

9. CIRIACO DE MITA AT TORONTO, 1988

By the time of the final session in the second cycle of seven power summits, Italy and its leaders had many grounds for being confident about their status among the G-7 countries and their ability to make a significant contribution to the summit process. The arrival of *Il Sorpasso* indicated the new, vibrant strength of the Italian economy, especially its decentralized and unregulated private sector (wrongly labelled "black market" by many). Moreover, a new, powerful Prime Minister, Ciriaco de Mita, was gearing his country up for the EEC's "big market" initiative of 1992 and what lay beyond for a country with a bright economic and political future. While the leaders publicly attempted to lower expectations as to what would be accomplished or decided at the Toronto summit, (June 19-21, 1988), based on its economic "take-off" and the domestic strength of its political leaders, Italy's presence at the summit would be felt more readily than in the past, more in the tradition of Spadolini and Craxi than of Andreotti or Fanfani. However, despite the strong economic and political bases of de Mita's leadership, his role at the Toronto summit would be tempered by the fact that he was a newcomer to the summit process, making his priority "getting to know" the other leaders while relying extensively on his very experienced foreign minister, Andreotti.

By 1988 the Italian economy had become the "talk of the town" in summit circles. According to major macroeconomic indicators such as GDP growth, purchasing power, and market exchange rates, Italy had become the fourth largest economy in the industrialized world (after the USA, Japan and West Germany). Indeed in terms of GDP growth alone, the Italian economy had been expanding by some 25% in the previous decade, as compared with rates of between 15% and 20% for her major European partners (West Germany, France, Britain). In 1988, Italy entered its third consecutive year of sustained growth, with a 3% increase in GDP growth, a 1.5% reduction in inflation to 5% (as compared to its 20% levels a few years earlier), a balanced current account, and a lowered public debt relative to GDP. While unemployment continued to be high relative to other summit countries, reaching 12%, and concern continued over the threatening level of public sector debt (it equalled national income), it was clear that the Italian economy was undergoing structural adjustments which were positioning it well for the coming of 1992. Productivity was increasing, exports were up, growth in small and medium-sized enterprises was expanding, as was output, investment and employment. Italy's leaders thus arrived at Toronto with the objectives in mind of not doing anything which would undermine their efforts to continue to cut inflation while retaining balanced growth, to continue to open up their production, financial and credit systems, and above all to avoid deindustrialization. This agenda fit well with the overall consensus which dominated the Toronto summit concerning the efficacy of structural adjustment and other elements of Reaganomics, and the endorsement of their continued use which appeared in the final communique. As had been the case in the past, Italy's leaders would look to the summit as an additional source of support for the continuing effort at domestic economic reform increasingly tied to the coming of 1992.

Not only was Italy in a position of greater importance economically as the Toronto summit approached, it was led by one of the strongest leadership regimes since the days of Craxi.

The new Prime Minister, Ciriaco de Mita, was a powerful, experienced politician, a member of the conservative "old guard" of the Christian Democratic Party, which he had headed for six years before becoming Prime Minister (in Italy party leadership is a key source of power, and party leaders are not necessarily parliamentary leaders). Moreover, his Foreign Minister, Giulio Andreotti, brought with him the experience of seven summits and five terms as prime minister, a strength he would draw on in the political discussions which took place in Toronto. Together, the two leaders comprised what was probably the strongest and most stable leadership team Italy had sent to a summit.

That strength and stability was also grounded in a 200-page policy programme which the de Mita team had worked out in consultation with other coalition parties during the month prior to his victory at the polls. Aimed at attacking the deficit, which was consuming 11% of Italy's GDP, the new government's policy programme was a collective agreement between the Christian Democrats and their coalition partners, the Socialists, Republicans, Social Democrats and Liberals.³⁰ Thus Prime Minister de Mita and his foreign minister, Andreotti, went to the Toronto summit with a solid base of support back home for their economic and political priorities, which contributed to their ability to play a more active role than at previous summits. Nevertheless, given that this was de Mita's first ever summit, and that he had no previous experience in foreign affairs, the initial emphasis at Toronto would be placed on getting acquainted with the other leaders and the operation of the summit while tactically selecting as Italy's priorities issues which involved few risks.

Early on in the lead-up to Toronto it became clear that the last in the second cycle of summits would be a busy one in terms of its agenda, which was being shaped by a variety of sources ranging from the priorities of the host government to the unfinished business of past summits and events lying outside the summit itself. The Mulroney government, as host, was busy trying to make its key issues, the Canada-USA Free Trade Agreement

much more important at Toronto was the summit's efforts to stimulate progress in the

multilateral trade negotiations (MTN) underway in the Uruguay Round of the GATT talks, especially with the coming of the Mid-Term Review in Montreal in December 1988. The summit leaders had no difficulty agreeing on a communique statement that "the greatest possible advance must be made in all areas of the negotiations...." Much more controversial was the issue of agricultural subsidies, which saw a major divide emerge between the United States and the EEC, with the Canadian hosts attempting to achieve a much-needed compromise and a cease-fire in the crippling escalation of subsidies. Italy joined with her European team-mates in opposing any commitment to the elimination of all subsidies by any specified date, the preference of the United States. Adopting a relatively low-key posture on the issue, Italy left the leadership role at the summit to the EC and its president, Jacques Delors. With a united European front not willing to accept the American interpretation of the problem and their proposed solution, all that could be agreed upon at the summit was the need for a framework agreement to deal with the problem. More significantly, the communique discusses a framework aimed at reducing, not eliminating, subsidies, focussing on short-term goals as much as long-term ones, clear evidence of a victory on this tense issue by the European countries, and, as part of that team, by Italy.

