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Subseries: Presidential Memcons Files

OA/ID Number: 91108
Folder ID Number: 91108-001

Folder Title:
Presidential Meetings - Memorandum of Conversations 7/5/90 - 9/24/90

Stack:	Row:	Section:	Shelf:	Position:
G	35	2	3	5

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Memcon	Re: Meeting with Secretary General Manfred Woerner of the North Atlantic Treaty Organization (3 pp.)	7/5/90	(b)(1)	C
02. Memcon	Re: Working Lunch with Japanese Prime Minister Toshiki Kaifu (6 pp.)	7/7/90	(b)(1)	S
03. Memcon	Re: Bilaeral Meeting with Canadian Prime Minister Brian Mulroney (5 pp.)	7/8/90	(b)(1)	C
04. Memcon	Re: Bilateral Meeting with EC President Jacques Delors (5 pp.)	7/8/90	(b)(1)	C
05. Memcon	Re: Meeting with President Mitterrand of France (5 pp.)	7/9/90	(b)(1)	C
06. Memcon	Re: Bilateral Meeting with German Chancellor Helmut Kohl (4 pp.)	7/9/90	(b)(1)	S
07. Memcon	Re: Opening Session of the 16th Economic Summit of Industialized Nations (9 pp.)	7/9/90	(b)(1)	C
08. Memcon	Re: First Main Plenary Session of the 16th Economic Summit of Industrialized Nations (14 pp.)	7/10/90	(b)(1)	S
09. Memcon	Re: Second Main Plenary Session of the 16th Economic Summit of Industrialized Nations (13 pp.)	7/10/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/5/90 - 9/24/90

Pinksheet Number: cap920
OA/ID Number: 91108-001
Date Closed: 1/27/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
10. Memcon	Re: Final Session of the 16th Economic Summit of Industrialized Nations (4 pp.)	7/11/90	(b)(1)	C
11. Memcon	Re: Meeting with President - Elect Gaviria of Colombia (6 pp.)	7/13/90	(b)(1)	C
12. Memcon	Re: Meeting with President Rodrigo Borja of Ecuador (6 pp.)	7/23/90	(b)(1)	C
13. Memcon	Re: Meeting with President Rodrigo Borja of Ecuador (7 pp.)	7/23/90	(b)(1)	C
14. Memcon	Re: Meeting with Federal Councillor Jean Pascal Delamuraz of Switzerland (4 pp.)	7/26/90	(b)(1)	C
15. Memcon	Re: Meeting with Prime Minister Ivars Godmanis of Latvia (4 pp.)	7/30/90	(b)(1)	S
16. Memcon	Re: One-on-One Meeting with President Gnassingbe Eyadema of Togo (2 pp.)	7/31/90	(b)(1)	C
17. Memcon	Re: Plenary Meeting with President Gnassingbe Eyadema of Togo (5 pp.)	7/31/90	(b)(1)	C
18. Memcon	Re: Luncheon with President Gnassingbe Eyadema of Togo (4 pp.)	7/31/90	(b)(1)	C
19. Memcon	Re: The President's Meeting with Sheikh Sabah al-Sabah of Kuwait (3 pp.)	8/14/90	(b)(1)	S

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
20. Memcon	Re: The President's Meeting with Foreign Minister Yusuf bin Alawi of Oman (5 pp.)	8/28/90	(b)(1)	S
21. Memcon	Re: Meeting with Oskar Lafontaine, Chancellor - Candidate of the Social Democratic Party of Germany (5 pp.)	9/7/90	(b)(1)	C
22. Memcon	Re: Working Luncheon with President Mauno Koivisto of Finland (4 pp.)	9/8/90	(b)(1)	C
23. Memcon	Re: Meeting with President Mikhail Gorbachev of the USSR (9 pp.)	9/9/90	(b)(1)	S
24. Memcon	Re: Meeting with Gilberto Guardia of the Panama Canal Commission (3 pp.)	9/21/90	(b)(1)	C
25. Memcon	Re: Plenary Meeting with President F.W. de Klerk of South Africa (4 pp.)	9/24/90	(b)(1)	S

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5595

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Secretary General Manfred Woerner of the North Atlantic Treaty Organization (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
William Taft, IV, U.S. Ambassador to NATO
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Blackwill, Special Assistant to the President for National Security Affairs (Notetaker)
Paul Wolfowitz, Under Secretary of Defense for Policy

Manfred Woerner, NATO Secretary General
Amedeo deFranchis, Deputy Secretary General
James Cunningham, Private Office Director

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JL 8/21/09

DATE, TIME AND PLACE: July 5, 1990, 9:15 - 9:45 am
Lancaster House, England

The President: We have a big meeting coming up. You know what our proposals are. How should we proceed? I have a short intervention that will last about ten minutes. (U)

Secretary General Woerner: That is less time than we thought. (U)

The President: We want to hear the views of others. But how do you manage the mechanics? (U)

Secretary General Woerner: There is clear agreement that the U.S. draft is the base draft for our work. I stopped representatives at NATO from drafting. The protocol is to start with the heads of government. That means Mitterrand. I have to respect that. We'll see if he wishes to begin. (C)

Then we will spend the morning with Francois Mitterrand, Thatcher, then Kohl, and so on, for six or seven speakers. Then there will be lunch. Then the Foreign Ministers would meet after lunch to work on the Declaration. Heads of government will continue with their interventions far into the afternoon. I want Van den Broek to chair that meeting of Foreign Ministers. It will be tough. There are lots of possible amendments. (C)

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What will you wish to discuss in the free discussion, late this afternoon? Some have suggested economic aid to the Soviet Union. Kohl may introduce this topic, or perhaps Mitterrand. (Ø)

Tomorrow morning we will begin with the Declaration. There is a high level of expectation among the press and our publics. So I think we will entirely succeed. We have to. (Ø)

The President: My gut instinct is that aid to the Soviet Union, which will be discussed in Houston, may be premature to talk about here. I don't want to complicate the Soviet Party Congress. We will not be able to accommodate Gorbachev here, so the headlines could be unhelpful. Unless we come out with a ringing endorsement of aid to the USSR, it could set Gorbachev back. (Ø)

Secretary General Woerner: I entirely agree. (Ø)

Governor Sununu: Will Mitterrand, if he goes first, raise the issue? (Ø)

Secretary General Woerner: I don't know, but I don't think he will concentrate on that. What else could we discuss? (Ø)

General Scowcroft: Can the Foreign Ministers finish the Declaration? (Ø)

Secretary General Woerner: They must. (Ø)

The President: What about discussing NATO's future political role? (Ø)

Secretary Baker: I think we will have bracketed language on one or two issues. (Ø)

Secretary General Woerner: Please don't make it more than one or two. We cannot have a failure at this Summit. (Ø)

One other point. There is still the idea of a global review of NATO's purpose floating around. It was originally a French idea. You have in your draft a review of NATO for a meeting of heads of government next year. But this Summit must be a Summit of answers not questions, don't you agree? (Ø)

The President: Can't we just stick to a review of military strategy? (Ø)

Secretary General Woerner: I hope so, but others may want a more open study. That would be a mistake. That's why I like your Declaration so much. (Ø)

The President: I agree. We should hold the line on the type of NATO review we want. (Ø)

Secretary General Woerner: I am glad you did what you did, but you ruffled some feathers. We can't do this very often. But I thought your draft was terrific. There are some disagreements: on 'last resort;' and on the next phase of CFE. (Ø)

The President: I called Lubbers, Martens, and Schlueter. They were all enthusiastic about the Declaration. (Ø)

Secretary General Woerner: It's an old dilemma. Everybody wants U.S. leadership, but they do not want to admit it. (Ø)

-- End of meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Working Lunch with Japanese Prime Minister Toshiki Kaifu

PARTICIPANTS:
The President
James A. Baker, III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Robert Mosbacher, Secretary of Commerce
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs
David Mulford, Under Secretary of the Treasury for International Affairs
Timothy Deal, Senior Director for International Economic Affairs, NSC (notetaker)
Frances Seeds (interpreter)

Toshiki Kaifu, Prime Minister
Taro Nakayama, Minister of Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Kabua Muto, Minister of International Trade and Industry
Ryohei Murata, Ambassador to the United States
Tadamori Ooshima, Deputy Chief Cabinet Secretary
Koji Watanabe, Vice Minister of Foreign Affairs
Hisashi Owada, Deputy Foreign Minister
Koichiro Matsuura, Director General, North American Affairs Bureau

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PER E.O. 12958,
AS AMENDED
2000-0429-F
BL 8/21/09

DATE, TIME AND PLACE: July 7, 1990, 12:15 p.m.-1:30 p.m.
Manor House, Houstonian Hotel, Houston

The President: First, welcome here. This was billed as a working lunch. We've already had an opportunity to express our pleasure at the outcome of the SII talks. In our private meeting, we also touched on several items of bilateral interest. (U)

We have no agreed agenda for the lunch. I am prepared to discuss any subject of interest to you, although during the first course

I would like to say a word about the recent NATO meeting. And Secretary Baker will be able to give you some detail there. We can then cover the Soviet Union and other multilateral issues for the Houston Summit. (U)

What we hoped to accomplish at NATO was to convince Gorbachev and his hardliners that they should not look on the U.S. as a major threat. We also tried through the statement to convince the Soviets that a unified Germany in NATO does not threaten them. Without going into a lot of detail, I would like you to see why we view the NATO meeting as a success. (C)

