



WRJ 020/1 (20)

PS -
I think we now have the final version
My thanks to Mr Spicely

COVERING CONFIDENTIAL

keep this A good statement of our current concerns.

FROM: R W Renwick
DATE: 7 February 1985

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Private Secretary

WRJ 020/1	
REC'D	13
18 FEB 1985	
INDEX	✓
	MS 18/2

- cc: PS/Mr Rifkind
PS/PUS
Mr Derek Thomas
Mr Braithwaite
Sir Michael Butler: UKREP Brussels
Mr Williamson, Cabinet Office
Mr Fairweather
Mr Shepherd
Mr Llewellyn Smith ✓

VISIT OF THE ITALIAN PRIME MINISTER: COMMUNITY ISSUES

The main purpose of Signor Craxi's visit on 14 February is to discuss Community issues. I submit a draft minute to the Prime Minister about the meeting. Briefs in the new format are being produced separately on the detail, and for the discussion over supper on East/West relations and the Middle East.

R W Renwick

R W Renwick

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DRAFT: minute/letter/teleletter/despatch/note

TYPE: Draft/Final 1+

FROM

Reference

Secretary of State

DEPARTMENT:

TEL NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Prime Minister

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SUBJECT:

.....In Confidence

VISIT OF THE ITALIAN PRIME MINISTER: COMMUNITY ISSUES

CAVEAT.....

1. The main purpose of Signor Craxi's visit is to discuss Community issues, especially enlargement. We shall be providing briefs on the detail, and for the discussion over supper on East/West and the Middle East. But it may be helpful to you to have my assessment of Signor Craxi's approach on Community issues, and the main points it would be useful to get over to him.

2. Signor Craxi will be trying to pave the way for a successful European Council in March, with the difficult issues in the enlargement negotiations resolved, if possible in advance, and the Greek reserve on enlargement overcome by agreement on a generous package of Integrated Mediterranean Programmes (with a substantial share for Italy). His main aim on his European tour of capitals will be to establish whether such an outcome is on the cards and if so on what terms. He is likely to press for a show of flexibility, particularly where this either would cost the Italians nothing (fisheries) or actually

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Enclosures—flag(s).....

benefit them (olive oil).

3. You will want to endorse Craxi's arguments about the urgency of concluding the enlargement negotiations, and to agree that the 1 January 1986 accession deadline has real political importance:

- Spanish NATO referendum in February 1986
- French and Spanish legislative elections later in the year;
- slippage means delay in the introduction of new own resources (German linkage), with all that would entail for the Community.

4. But on fisheries and olive oil, you will wish to make it clear that nothing of substance in the Community positions can be given away; and the sooner Spain is brought to realise this, the sooner there will be agreement.

5. On fish, it will be worth stressing that the proposals which the UK, France and Ireland have just put to the Commission (and will by then have put to the Presidency and other Member States) offer a real prospect of agreement at the February Foreign Affairs Council - if and only if Spain understands that the Community has nothing more up its sleeve. The Spaniards need to be told that what is now on offer represents real movement: the provisions analogous to the Shetland Box are non-discriminatory and do away with the need for

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licensing, to which Spain objects (though control will continue to be exercised by the coastal states). The Spaniards would also be offered increased quotas for the species in which they are mainly interested (hake, megrim and monk fish).

6. There can, however, be no slicing away at the basic elements of the Community position including the duration of the transitional arrangements. The Community's position permits new general rules to be agreed from 1993. But if such rules are not agreed, we cannot have an uncontrolled regime in the 1990's: that would mean the end of the CFP. The size of the Spanish fleet (two-thirds of that of the existing Community as a whole), and their record on the enforcement of existing agreements (about which, given their experiences with the Spaniards, the Portuguese are just as concerned as us and French) means that this is the limit of our flexibility. Signor Craxi should be reminded that the Spaniards are interested only in fishing off Scotland, Ireland and France. The interests of other Member States are hardly affected. The alternative to the proposals we, the French and Irish have made to break the deadlock is for the Community to rest on its existing position. Meanwhile the Community must maintain that position unless and until the Spaniards agree that they can accept a solution on the lines we have proposed.

