

## CABINET

ANGLO-ITALIAN SUMMIT 7 JULY 1982

## MEMORANDA

Serial No.	Date	Brief Description
	1.7.82	LIST OF BRIEFS TO BE ISSUED IN THE PMVT(82) SERIES
1	30.6.82	STEERING BRIEF Brief by the Foreign and Commonwealth Office
2	30.6.82	FALKLAND ISLANDS Brief by the Foreign and Commonwealth Office
3a	30.6.82	COMMUNITY BUDGET PROBLEMS Brief by the Foreign and Commonwealth Office
3b	29.6.82	GENSCHER-COLUMBO PROPOSALS ON EUROPEAN UNION/LUXEMBOURG COMPROMISE Brief by the Foreign and Commonwealth Office
3c	1.7.82	OTHER COMMUNITY ISSUES: ENLARGEMENT Brief by the Foreign and Commonwealth Office
3c(i)	1.7.82	SUPER SARA: REACTOR SAFETY PROJECT Brief by the Foreign and Commonwealth Office
4	30.6.82	US/EUROPEAN RELATIONS Brief by the Foreign and Commonwealth Office
5a	29.6.82	UNSSD II Brief by the Foreign and Commonwealth Office
5b	30.6.82	DEFENCE AND ARMS CONTROL: INF, START, MBFR Brief by the Foreign and Commonwealth Office
5c Revise	6.7.82	DEFENCE AND ARMS CONTROL: COLLABORATIVE ARMS PROJECT Brief by Ministry of Defence
5d	30.6.82	DEFENCE AND ARMS CONTROL: UK DEFENCE POLICY POST FALKLAND ISLANDS Brief by the Foreign and Commonwealth Office
6	30.6.82	EAST/WEST POLITICAL AND ECONOMIC RELATIONS Brief by the Foreign and Commonwealth Office

Serial No	Date	Brief Description
7	2.7.82	INTERNATIONAL ECONOMIC ISSUES Brief by HM Treasury
8	1.7.82	INTERNATIONAL TRADE ISSUES Brief by the Department of Trade
9	2.7.82	UNITED KINGDOM ECONOMY Brief by HM Treasury
10	2.7.82	ITALIAN ECONOMY Brief by HM Treasury
11(a)	30.6.82	ISRAEL/LEBANON Brief by Foreign and Commonwealth Office
11(b)	29.6.82	SOUTHERN AFRICA/NAMIBIA Brief by Foreign and Commonwealth Office
11(c)	30.6.82	REGIONAL ISSUES: LATIN AMERICA Brief by Foreign and Commonwealth Office
11(d)	1.7.82	IRAN/IRAQ Brief by Foreign and Commonwealth Office
11(e)	2.7.82	THE HORN OF AFRICA Brief by Foreign and Commonwealth Office
11(f)	30.6.82	CENTRAL AMERICA Brief by Foreign and Commonwealth Office
12(a)	30.6.82	LIBYA Brief by Foreign and Commonwealth Office
12(b)	28.6.82	BRIEF NO 12: MEDITERRANEAN ISSUES: (b) MALTA Brief by Foreign and Commonwealth Office
12(c)	28.6.82	BRIEF NO 12: MEDITERRANEAN ISSUES: (c) CYPRUS Brief by Foreign and Commonwealth Office



Serial No	Date	Brief Description
13	29.6.82	ITALIAN INTERNAL POLITICAL SCENE Brief by the Foreigna and Commonwealth Office
14	29.6.82	UK/ITALY NUCLEAR COLLABORATION Brief by the Foreign and Commonwealth Office
	5.7.82	LIST OF BRIEFS ISSUED IN THE PMVT(82) SERIES

ANGLO-ITALIAN SUMMIT

7 JULY 1982

LIST OF BRIEFS TO BE ISSUED IN THE PMVT(82) SERIES

1. STEERING BRIEF  
Brief by Foreign and Commonwealth Office
2. FALKLAND ISLANDS  
Brief by Foreign and Commonwealth Office
3. EUROPEAN COMMUNITY TOPICS
  - a. COMMUNITY BUDGET PROBLEMS  
Brief by Foreign and Commonwealth Office
  - b. EUROPEAN UNION (INCLUDING LUXEMBOURG COMPROMISE)  
Brief by Foreign and Commonwealth Office
  - c. OTHER COMMUNITY ISSUES  
Brief by Foreign and Commonwealth Office
  - c(i) SUPER SARA: REACTOR SAFETY PROJECT  
Brief by Foreign and Commonwealth Office
4. UNITED STATES/EUROPEAN RELATIONS  
Brief by Foreign and Commonwealth Office
5. DEFENCE AND ARMS CONTROL
  - a. UNSSD II  
Brief by Foreign and Commonwealth Office
  - b. INF, START  
Brief by Foreign and Commonwealth Office
  - c. COLLABORATIVE ARMS PROJECTS  
Brief by Ministry of Defence
  - d. UK DEFENCE POLICY (POST-FALKLAND ISLANDS)  
Brief by Foreign and Commonwealth Office
6. EAST/WEST POLITICAL AND ECONOMIC RELATIONS  
Brief by Foreign and Commonwealth Office
7. INTERNATIONAL ECONOMIC ISSUES  
Brief by Treasury