Secretary Baker: Mr. President, we tried to accomplish our task by emphasizing the political components of NATO. In addition, we tried to show our desire to reach out to the East by adopting certain measures. We reaffirmed that we would not be the first to use force, that is, no first use. We called for a joint declaration between NATO and the Warsaw Pact of non-aggression and peaceful intentions. We issued an invitation to NATO to update the alliance and an invitation to the Warsaw Pact to establish diplomatic liaison offices to NATO. There was a call for military to military contacts. In addition to political matters, the declaration called for changes in consultations and nuclear strategy in the NATO alliance. These strategic changes depend on Soviet removal of troops from Eastern Europe. I won't go into a lot of detail, but there was also a call for dealing with force levels in Germany with follow-on talks. (S)

The only issue on the nuclear side was, as I told the Foreign Minister last night, about last resort. We embraced the strategy of flexible response for 40 years, which called for early use of nuclear weapons to offset the numerical superiority of the Warsaw Pact. With the deterioration of the Warsaw Pact and pulling back of Soviet forces from Eastern Europe, that overwhelming numerical superiority is no longer there. So this permitted the present adoption by NATO of the doctrine of last resort. (S)

The important thing to note is that this doctrine applies to Europe. Where the threat remains the same, e.g., on the Korean peninsula, there has been no change in U.S. nuclear doctrine. (S)

Mr. President, there are many other nuances that I won't go into now. I'd simply say that we have the possibility for a major transformation of the alliance provided the Soviets take the measures they say they could take. And, of course, I will try to answer any questions. (C)

Prime Minister Kaifu: Thank you for the explanation. I appreciate your commentary about bringing the NATO Summit to a successful conclusion. I have one question relating to Japan and that concerns naval disarmament, a major worry for the Japanese people. Arrangements between the U.S. and the USSR on naval matters could have an effect on cruise missile verification. (C)

The President: I'll let Jim comment in greater detail. Iceland was interested in bringing in something about naval arms control into the discussions. For reasons that are well understood, we strongly resisted and have no intention in taking up this issue. The U.S. has wide responsibilities in the Pacific, for example. Our navy is prepared to help the peace. We have resisted naval arms control. While we are cutting back unilaterally, we retain the right to be a strong naval power. We did not want to see any change in our posture as a result of the NATO declaration. (S)

Secretary Baker: Regarding possible ceilings on cruise missiles, let me note that this was not a subject of discussion at the NATO Summit. We are negotiating bilaterally with USSR on these matters in the START talks. For a long time, the Soviet Union took the position that there must be legally binding limits on SLCMs. We successfully resisted it and are handling it in START by a political declaration on the level of SLCMs over the next few years. This would apply only to nuclear-armed cruise missiles; it would not apply to others because of the problem of verification. That declaration would only become effective if we reached agreement on other aspects of a START agreement. (S)

I forget to mention in summarizing the NATO declaration certain statements with respect to CSCE. The countries of Central and Eastern Europe and the USSR are anxious to be included in an all-European security structure. That would give something for Gorbachev to point out to his hardliners. We have made clear, however, at every stage that everything done at CSCE can only complement NATO. (S)

Prime Minister Kaifu: Thank you. Another question. What is your view of a unified Germany in NATO? (U)

The President: One of the results of the Summit should be to make it easier for Gorbachev to support the notion of a unified Germany in NATO. Some of the things that Jim has mentioned could convince Soviet hardliners that they have nothing to fear in NATO. Gorbachev has already accepted, enthusiastically, that U.S. forces in Europe are stabilizing; they are no threat to the Soviet side. We have made every effort to convince Gorbachev that it would be a mistake to singularize Germany, to set it apart. We hope that one of the results would be to make it easier for him to accept a unified Germany in NATO. (S)

The Prime Minister and I are in broad agreement on the idea of lending money to the Soviet Union, a very important question. Kohl will have to go ahead on his own for domestic reasons. We'll have to be indirect. These are things we can do, short of lending money, that show our interest in Soviet reform. (S)

We talked about China, and we are not far apart. We recognize that you will proceed with the third yen loan. (S)

Prime Minister Kaifu: I had a good discussion with the President. Regarding the USSR, Japan supports perestroika. Soviet movement on reform and political pluralism is good for Europe and for the world. In the area of assistance, we have offered technical assistance in economic management, and we have encouraged exchanges. The idea of loans mentioned in Kohl's letter must be considered carefully. We must see if the Soviets use money to support economic reform. The Soviets spend a lot on the Soviet military and in assisting Cuba and Vietnam. The Northern Territories question is of particular importance. We must consider relations with the USSR in a comprehensive manner. Japan will extend assistance when appropriate, but Japan is not in a position to provide official loans to the USSR. (S)

Regarding China, what happened on June 4 last year was regrettable. We have taken every opportunity to express our sentiments to the Chinese leadership, trying to prevent against the isolation of China. At this juncture and looking back over the past year, the Chinese side has taken certain measures that indicate they are serious about moving in the direction of reform. They should be given credit. (S)

One issue of particular importance to Japan stems from the commitment of a former Japanese Prime Minister to a third yen loan to China. Such a loan could help to improve the welfare of the Chinese people. We would like to open up the loans gradually. I mentioned to George that our loans are untied and that we would gradually reopen assistance to China. (S)

Regarding the domestic situation in China, the continued strength of the conservatives shows that it is time to support the reformers. We should encourage them to take suitable measures. (C)

The President: We had a chance to discuss this earlier. We understand your position on bilateral matters, i.e., the third yen loan. I asked that we try to stay together on multilateral lending. With a carrot and stick we would encourage the Chinese to take additional measures. The press will try to drive a wedge between the U.S. and Japan on lending money to China. But there will be no criticism on the U.S. side of what Japan has determined it must do to honor its commitment. Some in our Congress may be critical as well. But I will assure the Prime Minister that there will be no criticism from the U.S. on the question. I will urge in our own broader discussions that we try to get together on multilateral lending issues. (S)

Secretary Baker: I have one question relating to assistance to the Soviet Union. Is your position tied only to the Northern Territories question or also the issue of economic reform and aid to totalitarian countries? (C)

Prime Minister Kaifu: The way we look at the USSR is as follows. First, we are trying technical assistance. I agree with you that we must see whether Soviet reform efforts are genuine or not.

Second, we take account of Soviet assistance to Cuba and Vietnam. We would like to see the Soviets withhold assistance to such countries. That's a great concern to us. Third, the Northern Territories are particularly important to Japan. All these aspects are important. (S)

The President: There's an additional point. If the Soviets see us helping other emerging democracies, e.g., Mexico, Panama, Eastern Europe, that would give an incentive to Gorbachev. That sends a message to the Soviet Union. You have been especially generous on this account. (S)

Minister Nakayama: I would like to point to our assistance to the Soviet Union in the medical field in the case of Chernobyl. We would like to help and have sent messages of our desire to do so. However, the Secretary General of the WHO reports that the Soviets are confused, that there is no clear central authority. That applies not only to the immediate area around Chernobyl, but also the USSR as a whole. We don't know what kind of effect this disaster will have on people. We have offered knowledge and technical assistance, but have received no response. (S)

The President: That's wonderful, a gesture that can't be misinterpreted. We have a smaller example from a recent event. We sent supplies to Iran after the earthquake. The airplane landed in Iran and people came out, asking where did the plane come from. The people on board said, "from America." The Iranians couldn't believe it; they brought gifts and coffee for the Americans. Human gestures do make a difference. (U)

Gorbachev knows his time is running out. Will the Soviets be flexible on the Northern Territories? I raised this matter with Gorbachev, but have no feeling whether the Soviets want to resolve it soon. (S)

Prime Minister Kaifu: We would like to resolve this issue. The editor of Pravda and a Deputy Prime Minister of the USSR visited Tokyo recently and brought a message stating that Gorbachev is optimistic about the question. I'd like to be optimistic too, but not yet. The position between the two countries has not narrowed yet. Shevardnadze comes to Japan in September, which will provide a further opportunity to explore the issue in depth. Then Gorbachev visits next January. (S)

I want to say how much I appreciate your support. The issue is not bilateral; it's the residue of Stalinist expansionism. (U)

The President: That's a good point. You're going to join us at the theater shortly. (U)

Mr. Owada: After this meeting there will be a press briefing. Regarding China, we should be careful. This is our suggestion. We should say that we have had useful discussions of this issue and that we agree to continue those discussions with the other heads at the Summit. (S)

The President: That says it all. Owada saves the day. (U)

-- End of Conversation --

SECRET

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Bilaeral Meeting with Canadian Prime Minister Brian Mulroney

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas Brady, Secretary of the Treasury
John Sununu, Chief of Staff
Marlin Fitzwater, Assistant to the President and Press Secretary
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Kimmitt, Under Secretary of State for Political Affairs
Eric Melby, Director of International Economic Affairs, NSC (notetaker)

Brian Mulroney, Prime Minister of Canada
Joseph Clark, Foreign Minister
Michael Wilson, Finance Minister
Derek Burney, Ambassador to the United States
Stanley Hartt, Chief of Staff
Anne Marie Doyle, Assistant Secretary to the Cabinet for Foreign and Defense Policy (notetaker)

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JR 8/21/09

DATE, TIME AND PLACE: July 8, 1990, 11:00-11:30 a.m.
Manor House, Houstonian Hotel, Houston, Texas

The President: Jim Baker was asked why Bill Reilly is not here. The answer is that most environment ministers are not here. Welcome, Brian, I've just seen you in London. I want to hear from you but let me outline what I think are the key issues here. (U)

First, the completion of the Uruguay Round. We have got to get agriculture going. Japan, the Europeans, particularly Germany, have problems. We have got to put everything on the table. (U)