7. On olive oil, you will be on strong ground, and should take the offensive :-

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- the latest Italian production figures for 1983/84 (900,000 tonnes, 25% up on the previous record), if confirmed, show that the Community is already in surplus, and would amply justify the imposition of a guarantee threshold now;
- if, however, no guarantee threshold is in place on enlargement, the Community's insistence that Spain must not become fully integrated into the EC regime before it is reformed represents the minimum acceptable guarantee that the future costs of the olive oil regime will not be allowed to soar out of control.

8. Craxi is also likely to seek your views on how to deal with Integrated Mediterranean Programmes at the European Council. The Italians want to settle the issue to avoid a Greek block on enlargement. But they also want to be a major beneficiary and have been given wildly exaggerated expectations by Natali's proposal that they should have a 45% share of 6.6 billion ecu (compared with Greece's share of 38%). There is no justification for the Italians receiving such a large share. Their GDP per head will be more than double that of Portugal in the enlarged Community. They had a net benefit in the Community of £700 million last year and can expect benefits of between 7.5 and 9 billion ecus from the Regional and Social Funds between now and 1989.

9. The Italians will not be able to forswear IMPs

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entirely. Their financing share of IMPs will be 16% and they will expect a percentage share somewhat higher than that, given the agreed purpose of IMPs, namely to help farmers in the Mediterranean regions of the existing Community adjust to the effects of enlargement. We shall need, however, to try to persuade Craxi that the only way to unblock enlargement and hence the new own resources is to agree a much lower overall figure for IMPs with the benefits more heavily weighted towards Greece. You might say that:

- We accept that the Italians will be a net beneficiary from IMPs but do not think it possible for Italy, which is much more prosperous, to receive as high a proportion of IMPs as Greece.
- If a start on IMPs for Greece is not made in 1985 and enlargement is blocked, then own resources will remain blocked as well.
- For Greece to receive a higher share of a much smaller sum is the only way we can see of resolving the problem.

10. You will find Craxi pre-occupied also with how to solve the 1985 budget problem ie the overrun and our 1000 mecu abatement. The Italians would prefer to see new own resources brought forward in to 1985, but the Germans are continuing to block this. The Italians are therefore interested in the alternative, which we could accept, of

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dealing with the overrun by an intergovernmental agreement while our abatement is made through the new own resources decision.

11. The points you may wish to put to Craxi are:

- We have shown flexibility over possible solutions. Our abatement must be on the revenue side in 1985 as agreed at Fontainebleau. (The German alternative of an inter-governmental agreement to cover our abatement as well as the overrun will be opposed by the French as not what was agreed at Fontainebleau: they say that they could not get a direct payment through their Parliament).
- The German attitude may become more flexible once the enlargement negotiations are completed. We, the Italian Presidency and others must try to persuade Chancellor Kohl at the European Council that if he continues to block a solution that the rest of the Community can accept he will be standing in the way of new own resources and, hence, the future development of the Community.
- As far as the overrun is concerned the Council agreed last year on a figure of 1.3 billion ecu. We could not agree to finance an overrun of 1.9 billion ecu, and the Commission's figures must be reduced.

12. The Italians will not like the Commission's

agricultural price fixing proposals which include reductions in the price of Mediterranean products of up to 6% and an increase in olive oil prices (2%) which means a cut in real terms. Craxi, however, will have little sympathy with German demands for an increase in cereals prices. You may wish to say that:

- We should have liked to see more rigorous proposals on cereals and milk, even though this means a sacrifice for our own farmers.
- If the Commission's proposals are ratcheted up, this will cause serious financial and political problems. There would be great difficulty in getting the new own resources decision through Parliament.
- Unless the effort is made now to get the surpluses under control through a restrictive price policy and the effective implementation of guarantee thresholds, the policy itself could become unsustainable in the enlarged Community.

