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Foreign and Commonwealth Office

London SW1A 2AH

19 October 1988



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Dear Charles

Anglo-Italian Summit: 21 October

The following proposed additions to the Steering Brief for the Anglo-Italian Summit take account of events since the Brief was circulated. The Ambassador's scene-setting telegram is also attached.

WEU/Gulf

Andreotti told the Foreign Secretary at Yannina on 14/15 October that he had no further problems with our proposal for Operation Cleansweep. We recommend that the Prime Minister welcome this confirmation of Italian participation.

Angola/Namibia

In contrast with earlier progress, the latest round of talks in New York (7-9 October) proved unproductive. The Angolans and Cubans failed to move forward either on their 30-month timetable for Cuban troop withdrawal or on the mechanics. All parties recognise that 1 November is unrealistic for implementing UNSCR 435 but have not publicly dropped the objective. These events underline the need for internal reconciliation in Angola and the vital importance of keeping the US engaged.

(Not for use with the Italians:) Chester Crocker has tabled a new proposal based on a 24-month period for full Cuban troop withdrawal with 70% (38,000) to leave in the first year. The South Africans have accepted this. As at 18 October, the Cubans and Angolans have not replied. A further round of expert-level talks may be held in Geneva in the next two weeks. Crocker hopes to conclude the negotiations by 1 November, but there are signs that the Angolans and Cubans are holding back until after the US elections.

East/West

Reports of De Mita's visit to Moscow (13-16 October) suggest that he is likely to have returned with unduly optimistic views about Gorbachev and perestroika. We recommend that the Prime Minister put Soviet reform into perspective and underline the risk of deluding ourselves that

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the Soviet threat has largely disappeared. De Mita may echo Gorbachev's theme of a "Common European Home". The Prime Minister could remind him that it is the East which, far from building a Common Home, has created physical barriers like the Berlin Wall and other restrictions on freedom of movement. To be taken seriously, Gorbachev should reduce Soviet troops and their forward deployment, and allow East Europeans to work out their own future. Any "Common Home" should be based on real co-operation and shared values.

During his visit De Mita resurrected the idea of a "Marshall Plan" for Eastern Europe, financed by the West. Italy is already a keen proponent of Western finance for the East (particularly Yugoslavia). But, while we are ready to offer the East advice in key areas, such as management training, we do not accept that Western tax-payers should rescue them from their self-inflicted problems. The experience of the 70s does not encourage optimism about the way the money would be used.

This rather more austere perspective could reinforce the current impression that the UK is Europe's back-marker in East/West relations. But a restatement of our positive approach to Gorbachev, the Common European Home and the need for the Russians to live up their words, would be an effective counter to that.

#### CSCE

You will be aware from our recent correspondence that the UK approach on the subject of a Moscow CSCE Humanitarian Conference has been slightly modified recently. While it would be premature to reveal this in advance of further consultations with the US, the Prime Minister could press De Mita on his desiderata for a Conference. (The evidence suggests that he has sold the pass in Moscow without insisting on any conditions.)

#### Industrial, Scientific and Technological Collaboration

DES are sending separately a brief on the outcome of 13/14 October CERN Committee of Council.

#### Confiscation of Drug Trafficking Assets

At a recent meeting of British and Italian officials, the Italians seemed more ready to enter into a bilateral agreement to trace, freeze and confiscate the assets of drug traffickers, than the brief currently suggests. Our objective is now to promote negotiation of such a treaty, and further official discussions are planned. The Italians are however

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still likely to want to ensure that a bilateral treaty is consistent with possible multilateral agreements as and when they are negotiated.

I am copying this letter to Philip Mawer (Home Office), Brian Hawtin (MOD), Marjorie Davies (DTI) and Trevor Woolley (Cabinet Office).