On China we may have differences. We must keep up the pressure on the Chinese. Japan will go ahead with the third yen loan. I will get hell for not pressuring Japan more. But I can't tell Japan not to go ahead, just like I cannot tell Kohl he can't lend to the Soviets. At Houston we need to define what enough

progress is for loans to resume to China. We have some constraints in our law. I understand that Zhao Ziyang may not be rehabilitated but at least come out from behind the cloud. (C)

On the Soviet Union, I made my views clear in London. There is an interesting paragraph in Gorbachev's letter about economic reform. However, the Soviets are not as far along as they should be to get largesse from the West. (C)

These are my views, but I would like to hear from you, Brian. (U)

Prime Minister Mulroney: I believe we should tie a success in Houston to the success of NATO. I feel personally privileged to have been a participant in London. Your communications over the preceding weeks were very significant. France rarely misses a chance to say something inappropriate. In London, we had an unprecedented military and political response to Gorbachev. Attention is now turning to Houston. Canada is in a worse situation than the U.S. concerning assistance to the Soviets. (C)

Foreign Minister Clark: Mike Wilson has screwed up our economy. (C)

Prime Minister Mulroney: I was surprised at the ferocity of attacks on Gorachev. I was surprised at the depth of anger and personal bitterness. Gorbachev's presence is stabilizing. I think we are agreed that our common objective is to sustain Gorbachev. I was surprised to see on CNN that Gerosimov said the Soviet economy is in shambles. (C)

The President: Do they pick out the harshest critics? (U)

Prime Minister Mulroney: I don't know. I remember briefing you in November in Washington after I returned from Moscow. I remember some of the direct quotes given me. One person told me, "Yeltsin is a jerk and is going nowhere." Just before Gorbachev had lunch with me in Ottawa before he saw you in Washington, Yeltsin was elected President of the Russian Republic. Swift events are overtaking us, including Gorbachev. (C)

Foreign Minister Clark: Gorbachev should be able to count on the Party. (C)

The President: The Party is disintegrating all over Eastern Europe. I agree with your view on the harshness of the criticism, especially of Yakovlev and Medevedev. (U)

Secretary Baker: It looks like Gorbachev won a significant vote yesterday on whether the Party would criticize these people.

Prime Minister Mulroney: In terms of personal popularity at home I am down to just about the members of my family. Yet I don't get that kind of harsh criticism. If Gorbachev is chucked out in

4-5 months, he could be replaced by a reactionary general. Then if Gorbachev was interviewed by the London Times or the Washington Post, he might say: I was doing OK with NATO and was hoping the Houston Summit would send an economic signal but I didn't hear anything. That wouldn't be good. John Sununu said in London that giving $25 billion is throwing good money after bad. That is true. We must be careful not to do what Kohl is doing. I believe a process solution out of Houston under your leadership would be good. (C)

I propose an IMF study to assess the Soviet economy. It would be a prescription for reform; advice to stimulate that reform. I also want to reiterate a suggestion I made earlier, that the Chairman of the Summit brief Gorbachev personally. Woerner is going there; Helmut is going with a lot of cash. There is great value of you and Gorbachev getting together even if only for one afternoon. Your leadership is tied into what the G-7 does. I would like Mike Wilson to explain what we have in mind. (C)

Finance Minister Wilson: Our overriding objective is to draw the Soviet economy into the international system. The EC has proposed a study and has pre-empted the Houston Summit. We propose a more in-depth study, one not just on the financial side. The study should cover the IMF, IEA, environmental aspects, how to use the private sector. (C)

The reason for the IMF is to identify elements of conditionality, to bring the Soviet Union into the international financial community. The study may help Gorbachev internally to reach a consensus on what the Soviets should or should not do. (C)

On the timeframe for the study, the EC study is to be done by the end of September. The IMF study should go past this to fold in the EC study and supercede and overtake it. We need to bring the initiative back to the G-7. Nick [Brady] and I could get together to give the G-7 process a greater hand. (C)

Prime Minister Mulroney: I am concerned one European country does not want North America and America involved. We want the U.S. to have a leadership, not peripheral role. With you in the chair, after NATO, you can seize control. I am upset at the snottiness of the French in London. They are trying to elbow Americans out. (C)

General Scowcroft: Barber Conable called yesterday to say they would be happy to participate. He said a study would take six months to complete as there is no reliable data. (C)

Secretary Brady: We should not imply that if the conditions are met the Soviets would be eligible for aid. (C)

Secretary Baker: There are political conditions and economic conditions. The President has spelled them out. Could we get agreement on broad political principles? We should charge the IMF to come up with economic conditionality. (C)

The President: We have problems that others do not care about. On Cuba, the French don't give a damn; we have real problems. (Ø)

Prime Minister Mulroney: I told a TV interview that the U.S. won't get involved if the Soviets are sending $6 billion to Cuba. This is just elementary politics. A U.S. President who says he would give $10 billion to the Soviet Union with $6 billion going to Cuba is gone. (Ø)

The President: Interesting process; let the Finance Ministers work on this. (Ø)

Secretary Baker: Could we agree among the G-7 on technical assistance to the Soviet Union? We're doing it; there's no legal prohibition. (Ø)

Finance Minister Wilson: We can agree. It could also be part of the study. (Ø)

Foreign Minister Clark: One caution. This is an opportunity to have international standards applied to reform in the Soviet Union. It is a wholly credible response to Gorbachev. We are willing to help solve problem once we know what it is. (Ø)

The President: Let the Finance Ministers talk about this on the IMF side. (Ø)

Prime Minister Mulroney: Let me mention agriculture. We all have our own problems. I'm being pressed by the Cairns Group. Is there any G-7 support for the de Zeeuw text on agriculture? (Ø)

Secretary Baker: I mentioned it to Delors; he dumped all over de Zeeuw. But there is sympathy among the British; it is possibly a way out. (Ø)

The President: We have got to get past agriculture. (U)

Ambassador Burney: Could we accept de Zeeuw as a basis for negotiation? (Ø)

Secretary Baker: The EC won't accept. (Ø)

The President: We have to get a general commitment that the G-7 will go forward. (U)

Prime Minister Mulroney: No one is pure on agriculture but we are more pure than others. Houston must take a straightforward stand. As Chairman, you have the right to ask us to stand up and be counted. (Ø)

The President: Kohl is the key. If we can get Delors to be forthcoming, Kohl can hide behind him. (Ø)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Bilateral Meeting with EC President Jacques Delors

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs
Timothy Deal, Senior Director for International Economic Affairs, NSC (notetaker)

Jacques Delors, President, European Communities Commission
Frans Andriessen, Vice President, EC
Henning Christophersen, Vice President, EC
Pascal Lamy, Chief of Staff to President Delors

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JL 8/21/09

DATE, TIME AND PLACE: July 8, 1990, 4:30-4:55 p.m.
AstroArena, Houston

The President: Welcome. It's hot outside. We'll have a relaxed evening. We have a few minutes. I look forward to these talks. The subjects are getting defined by the media: the G-7 approach on China, the question of assistance for the USSR. On the latter, I have spoken publicly to this point; it's a serious problem for us politically. In his letter to me, Gorbachev spelled out a wide array of means to provide him help. We can't simply supply money; we have legal constraints. Meanwhile, Gorbachev is under attack at home. (C)

The environment will get serious consideration. A sensible outcome should be possible. (U)

Then there's the issue you and I have talked about: agriculture as it relates to the Uruguay Round. I am scared that if we don't make a breakthrough now, the Round will fall apart, and we will be fingered for the failure. I appeal to you as I will appeal to

others including Kohl and Mitterrand. Without the breakthrough in agriculture, we will fail and be blamed for it. We must move forward. I am under pressure at home on sugar, peanuts, etc. So I make a pitch, an appeal. It's not easy for an American politician; we have a strong lobby here. These will be the main subjects, although others will be covered in our long communique. (C)

President Delors: In relation to the USSR, the only decision taken by the Commission is to support perestroika, nothing more. The Commission has a mandate to study the economy, not a commitment to assist Soviet Union. I don't see any big difference after your meeting with Gorbachev and what the Community has said. The EC will do its study carefully. There are lots of unknowns about the Soviet Union and how to help Gorbachev. (C)

The big problem for the Commission is the Uruguay Round. I don't see how we can reach agreement on the present basis. This is not only an economic problem, but also a social one. Take the position of a number of our countries. It's difficult to deal with agriculture without taking account of the environment, desertification of our land, for example. We should try to resolve this issue bilaterally; that is the only route. (U)

The President: I don't want to have the failure of the Round on my hands. We must find an accommodation. If you go to Iowa or Louisiana, they will say there that agriculture is different. I know what your farmers say. But the Third World doesn't understand. Again, I don't want failure on my hands. We can't exempt something so important as agriculture from free and fair trade. Agriculture is on the table. I know the difficulties. Yet if we don't achieve something here, we could blow the whole Summit apart. We must find some common ground. Bilateral discussions are fine, but this is a world problem. (C)

President Delors: If the discussions go badly, we will have real problems. (U)

The President: If we can't move forward, the Round will fail. I talked with Kaifu about rice. Everyone has a problem. Please accept my political opinion about how this issue will be played here. If there is a way to solve the problem, we should find it. (U)

Mr. Andriessen: What do you expect from this meeting? There are only certain EC countries here. The last few months we have been lost in semantics. It is necessary to find words that do not cover up the real problem. The Japanese problem with rice is different. (U)

The President: We must move forward in the negotiations. Our negotiators can deal with individual commodities. We have a good chance here to clear up our general position. If we don't, we'll look like ostriches with our heads buried in the sand. No U.S.

farmer, say from Iowa, says "eliminate subsidies." They want to preserve the existing system. (U)

Mr. Andriessen: We have different negotiating positions on the table. The Trade Negotiating Committee (TNC) paper has problems for both of us. (U)