13. This, I suggest, should lead in to an attempt to engage Craxi in a wider discussion of the problems the enlarged Community will face and the kind of adjustments that will have to be made if it is to work effectively. Craxi wants to make work on the development of the Community a major theme of the Italian Presidency. We should take the opportunity to inject some realism into Italian thinking. You will want to emphasise what we can

agree on, namely:

- completion of the common market. There would need to be agreement on a timetable and specific measures to implement the key treaty articles.
- some formalisation of political cooperation, with a small secretariat.
- the Luxembourg compromise must be maintained, but any country insisting on it should be required formally to justify this. (Since we scarcely ever invoke the Luxembourg compromise, and to discourage abuse by others, one possibility would be explanation at the next European Council.)
- decision-making must be improved if the enlarged Community is to function effectively; but
- it is not necessary to proceed by treaty amendment. Many key provisions of the existing treaties remain to be implemented. More effective use should be made of existing provisions for majority voting;
- the idea that the unanimity provisions of the treaty could be changed to majority voting does not make sense (I attach some examples of articles where other Member States could not agree to change);

14. If Craxi talks of a conference you might say:

- the Dooge Committee's task is to seek the widest possible area of agreement;
- there should be bilateral contacts between the March and June European Councils;
- only then should decisions be taken about any inter-governmental conference;

- it would be self defeating to have such a meeting unless prior agreement had been reached on what it might achieve.
- it might be possible to reach agreement on some matters in June without the need for a conference
- this depends on dealing now with the issues which must be resolved if the Community is to be able to look ahead later in the year (enlargement, IMPs, budget over-run and the implementation of Fontainebleau).

15. I am sending copies of this minute to the Chancellor of the Exchequer, the Minister of Agriculture and Sir Robert Armstrong.

ANNEX

DEVELOPMENT OF THE COMMUNITY

[For use as necessary in response to the idea of amending Treaty provisions at present requiring unanimity]

How could it make sense to change to majority voting:

- (a) The Treaty Articles at present requiring the common accord of governments eg seat of the institutions (Article 216), Treaty amendment (Article 236) etc.
- (b) Articles requiring adoption/ratification in accordance with Member States constitutional requirements, eg uniform electoral procedure (Article 138), own resources (Article 201), new accessions (Article 237).
- (c) The Articles concerning capital movements between Member States and third countries (Article 70), harmonisation of indirect taxation (Article 99), financial regulations (Article 209), Community languages (Article 217), new powers (Article 235), association/cooperation agreements with third countries (Article 238), common economic policy measures ("conjunctural" policy - Article 103).
(NB This is not an exhaustive list.)

[If necessary]

Article 100 covers a very wide range of legislation,

ranging from relatively minor matters to issues of major importance where harmonisation/standardisation if imposed by vote could cause serious difficulty for this or that Member State. Need to look carefully in this area to see what could be done, e.g. Prime Minister's proposal at Dublin on standards for new products and technology.

KEY ARTICLES OF THE TREATY WHICH HAVE NOT BEEN IMPLEMENTED

Article 3 of the Treaty of Rome, which called for the establishment of the Common Agricultural Policy, provides also for the abolition of obstacles between Member States to the free movement of persons, services and capital and the adoption of a common transport policy. There are more specific provisions in other Articles of the Treaty. Article 52 calls for the abolition of restrictions on the ability of any company in a Member State to establish branches or subsidiaries in another Member State. Article 59 states that restrictions on freedom to provide services shall be abolished. Article 67 provides for the abolition of restrictions on the free movement of capital. Article 75 provides for the adoption of a common transport policy.

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INFO ROUTINE PRAIS, BORN, LISBON, MADRID

TELECON WALL/LAMPOR: CRAXI'S VISIT : OBJECTIVES

1. THE CHIGI TELL US THAT CRAXI'S MAIN OBJECTIVE FOR HIS VISIT TO LONDON (AS WELL AS TO LISBON AND MADRID ON 15 FEBRUARY AND BORN AND PARIS ON 22 FEBRUARY), IS TO DEMONSTRATE HIS POLITICAL COMMITMENT TO PROGRESS ON THE MAJOR PROBLEMS FACING THE COMMUNITY. ON EC MATTERS HE WILL WISH TO DISCUSS ENLARGEMENT THE BUDGET AND EUROPEAN UNION. BUT HE WILL NOT WISH TO ENTER INTO DETAILED NEGOTIATIONS.