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8.       INTERNATIONAL TRADE ISSUES  
Brief by Department of Trade
9.       UNITED KINGDOM ECONOMY  
Brief by Treasury
10.      ITALIAN ECONOMY  
Brief by Treasury
11.      REGIONAL ISSUES
  - a.     ISRAEL/LEBANON  
Brief by Foreign and Commonwealth Office
  - b.     SOUTHERN AFRICA/NAMIBIA  
Brief by Foreign and Commonwealth Office
  - c.     LATIN AMERICA  
Brief by Foreign and Commonwealth Office
  - d.     IRAN/IRAQ  
Brief by Foreign and Commonwealth Office
  - e.     HORN OF AFRICA  
Brief by Foreign and Commonwealth Office
  - f.     CENTRAL AMERICA  
Brief by Foreign and Commonwealth Office
12.      MEDITERRANEAN ISSUES
  - a.     LIBYA  
Brief by Foreign and Commonwealth Office
  - b.     MALTA  
Brief by Foreign and Commonwealth Office
  - c.     CYPRUS  
Brief by Foreign and Commonwealth Office
13.      INTERNAL POLITICAL SCENE  
Brief by Foreign and Commonwealth Office
14.      UNITED KINGDOM/ITALY NUCLEAR COLLABORATION  
Brief by Foreign and Commonwealth Office

Cabinet Office

1 July 1982

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## ANGLO-ITALIAN SUMMIT

7 July 1982

### STEERING BRIEF

Brief by the Foreign and Commonwealth Office

1. Anglo-Italian Summits are in principle held twice a year, in practice less regularly. The last took place in London in November 1981. The Prime Minister has seen Senator Giovanni Spadolini, the Italian Prime Minister on several occasions recently: at the Versailles Summit, where she had a brief separate talk with him, at the Bonn Summit and at the European Council. At the meeting in Rome on 7 July the Prime Minister will be accompanied by the Foreign and Commonwealth Secretary and the Chancellor of the Exchequer (who was unable to attend the Summit last November).

### INTRODUCTION

2. Senator Spadolini has now been in office for a year. He heads a five party coalition government comprising the Christian Democrats, Socialists, Social Democrats and Liberals, as well as his own Republican party (which commanded only 3% of the Italian vote at the last election). His period as Prime Minister is remarkable, in view of his lack of a broad power base; it already exceeds by four months the post-war average.



Senator Spadolini has earned good marks with the electorate by mediating ably between his coalition partners and for trying to resolve Italy's endemic economic problems. Nevertheless, tension between the Socialists, led by the ambitious Signor Craxi, and the Christian Democrats is growing, and the coalition's future remains doubtful.

## OBJECTIVES

3. The Prime Minister will find Senator Spadolini pre-occupied with domestic economic problems. His anti-inflationary policy, the two principal elements of which are reduction of public expenditure and containment of labour costs within a 16% ceiling, is foundering. The private employers federation, Confindustria, have denounced the wage indexation agreement: their hope was to put pressure on the Government and induce the unions to accept a policy of wage moderation. While Senator Spadolini subscribes to the primacy of fighting inflation he is likely to rehearse his concerns about US monetary policies.

4. The Italians are worried about growing threats to the cohesion of the European Community, which enlargement may in their view further undermine. They will be anxious to refurbish Italy's EC credentials, after breaking ranks in May over the sanctions against Argentina, a major parting of the ways from her fellow Europeans. The Italians are likely to press for UK support on the Genscher/Colombo proposals, for increased expenditure on Mediterranean agriculture and other policies which will benefit Italy and the raising of the 1% ceiling.

5. The primary UK objective at the Summit will be generalised, but important: to demonstrate that Italy matters to the UK and that the UK should matter to Italy as much as France and Germany do. Recent differences over the Falklands and on Community questions should not be allowed to affect the normal patterns of cooperation. Italy remains the UK's third most important European partner (after France and Germany) and the similarity of our interests in a number of areas has made her on occasion a useful ally. The Italians will be keen to mend fences with the UK after the Falklands crisis. Signor Spadolini and his Foreign Minister Colombo would have liked to maintain Community solidarity, but the government would have collapsed had a decision to renew sanctions been taken in May. The Italians are now pressing for renewed negotiations with Argentina. We should demonstrate that the only way forward in the aftermath of Argentine aggression lies in restoring the Falkland Islanders' way of life through reconstruction and development, and that fruitful negotiations with Argentina are not a practical possibility.

6. On Community matters the main UK aim will be to impress on the Italians the need for a fair solution of the Budget problem to be found by the end of November, as agreed by the Council, so that this divisive negotiation can be taken off the Community agenda. The Secretary of State may want to invite Signor Colombo, as a senior Community statesman, to give his views on how this can best be achieved; and to invite him to visit London in September. We will also want to explain the importance of the Luxembourg Compromise in political terms in this country; and to make clear our willingness to continue to cooperate in



the further work on the Genscher-Colombo proposals. If enlargement is raised, we should reaffirm the importance we attach to maintaining progress in the accession negotiations.

7. UK and Italian objectives are set out in full at Annexes A and B.

#### STRATEGY AND TACTICS

8. According to the agenda for the Prime Ministers' meeting proposed by the Italians, discussion is likely to begin with East/West, defence and arms control. This will no doubt be seen in the light of President Reagan's visit to Europe and of Italian concern about transatlantic relations in general. The Prime Minister may wish to argue that although there have been differences between Western Europeans and the Americans on security and defence matters, and now on East/West economic relations also, the gap has been bridged in the field of greatest importance, arms control, by recent US initiatives. In discussing the prospects for INF/START/MBFR the Prime Minister will wish to enquire about progress on INF siting at Comiso (Sicily), on which the coalition remains firm. Senator Spadolini may wish to exchange views on the UN Special Session on Disarmament, due to end on 9 July, which both he and the Prime Minister have addressed.