Governor Sununu: When you go into a negotiation, you need to have an objective. If some have an objective of ending the negotiations in a stalemate, then that will be the outcome. We need a political commitment to a solution. (U)

Mr. Andriessen: It's a matter of wording. If your objective remains the same, that is, the elimination of subsidies, there will be no way to make the Summit a success. If you go another way, success is possible. (U)

Secretary Baker: How do you see the prospects of the de Zeeuw report? (U)

Mr. Andriessen: There are some things we like and some things we don't. (U)

Secretary Baker: Could this be a basis for negotiation? (U)

Mr. Andriessen: I don't know. (U)

Secretary Baker: I talked with Jacques (Delors) about this. I know you have reservations, but we have to move forward. There are things in the paper we like and don't like. Maybe we should look at this report though as a firm basis for further negotiations. (U)

Governor Sununu: It would be preferable to have this paper as a basis for negotiations. Another way would be to have it as a starting point; that is not as good. But don't underestimate the time issue. Congress is in a protectionist mood. We'd like to shut off protectionism. (U)

The President: If we can find some common ground, this may be the way forward. (U)

Mr. Andriessen: There is more in de Zeeuw's report that we don't like than you. That makes it difficult to go along. But the paper is a reality; people will take it as such. We need to see what we can find for wording. We should not mention the report explicitly. We could just note the progress made. (U)

The President: I'm worried. We could get a black-eye from this meeting. (U)

President Delors: These are other problems, textiles for example. (U)

The President/Secretary Baker: Agriculture is the big problem. (U)

The President: Protectionist legislation is coming down the track like a locomotive. We need a broad trade agreement then. (U)

Mr. Andriessen: We should not be too specific on our differences. It is wise for a meeting like this to go into specifics? We should just cite the progress made and the outlook for the Round. (U)

The President: We have a big problem if nothing happens. We must be realistic. In any event, we should see where we could go. (U)

President Delors: There is a big difference between European and American agriculture. We have an interest in introducing more market pricing into the system. We're in favor of free trade. We are changing our policies. You must recognize the differences between the two systems. (U)

Secretary Baker: We do recognize those differences. The preservation of small farms is a social problem for you and for us. We have to find ways to assist those farmers but without distorting trade. The Japanese cite rice as a social problem for them. (U)

President Delors: It's not the same. It's a different kind of problem, a different kind of farm. (U)

Secretary Baker: We must find a way that does not distort trade. (U)

President Delors: We are making an effort to reduce support. It's not easy. (U)

Secretary Baker: We have done some things, so have you. (U)

The President: I'm glad to have had these discussions. We will work behind the scenes. We need to show a willingness to go forward. The focus of the press will be on aid to the USSR. We will find a way to deal with that along the lines of what's in Gorbachev's letter. If that is the case, this will shift the focus of attention to contentious issues. (Ø)

President Delors: What about China? (U)

The President: As in the case of Germany, if the Japanese want to pour money down a rathole, that's their business. We should strive for a common position and not criticize the Japanese. We want to keep the restraints on multilateral lending through a common position. (Ø)

Mr. Christophersen: You didn't mention your Latin American initiative. (U)

The President: What is important is that it is not only a question for the U.S. We hope others will help. (U)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Mitterrand of France (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of the Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert D. Blackwill, Special Assistant to the President for National Security Affairs (Notetaker)

Francois Mitterrand, President
Jacques Attali, Special Counselor to the President
Roland Dumas, Minister of State for Foreign Affairs
Pierre Beregovoy, Minister of Economy, Finance and the Budget
Hubert Vedrine, Press Spokesman and Chief, Foreign Policy Advisor
Elizabeth Guigon, Liaison Economic Advisor

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JL 8/21/09

DATE, TIME AND PLACE: July 9, 1990, 9:10 - 10:00 am
Manor House, Houstonian Hotel, Houston, Texas

The President: Welcome to the travellers. I am pleased you are here. I look forward to a good conversation here. (U)

President Mitterrand: We haven't had much time between our two recent meetings. It is good to be here in Texas. (U)

The President: I hope it isn't too hot. We'll have our first formal meeting this afternoon. Then, as in the Summit of the Arch, there will be a private dinner tonight. (U)

I'll mention what the press has on their mind: financial support for the Soviet Union; how to handle China now; agriculture and the Uruguay round; and environmental questions. There could be differences. I hope we can find some common ground, although there will be nuances of difference. (Ø)

I am pleased with the results of our NATO meeting. The reaction from the Soviet Union was very positive. (Ø)

President Mitterrand: Thank you. Despite the variety of positions taken, it is clear that the most important common line of action was an effort to transform NATO. The Soviet reaction is promising, if the USSR is bold enough to give itself new structures. We have, related to this, the question of aid to the Soviet Union. You know the position of Chancellor Kohl and myself was adopted because of our sense of urgency. Aid given after months have passed might arrive too late. (Ø)

On China, we have to analyze events there. If we are to relax our attitude, we will have to explain ourselves. Japan doesn't seem to believe that is necessary. (Ø)

On GATT, we have differences that go back for years. I mean, of course, aid to agriculture. Either you subsidize exports, or the farmers. And we always criticize each other. If we have mutual honesty, we will find a way. I could support reducing aid to exports, as long as there are no losers at the outset. In Europe, we have 16 million farmers, far more than you. But of course ours are smaller. (Ø)

On the environment, we must act on this, which is the problem of the modern age. And there is the issue of aid to the Third World. We can't try to do much on our agenda here. We need to pick what is most important. (Ø)

The President: Yes. (U)

President Mitterrand: Regarding the Soviet Union, we are focused on the short-term, you more on the longer view. On China, it is the reverse. We have to catch up with one another. But in general we have to be clear. Concerning the environment, where do we begin: Climate change; ozone layer; carbon dioxide, oceans, waterways, or the disappearance of forests? We can't do this entire agenda. We need to choose. (Ø)

The Third World, over the next fifty years, will be very dangerous, including the use of nuclear weapons. We in the West must control the way the situation evolves. Thinking of the poverty in the world, there are billions of human beings -- three to four billion in the next 20 years -- with no goal in life. That will produce revolutions, war, violence, terrorism, and collective madness. We must do something together to combat this. Even when our two countries quarrel -- which hasn't happened much in the last two years -- we have exceedingly friendly relations. (Ø)

The President: That's exactly the spirit in which we approach this Summit. The press will try to point to differences, not the 95% we agree on. Let me get on the table the American position on the issues you mentioned. I don't want the press to dub our meeting a failure. (Ø)

On the Soviet Union, we are very interested in seeing Gorbachev succeed -- both perestroika and the man himself. We have been

criticized for focusing too much on Gorbachev personally. But he is the best bet there is in the Soviet Union. I like the man. In the letter he sent me, he mentions some kind of financial support. But he also mentions technical support, which we can do. I said in London that I have no problem with Kohl's position on this. That's his business. But I have laws that prevent some actions on my part. The main thing is to find common ground here in Houston on how to help the Soviet Union. We mustn't let the press define our conversations here only on the basis of whether we give the Soviet Union $20 billion. After all, Moscow still gives $5 billion to Cuba. But I think we can work this out here. Gorbachev was not clear at Camp David about what specifically he wants in the way of aid. (Ø)

On China, Toshiki Kaifu said they must go forward with most of the third yen loan. They have a fundamental commitment, he said. They are close to the scene. I won't lecture Japan. But I hope we can constrain international lending to basic human needs, until the situation in China changes. We helped Fang Li Zhou get out; he goes to London and dumps in the press on the US. So much for human gratitude. There are rumors that Zhao Ziyang might be rehabilitated. They have lightened up on others being held incommunicado. But I think they can go further. But we can manage this without the press charging a failure of the G-7 Summit. (Ø)

The Uruguay Round is more difficult. If we don't move the question of agriculture forward, it could torpedo the whole round. That would produce failure in the most significant trading round ever. I talked with Delors last night. There might be common ground. We discussed specific language, and using the de Zeeuw report as a positive step with which each don't entirely agree. The report could be a "basis for future discussion." But we don't want the Summit to collapse on this basic economic question. We have fundamental agricultural problems with sugar, textiles, and other areas. We also need to help the Third World through opening up markets. But I'll talk to Helmut Kohl, who has domestic political problems. We all do. This one worries me the most because it is so time sensitive. (Ø)

On the environment, we need a good discussion. I hope we can come out with a program that doesn't say our economies can't grow anymore. We worry about jobs. You have prudently developed nuclear power. We can't. That is our problem. On forestry, we are moving hard on clean air. We'll show our determination to move ahead. I think we can. (Ø)

Then, near and dear to your heart, how to assist the Third World. I stress economic growth. I would like to get real interest in Europe in the cause of democracy in Central America. I'll tell you about our debt forgiveness plan for Latin America. The press doesn't seem so agitated on this issue. (Ø)

I agree we don't want to bog down in minutiae. You and I have been able to talk even when we don't agree entirely. That's my approach here. I think we can have a G-7 success in Houston. (Ø)

President Mitterrand: I remember discussions on trade negotiations in unpleasant conditions in Bonn in 1985. I was alone in opposing your predecessor. We talked about agriculture and foreign trade. It is not pleasant saying no. But I did. I said there was more to trade than agriculture. I want the Uruguay round to be a success. (Ø)

On the Soviet Union, I understand your reasons. But beyond the realm of reason and logic, time may overtake us. Of course Germany and France will proceed, but the scope of the problem is so great that agreement here will be required to respond to it. Even $15-20 billion isn't very much. That's why the US and Japan are important partners. We need your participation in help and subsidizing. But we don't want our aid to go to some Marshal Popov. We have so little time. (Ø)