2. THE SPECIFIC OBJECTIVES WHICH THE FARNESINA HAVE PROPOSED TO CRAXI IN THEIR BRIEFING ARE:

ENLARGEMENT

- 1) TO TRY TO BID UP THE FIGURE WE WOULD ACCEPT FOR IMPS:
 1.1) TO PERSUADE US TO MOVE ON F.I.S.H., IN PARTICULAR ON AUTOMATIC EXTENSION OF THE TEN-YEAR PROVISIONAL REGIME IF THERE IS NO AGREEMENT ON A NEW REGIME.

BUDGET

TO TAKE STOCK AND CONSIDER FURTHER PRESSURE ON FRG.

INSTITUTIONAL ISSUES

TO SECURE A FIRMER COMMITMENT IN PRINCIPLE TO AN INTER-GOVERNMENTAL CONFERENCE, WHILE ACKNOWLEDGING THAT MANY QUESTIONS MUST AWAIT THE DODGE COMMITTEE'S FINAL REPORT.

3. ON THE MIDDLE EAST AND EAST/WEST RELATIONS CRAXI WILL WISH TO TAKE STOCK OF THE PRESENT POSITION WITH THE PRIME MINISTER, ESPECIALLY IN THE LIGHT OF THE VISITS WHICH EACH WILL BE PAYING TO WASHINGTON (CRAXI'S DATES ARE 3-7 MARCH). ON THE MIDDLE EAST CRAXI WILL PROBABLY TAKE THE LINE THAT THE ONLY EFFECTIVE CONTRIBUTION THE TEN CAN MAKE TO PROGRESS TOWARDS A SETTLEMENT IS BY EXERTING PRESSURE ON THE US. ON EAST/WEST CRAXI WILL ALSO HAVE IN MIND GROHYKO'S VISIT TO ITALY ON 25-28 FEBRUARY.

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Secret Dept
Security Coordination Unit

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Mr. Spivey/Person
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4. CRAXI MAY WISH TO HAVE A GENERAL DISCUSSION OF INTERNATIONAL TERRORISM AT DINNER WITH THE PRIME MINISTER.

5. A SCENE-SETTING TELEGRAM WILL FOLLOW NEXT WEEK.

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PS/LADY YOUNG

PS/MR RIFKIND

PS/PUS

MR DEREK THOMAS

MR BRAITHWAITE

MR RENWICK

MR JENKINS

CABINET OFFICE

CODIESTO:-
PS/NO 10 DOWNING
STREET

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cc. M. Foxweather
M. Wall

→ Mr Wall ECD (I) 18
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-) Mr Shaw Co. (part)

10 DOWNING STREET

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08 FEB 1985	
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PS
PS/Mr Rifkind
Mr Derek Thomas
Mr Braithwaite
Mr Rennick
6 February 1985
Mr Jenkins
Mr Bromfield (Gov)
Mr Long (NEAD)

From the Private Secretary

I have told Mr. Robinson. I have also
formally committed myself for N
Secret Dept. Shall
Dear Sir,

CBudd
6/2

Visit of Signor Craxi, 14 February

bpm

I have consulted the Prime Minister about the talks and working supper with Signor Craxi on 14 February.

7.45
for 8

Our understanding is that Signor Craxi will not be accompanied by Signor Andreotti but only by Signor Ruggiero and a Private Secretary. In the interests of keeping the circle as small as possible, the Prime Minister would like to be supported at the talks by Mr. Williamson but would extend the working supper to include also the Foreign Secretary, Mr. Jopling and Mr. Rifkind with, on the Italian side, the Italian Ambassador and Professor Acquaviva (Craxi's Political Adviser).

