vis-à-vis the USA and not the USSR.

30 May Mandate

Signor Colombo said that following a recent Cabinet decision he had written to the President of the European Commission pointing out that there had been no progress on the three volets of the Mandate. There were no new policies; the Commission proposals on reform of the CAP were inadequate and there was no consensus about the basis of reform of the Community budget. A further attempt to make progress would be made at the Foreign Affairs Council at the following week, but if that failed the situation would be very difficult. Whatever happened it would be essential to ensure that the subsequent European Council showed no public sign of being divided on all these issues. The Council should therefore aim simply to establish certain agreed principles and above all avoid a row.

/Mr Franklin said

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Mr. Franklin said that as Presidency the UK had tried to meet the deadline set by the previous European Council, ie to take decisions on the three volets of the Mandate by the end of the year. We would be seeking maximum precision at the European Council at the end of the month:

- a) on new policies: different states had different priorities, but all wished to see progress made in developing Community policies on unemployment (especially among young people); the regional fund; industrial policies aimed at improving competition; the establishment of common energy aims; and the completion of the internal market on goods and services;
- b) as to the CAP guidelines, we would now have to study the new Commission paper. There was a need for change in guarantee arrangements for farm products with a view to avoiding surpluses and achieving stricter disciplines and financial control;
- c) restructuring of the Community budget had fallen still further behind, since neither British nor Commission ideas had found much support. It remained as important as ever to find a structural solution that would last. The European Council could still perhaps come up with a last minute solution.

The Prime Minister commented that the problems were well known; the question was how to make progress given that each country was bound to pursue its own interests. Perhaps we should devise a separate formula for each chapter. Mr. Franklin said that the going phrase was 'operational guidelines'.

Signor Colombo said that the Commission was now preparing a document describing the position reached. Including all the square brackets it was some 50 pages long. Lord Carrington hoped that such a document would not be presented to the Foreign Affairs Council. Mr. Franklin said that it was hoped that six to ten "difficult questions" could be abstracted from the Commission paper and put to the Foreign Affairs Council; eg should the Community pursue a

/ rigorous price

rigorous price policy on cereals in order to reduce the difference in price between European and US cereals? The Prime Minister commented that in Community affairs there seemed never to be a clear answer to a clear question: it would be said that something could be done with regard to cereals only if something else was done under another chapter.

Signor Spadolini said that a failure of the London Council would have very negative consequences for public opinion in Europe. The 30 May Mandate had raised expectations at the time and it would be a mistake now to lower them. It would be hard to strike a balance between the many conflicting interests and more time was needed. If no agreement was possible, it would be necessary to find a way of so presenting the outcome that public opinion did not get the impression that there had been a setback. The aim should be to establish precise guidelines under the three chapters: we needed joint action and suppression of sectoral interests. An agreement must ensure that national policies were properly coordinated and thus compatible with the aims of all other partners. The European Council needed to enhance its credibility. He recalled what he had said in the morning, that all this work was linked to the fight against inflation, unemployment and regional disequilibrium. Great realism was needed from all partners. The ideal of a united Europe was such a lofty one that it was worth all efforts to achieve it.

The Prime Minister agreed that it was necessary to revivify the idea of the Community in the minds of all our people. Signor Spadolini's remarks implied that all Heads of Government must come to the European Council prepared to reach conclusions. If that was to be possible there must be intensive prior discussion of the "difficult questions" which were to be distilled for the Foreign Affairs Council. Heads of Government must be prepared at the European Council to commit themselves on at least some of these questions. Lord Carrington said we must first see how much progress was made on 16/17 November. But Signor Spadolini's programme was right and the minimum we should aim for.

/ The Prime Minister

The Prime Minister recalled that M. Mitterrand had in September seemed very ready to seek solutions to these problems at the European Council in November, but there had been relatively little progress since then. Lord Carrington said it would be helpful if Signor Spadolini, who was seeing President Mitterrand on 19 November, could tell the French Government that HMG were not trying to use the Mandate discussions simply to adjust their own immediate problem. We were looking to the future, to the avoidance of all unacceptable situations, and were also aiming for genuine CAP reforms.