The President: I keep thinking of Poland in the early 1970s. (U)

President Mitterrand: I agree with that. I don't want to throw money out of the window. Reform is necessary. That's what we must talk about here. (Ø)

The President: He wants to get consumer goods on the shelves, get rid of ruble overhang, then reform. Isn't he putting the cart before the horse? (Ø)

President Mitterrand: We won't find another man of that caliber in Moscow. He's a very strange phenomenon to come out of the 1917 revolution. (Ø)

The President: It is so difficult for Gorbachev to understand about the free market. (Ø)

President Mitterrand: And the man in the street is even worse. (Ø)

Secretary Baker: The NATO Summit will help Gorbachev in his internal summit. (Ø)

President Mitterrand: President Bush was bold and opportune at NATO, more so than we Europeans, I must say. I appreciate the positions you adopted. (Ø)

I don't want to insult the Soviet Union, but we are so far from their economic organization as the Western explorers who went into the African jungle selling beads for diamonds. (Ø)

The President: Let's see what we can do to help Gorbachev in a tangible way. (Ø)

In the environment, I would like to get a strong position on deforestation. Kohl will be interested, but we will have difficulties if we are pressed to adopt no growth or unemployment policies. I can't accept that. Are you having any problem with protests against the French nuclear power program? (Ø)

President Mitterrand: Mostly no. We have not had one fatal injury from civilian nuclear power. (U)

The President: I can't say the same thing about coal mining and drilling rigs. (U)

President Mitterrand: We don't have environmental protests like they do in Germany. We just don't have more than 300 people in such demonstrations. (U)

The President: Environmentalists here have blocked construction of nuclear power plants. It is now impossible because of the lawsuits. (Ø)

President Mitterrand: The most difficult problem is what to do with nuclear waste, not the power stations themselves. Reprocessing is also difficult. But this is a complex problem. We have exported nuclear technology. US public opinion gets worked up. But we insist on international safeguards. Technology now allows us to make sure civil technology does not get altered to military use. The technology for civil use is now quite special, and we can prevent diversion. And it supplies cheap and safe energy to the Third World. (Ø)

The President: You are on the right track on this and will get no criticism from the US. I wish we had gone ahead earlier with cheap nuclear power. (Ø)

President Mitterrand: We would be happy to sell you a power station. (U)

The President: John Sununu has lived through the political wars on this when he was governor of New Hampshire. (U)

President Mitterrand: It's the same as with the New Zealanders about our nuclear testing in the South Pacific. It's ridiculous. (Ø)

-- End of meeting --

THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Bilateral Meeting with German Chancellor Helmut Kohl

PARTICIPANTS:

The President
James A. Baker, III, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Kimmitt, Under Secretary of State for Political Affairs
Robert Blackwill, Senior Director for European and Soviet Affairs, NSC
Timothy E. Deal, Senior Director for International Economic Affairs, NSC (notetaker)

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Helmut Kohl, Chancellor of the Federal Republic of Germany
Hans Dietrich Genscher, Minister of Foreign Affairs
Theo Waiger, Minister of Finance
Horst Teltschik, Chancellery National Security Advisor
Walter Newur, Chancellery Chief of Staff

DATE, TIME AND PLACE: July 9, 1990, 10:50 a.m.-11:30 a.m.
Manor House, Houstonian Hotel, Houston

The President: I want to inform you what you are walking into here in terms of the press. The press will magnify any differences. They never write about the banks that weren't robbed. (U)

On China, Kaifu told me that he intends to go ahead with the third yen loan to China. He will get no flack from the U.S. We should, however, try to stay together to restrict MDB loans for a while. G-7 positions are close on this issue. I urge that we stay together. I also urge that we take account of Chinese human rights programs. We do not wish to isolate China. (~~C~~)

Regarding support for the Soviet Union, Gorbachev's letter describes what he thinks is needed. There are some things that the U.S. can do and others we can't. Germany has offered the

USSR credits. That is a matter for the Chancellor of Germany. For our part, we cannot under our law give money to the Soviet Union. Gorbachev should stop putting $5 billion into Cuba to facilitate revolution. We may have differences over money for the USSR, but we want to help Gorbachev. There will be no criticism from us concerning your loans to the USSR. (S)

On the environment, I am optimistic we can find a common position. (U)

On trade, people charge that we have big differences, but I believe that we will find some agreement on this issue. We are for a more ambitious outcome. (U)

Mitterrand brought up his favorite subject: North/South affairs. If he wants to discuss this, it's okay with us. I want to get into frank discussions and come up with solutions. We should seek a meeting of the minds and common purposes. We should try to guard against the idea of a failure because of differences over specifics. (C)

Chancellor Kohl: First, George, let me assure you that we all want a successful Summit. I would repeat what I have said already that the personal success of the President and the Secretary of State in London has created a good mood in NATO and in Europe. (U)

Regarding the USSR, we can't expect the Soviets to endorse all aspects of the NATO Declaration. It was well received in Poland, Czechoslovakia, and Hungary. (U)

We are not far apart on China, although I do not share Japan's enthusiasm given the Chinese opposition to economic reform and the memories of Tiananmen Square. Of course, we want reform to succeed. But it's not logical to say that we must help China despite the lack of economic reform while denying assistance to the USSR because Gorbachev is dragging his feet on perestroika. (C)

I have one problem, the German Parliament, which has begun to imitate the U.S. Senate. As a result, it has become more difficult to deal with sensitive issues such as these. (C)

In the case of the USSR, I believe that we will come to a reasonable solution. I don't see a problem. Real decisions on aid will not come before December. That's not such a bad time. The Soviets do not expect any final settlement of the aid question before then. Presently, the Soviets lack a reform concept. Until they develop one, we can help with food aid. (C)

While we talk about the USSR, we must also keep in mind the situation in Poland, Czechoslovakia, and Hungary. It would not be correct to look only at the USSR and ignore these three. (C)

catastrophe. We should wait and find out what will happen before making any commitments. 150,000 Germans have left Romania; 4-5,000 leave each month. But the 2 million Hungarians do not want to leave; they want to take the land. (Ø)

I ask then that when we talk about the USSR we keep Poland, Hungary, and Czechoslovakia in mind. (Ø)

We talked briefly about the Uruguay Round. I hope that we can find common ground that strikes a reasonable balance among the U.S., EC, and the FRG. I have made a major effort on trade since becoming Chancellor eight years ago. Under my EC chairmanship, we made an important move on agriculture. The Uruguay Round must be a success. (U)

On the environment, I understand what you cannot do regarding CO_2 emissions. We need to find a formula to get out of our bind. I have one urgent request relating to Brazil. If we don't act now, Brazil's tropical forest will not survive. If we wait eight years to act, there will be no problem because there will be no trees. Some people say that you can always start a reforestation program, but experts who are not some crazy Greens say that's not possible. We have only one chance to give the right signal. Collor is a good man. He needs our assistance. Together with the EC, we should invite other countries to offer a real program to Brazil with results in 12 months. This could deal with the CO_2 problem. The destruction of tropical rain forests is a symbol of modernization. (U)

On the domestic side, this should be easy for you. I was at the Harvard commencement ceremony, and all three speakers raised tropical rain forests. You too have elections. You don't want to let the successors of Dukakis exploit the situation. (U)

The President: My problem is with CO_2 emissions. My Latin American initiative included environmental set-asides. I favor strong forward movement on forests. Regarding CO_2, only 4% of the CO_2 in the atmosphere comes from human sources; the other 96% comes from natural sources. On global warming, there still are questions about the data, as our NASA studies have shown. I don't want to ask you to go against your domestic pressures. I have no regard for Petra Kelly and her ilk. (U)

Chancellor Kohl: She still has a lot of power. She is married to a two-star general now. They live comfortably together even though she's green as grass. (U)

The President: She is not still in politics? (U)

Chancellor Kohl: Yes, but not as a candidate. (U)

The President: I worry about the Uruguay Round. If we don't move forward in some way, they will laugh at us too. There's a big agricultural lobby here. Francois Mitterrand talks a lot about aid to LDCs, but access to market is more important. We

about aid to LDCs, but access to market is more important. We must find some language for the communique. (U)

Chancellor Kohl: This is a difficult problem. One thing though: the Germans are not the champions of the support of agriculture. When I was President of the EC Council, support payments went down. The EC does, however, have a completely different agricultural structure. In the FRG, the average farm is 17 hectares; in the UK, it's 140. The GDR is still more different with enormous cooperatives. (U)

I see very clearly the need to be successful in the Uruguay Round, for free trade is essential for prosperity. (U)

The President: Does Delors have flexibility? (U)

Chancellor Kohl: Yes, although he is bound by EC decisions. (U)

The President: I want to raise a procedural matter. I would like to summarize the communique at our final press session, rather than read the full text. It's a waste of time reading the entire document. (U)

Chancellor Kohl: I urge you to do it. It's embarrassing when the other leaders have to stiffle yawns. At Venice, the situation was absurd with most Heads asleep. Fanfani delivered his address like a Cardinal. (U)

The President: Fine. Get some rest now. I will see you at the arrival ceremony. (U)

-- END OF CONVERSATION --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Opening Session of the 16th Economic Summit of Industrialized Nations (U)

PARTICIPANTS:
George Bush, President of the United States
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs

Francois Mitterrand, President of the French Republic
Jacques Attali, Special Counsellor to the President of the French Republic

Margaret Thatcher
Prime Minister of the United Kingdom
Nigel L. Wicks, Second Permanent Secretary to the Treasury

Helmut Kohl, Chancellor of the Federal Republic of Germany
Horst Kohler
State Secretary, Ministry of Finance

Brian Mulroney, Prime Minister of Canada
Derek Burney, Ambassador to the United States

Gullio Andreotti, President of the Council of Ministers of Italy
Umberto Vattani, Diplomatic Counsellor to the Prime Minister

Toshiki Kaifu, Prime Minister of Japan
Koji Watanabe, Deputy Minister for Foreign Affairs

Jacques Delors, President of the Commission of the European Communities
Pascal Lamy, Chief of Staff to the President

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DATE, TIME AND PLACE: Monday, July 9, 1990, 2:30 p.m.-4:35 p.m.
Founders Room, Rice University
Houston, Texas

Chancellor Kohl: (Asks detail of schedule.)