The Italian Embassy have been in touch to say that, while Craxi wishes to concentrate on Community matters in the talks, he would like to discuss East/West and the Middle East during the working supper. I should be grateful for briefing to cover these points also.

I am copying this letter to David Williamson (Cabinet Office).

Yours sincerely,

Charles Powell

Mr. Munn
Mr. Havelly Smith
Mrs. Munn

Colin Budd Esq
Foreign and Commonwealth Office.

cc. Mr. Spencey WED
S 7/2

f.i. 7/2

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Mr Shaw
ECD(I)

VISIT OF SIGNOR CRAXI : 14 FEBRUARY

1. The Italian Embassy have informed me that Signor Craxi will be accompanied by:

Ambassador Renato Ruggiero	-	Sec. General, MFA
Prof. Acquaviva	-	Political Adviser
Counsellor Badini	-	Diplomatic Adviser.

2. Signor Vattani of the Italian Embassy has agreed with Mr Powell (No 10) that for

- (a) the talks: Craxi will be accompanied by Ruggiero and Badini, and
- (b) the dinner: the group will be joined by Cagiati (Italian Ambassador) and Acquaviva.

P J Spiceley
Western European Department
W67 233 5903

6 February 1985

WRS 0201
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Summit file

FILE
16

FROM: M J Llewellyn Smith
Western European Department

DATE: 5 February 1985

Mr Fairweather, ECD(I)

cc: Private Secretary
PS/Mr Rifkind
Mr Jenkins
Mr Renwick
Mr Shepherd, ECD(E)
Protocol Dept

VISIT OF SIGNOR CRAXI (EUROPEAN COMMUNITY): 14 FEBRUARY

1. Rome have now confirmed that Craxi has accepted the Prime Minister's invitation to hold talks followed by a small working dinner at 1800 hrs on 14 February (Rome telno 89). (15)

2. We agreed that, since the visit will revolve entirely around Community business, ECD(I) would take the lead and coordinate.

3. Mr Spiceley is in touch with Mr Shaw about certain administrative details. We have already explored the question of meeting and greeting Signor Craxi. The Italians are always sensitive about such matters, and have either forgotten or chosen to ignore the understanding arrived at among EC Chiefs of Protocol that Ministerial visits do not require a Ministerial greeter. As Mr Rifkind will be in Brussels (Dooge Committee) on 14 February it is not a good use of the Secretary of State's time to go out to Heathrow. Protocol Department therefore propose to arrange for an official greeter. I suggest that you explain to the Italian Ambassador and ask him to get the point across to his Ministers, that it is on this occasion not possible for a Minister to be on hand.

4. A new interpreter is needed in place of Mr Laurence, who proved inadequate during the Anglo-Italian Summit. I suggest you (and Protocol Department) consider getting Mr Michael Richardson, 1st Secretary Economic in Rome, to return for this. It has become an established practice for the Chancery at Rome to provide interpreters for the Anglo-Italian Summits. Mr Richardson interpreted at the tête-à-tête between Craxi and Mrs Thatcher at the last Summit. Bringing an official back will cost more than recruiting a London-based interpreter, but Mr Richardson's extensive knowledge of EC matters argues in his favour. The cost of Mr Richardson's fare would be a charge to the AUS travel budget.

M J Llewellyn Smith

M J Llewellyn Smith

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YOUR TELNO 51: VISIT BY CRAXI

1. CRAXI'S OFFICE HAVE NOW CONFIRMED THAT THE ITALIAN PRIME MINISTER WISHES TO ACCEPT THE PRIME MINISTER'S OFFER OF TALKS AND A SMALL WORKING DINNER AT 1800 ON 14 FEBRUARY.
2. WE SHALL BE IN FURTHER TOUCH WITH THE CHIGI ABOUT DETAILS AFTER CRAXI RETURNS FROM BELGRADE THIS WEEKEND.

BRIDGES

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MR DEREK THOMAS

MR BRAITHWAITE

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