*Yours ever*

*R N Peirce*

(R N Peirce)  
Private Secretary

C D Powell Esq  
10 Downing Street

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UK/ITALIAN SUMMIT, 21 OCTOBER: SCENE SETTING

SUMMARY

1. DE MITA HAS HAD A GOOD FIRST SIX MONTHS. HE HAS PROVED A MORE EFFECTIVE LEADER THAN MANY EXPECTED. HE WILL BE KEYED UP BY HAVING GOT THE PROCESS OF REFORM LAUNCHED AT THE END OF LAST WEEK AND BY THE SUCCESS OF HIS RECENT HIGH PROFILE VISIT TO MOSCOW. HE WILL COME TO THE SUMMIT WITH ENHANCED CONFIDENCE.

DETAIL

2. WHEN DE MITA BECAME PRESIDENT OF THE COUNCIL OF MINISTERS IN APRIL, HIS PREVIOUS EXPERIENCE OF MINISTERIAL OFFICE WAS VERY LIMITED. HIS TENURE OF THE SECRETARYSHIP OF THE CHRISTIAN DEMOCRAT PARTY HAD BEEN REASONABLY SUCCESSFUL, BUT HE HAD NOT CUT MUCH OF A DASH. HIS RIVALRY WITH CRAXI, LEADER OF THE SOCIALIST PARTY, THE SECOND BIGGEST PARTNER IN THE COALITION, SEEMED TO SPELL TROUBLE. BUT ABOVE ALL HIS EXPERIENCE AS A BEHIND-THE-SCENES BROKER BETWEEN THE DIFFERENT FACTIONS OF THE CHRISTIAN DEMOCRAT PARTY SEEMED UNLIKELY TO HERALD THE DECISIVE LEADER WHO WAS NEEDED TO TACKLE ITALY'S DAUNTING POLITICAL AND ECONOMIC PROBLEM. IN FACT HE HAS FIRMLY SEIZED CENTRE STAGE, AND IS CLEARLY ENJOYING BOTH THE ATTENTION AND THE POWER AT HIS COMMAND.

INTERNAL AFFAIRS

3. UNDOUBTEDLY DE MITA'S BIGGEST DOMESTIC ACHIEVEMENT SO FAR IS THE REFORM OF THE SECRET VOTE IN THE LOWER HOUSE OF PARLIAMENT (MY TELNO 560). HE MADE THIS ONE OF THE MAIN PLANKS OF HIS GOVERNMENT FROM THE OUTSET AS THE MOST IMPORTANT FIRST STEP IN THE PROCESS FOR REFORM, SHOWING THEREBY A SHREWD JUDGMENT OF WHAT

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WAS MOST NEEDED TO MODERNIZE ITALY'S INSTITUTIONS. HE PURSUED THIS OBJECTIVE WITH DOGGEDNESS AND CONSIDERABLE TACTICAL SKILL. HE HAD TO BALANCE THE CLAIMS OF CRAXI AND HIS SOCIALISTS, WHO WANTED A MORE RADICAL REFORM: MANY OF HIS OWN PARTY, INCLUDING ANDREOTTI, WHO WANTED A MORE MODEST CHANGE IN SLOWER TIME, IF AT ALL: AND THE COMMUNISTS, WHO WERE DESPERATELY KEEN NOT TO BE LEFT OUT OF THE DEBATE, BUT WHO WERE NOT AT ALL SURE WHICH POLICY TO FAVOUR. DE MITA CAN PERSONALLY TAKE THE CREDIT FOR THE FINAL SUCCESSFUL APPROVAL, BY SECRET VOTE, OF AN AMENDMENT TO THE CHAMBER'S RULES OF PROCEDURE WHICH WILL MAKE OPEN VOTING THE NORM, MOST CRUCIALLY FOR FINANCIAL MEASURES.