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President Bush: Welcome everyone. The main areas of interest for the Summit are: (1) the trade round, where we need to give directions to negotiators and take account of Third World interests. We must break the deadlock on agriculture. (2) USSR: Journalists are asking about aid to USSR. We need to decide how to respond to Gorbachev's letter. He has requested personnel training and help in achieving a market economy. (3) Environment is also an issue. We need to find a consensus on environment. I think we can succeed. (∅)

In this session we will take up the economic situation and then trade. We'll have more on trade tomorrow. We have an early evening tonight where we'll talk about political issues, including the USSR and China. Tomorrow morning we will finish the discussion on trade and the USSR. We will take up regional political issues over lunch tomorrow. Tomorrow afternoon we will discuss debt and developing countries and the environment. On Wednesday, the final day, we will discuss narcotics and the transnational issues. That is the general outline of work. Does everyone agree? (There were no comments; general assent.) (∅)

Please be informal and speak without constraints. Let's have a frank exchange of views. We can then present a unified view to the press, but we need a frank private exchange. (U)

Sustained growth is a major achievement. We need to keep an eye on inflation though. And we need growth, too. We have a slight difference of view with the FED. We want more growth, whereas Greenspan is worried more about inflation. We need to find a way to grow without inflation. We also need to get our deficit down. There are obvious political difficulties on taxes, but we need to do something that the markets will regard as serious on the budget. Our decision on a comprehensive approach to our budget has already been helpful in the US-Japan context. (∅)

Prime Minister Thatcher: Let's lay the big problems on the table. Command economies have crumbled. The Third World is looking at market economies. We have an opportunity to make the 1990s a success. We have an opportunity to consolidate market democracies. (U)

Romania is a counterfeit democracy. Nationalism is emerging in Romania. In the USSR the Soviets are stumbling. They lack a vision. Let's not prop up regimes that have not really changed. This would only help them delay the tough decisions. Our help must be tied to conditions. Credits to the USSR will be used for consumer goods, not for basic restructuring. As a result, the Soviets will wind up with more debt and no real reform. They don't know how to use the resources they have. They need to learn how to transport goods to market. That is the best thing we can do. That places enormous demands on us. (∅)

Our contribution is to maintain our own economic growth. The market for goods is an example of success. We should generate

some surpluses. But we cannot ignore inflation. Otherwise we will harm our economies. The German example of sound money is the best. The entire middle class was wiped out in Germany years ago. The Germans will never forget this. They are inoculated against inflation. We in Britain are faced by memories of unemployment with pressure to keep our employment up. And perhaps we do not pay enough attention to inflationary pressures. Fine-tuning in the 1970s was a disaster. Sound policies, not fine-tuning, are the best approach. In the 1980s we have some good examples on how to maintain sustained growth, not the stop and go pattern that emerges from unstable monetary policies. We need to keep our markets open. The 1930s was partly caused by closed markets. (U)

The successful conclusion of the GATT round is vital. At this meeting we need to reach a broad understanding, particularly on agriculture. The power of market is what we need to harness. This is going to be tough, but we need to match our words with deeds of non-protectionism. Protectionism is electorally popular, but it's a disaster. In the long run, the protectionist route will hurt the Third World. What is especially needed is more openness in agriculture. Trade, even more than aid, is needed in the Third World. Our policies on trade have hurt the Third World, while we utter pious comments about more North-South cooperation. We must avoid a relapse into economic blocs in trade and monetary matters. Blocs are dangerous. But three of them are shaping up: the U.S. and Mexico; Europe; Asia. But no trade empires should be set up. We need to keep the whole system intact and open. We need to think about the next GATT round with more on investment, banking, aviation, public procurement, etc. We have lots of work to do. The freest possible trade over the widest possible area requires concessions. All must make concessions. Then we need fresh targets for a new Round. If we don't keep moving forward, we will slip backward. (U)

We must ensure real competition among us. State-owned companies are trying to take over private companies. We don't think that is fair competition. We need to deal with this imbalance of opportunities. The demand on the savings pool is enormous. A fall of savings has occurred in some countries. Eastern Europe will demand even more of our savings. Inflation could rise along with interest rates unless we emphasize savings more. We need to examine tax systems to make sure that we do nothing to tax unduly the productive sector. Japan and Germany have savings in abundance. The U.S. and Britain lack sufficient savings. More work is needed on the environment, e.g. flooding. The IPCC is doing good work. We need to be guided by those scientists. We need to start necessary action. We must keep our institutions flexible. (U)

Eastern Europe wants to maintain some national identity. We must be free to criticize bad governments, particularly in places like Africa and failed past regimes in Eastern Europe. Africa has a one-party system with collective agriculture and economic

stagnation. Let's be free to criticize African regimes that don't come up to snuff. Let's be like the IMF. (Ø)

We must also improve the training and education of young people for the new age. We must prepare young people for the world of the 21st Century, not just in science, but also in music and cultural matters. Music and computers are intertwined in terms of creative activity. That will be true even more so in the future. Japan is an example of how to train people well. (U)

We must also deal with drugs. We talk about cracking down on drugs. UK naval forces are in the Caribbean. (U)

We have lots of things to be proud about in the past few years. We need to build on them. What have these summits achieved? They have made it easier for all of us to reject short-term expedients in favor of long-term policies. I don't think that we would have been able to fight protectionism successfully without these economic summits. Today the world needs a successful example of the work of the G-7. We need to do something about agriculture at this Summit. (U)

Prime Minister Kaifu: Since the 1975 Summit, common values of democracy and market economics have been developed as themes and policies. We are at an historic turning point in the world. We need to consolidate our gains at this summit meeting. We need to create a vision of the future in economics and politics. The recent world economic experience has been positive. That experience proves that market economics are best. There is no room for complacency. (U)

(1) We need to preserve policy coordination. (2) External payments imbalances have improved. Growth in domestic demand is necessary to improve the situation further. Deficit countries must do their part, too. I want to praise George Bush for his recent tax proposals. I hope that budget deficit reduction continues. (3) Structural adjustment is needed. (4) US and Japan have concluded the SII discussions successfully. All will benefit from these discussions. We hope, too, that the EC will keep its markets open. (5) We need to introduce new rules in world trade. More discipline is needed. We also need to keep an eye on Third World countries. The dynamic Asian economies must be appreciated for their success. Asian cooperation is a good thing. (6) Global environment is another theme. Fifteen years ago, I was at the 1975 Summit which dealt with the oil price crisis. We met the crisis. Today we have new challenges which are environmental in nature. We need to indicate to the world our wisdom and determination to solve the environmental problems. More details will come tomorrow, but we need more balanced awareness of worldwide problems. (U)

President Delors: The US and Japan have shown the way in the past. Now the EC will play a more important role. 1992 has inspired good things in Europe: A new climate, new

possibilities, and the creation of millions of new jobs. Technical progress has contributed to this job creation. In my view, the burst in technology has triggered a burst of growth. Thanks to financial innovations, there is a wide availability of capital in some places. There is, however, an imbalance of savings and investment. We need to resolve savings and social security problems. We need to act now, because populations are aging. (U)

The manipulation of exchange rates is due to interest rate changes. We rely too much on interest rates for exchange rate stabilization. (U)

420 million new people are coming into a more market-oriented world. There are immense possibilities in Eastern Europe. The G-24 mechanism has been helpful in Eastern Europe. Perhaps someday we can use this mechanism for the USSR. (U)

Indebted countries are in trouble. There has been an immense transfer of capital to the rich countries from the poor countries. There is too much easy money in some places; too little money, in the Third World. That capital imbalance cannot be sustained forever. In this new era, we need to do more about this imbalance. Leaders should think more in the medium term, less in the short term. (U)

Chancellor Kohl: Millions of people are waiting for the message of Houston. In many different areas, we have a function. It is very important that the Summit speak out on the key questions of the time. It's especially important that we note what is happening in Eastern Europe. I appreciate the support that has made reunification possible. (U)

The G-24 has done useful work. All the countries in Eastern Europe are going to be in deep trouble unless they get more help from us. Gorbachev is having his troubles. (U)

Increased indebtedness in the Third World is a serious problem. The open trade system is threatened. Losses in free trade will hurt us all. Environmental problems are serious, too. We must send out a clear signal against drugs. (U)

We are generally well prepared to face the future. We have a good base; economic policy coordination has been useful and successful. We must keep up employment levels, while keeping an eye on potential problems like inflation. We must have sound monetary policy. (U)

Now, regarding the funding of German unity, we will guard against inflation in this process. The picture remains positive. (U)

The GATT round must be concluded successfully. Our negotiators in Geneva must get a signal from us that we expect them to succeed. (U)

We need to think about our debt policies. We must deal with middle-income debtors. The Paris Club offers possibilities. (U)

On the environment, we want this Summit to say that the absence of scientific certainties is no excuse for inaction on environmental problems. All seek to arrive at the same solution through different paths. We will find common ground. The EC Summit in Dublin found a basis for common action. New scientific data will come gradually, but we must act now in some respects. I am concerned about the Brazilian rain forest. If we wait too long, then these rain forests will be largely gone. We need to act now. We need collective action. We must cooperate with the new Brazilian President on some sort of agreement. By the next summit, we will have to think about coming to an understanding on the Brazilian rain forest problem. (U)