9. On international crises, the Italians will want a thorough talk about the Middle East. On Lebanon, discussion may cover possible EC measures against Israel and European participation in a peace-keeping force. (Both topics will have been discussed at the European Council.) The Italians are also concerned about Iran/Iraq, and may hanker after some Community initiative.

The Falklands is best covered in tête-à-tête talks. The Prime Minister may wish to express understanding of the domestic and external pressures which prevented the Italians from renewing Community sanctions against Argentina in May, while regretting the weakened signal this sent to Buenos Aires. The Italians will be interested in our future intentions. They will need to be persuaded that renewed negotiations with Argentina (which Signor Colombo has been advocating) are not a realistic option and that what matters now is the rehabilitation and reconstruction of the Islands. The Prime Minister may wish to stress the importance we attach to the links between Europe and Latin America, and our recognition of the need for the Islanders to establish a satisfactory relationship with Latin American countries. (Bilateral talks on the region have been proposed for the autumn at official level.)

10. The Italians will wish to review the international economic situation, particularly trade and East/West economic relations, after the Versailles Summit and European Council. There is scope for making common cause with the Italians over President Reagan's decision to extend the US embargo on the export of oil and gas equipment to the Soviet Union and recent US action against steel imports from the EC. Their attitude to Japan is coloured by the fact that they have a wider range of quota restrictions than any other EC country. In this connection they originally attempted to prevent the BL Triumph from entering Italy, though they have now accepted that it should do so. We are also concerned about their subsidies to industry. This could lead to an exchange of views on domestic economic policies.



Continued upward pressure on US interest rates has pushed the dollar to record levels against the lira, fuelling inflation through increased energy costs. The Prime Minister and the Chancellor of the Exchequer will wish to paint a positive picture of the prospects for the UK economy. In discussion of Community matters, it will be important to make clear that our commitment to the Community, and to making a success of our membership of it, remain as firm as ever. We regret the difficulties of recent months as much as anybody; they show how important it is to get the budget issue resolved so that we can get on with developing the Community, an objective shared by the UK and Italy.

11. The Summit will provide a good opportunity to underline the importance the UK attaches to industrial collaboration with Italy, where mutually beneficial. Mr Nott will just have met Signor Lagorio for talks on the EH 101 helicopter. Other potential areas for collaboration include the Multi-Role Rocket Launcher and the development of anti-tank guided weapons.

12. There may be occasion for congratulating, or commiserating with, Senator Spadolini over Italy's performance in the World Cup, an international event close to many Italian hearts.

#### PROGRAMME

13. The Prime Minister will arrive at Rome, accompanied by the Chancellor of the Exchequer, at 1130 on 7 July. (The Foreign Secretary will travel to Italy direct from Yugoslavia on the afternoon of 6 July. The Italian political hierarchy

will be on a State Visit to France that day). The Foreign Secretary will meet Signor Colombo for a working breakfast at the Villa Madama at 0830 on 7 July.

14. After a tête-à-tête with Senator Spadolini, during which Sir G Howe and Mr Pym will hold separate talks, there will be a working lunch, beginning at 1330, for all Ministerial participants hosted by the Italian Prime Minister at the Palazzo Chigi. Plenary talks will begin at 1515, followed by a joint press conference at 1630. Senator Spadolini will host a Government dinner at 1900, during which there may be an opportunity for the Prime Minister to meet the leaders of the parties forming the Government Coalition. The Prime Minister will return to London the same evening, departing from Ciampino airport at 2200 hours.

15. Personality notes on the following are attached at Annex C: Senator Spadolini, Signor Colombo, Senator Andreatta, (Treasury Minister), Senator Formica (Finance), Signor La Malfa (Budget), Signor Berlinguer (Diplomatic Adviser to the Prime Minister), Signor Cagiati (Italian Ambassador at London), Signor Malfatti (Secretary General MFA), Signor Bottai (Director General, Economic Affairs). Annex D lists subjects for discussion. These have been agreed with the Italians. A list of briefs is at Annex E. Basic statistics on Italy are given at Annex F.



RESUME

BRIEF NO 2: Falkland Crisis

16. Italian failure to renew economic sanctions regretted, albeit understood. Support over arms embargo appreciated. Importance of continuing the latter for the immediate future.

BRIEF NO 3: European Community Topics

17. (a) Community Budget Problems

Hope Italians will play a helpful role when negotiations on the UK budget problem resume in the autumn. The Foreign and Commonwealth Secretary might seek the views of Sig Colombo on the best approach then and invite him to visit the UK in the autumn.

(b) European Union (including Luxembourg Compromise)

Confirm willingness to continue to contribute constructively to further work on the Genscher/Colombo text. Explain to the Italians the importance to the UK of a member state being able to have a majority decision deferred where it considers important national interests to be involved.

(c) Other Community Issues: Enlargement

Further enlargement of the European Community vitally important for the further strengthening of democracy in Europe. Political benefits from enlargement overriding, although economic costs involved must be kept within bounds.