4. DE MITA HAS ALSO INTERVENED PERSONALLY TO RESOLVE OTHER INTRACTABLE DISPUTES, SUCH AS THE TEACHER'S PAY ISSUE IN JUNE AND THE ARGUMENT WHICH BROKE OUT IN JULY OVER REDUCED SPEED LIMITS. NEITHER OUTCOME WAS TOTALLY HAPPY. THE FORMER BOUGHT PEACE, BY CONCEDING A HIGH PAY SETTLEMENT, BUT THE PRECEDENT MAY HAVE HELPED TO ENCOURAGE THE CONTINUATION OF PUBLIC SECTOR STRIKES THIS AUTUMN. HOWEVER HERE AGAIN THE GOVERNMENT HAS TAKEN POSITIVE STEPS, BOTH BY INTRODUCING LEGISLATION TO CONTROL STRIKES IN ESSENTIAL PUBLIC SERVICES AND RECENTLY ISSUING A SERIES OF FORMAL ORDERS TO WORK TO FORESTALL PARTICULARLY SERIOUS THREATENED STRIKES. ON SPEED LIMITS, THE COMPROMISE FINALLY AGREED WAS A PRACTICAL NONSENSE, WITH HIGHER SPEED LIMITS ON WEEK DAYS THAN AT WEEKENDS AND HOLIDAYS, AND IS LIKELY SOON TO BE REVISED IN FAVOUR OF A SINGLE LIMIT. NEVERTHELESS IT WAS AT THE TIME RECOGNISED AS A POLITICAL ACHIEVEMENT.

#### THE ECONOMY

5. DE MITA HAS BEEN FORTUNATE IN ENJOYING A PERIOD OF ECONOMIC AND BUSINESS BOOM IN ITALY WITH GROWTH RATE OF AT LEAST 3.6 PER CENT PREDICTED FOR THE YEAR. ALL MAJOR INDICATORS ARE MOVING THE RIGHT WAY, EXCEPT FOR THE PUBLIC SECTOR DEFICIT. THIS IS A MAJOR EXCEPTION, BUT DE MITA AND HIS TEAM OF ECONOMIC MINISTERS, HEADED BY AMATO ARE SHOWING DETERMINATION IN TACKLING IT. THEY HAVE MADE A SERIOUS STAR CHAMBER-TYPE EFFORT TO INVOLVING CASH LIMITS TO CONTAIN THE GROWTH OF EACH MINISTRY'S BUDGET, AND APPEAR SO FAR TO HAVE BEEN SUCCESSFUL. THIS YEAR'S FINANCE BILL IS ON THE RIGHT LINES, AND IS NOT LIKELY TO BE DAMAGINGLY AMENDED IN PARLIAMENT AS HAS HAPPENED IN PRECEDING YEARS SINCE ALL VOTES ON IT WILL FOR THE FIRST TIME BE OPEN.

INTERNATION AFFAIRS

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6. ON THE INTERNATIONAL SCENE DE MITA IS STILL FINDING HIS WAY. ANDREOTTI CONTINUES TO SET POLICY ON MOST ISSUES. IT IS ANDREOTTI RATHER THAN DE MITA WHO HAS LED THE DOUBTERS ABOUT WEU NAVAL ACTIVITIES IN THE GULF, AND WHO HOLDS THE VIEW THAT MANDATORY ECONOMIC SANCTIONS AGAINST SOUTH AFRICA ARE A NECESSARY PART OF THE WEST'S EFFORTS AGAINST APARTHEID. HOWEVER DE MITA GIVES NO SIGN OF WISHING TO TAKE ISSUE WITH ANDREOTTI ON THESE POINTS.