On the other trade-related issue at the Toronto summit, Italy joined with the other countries in strongly endorsing the Canada-USA Free Trade Agreement. The further integration of the North American economy was greeted as a welcome contribution to the overall process of international trade liberalization being promoted by the summit and its members.

Italy played its most significant role in economic affairs at the Toronto summit on the final major issue, the relieving of the debt burdens of the poorest African countries. With most of its loans to developing countries tied to the purchase of Italian goods, Italy was concerned with the prospect of a debt write-off scheme such as that proposed by President Mitterrand. De Mita therefore arrived at the summit with a detailed proposal on debt which incorporated a scheme already in place in Italy, and with no intention of altering Italy's policy on the subject, which was considered superior to alternative proposals. The Italian proposal emphasized the need to link concerns with debt to the real development requirements of LLDCs. The priority should therefore be placed not on a precedent-setting cancellation of debts, but rather on the offering of increased amounts of loans at such concessional rates as to have the same impact as a cancellation. Based on bilateral agreements reached with Somalia, Mozambique and Tanzania, the Italian model would reschedule debts over a minimum twenty-year period, with ten years' grace, and at a 1.5% interest rate. To qualify for such rescheduling, LLDCs would have to adopt structural adjustment programmes deemed by Italy to be in their true development interests. Based on such a format, Italy felt a 40% reduction in the debts of LLDCs could be achieved, with significant development effects. With such an established policy in place prior to the summit, Italy was not going to endorse a debt write-off, but was able to find room within the "menu approach" ultimately adopted at the summit based on a Canadian-driven compromise.

Two issues on the political agenda at Toronto were most important to Italy, East-West relations and the Middle East, while two others, the environment and drugs, were the ones

on which the greatest initiatives were taken by Italian leaders. Italy's leaders came to Toronto looking forward to a full briefing by President Reagan concerning the recent Reagan-Gorbachev summit, and for some discussion of East-West trade, especially the recent moves by the EEC to develop stronger economic links with COMECON. The summit produced a united expression of support for the successful negotiation of the INF Treaty, and of their continuing unity as the Gorbachev reforms unfolded. But on the question of East-West trade that unity was more difficult to maintain. A few weeks before the summit, COMECON had officially recognized the EEC for the first time, an important step towards clearing the way for closer economic cooperation between eastern and western Europe. This development was welcome news for EEC countries, especially Italy, traditionally a very large trader with East bloc countries. With the Americans wary of closer economic links between East and West, however, the political declaration statement on this subject emphasized the need for any developments in that direction to be both commercially sound within the rules of international economic regimes, and consistent with western security interests.

On the subject of the Middle East, Italy came to the Toronto summit hoping for further progress in establishing greater stability in a region increasingly central to its overall foreign policy activities, and with special concerns for advancing cooperative efforts to combat terrorism. With Andreotti playing a significant role in the discussion on the Middle East, Italy's interest in a stimulating momentum towards a negotiated settlement was reflected in the chairman's summary on political issues, which also endorsed the efforts made by Secretary of State Schultz towards that end. But on the terrorism issue, the agreement sought on single-landing/no refuelling rights for airplane hijackers failed to materialize.

The two issues which received the most attention by Italy at the summit, and which involved specific Italian proposals equivalent to their preparedness on the debt issue, were the questions of threats to the environment and the international drug trafficking problem. On the latter, Italy played a central role in the summit discussions, based on a detailed proposal to establish a new, specialized agency within the UN framework to combat the problem; to strengthen informal mechanisms of cooperation among the summit seven; and to step up efforts by private and central banks to monitor the laundering of drug- and other crime-related profits. The statement on drugs in the communique reflects a major contribution by Italy on an issue of central concern to all the summit countries.

On the environment, Italy played an even more important role, with de Mita having the responsibility for introducing the topic. His detailed proposal emphasized the global nature of the threat to the ozone layer and other environmental concerns, and the need to recognize the relationship between technological development and ecological dangers. In the long-term search for paths towards "sustainable development", de Mita recommended the specific short-term steps of extending the efforts begun at the Venice summit to cooperate on crucial problems like the ozone layer and deforestation; encouraging all governments to sign the 1985 Vienna Convention on the Protection of the Ozone Layer and the 1987 Montreal Protocol on CFC; freezing nitrogen oxide emissions; and urging UNEP to work towards an agreement on the international traffic in toxic wastes. Finally, de Mita recommended the endorsement of the Brundtland Commission report on the environment. The summit's declarations on the environment reflect directly these contributions by de

Mita on an issue of growing importance, in which he was joined by a surprisingly strong role on the part of West German Chancellor Kohl.

And finally, on another, less central issue at the Toronto summit, while the Americans wanted its partners to endorse refugee and reconstruction programmes for Afghanistan and the Philippines, Italy joined with the other summit members in avoiding any such commitment to the Philippines. As a result of such a selective pursuit of issues at Toronto, and the low profile adopted on very contentious questions such as agricultural subsidies, Italy's leaders made both a significant contribution on some of their priorities while avoiding any difficulties which their Prime Minister, as a newcomer to the summit and with an economy receiving much attention in terms of its strengths and potential, might otherwise have encountered. Italy continued its skilful approach to the teamwork required in the summit process, especially by its smaller members who may both need it most and be most vulnerable to its effects. Toronto thus added to the trend towards a more important role for Italy at the summits, linked to its diplomatic capabilities, its growing economic significance, and its special contributions in particular issue-areas.