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BRIEF NO 4: United States/European Relations

18. Disappointing that transatlantic relations should have worsened, principally over economic issues, so soon after the Versailles and Bonn Summits. We must impress upon the Americans the need for genuine consultations, preferably through existing rather than new mechanisms, in order to avoid divisions in the Alliance.

BRIEF NO 5: Defence and Arms Control

19. (a) UNSSD II

Western speakers brought realism to a rhetorical debate. The Special Session could end in disagreement.

(b) INF, START, MBFR

Importance of NATO holding to the zero option to extract Soviet concessions; and of a positive presentation to the European public of the US proposals on START and the new Alliance initiative on MBFR.

(c) Collaborative Arms Projects

Mr Nott discussed the EH 101 helicopter project, our most important current collaborative business, with Signor Lagorio on 28 June. No specific points for us to raise but if the Italians do we should underline the need to maintain momentum.

(d) UK Defence Policy (post Falkland Islands)

Although our Falklands commitment may require some adjustment to our defence programme any such adjustment will be within the framework for the defence programme established during last year's review.



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BRIEF NO 6: East/West Political and Economic Relations

20. The Prime Minister may wish to point to the contrast between the West's success in capturing the high ground on political issues and arms control, and the problems over East/West economic relations, where President Reagan's extension of his measures against the Soviet Union has re-opened a European/American argument which we hoped had been resolved at Versailles. How should the Europeans react? How should we get across to the Russians the message of the West's underlying unity?

BRIEF NO 7: International Economic Issues

21. Wish to strengthen recognition that European economies must put their own house in order and try to reduce inflation as fast as US and Japan have done.

BRIEF NO 8: International Trade Issues

22. Despite much common ground between the UK and Italy on current international trade issues such as Japan, the USA and textiles, the Italians did not help British commercial interests by their anti-Japanese campaign against the BL Triumph Acclaim (largely overcome for the moment) and through heavy subsidies to their textiles industry.

BRIEF NO 9: United Kingdom Economy

23. The brief both considers the state of current policy developments and reviews the outlook for the UK economy.

BRIEF NO 10: Italian Economy

24. The Italian Government should do all it can (within the limits imposed upon it by the need for agreement between the coalition partners on economic management) to curb inflation, increase the public sector deficit.

BRIEF NO 11: Regional Issues

25. (a) Israel/Lebanon

By the time of the Summit either Mr Habib will have succeeded in negotiating the PLO's withdrawal or the Israelis will have attacked West Beirut. Discussion might concentrate on the future of Lebanon, particularly peacekeeping arrangements.

(b) Southern Africa/Namibia

The five encouraged by recent signs of South African flexibility, and have intensified consultations (while keeping them confidential for now) with a view to beginning implementation of the UN plan this year; but to meet the deadline we shall need positive responses from SWAPO and the other Africans. Provision for withdrawal of Cuban troops has now become an essential element in a settlement; although this is an added complication we hope the Ten will recognise the benefits of securing a wider regional stability.

(c) Latin America

Understand given the large Italian overseas population in Latin America (eg Brazil and Argentina) Italian concern over need for good relations between Europe and the nations of that continent. Share this desire. Many countries in South America understood the principles behind our action over the Falklands. Damage done to relations should not be exaggerated.



(d) Iran/Iraq

No direct role for the West to play. Stand ready to support constructive efforts by Islamic states in the region to bring about a negotiated settlement.

(e) Horn of Africa

Traditional Somali/Ethiopian animosity exacerbated by their current international alignments. The Italians more involved than we with the countries of the Horn. What do they think of the prospects for the area?

(f) Central America

Situation remains confused and potentially explosive. We must support US efforts to combat Cuban-backed subversion. The leftward drift in Nicaragua still gives cause for concern. The Italians might be asked whether they think it is worth persisting with substantial aid to the regime there.

BRIEF NO 12: Mediterranean Issues

26. (a) Libya

No illusions about Qadhafi's capacity for mischief. Favour cautious dialogue, but modest improvement in relations since 1980 set back by hostile Libyan attitude over Falklands. Marking time.

(b) Malta

Continuing concern at potential Maltese drift towards Soviet Union. Foreign Interference Bill, expected to become law in September, further cause for concern. No justification for exceptional EC aid for Malta (as advocated by Italy).

(c) Cyprus

Reasonable chance of intercommunal talks continuing on course through summer; but prospect of Greek Cypriot recourse to UNGA in autumn, when may need to concert action with Italians and others. Greek Cypriots have reacted strongly to Turkish Prime Minister's recent visit to Northern Cyprus.

BRIEF NO 13: Internal Political Scene

27. Spadolini's coalition government soldiers on but prospects for the future bleak. Relations between principle partners, the Christian Democrats and the Socialists, deteriorating. Centre 'lay' parties continue to make electoral gains, albeit small, at the expense of the Christian Democrats and opposition Communists.

BRIEF NO 14: UK/Italy Nuclear Collaboration

28. Italy has not taken up earlier overtures for collaboration on nuclear reactors. Although UK industry is now preoccupied domestically, it would consider any new specific propositions.