European Union

Signor Colombo said that the German and Italian governments had started work some time ago on a draft European Act or Charter. Questions would be put on the table jointly to see if answers to them could be found. They would be prepared to listen to the views of their partners. The aim was to move forward to a European union. This was consistent with the efforts of the UK Presidency to reinforce political cooperation. It was necessary to find ways of dealing at the Community level with the problems of security, culture and justice. It was also necessary to give guidance to the European Council on economic and political questions and to achieve better contact with the European Parliament in order to reduce the sense of frustration felt there.

The Prime Minister asked whether it was intended to give more powers to the European Parliament. Signor Colombo said that the aim was rather to give the Parliament more influence. The overall idea was to put political flesh on the Community's bones so that the necessary compromises in the economic field could be justified by reference to a higher European identity. The two governments were putting the final touches to their paper which would be handed to their partners within the next few days.

The Prime Minister asked whether the proposals would be practicable or whether they would simply lead to a multiplicity of new Councils. Signor Colombo said that security was already being dealt

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with by Foreign Ministers but new specialised Councils for justice and culture, in conformity with the constitutional arrangements in each country, were envisaged. They would be coordinated by the European Council. The Prime Minister commented that all difficult questions were left to the European Council. More specialised Councils would result in still more Ministers being absent from capitals at any given moment and would result in more decisions being sought from the European Council. If there were to be any more councils, perhaps the actual number of meetings could be halved. She agreed with the underlying thought, that Europe as a living idea needed a fresh impetus. However, we still needed to sort out the problems of the 30 May Mandate, since at present all felt that they were not getting a fair deal on some matters.

Signor Colombo said that the draft Act would be circulated first to governments. The Italian government envisaged that the European Council would take note of its existence and refer it to Foreign Ministers for further study. In reply to a reference by Lord Carrington to Irish concerns, Signor Colombo said that the proposals would remain within the limits established at Bocket Hall.

Spain and Enlargement

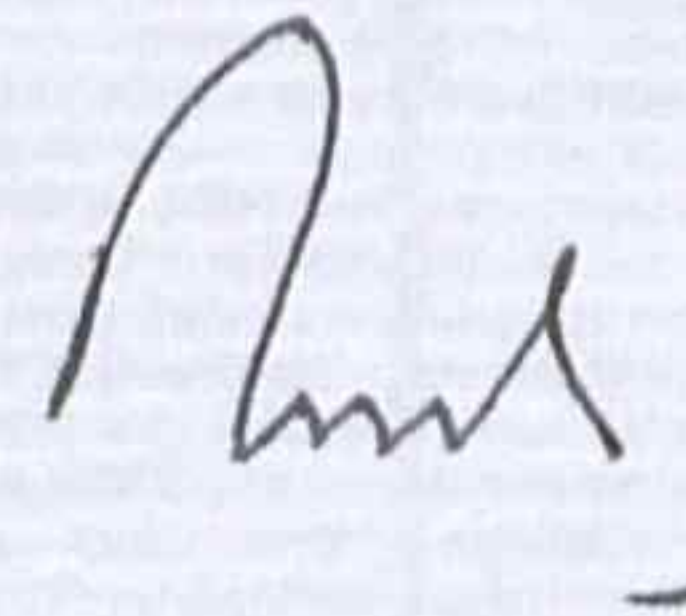
In discussion of the problem of Spanish accession to NATO, Signor Cagiati said that in the Italian view the Spaniards would complete their procedures in time. Lord Carrington said that we hoped that they would then open the border with Gibraltar, since otherwise a difficult situation would arise in the context of Spanish accession to the Community. Signor Colombo reported a recent request from the Spanish Foreign Minister that the European Council should reiterate its commitment to Spanish entry, since there were psychological difficulties in Spain which the government was finding it difficult to face up to. A 'political hint' would be valuable. Lord Carrington said that the Presidency had already circulated some proposals via Coreu.

Miscellaneous

In a brief discussion of steel, the multifibre agreement and Japanese imports, the Prime Minister commented that the Italians

were fortunate to have a special arrangement limiting imports of Japanese cars. Signor Colombo said that certain arrangements made by others were tending to make the Italian arrangements valueless. The Prime Minister commented on the difficulty of preventing manufactured goods, eg textiles, being imported into the Community, finished there and circulated within the Community as Community products.

The meeting ended at 1630.



11 November 1981