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From the Private Secretary

20 October 1990

Dear Stephen

PRIME MINISTER'S MEETING WITH SIGNOR ANDREOTTI

The Prime Minister had a meeting with Signor Andreotti at Chequers today lasting some 2 3/4 hours. Signor Andreotti was accompanied by his diplomatic adviser, Signor Vattani.

Italian politics

Sig. Andreotti said that he had a few domestic problems on his hands, in particular some letters written by the former Prime Minister Sig. Moro during his captivity, which had come to light after twelve years. They had created some turmoil. Some of the things in them were patently untrue. The Prime Minister commented that it was not a very good time for them to surface. Sig. Andreotti said it was not at all clear why they had suddenly appeared now. The police claimed to have found them by chance, but he did not believe that.

State visit by President Cossiga

The Prime Minister said we were very much looking forward to President Cossiga's State visit. She was sure it would go well and would demonstrate the strength of Anglo-Italian friendship.

European Council

The Prime Minister said that the forthcoming European Council in Rome was an exceptional meeting rather than a routine Council, and should therefore concentrate on issues which were pressing and had to be dealt with immediately. The Council would have to give priority to the Gulf, the GATT negotiations and assistance to the Soviet Union rather than to preparations for the IGCs on which there would be relatively little to discuss until December. Sig. Andreotti agreed that the issues listed by the Prime Minister were among those which would have to be discussed. He was not sure that everyone would agree with her order of priorities.

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The Gulf

The Prime Minister said that the European Council must discuss the Gulf and issue a strong statement confirming all the major points of the successive Security Council resolutions. One aspect in particular which would need discussion was how to deal with the problem of Iraq's chemical and biological weapons and its nuclear weapons programme following withdrawal from Kuwait. We would have to be prepared to keep up sanctions until steps were taken to deal with these. It would be better to act decisively now than face a worse problem in a few year's time.

Sig. Andreotti agreed that the Council must confirm the Twelve's common stand on the Gulf. He also agreed that thought must be given to the other issues raised by the Prime Minister. There would need to be some sort of regional security system in the Gulf, which would make it possible to reduce armaments. The Twelve should also encourage the rapid conclusion of the Geneva negotiations on chemical weapons.

The Prime Minister asked whether Sig. Andreotti believed Saddam Hussain would withdraw from Kuwait. Sig. Andreotti said that if we applied continuous pressure and Saddam Hussain realised that he had reached an impasse, he might do so. But he had a very different conception of the value of human life and would not go to great lengths to avoid conflict. It was essential to keep the coalition against Iraq together.

The Prime Minister said that we must continue with efforts to solve the Arab/Israel problem, although there should be no direct linkage with Iraq and Kuwait. Sig. Andreotti said that President Bush had used the right formula: there was no direct link, but we should be eager to solve all the problems of the area. Some ten years had gone by since the Venice declaration but nothing much had happened. We had to encourage the Palestinians to believe in negotiations. We must not let them think that only Saddam Hussain was on their side. Israel's attitude to the UN Secretary General's mission was mistaken, and we must try to make them more reasonable. If efforts to resolve the Gulf crisis peacefully failed and we had to use force, it would be important not to make the Arab world feel that the West had no sympathy with their problems. We also had to accept that the rulers of the Gulf were not very popular: they should be encouraged to open up their regimes.

GATT negotiations

The Prime Minister said another urgent issue was the impasse reached on agriculture in the GATT negotiations. If the Community was unable to agree on the Commission's proposals, it would risk bringing about the collapse of the Uruguay Round. It would be particularly damaging to have a quarrel with the United States at this time, when they were defending overall Western interests in the Gulf. The Commission's proposal was already fairly minimal: but unless we could agree it soon, there would be no negotiations.

Sig. Andreotti said he was not sure this was worth discussing in the European Council since there was unlikely to be agreement. He had spoken to Chancellor Kohl who had told him that Germany could make no concessions until after the elections on 2 December. Moreover, the United States' position in the negotiations was too rigid. His own view was that further reductions in agricultural support by the Community should not be linear: they should concentrate on individual farming sectors, and there should be a ban on additional national subsidies. The Prime Minister said this approach was completely unacceptable. The burden of cuts had to be shared equally. If the European Council could not reach agreement on the Commission proposal, Europe would be demonstrating to the world that it was protectionist. In these circumstances, we would have no hesitation in making clear which countries were responsible. There would be an international crisis of the Community's making. Sig. Andreotti said that he was an old hand at GATT negotiations: something would turn up. He accepted that the European Council would have to deal with the matter in Rome.

CSCE

The Prime Minister recalled that the original purpose in holding an additional European Council was to discuss preparations for the CSCE Summit. In fact there seemed no need to do this, since they were going well. Sig. Andreotti agreed that there was no problem which needed discussion.

Assistance to the Soviet Union

The Prime Minister said the Council would presumably receive a preliminary report from the Commission on assistance to the Soviet Union. But it was unlikely we could take any decisions until the G7 had received the IMF report. Sig. Andreotti said that the Commission's report would be only provisional. The Community could not do much until it knew more about the Soviet government's own economic plan. He thought the European Council should give political encouragement and support to Gorbachev. But it would not be able to make any firm commitments.

South Africa

The Prime Minister recalled that the last European Council had undertaken to review the situation on sanctions against South Africa. Since then the Separate Amenities act had been abolished, and the state of emergency lifted. The time was coming when the Community really must take some action to relax sanctions in response. Sig. Andreotti said that he very much agreed (but gave no indication of what, if anything, he would do).