Foreign and Commonwealth Office

1 July 1982



## ANGLO-ITALIAN SUMMIT, 7 JULY 1982

## UK OBJECTIVES

1. To consolidate good working and personal relations between the Prime Minister and the Italian Prime Minister, and to seek to make Anglo-Italian relations as important a factor in Italian thinking as are Italian relations with France and the FRG.
2. To explain to Italian Ministers and also in public eg through a press or TV interview, HMG's attitude towards the Falkland Islands dispute, the future of the Community, and other issues where Italian public opinion has not understood us or has failed to give us full support.
3. While showing that the reasons behind Italy's failure to maintain European Community solidarity over economic sanctions against Argentina are regretted, albeit understood, to describe HMG's longer-term thinking of relations between Europe and Latin America.
4. To exchange views on domestic economic management and to review outstanding issues following the Versailles Summit.
5. Within the framework of UK commitment to Community membership, to explain the imperative need to find a solution to the EC budget question by November, in order to give the Community a period without further discussion of this divisive subject.
6. Unless agreement has already been reached, to persuade the Italians of the need, within the framework of the Genscher-Colombo proposals, to clarify the Community's decision-making



procedures, following the overriding of the Luxembourg compromise on 18 May.

7. To exchange views on transatlantic and East/West relations, defence questions and arms control.

8. To discuss those areas, eg the Mediterranean, Latin America and Eastern and Southern Africa, where the Italians have special experience or interests.

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ANNEX B

#### LIKELY ITALIAN OBJECTIVES

1. To allow Senator Spadolini to demonstrate that Anglo-Italian relations remain healthy despite some recent differences over, eg EC sanctions against Argentina and Community questions, and to reconfirm Italy's claim to be a top-table partner.

2. To underline Italy's commitment to greater European integration and to probe UK thinking on the Community's future.

3. Within this framework, to express concern at the growing threats to the Community's cohesion and to put forward ideas for strengthening the Community, including greater concentration and expenditure on new Community policies.

4. To press for early agreement on the Genscher/Colombo proposals on European Union.

5. To compare notes on international and domestic economic issues, especially inflation, unemployment, interest rates and public expenditure.

6. To review the progress of the NATO double decision, including the siting of INF bases and the progress of disarmament negotiations (START will be topical).

7. To discuss East/West relations, including Poland, credits for the Soviet Union and more generally the future directions of Soviet policies.

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8. To stress the importance which Italy attaches to close European/Latin American relations and the danger that Italy sees of Soviet gains in the regions at UK expense.

## PERSONALITY NOTES

1. Senator Giovanni Spadolini
2. Signor Emilio Colombo
3. Senator Beniamino Andreatta
4. Senator Salvatore Formica
5. Signor Giorgio La Malfa
6. Signor Sergio Berlinguer
7. Signor Francesco Malfatti
8. Signor Bruno Bottai
9. Signor Maurizio Bucci
10. Signor Andrea Cagiati

## 1. SENATOR GIOVANNI SPADOLINI

Prime Minister (Republican).

Born Florence 1925.

Professor of History at Florence University. Has specialist knowledge of Church-State affairs during and after the Risorgimento and has written several books on the subject as well as a number of political biographies. Editor of 'Il Resto del Carlino' (1955-68) and of 'Corriere della Sera' from February 1968-March 1972 when he was sacked, allegedly because the paper lost money during his editorship. It was generally accepted that there was no political motive for the dismissal.



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Senator for Lombardy since June 1972, Spadolini has continued to write articles for the press, especially 'Epoca' and 'La Stampa', and to give lectures, even as Prime Minister. He has been the leader of the PRI group in the Senate and Chairman of the Standing Commission on Education of the Senate. Was Minister for Cultural Affairs and Environment under Moro, 1974-76. He became Party Secretary in September 1979. He is the only Party Secretary at present who chooses to sit in the Senate rather than the Chamber; this reflects his preference for a more orderly form of political debate and dislike of tactical battles in Parliament (always fought in the Chamber). Spadolini formed his government in June 1981 after Forlani resigned. He surprised most observers by his energy and capacity for coalition management, and made a real effort to implement key elements of his government's programme, notably the limiting of inflation to 16% in 1982 and restriction of the PSBR.

Consistently friendly towards Britain. Large, loquacious and somewhat pompous in manner, but can perform quite effectively on television and is popular with journalists. Highly intelligent and occasionally witty. Speaks French and some English. Unmarried.

## 2. EMILIO COLOMBO

Minister of Foreign Affairs (Christian Democrat).

Born in 1920 in Potenza (Basilicata), which he has represented

in Parliament since 1946. Doctor of Law. Like Andreotti another protege of De Gasperi, he became a junior Minister at 28; Minister of Agriculture 1955-58 and for Foreign Trade 1958-59. As Minister for Industry in the following three years he was responsible for organising the nationalisation of the electricity industry (a watershed in Italian politics). He was concurrently in charge of relations with the EC and led the Italian delegation in the first British entry negotiations. As Minister of the Treasury without a break from 1963-70, together with Carli he overcame more than one economic crisis and successfully defended the lira.

Prime Minister of a centre-left government from August 1970 to February 1972. His task was made difficult by intense quabbling within the DC Party, aggravated by his own efforts to put through needed reforms, and by the Socialist overtures to the Communists. Colombo's position became untenable when the Christian Democrats and the Socialists, though parties in the same coalition government, supported different candidates in the presidential election at the end of 1971. Resigned February 1972.