President Mitterrand: I will not repeat what others have said. France is improving constantly in all respects. Inflation is moderate; the currency, sound. We have some unemployment, but this is improving. 600,000 new jobs were created in France in the last couple of years. We were late with youth training programs, and this has hurt us in France. We have increased the money for youth vocational training. (U)

I would note the distinction between creative forces. We should depict people as they should be, not necessarily as they are. But we also need to balance reality and possibilities in people. (U)

Regarding the USSR, if the Soviets were in sound condition and taking the right policies, we could project a happy future for them. Then all would be well. But the fact is otherwise. The place is in a mess. If we wait until things are in good shape there, then we will wait until the place collapses and a new government is in position, one not necessarily better than now. If we do not meet the Soviet Union's immediate needs, there will be no medium-term future. We need to help Gorbachev now. France is prepared to provide aid. (Ø)

I note Prime Minister Thatcher's critical comments about local leadership in Africa. Tiny elites exist there, and there is no room for multi-parties. There is not enough leadership. Poverty and dictatorships come side-by-side. The colonial system didn't train enough of the elite. France did a bit better than Belgium in this respect. The African people are moving from disaster to disaster. Commodity prices hurt them. (U)

Turning back to the USSR, we can't wait until the reform succeeds. We need to act now. The same is true for Africa. We need to act now. Commodity agreements are needed now. We should follow a case-by-case approach. (U)

On the GATT, we have to deal with what it should be versus what it is. We all want improvements in GATT covering all parts of the international trading system. We all want to open our

markets more to the Third World countries. Agriculture is a big problem. If we fail on agriculture, then we won't succeed in GATT. All of us must reduce our level of agricultural support in a gradual, balanced way. But we need to deal with all forms of subsidies. The same is true of textiles. We need to open our markets. (U)

On drugs. I agree with others who have spoken. Where do we start on the environment? We need to start with something, perhaps forestry. The survival of forests is important. CO_2 emissions are also fundamental. I hope the Houston Summit will define a series of priorities. We need to say that the Amazon forest may go forever unless we act now. (U)

President Andreotti: These summits are useful if we are able to send out a clear message to the public. Precise guidelines need to be issued. I recall the 1980 Summit on oil prices and supplies. We were all wrong with our projections then. We need to be a bit careful in looking at the crystal ball. (U)

We need to extend global assistance to Eastern countries as they move toward market economies. The Soviets face a crisis of generations. The new generation no longer thinks that the old method works. The Dublin meeting resolved a debate on how to deal with the USSR. The EC made decisions. We need to provide timely assistance to the USSR, not just financial help. They need manpower training. Hundreds of thousands of managers need training. There should be bridges between the USSR and the OECD. We have already helped Poland and Hungary. Now we need to help the USSR. We should insist on continued reforms. Soviet aid to Cuba runs counter to our interests. The Soviets also need to settle their problems with Japan. (U)

We must not let Africans think that all of our help will go to Eastern Europe. The Soviets are withdrawing from Africa. Namibia has been a success. Various other positive things have happened in Africa. Mengistu asked us to help settle the war in Ethiopia, perhaps a federal solution is possible. Mozambique is looking at other models. There are many weak governments in Africa. The drug trade could move to Africa. (U)

In the Mediterranean, there are 380 million people. The Arab part is being radicalized. The poor and youth are being influenced. In recent elections in Algeria, the fundamentalists gained ground. Old divisions between left and right could turn into new conflicts involving religious extremists. (U)

Brazil has obvious environmental problems that need attention. Scientific cooperation is needed in dealing with Brazilian rain forest problems. (U)

On drugs, the Summits have produced good results. We have broadened the base of countries that cooperate after Summit decisions. The Financial Actions Task Force is an example. More

work on drugs is needed in the United Nations, but we need to help them coordinate their efforts better. (U)

Regarding Gorbachev's letter, we need to be specific in our response to him. We need to send a message to public opinion also. (U)

Prime Minister Mulroney: Canadian economic policies are orthodox. More is needed in education and literacy. Canada spends more per capita on education than any country except Sweden. But 17 percent of our high school graduates are functionally illiterate. Inflation is down in Canada. Political and constitutional problems are our greatest difficulty; that's for discussion later. (U)

A word about the value of summits. A year ago, we had a remarkable Summit in Paris. Within weeks and months, the Berlin Wall fell. Other good things happened throughout Eastern Europe. At last summit, Mitterrand, Kohl and Thatcher predicted the events in Eastern Europe. We followed policies that helped bring this about over many years. We have now a new summit in Houston with new challenges. President Bush has outlined our agenda. (U)

I have seven points that I wish to make: (1) We need to consolidate the positive things that have happened in Eastern Europe. Chancellor Kohl has been a model of dynamism for the GDR. (2) We need to consider how the G-7 should address the Soviet problem. I would like an economic signal to Gorbachev that will be equally strong as the political signal from the NATO meeting. Gorbachev has asked for our help. He has confessed that his system is obsolete and asked for our support, credit, personnel training, etc. Gorbachev has asked for a G-7 dialogue, a sustained one. I would hope we could say yes to this request. We need a multilateral dialogue with the USSR. An IMF multilateral effort led by a top man should do this. Canadian businessmen have gone to the USSR this year and committed billions of dollars for investment since last November. One business leader complained that he had been given top-level support by Gorbachev personally, but mid-level lethargy has slowed the effort to a crawl. There simply is no mid-level management to make things happen in the USSR. We need to spend some time on how to respond to Gorbachev's letter. (C)

(3) We need to send a strong message on trade as well. Agriculture is deadlocked. Without progress, the Uruguay Round will be a very modest effort. I also support the concept of a world trade organization. (U)

(4) We need to keep an eye on inflation. (U)

(5) We need to look at environmental indicators, Brazilian forest, and global warming. (U)

(6) We need to reassure developing countries that we still care. Third World debt remains a problem. Canada has done some debt forgiveness in the Caribbean. I was nearly lynched when I came home to Canada. Canadians thought it was too much. I am concerned about doing too much on debt forgiveness because of a lack of political support. (U)

(7) The drug problem is getting worse in Canada. (U)

President Bush: At dinner we will talk about the political statement, but also informally talk about the Soviet situation. In addition, the China issue is one we should air together. We need to talk about agriculture tomorrow. I am worried about press reaction to a potential failure of the Summit to reach some understanding on agriculture. (U)

Adjourn at 4:35 p.m.

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: First Main Plenary Session of the 16th Economic Summit of Industrialized Nations

PARTICIPANTS: George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of Foreign Affairs
Pierre Bérégovoy, Minister of Economy, Finance and Budget
Jacques Attali, Special Counsellor to the President of the French Republic

Margaret Thatcher, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
John Major, Chancellor of the Exchequer
Nigel L. Wicks, Second Permanent Secretary to the Treasury

Helmut Kohl, Chancellor of the Federal Republic of Germany
Hans-Dietrich Genscher, Vice Chancellor and Federal Minister for Foreign Affairs
Theo Waigel, Federal Minister of Finance
Horst Kohler, State Secretary, Ministry of Finance

Brian Mulroney, Prime Minister of Canada
Joseph Clark, Secretary of State for External Affairs
Michael Holcombe Wilson, Minister of Finance
Derek Burney, Ambassador to the United States

Gullio Andreotti, President of the Council of Ministers of Italy
Gianni De Michelis, Minister of Foreign Affairs

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PER E.O. 12958,
AS AMENDED
2000-0429-F
BR 8/21/09

Guido Carli, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor to the Prime Minister

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister for Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Kabun Muto, Minister of International Trade and Industry
Koji Watanabe, Vice Minister of Foreign Affairs

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President of the Commission of the European Communities for External Relations
Henning Christophersen, Vice President of the Commission of the European Communities for Economic and Financial Affairs
Pascal Lamy, Chief of Staff to the President

DATE, TIME AND PLACE: Tuesday, July 10, 1990, 9:00 a.m.-12:03 p.m.
O'Conner Room, Herring Hall, Rice University
Houston, Texas

1. Political Declaration

The President: I gather that we have an agreement ad ref on the political declaration. Secretary Baker will read the political declaration covering other issues. (Ø)

We want to get this matter cleared away and move on to discussion of the Soviet issue and language relating to it for the communique. (Ø)

2. China

If we get through all that, then we can move on to trade. Now, let's get moving on China. (Prime Minister Kaifu hands the President a new sentence regarding China for inclusion in the political declaration.) I'd like to raise now the Japanese amendment. (Ø)

Prime Minister Kaifu: Regarding paragraph 4 on China, the present formulation is too tough on China. The second sentence gives the impression that sanctions will continue until next year. This will send the wrong signal to China. (Ø)

We must be ready to adjust our positions if China makes progress. We will keep the sanctions under review so that we can respond to further positive developments in China. That is the essence of the language I have proposed. (Ø)

Prime Minister Thatcher: I support Prime Minister Kaifu. (Ø)

Chancellor Kohl: I also support the Japanese proposal, but I will have something to say about the USSR later. (Ø)

Prime Minister Andreotti: I too support the amended text. (Ø)

President Mitterrand: I support the text. The initial draft was amended considerably last night by the Sherpas. China is the object of commercial interests. That may be guiding some of us in our policies. Personally, I think the language is too weak, but I will go along.

