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PRIME MINISTER

cc Mr. Ingham

## ANGLO-ITALIAN SUMMIT

Programme

You fly to Italy tomorrow for the Anglo-Italian Summit. You leave No. 10 at 0715, depart from Heathrow at 0800 and arrive in Milan just before 1000. From there you helicopter - if the weather permits - or drive to the Villa Taranto in Pallanza, at the northern end of Lake Maggiore. The Villa has the finest botanical garden in Europe after Kew, founded by a Scotsman - Captain McEacharn - in the 1920s and passing to the Italian Government after his death in the 1960s.

The order of business is:

1100-1200	Meeting with De Mita
1200-1230	Joined by Foreign Ministers
1230	Plenary
1300	Group photograph
1315	Lunch
1435	Press Conference
1530	Plant a tree as a memorial to Captain McEacharn
1545	Return to Milan by helicopter
1615	Depart for London
1830c	Return to No. 10

You will be accompanied by the Foreign Secretary, the Home Secretary, the Defence Secretary and the Minister for Trade plus officials.

Background

De Mita has just returned from a successful (in public relations terms) visit to Moscow, which has left him starry-eyed about Gorbachev's reforms. He has sold the pass on a Human Rights Conference in Moscow. He is spouting a lot of nonsense about a Marshall Plan for East Europe. On the

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home front, he has had a significant parliamentary victory in limiting the use of secret ballots in Parliament. This should make for a more stable government. The Italian economy is doing well.

In short, De Mita will be feeling pleased with himself and much more confident than when you met him in Toronto in June (whether he will make much more sense is another matter). He will be bursting to tell you all about Gorbachev. And for his own political purposes, he will want to show that he is fully your equal and capable of standing up to you, particularly on Europe, on which he plays well out on the federalist wing. You may need to do some gentle cutting down to size at the press conference.

One other development is that the Italians have now agreed to participate in Operation Cleansweep in the Gulf.

#### Agenda

You might start by asking about developments in Italy. But I think he will want to move rapidly on to East/West so that he can tell you about his visit to the Soviet Union. You will want to put the case for realism. We must not delude ourselves that the Soviet threat has disappeared. It will be very important to set stiff conditions for agreement to a human rights conference in Moscow, making clear that the West will not attend unless they are met. You will want to be sceptical about a Marshall Plan: there is no reason for our taxpayers to rescue the Soviet Union and Eastern Europe from their self-inflicted problems.

You might then move on to the European Community. You could ask what he understands by the phrase European Union. We need to focus on practical steps such as completing the internal market and implementing the steps we are already committed to take on financial and monetary issues. You will want to explain the difficulties of a European Central Bank and why we are opposed to harmonisation of direct and indirect taxes. You will also want to make clear that you will not countenance

social policy laid down by Brussels, particularly of a sort which increases the burdens on business. Measures to help reduce unemployment and provide training, yes: worker participation, no.

Next might be international trade and economic issues. It will be very important to make a success of the MTM meeting in Montreal and that means that the Community will have to move further on agriculture. There will have to be further specific commitments by the Community. Before that, there is still a lot of hidden protectionism in the form of cultural and structural barriers which needs to be overcome.

You should deal with a number of points on the Middle East. You can welcome Italy's agreement to take part in Operation Cleansweep and their support for the sale of Tornado to Jordan (although we wish they would complete their procedures on credit). We hope that the Italians will not step up their relations with Libya significantly, let alone sell arms. They really must remember what the Libyans have done to us by supplying arms to the IRA. People are being killed almost every day because of them.

Finally there are some bilateral issues to tackle. We are grateful for the excellent intelligence cooperation we have. We welcome the Double Taxation Agreement just signed (at the Summit). We hope they will speed up parliamentary approval of the Extradition Treaty. We are keen to get a move on with a bilateral agreement to trace, freeze and confiscate the assets of drug-traffickers.

#### Press Conference

Bernard will do a separate note on this. It will probably be dominated by attempts to draw out differences between you and De Mita on Europe: there is no harm in this, they are real. There is likely also to be an attempt to do the same thing on East/West: again it is an opportunity to get across our views.

CDP

C. D. POWELL

20 October 1988