Colombo returned to the Treasury in Andreotti's single party Christian Democrat government, February-June 1972, but occupied the comparatively unimportant post of Minister without Portfolio for relations with the UN during Andreotti's second government. Colombo returned to a senior post, that of Minister of Finance, when Rumor formed his government in July 1973. He once more took over the Treasury in March 1974, remaining there until the General Election in June 1976. Mr Roy Jenkins tried to interest



him in joining the Commission, but he declined. Elected President of the European Parliament in March 1977, he did the job well for more than 2 years. Brought in as Foreign Minister by Cossiga in April 1980, halfway through Italy's EC Presidency, he played an important role in resolving the problem of the UK budget contribution and in making both the Venice Summits in June 1980 a success. His pleasant personality quickly made him popular with his EC colleagues and Pertini himself urged Forlani not to move him from the Foreign Ministry. Colombo retained his post for a third term under Spadolini following the resignation of the Forlani government in May 1981.

Colombo is a devout Catholic. Unmarried, he is said to be a lay Franciscan who has taken a vow of celibacy. A handsome, highly intelligent and hard working man with a quiet sense of humour. Beneath his gentle exterior, he is a capable politician. At the same time, his lack of a real power base was probably his own undoing as Prime Minister. He runs a small faction in the DC Party which in general takes a neutral stand in internal party squabbles. He suffers from catarrh of a rather pronounced kind which makes him restless and twitchy. He retains close links with his home area in the South and was the first Minister on the spot after the earthquake of November 1980.

Colombo has been a good friend of Britain, which he has often visited. Speaks good French but scarcely any English. He likes music and collects old silver. He is ambitious, and travels the world incessantly. His reputation among his EC colleagues has risen steadily.

### 3. BENIAMINO ANDREATTA

Minister of the Treasury (Christian Democrat).

Born in Trento in 1928. Professor of Economics at the Catholic University of Milan and subsequently at the University of Bologna, where he was Director of the Institute of Economics in the Faculty of Political Science. A liberal economist, he also played a leading role in running a DC Economic research group (AREL) in Rome.

One of the most respected 'technicians' of the DC party, he was for many years an economic adviser to the late Aldo Moro, to whom he was close politically. Elected Senator in 1976 for a constituency near Bologna, he was an active member of the Senate Finance and Treasury Committee from 1976-79 until his appointment as Minister of the Budget on the formation of the Cossiga Government in August 1979. Reappointed Minister without Portfolio, with responsibility for co-ordinating economic policy, in Cossiga's second Government in April 1980. He moved to the Treasury when Forlani formed his first government in October 1980, replacing Pandolfi. His political reputation is as an immensely ambitious, financially scrupulous outsider within the DC. Unusually for a DC Minister, he relies upon able technical advisers many of whom are politically committed to other parties.

A large, talkative man, with a sarcastic sense of humour, well disposed to Britain. Chain smokes a pipe. Normally friendly but can on occasions be surprisingly rude. He speaks good English and studied Economics at Cambridge for a period in the



1960s, as well as in the United States. Known as 'Nino' (the diminutive of his Christian name). Married, with a teenage daughter.

#### 4. SALVATORE FORMICA

Minister for Finance (Socialist).

Born in Bari in 1927 and still lives there. He has a degree in commerce and economy and has spent most of his life in trade. He was elected a Senator in 1979 for a Milan constituency and served on the Budget Commission of the Senate. He became Minister for Transport when the Socialists joined Cossiga's second government in April 1980, retained the post under Forlani, and was appointed Minister for Finance (revenue collection) in Spadolini's government in June 1981.

Married.

#### 5. GIORGIO LA MALFA

Minister for Budget (Republican).

Born in 1939 in Milan, where he lives. He is the son of the famous PRI leader. Ugo La Malfa. He has a degree in law and political economy and has been a university teacher. He was elected a Deputy in 1972 for a Turin constituency and has remained in the Chamber, serving on the Budget and Industry Commissions. He first became Minister for Budget when the

Republicans joined Cossiga's second government in April 1980. He is generally thought to have made a reasonable success of this difficult post, although relations with Andreatta have not always been easy. His fundamental aim is to introduce some measure of medium term planning into the economy rather than leaving recourse always to stopgap solutions for every crisis. Married.

#### 6. SERGIO BERLINGUER

Diplomatic Counsellor to the Prime Minister.

Born at Sassari in 1934; a cousin of Enrico Berlinguer. He has a degree in law from the University of Rome. He joined the Foreign Service in 1959 and worked in the Ministry until being posted to London as Third Secretary in 1962. He stayed there for 10 years, being promoted steadily to Counsellor and filling a number of consular and diplomatic posts. Returning to the Ministry in 1972, he ran the Press Department until seconded to the Prime Minister's office as Deputy Diplomatic Counsellor in 1973. Deputy Head of the Foreign Minister's Office, 1974-76. He then returned to head the Ministry Press Office before being seconded again to the Prime Minister's office as Diplomatic Counsellor in August 1979 (with the rank of Minister Plenipotentiary).

Berlinguer has an English wife and two daughters born in Britain for whom he is seeking UK citizenship. He speaks excellent English and is very well disposed towards us.



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7. ANDREA CAGIATI

Ambassador in London.

Born in Rome in 1922. He graduated in law from the University of Siena in 1944. He joined the Foreign Service in 1948 and after the usual period in the Ministry went to Paris in 1950. Vice-Consul in New York in 1953. In 1955 he returned to the Private Office of the MFA Under-Secretary. First Secretary (under Counsellor) in Athens 1957-60. Counsellor in Mexico City 1960-62. After a brief spell at the Italian Mission to the United Nations, he returned to the MFA to head the NATO Department from 1963-66. Appointed Ambassador in Bogota in 1968 but soon returned to the Ministry. working in the Diplomatic Institute (1971) and as Diplomatic Counsellor in the Prime Minister's Office (1972). Ambassador in Vienna, 1973-79. He replaced Ducci as Ambassador in London in January 1980.