Seat of the Institutions

Sig. Andreotti devoted most of lunch to a lengthy exposition of his attempts to resolve the issue of the sites of Community institutions. The most difficult problem was the dispute between Belgium and France over the European Parliament. But he thought this might now be solved. President Mitterrand wanted the

Parliament to be in Strasbourg and this was justified. The Belgians would have the Secretariat, although they wanted some meetings as well. Mitterrand would not agree to the latter aspect. However, Luxembourg was refusing to give up the Secretariat, even though they had a very large number of other institutions. The Prime Minister said we should not let down Luxembourg just because it was a small country. They had built a special chamber for the Parliament. Sig. Andreotti suggested that the proposed CSCE Assembly might meet in Luxembourg.

Sig. Andreotti continued that the other institutions should not be too difficult to place. Copenhagen might have the Plant Breeders Rights Agency: Netherlands might get the Medicines Evaluation Agency: Madrid could have the Community Trade Mark Office: and the European Environment Agency might take over the staff and facilities of ISPRA. The Prime Minister expressed some surprise at this last suggestion since the staff at ISPRA were not environmental experts. She thought Spain was rather far away for the Trade Mark Office. More generally, it seemed to her that problems over the sites of institutions were being solved by multiplying the number of agencies. Sig. Andreotti said he was just filling boxes which existed. He would do his best to reach agreement at Rome next week: but the issue might have to be postponed until December.

IGCs

The Prime Minister said that a great deal of preparatory work remained to be done for both IGCs and she did not think it would be feasible for the Council in Rome to try to set guidelines for them, or indeed pre-empt their work. On political union, Foreign Ministers had done no more than draw up a list of every proposal that anyone had ever thought of. They did not seem to have started on identifying changes on which there was some prospect of agreement. She did not herself have much time for the term political union. In practice we were talking about how to make the Community's institutions work better than now. Britain was not prepared to accept steps towards a federal Europe. Nor did we want detailed and binding rules which made it more difficult for the countries of Eastern Europe to join the Community eventually.

Sig. Andreotti confirmed that Foreign Ministers were preparing the basic documents on political union. The concept of political union was embodied in the pre-amble to the Single European Act. The task was to define what it meant. The Prime Minister interjected that in our view it meant closer cooperation. Sig. Andreotti said that the European Council should hear the Foreign Minister's report and commission them to continue their work and report further in December.

The Prime Minister said that there was also a long way to go in the preparations for the IGC on economic and monetary union. It was becoming increasingly clear that you could not actually progress much further with EMU until there was a greater convergence of economies. She believed that Britain's membership of the ERM would contribute to that. Sig. Andreotti said that the report drawn up by Finance Ministers indicated broad

agreement on the conditions which would have to be met before the Community could move to stage 2 of EMU. The Prime Minister contested this vigorously: we did not accept stage 2 of Delors and had put forward alternative proposals which still needed to be properly discussed and considered. It would be absurd to set a date for stage 2 until we knew what it would contain. Looking further ahead, there was no way we would agree to have a single currency imposed on us. Sig. Andreotti said the Finance Ministers' report would go to the Foreign Affairs Council on Monday and would be the basis for discussion in Rome.

The Prime Minister said that she found it ironic at a time when countries in Eastern Europe were moving towards greater democracy, that many governments in Western Europe seemed ready to hand over powers to non-elected bodies. Sig. Andreotti denied this: the proposed European Central Bank would be answerable to the European Parliament. The Prime Minister said she did not want a European Central Bank nor additional powers for the European Parliament. We were not prepared to see the powers of our own Parliament diminished. Sig. Andreotti said this was a rather different approach to that of the rest of the Community. The Prime Minister retorted that those who wanted a federal Europe could have it, but she doubted many really did. Sig. Andreotti said that one objective must be to fix a united Germany firmly in the Community. The Prime Minister said that the best way to balance a united Germany was by preserving the traditional nation states of Europe. A Community on the lines sought by Sig. Andreotti would be under the thumb of the dominant nation. Sig. Andreotti protested that the Community must evolve, not just be a free trade area. He had had thought we had gone beyond Gaullism. The Prime Minister said that cooperation between independent sovereign nations was a worthier goal than trying to suppress nationhood. Sig. Andreotti commented pacifically that these were all matters of opinion.

EC/US

Sig. Andreotti said he hoped it would be possible for the European Council to agree statements on EC/US and EC/Canada. The Prime Minister said she had not yet seen the texts. But such declarations would ring rather hollow if the Community was unable to agree its negotiating position in the Uruguay Round.

President Gorbachev

Sig. Andreotti said that a suggestion had been made that President Gorbachev might be invited to join the Twelve Heads of Government for dinner on the last day of the December European Council. The Prime Minister questioned whether this was really wise before we had received the IMF report and before the Community had made up its mind on what assistance it could give the Soviet Union. Inviting Gorbachev would put the Community under pressure to agree substantial assistance. Sig. Andreotti said there was an argument for giving Gorbachev assistance while he was still there to receive it. He would raise the matter over dinner at next week's European Council in Rome.

Libya

Sig. Andreotti said he had been asked to pass on a message to the Prime Minister by the new Libyan Foreign Minister, to the effect that Libya wished to re-establish relations with Britain. The Prime Minister said she had heard this before, but there were a few obstacles: Libya was still financing the IRA, was manufacturing chemical weapons and was conniving in breaking sanctions against Iraq. Sig. Andreotti said hastily that he was only a messenger, he was not taking a position.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Andy Lebrecht (Ministry of Agriculture, Fisheries and Food), Suma Chakrabarti (Overseas Development Administration) and to Sonia Phippard (Cabinet Office).

Yours sincerely,

Charles Powell

(C. D. POWELL)

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