7. THERE IS NO SPACE BETWEEN THEM ON POLICY TOWARDS THE EAST, AND ESPECIALLY THE RUSSIA OF GORBACHOV. BOTH TEND TO ASSUME THE SUCCESS OF GORBACHOV'S CHANGES AND TO WANT TO DRAW BIGGER POLITICAL AND COMMERCIAL CONCLUSIONS FROM THEM THAN THEY YET WARRANT. HENCE DE MITA'S PROPOSAL FOR A MARSHALL PLAN FOR EUROPE AND HIS DANGEROUS CONCEPT OF EUROPE AS A BRIDGE BETWEEN EAST AND WEST. HENCE ALSO THE MAJOR ITALIAN COMMERCIAL EXHIBITION IN MOSCOW, ITALIA 2000, WHICH DE MITA AND GORBACHOV OPENED PERSONALLY ON 14 OCTOBER. THIS WAS SEEN HERE AS A CONSIDERABLE COUP FOR ITALY, OF WHICH DE MITA WILL BE PROUD. IN THE ACCOMPANYING COMMERCIAL DISCUSSIONS, SEVERAL IMPORTANT BUSINESS DEALS WERE STRUCK, INCLUDING THE ESTABLISHMENT OF A JOINT COMPANY TO MANUFACTURE SPECIAL RUBBERS IN RUSSIA, AND A TWO-WAY AGREEMENT FOR TRADE IN STEEL PRODUCTS. DE MITA WILL BE KEEN TO GIVE THE PRIME MINISTER A FIRST HAND ACCOUNT OF HIS TALKS WITH GORBACHOV AND HIS ASSESSMENT OF THE LATEST POLITICAL DEVELOPMENTS IN RUSSIA. IT WILL BE USEFUL FOR HIM TO BE EXPOSED TO A HEALTHY DOSE OF REALISM.

#### CONCLUSION

8. DE MITA'S STYLE AS HEAD OF ITALY'S COALITION GOVERNMENT HAS PROVED MORE PROMINENT AND DECISIVE THAN ORIGINALLY SEEMED LIKELY. THE GOVERNMENT HAS SET ITSELF THE TASK OF ACHIEVING RESULTS IN A NUMBER OF IMPORTANT SECTORS, AND SO FAR IS ON COURSE. DE MITA PERSONALLY HAS NOT HESITATED TO PLUNGE INTO THE THICK OF THE MOST INTRACTABLE ISSUES, AND UP TO NOW HAS EMERGED WITH CREDIT ON EACH OCCASION. IN THE RECENT NEAR-CRISIS OVER THE SECRET VOTE, WHEN HE WAS BEING SUBJECTED TO A SEVERE BUFFETING BOTH BY CRAXI AND BY HIS OWN SIDE, HE KEPT HIS NERVE AND WON. HE HAS DEFENDED HIS GOVERNMENT'S RECORD VIGOROUSLY AND EFFECTIVELY WHEN THE PRESS HAS CHALLENGED HIM, FOR EXAMPLE ON LAW AND ORDER. AND HE HAS CLEARLY ENJOYED THE LIMELIGHT. HE MUST BE PLEASED BY HIS FIRST SIX MONTHS AND SEEMS READY TO TACKLE THE PUBLIC SECTOR DEFICIT, THE

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NEXT STAGE OF REFORM OF THE INSTITUTIONS, AND THE QUESTION OF HIS KEEPING THE JOB OF SECRETARY OF THE CHRISTIAN DEMOCRAT PARTY AT THE SAME TIME AS BEING HEAD OF THE GOVERNMENT. THIS WILL BE A MAJOR ISSUE AT THE DC CONGRESS DUE TO BE HELD IN JANUARY NEXT YEAR.

9. DE MITA'S SUCCESSES SO FAR, BOTH IN KEEPING HIS COALITION TOGETHER AND IN ACHIEVING PRACTICAL RESULTS, HAVE GIVEN HIM A GOOD BASIS ON WHICH TO CONTINUE. THE MOST COMMON ASSUMPTION HERE IS THAT HE SHOULD HAVE LITTLE PROBLEM IN REMAINING IN OFFICE NOW UNTIL THE EUROPE ELECTIONS IN JUNE 1989, WHEN CRAXI WILL RECEIVE A CLEAR READING ABOUT HOW THE SOCIALIST VOTE IS GOING. THAT IS THE NEXT POINT AT WHICH CRAXI MIGHT DECIDE TO MOUNT A CHALLENGE. DE MITA OF COURSE IS AIMING TO HOLD ON TO OFFICE UNTIL THE PRESENT ELECTORAL MANDATE EXPIRES IN 1992. IF HE WERE TO SUCCEED HE WOULD HAVE BROKEN ALL RECORDS.

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