As Ambassador in London he began by encouraging his staff to greater activity than some of them had shown under Ducci. He himself is always very prompt in carrying out his instructions, and if he errs it is by excess of zeal rather than the reverse. Able, sharp and ambitious, he defends Italian interests with energy. Despite social pretensions he has found out a good deal about Britain in a short time. Tall and impressive. His wife is German; they make a handsome couple.

8. FRANCESCO MALFATTI

Secretary-General, Ministry of Foreign Affairs.

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Born Vienna 1920.

Before entering the Diplomatic Service, had an early career as a Home Civil Servant during the course of which he was Labour Attache to the Italian Embassy in London from 1944-46. Entered the Diplomatic Service in 1947. In his early career served in Geneva, Munich and Paris (where he was nominated Counsellor in 1957). He also served as Italian representative to numerous negotiating missions, some of them to London. Head of the cabinet of the Foreign Minister Saragat (PSDI) in 1963. Followed Saragat to the Quirinale when the latter became President in 1964. Ambassador in Paris from 1969 until his nomination as Secretary-General in September 1977.

Malfatti owed his entry into the Diplomatic Service to the Patronage of the veteran socialist leader, Nenni, who arranged for him to be appointed 'by decree'. He has always professed socialist sympathies. Listed in May 1981 as involved in the 'P2' Masonic Lodge affair but nothing was proved.

Though he does not appear to have been a particularly active ambassador in Paris (apart from nurturing a friendship with Mitterrand), he has been a fairly effective Secretary-General at the MFA, although Ambassadors have not found him very accessible.

Retains warm memories of kindness shown to him in London in 1944.

Works late every night and never goes out socially, although he plays tennis regularly. Can be severe, but helpful when he feels like it. Speaks excellent French.

Married.

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## 9. BRUNO BOTTAI

Director-General of Political Affairs, MFA.

Born in Rome on 10 July 1930. Went to Rome University where he graduated with a degree in Law in July 1952. Joined the Diplomatic Service in 1955, working in the Directorate-General of Economic Affairs. Vice-Consul in Tunis from 1956-58. Second Secretary in the Office of the Italian Permanent Representative to the European Community in Brussels from 1958-61. MFA - Planning Department - from 1961-66. Counsellor in London from 1966-68. MFA - Vice Head of the Minister's Cabinet from 1968-69. Counsellor at the Italian Mission to the Holy See from 1969-70. Seconded to the Council of Ministers as Diplomatic Adviser to the Prime Minister from 1970-72. MFA - Head of News Department - from 1972-76. Vice Director-General of Political Affairs from 1976-79. Italian Ambassador to the Holy See from 1979-81.

A bachelor seen about frequently in Roman society, he is an able and hard-working man chosen by Minister Colombo himself for the important and onerous job of Political Director. Speaks several languages fluently, including English, French, German and Spanish, and is widely read.

## 10. MAURIZIO BUCCI

Director General for Economic Affairs, MFA.

Born in Isernia in 1923. Graduated in law from Rome University

in 1945. He joined the Foreign Service in 1949, and after a period in the Ministry went to the Italian Delegation to NATO in 1952. He was Vice Consul in Paris from 1955-58 and then went to Luxembourg as First Secretary. In 1961 he was Chef de Cabinet of the Vice President of the EC Commission, promoted to Counsellor in 1962. Counsellor at the Italian Mission to the EC from 1963-68. He then returned to the Ministry to work on economic affairs until posted as Ambassador to Damascus in 1973 and to Brazil as Ambassador in 1976. He became Director General of Economic Affairs at the MFA in November 1979. He would have preferred to stay abroad.

Friendly and helpful, he is less at home in smart Roman society than many of his senior colleagues at the Farnesina. Speaks French and English.

Married.



## AGENDA

- A. East-West Political and Economic Relations
- B. Defence Questions and Arms Control
- C. Crises: Falklands (including Central and Latin America), Lebanon, Middle East (including Iran/Iraq)
- D. Regional Issues: Mediterranean, Eastern and Southern Africa
- E. European and Community Issues including Luxembourg Compromise, Budget Questions, European Union and Enlargement
- F. Economic situation (after Versailles, and including credits and contracts with the Soviet bloc)



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## LIST OF BRIEFS

Steering Brief

Falkland Islands

European Community Topics

- (a) Community Budget Problems
- (b) European Union including Luxembourg Compromise
- (c) Other Community Issues: Enlargement
- (c) (i) Super Sara: reactor safety project

US/European Relations

Defence and Arms Control

- (a) UNSSD II
- (b) INF, START, MBFR
- (c) Collaborative arms projects
- (d) UK defence policy (post Falkland Islands)

East/West Political and Economic Relations

International Economic Issues

International Trade Issues

UK Economy

Italian Economy

Regional Issues

- (a) Israel/Lebanon
- (b) Southern Africa/Namibia
- (c) Latin America
- (d) Iran/Iraq
- (e) Horn of Africa
- (f) Central America

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## 12. Mediterranean Issues

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- (a) Libya
- (b) Malta
- (c) Cyprus

## 13. Italy: Internal Political Scene

## 14. UK/Italy Nuclear collaboration

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ANNEX F

## ITALIAN BASIC STATISTICS

		ITALY	UK
Population (millions)	1979	56.9	55.9
	1980	57.1	56.0
Labour Force (millions)	1979	22.0	26.2
	1980	22.3	26.1
Unemployed (per cent of civilian Labour Force)	1980	8.0	6.9
	1981	8.9	10.5
	March 1982	10.4	11.5
Gross Domestic Product (Billion dollars)	1980	394.0	522.9
	1981	345.1	480.8
GDP per capita (Dollars)	1979	5704	7271
	1980	6899	9337
Annual Rate of Growth of GDP (%)	1980	4.0	1.0
	1981	0.0	-2.0
Annual Rate of Growth of Industrial Production (%)	1979	6.8	3.6
	1980	5.1	-6.1
	1981	-2.2	-4.6
Consumer Prices (change over year earlier (%) )	1979	15.7	13.3
	1980	21.2	18.4
	1981	19.3	11.9
Balance of Payments on Current Account (Million dollars)	1979	5414	-1844
	1980	-9844	5751
<u>Defence</u>			
Spending (per cent of GNP)	1980	2.4	5.1
Total Armed Forces	1980	366000 (239300 conscripts)	343646
<u>Trade</u>			
United Kingdom exports to Italy	1980	£1,899.2 million	
	Six months 1981	£906.1 million	
United Kingdom imports from Italy	1980	£2,311.1 million	
	Seven months 1981	£1,328.7 million	

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30 JUNE 1982

ANGLO-ITALIAN SUMMIT

7 JULY 1982

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FALKLAND ISLANDS

BRIEF BY FOREIGN AND COMMONWEALTH OFFICE

POINTS TO MAKE

1. We greatly regret Argentina's refusal to confirm that they, like us, regard all hostilities as at an end. Any attempt to prolong the conflict highly dangerous and irresponsible. International community has shared interest in persuading her to desist. Anything Italy could do would be much appreciated.
2. Welcome European Community's stated determination to react immediately if Argentina commits further acts of force. Important that new Argentine Government understand EC solidarity on this point.
3. We hope that Islanders can now live in peace and harmony with their neighbours. Economic and social rehabilitation is the immediate priority. We are also considering further development of the Islands, and possible options for their future political development and security. However, difficult and complex tasks, which cannot be undertaken hurriedly.

/Need



Need to consult Islanders' own wishes. Everyone's best interests lie in a peaceful, secure and prosperous future for the whole region.

4. Defensive. We had been negotiating with Argentina up to the time of the invasion. We made clear our willingness to negotiate provided Argentina withdrew forces voluntarily. She refused to do so. We cannot now, following the fighting and the deaths, resume negotiations with Argentina as if their invasion had never taken place. Not sufficient for Argentines now to say they accept resolution 502 which was directed against their illegal use of force, and which they persistently refused to implement peacefully.

5. Most grateful for Italian arms embargo. Appreciate full cooperation Italian authorities are giving in ensuring that private dealers do not evade it. Hope Italy will be able to continue to operate embargo for some time to come - Argentine intentions still not clear.

6. Effect on Nato commitments. Events in South Atlantic do not alter fact that main threat is from Soviet Union. No question of any weakening in UK's commitment to NATO or major change in thrust of our contribution. Still considering scale of South Atlantic forces required. We will keep in very close touch with our Allies as our thoughts on this develop.

## BACKGROUND

EC SANCTIONS

1. The Italian Government supported the EC import ban on goods from Argentina when first imposed on 16 April. However, they did not apply them after 17 May. This is partly because of the strong links existing between Italy and Argentina, many of whose inhabitants are of Italian origin, and partly because of political opposition to sanctions within Italy, which could have led to the Government's downfall if it tried to maintain them. However, the Government continued to speak out strongly in support of the UK.

NEGOTIATIONS WITH ARGENTINA

2. Following the repossession of the Falkands, Sig Colombo wrote to the Foreign and Commonwealth Secretary urging a prompt renewal of the negotiating process, as a demonstration of Britain's traditional political foresightedness and magnanimity. This message was received shortly before the EC Foreign Ministers' meeting at Luxembourg which decided on 21 June to lift sanctions. No formal reply was sent to Sig Colombo, but the Foreign and Commonwealth Secretary thanked him for the message which was useful in preparing for the meeting.

/3...



ARMS EMBARGO

3. The Italians have been very cooperative in following up leads we have given them in individual cases. They have operated their arms embargo strictly. But Italian arms dealers have extensive links with their Argentine counterparts, and the Italian Government is likely to want to lift its arms embargo as soon as possible (although we have had no sign that they are planning to do so ahead of other EC partners or to take a lead within the EC on this). Appreciation for help so far, and an exhortation to keep going for the immediate future, would be appropriate.

NATO COMMITMENTS

4. The publication of the statement on 'Defence Estimates 1982' has made it clear that the UK still sees the main threat as coming from the Soviet Union and that our commitment to NATO remains as strong as ever. Work on the size of the UK South Atlantic force is still going on. It is too early to say what the full effect will be on our NATO commitments. The UK, however, remains committed to the achievement of the NATO goal of a 3% per annum real increase in defence expenditure. The cost of replacing equipment lost during the fighting, and of any future garrison on the Falkland Islands, will be met from money which will be in addition to that provided to meet the NATO 3% aim. All equipment lost in the conflict will be replaced, though not necessarily on a like-for-like basis.

Foreign and Commonwealth Office

30 June 1982