Prime Minister Mulroney: I support the text. (Ø)

The President: I do too. (Ø)

Unidentified Speaker (possibly Secretary Baker): If we are not careful, then this exercise could be counterproductive, but we'll go along with the Japanese. We thus have approval for the whole political declaration. (Ø)

Secretary Baker: I would like to offer a proposal on the wording in the China paragraph of the declaration, "however," to replace "for example." It should be the reverse. "For example" should replace "however." (U)

3. Soviet Union

The President: I would like to turn to the USSR. Gorbachev has sent me a letter asking for a large-scale assistance program. But the Soviets have not been very specific in saying what they would do with this money. Gorbachev identified long-term credit assistance, attraction of foreign capital, transfer of managerial experience and personnel training as among his reasons for seeking Western aid to create a competitive economy. He also suggested a sustained economic dialogue with the G-7. (S)

I have said publicly that I wish to help the Soviets' reform process and that the U.S. has a major stake in seeing perestroika succeed. Without reforms, there will be no growth. Substantial Western foreign assistance to him at this time, when market-based reforms are not in place, would not be effective, would not further productivity and growth, and would not increase the Soviet ability to service Western loans. (S)

Even though we may assess the situation in the Soviet Union somewhat differently and may decide to respond to Gorbachev's request in varying ways, I believe we should act in concert as much as possible. We share enough common ground to build a general G-7 framework to demonstrate to the Soviets a unified Western policy. (S)

I would propose then that we try to reach agreement on certain basic principles which could guide our individual decisions on assistance for the USSR. These principles are sufficiently flexible to permit some to move ahead faster than others. (S)

For our part, we remain concerned about Soviet aid to Cuba and continued high military spending in relation to GNP. (S)

These principles would rest on shared views about the Soviet Union and its participation in the world economy:

-- The Soviet economy does indeed face serious challenges.

-- We want Soviet political and economic reform efforts to succeed.

-- It is in our interest to have a reformed, fully functioning and market-oriented Soviet economy integrated into the world economy. (S)

The three principles I would offer are the following:

1. Any Western assistance, technical or financial, should be linked to an economic system and the USSR's integration into the world economy.

2. Soviet steps to reduce the proportion of their economic output devoted to the military will have an effect on our decision to provide assistance.

3. Equally, Soviet decisions to provide foreign aid to regimes that consistently act contrary to the objectives of the international community of states will also affect our willingness to offer assistance. The Soviets should make good-faith efforts to build a cooperative and stable international environment. (S)

If we could reach agreement on principles similar to these, we could ask for our Foreign Ministers to work out acceptable language for the communique.

(Note: uncertain from Sherpa's notes whether following was used)

To be more specific, we could ask the IMF and World Bank, acting on our behalf, to assess the Soviet economic reform program. (S)

While we may each go our own way on financial assistance, I propose we agree in the communique to consult regularly among ourselves on this issue, keeping in mind these principles as a general guide. In response to Gorbachev's request in his July 4 letter, we could also pledge to consult with the Soviets on their reform program. (S)

For our part, we could take several steps to reinforce our interest in perestroika's success and normalize our economic relationship with the Soviets. Initially, these might include:

-- Step up the pace of our negotiations with the Soviets on the Tsarist and Kerensky debts to the U.S. Government. An agreement would overcome one of our legislative restrictions and

would allow the Soviets to gain access to our private financial markets for loans and to sell Soviet debt instruments in the U.S.

-- Accelerate current negotiations on the Bilateral Investment and Tax Treaties. A successful conclusion to both would provide more favorable conditions for our firms and would encourage them to do more business in the USSR.

-- Agree to a Soviet request to extend the repayment period for Lend-Lease claims totalling $674 million owed to the U.S. upon successful conclusion of a trade agreement.

-- Expand our existing technical cooperation program with the Soviets in which we provide private and public sector advice and exchange programs to assist in the transformation to a market economy. (Ø)

But movement towards considering lifting restrictions on our ability to provide government guarantees and direct credits will await further Soviet actions to liberalize their economy and to address the various political concerns we have. (Ø)

We need to give the Soviets an incentive to reform, to shift resources from the military. This approach would be in our mutual interests. It is impossible for the U.S. to loan money to USSR at this time. I know, however, that others won't agree. (Ø)

President Mitterrand: The argument put forth for helping China is just the reverse when we are dealing with USSR. (Ø)

We are too timid in this text regarding aid to the USSR. We have a chicken or egg problem -- whether to provide aid first or demand reform first. Which comes first? One could lead to the other. Much has been achieved in the USSR in past months. Yes, the Soviet economy is closed, but it is because they lack the manpower to carry out reform. We should be more optimistic. We need to prime the Soviet engine. The Soviets will not understand our reluctance to aid Gorbachev. The EC, which is not unanimous, wants to contribute aid to the USSR. I am reluctant to endorse the specific text before the group, since the EC has already gone ahead farther than this. I worry that Gorbachev will fail. A reaction could occur. This is an historical turning point for the USSR. We need to weigh in. I am reluctant to adopt this text because it is too reticent, too hesitant. (Ø)

In the third paragraph of the text, the concerns expressed are standard and straight-forward. In our language, these represent harsh political conditions as a preliminary to extending aid. (Ø)

The IMF reference is also a question. The U.S. language is too brisk, too much like an ultimatum. The USSR is already unstable, and we are sending the wrong -- and too harsh -- a message to the USSR. It is too patronizing in tone. We can't proceed like this. It would be pointless, irritating and patronizing to the

USSR. I strongly oppose the IMF reference. The IMF reference sends the wrong message. We need to mention the IMF and World Bank, but also the OECD and the EBRD. I cannot support this text. (S)

Chancellor Kohl: I understand President Bush's position; I welcome the opportunity we have to speak so openly about controversial matters like this. I do not support the text either and request the Foreign Ministers to take it up and modify it. (S)

The Germans have provided support to the USSR, but, clearly, this is not a long-term way to do business. We need to coordinate our approach, if possible. I do not think that a decision can be taken today. After the USSR finishes its long-term plans, by the end of the year, then we can collectively take broad decisions. (S)

We need to start the process of a study so that we can make decisions in December. We act as if reforms were taking place in China, and none in the Soviet Union. Think of the butchery in China last year. This sort of thing is not happening in the USSR now. We need a yardstick that applies uniformly both to China and the USSR. (S)

What do we really want from the USSR? We all want Gorbachev to succeed. His successor is likely to be much worse. We Germans are closer to the USSR than all of you. We are mindful of America's Cuban problem. (S)

I want to express my thanks for help on reunification. But we also have an opportunity to arrive at restructuring of the USSR. If Gorbachev succeeds, then the USSR will be much better in the future. This is a fact. We need to use the opportunity to influence positive developments. Gorbachev's letter represents a positive development. We should not treat it as we would a letter from the Congo. We cannot reply in a discouraging way to Gorbachev. I support President Bush's point that our aid should not be mindlessly thrown at the USSR. It must be addressed at a concrete program of reform. Experts, specialists must be provided. We should make our response positive. (S)

I support a market philosophy and am committed to the EC decision on USSR aid. Solidarity is a two-way street, but I see an historical opportunity and don't want us to miss it. The Eastern European countries, Poland and Hungary in particular, have problems. If the USSR does well economically, then this will help Eastern Europe. We need to think about this linkage. (S)

I would ask the Foreign Ministers to draft a statement pointing out that there are elements in common and some differences in this statement. Let's not pretend we are all in full agreement. (S)

I am more than ready to agree to send experts to the USSR. (S)

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The President: There are differences between China and the USSR. The export of revolution from China has stopped or at least improved. China does not target U.S. cities with nuclear weapons. We are concerned about decisions taken at the EC Summit two weeks ago. We need to take some decisions at this meeting where we are all present. We don't want to send a negative message. Let's have the Foreign Ministers draft a text that encourages reforms. But the U.S. would be prepared to stand alone if need be on the issue of aid to the USSR. (S)

Finance Minister Carli: There are three points we should consider: (1) reforms in the USSR have the possibility of success; (2) lack of success has consequences; (3) there are steps we should take despite uncertainty. (S)

Look at the present group running the USSR. The average Soviet citizen expected a convertible ruble in the recent past. But there is no meaningful price system in the USSR. Production is not done by planners, but by price signals. The Soviets don't know how to respond to price signals or to organize an economy that is based on this principle. They lack educated personnel to lead a market economy. They need help and advice. (S)

Italy is a neighbor of Eastern Europe and is concerned about a failure of reform in the region. The lack of success in the USSR would be a terrible blow to the rest of the region. All of these facts should allow us to conclude that we should help Gorbachev. (S)

There is value in close dialogue with the USSR. We must take some risks in helping Gorbachev. It is necessary, as requested by Gorbachev, to have a close dialogue, a direct dialogue, not just through the international organizations. Maybe the IMF will not understand the full complexity of the USSR situation. Mr. Delors' visit to the USSR could provide useful information. We need a dialogue to help us think about what kind of aid would be needed and well used by the USSR. There is the risk of misuse, but we need to run it. (S)

Prime Minister Mulroney: Gorbachev personally knows all of us at this table. CNN is covering the world. We watch him, he watches us. He knows that we know that he is on the ropes. He is waiting to see how we will respond. Gorbachev will not forget it if we stiff him now. We need to get a dialogue going. It would help to convey hope to Gorbachev and his people. The G-7 position is a desire to be helpful. The question is whether to help now or study the question first. Cuba is a problem. There are political and military problems for the U.S. with the Cuban situation. It is a hostile regime being helped by Gorbachev which creates problems for President Bush. (S)

The G-7 position should be to establish a good relationship with Gorbachev. Gorbachev is using our potential friendship to help him with his political situation inside the USSR. We need to help Gorbachev design an engine that will work with his economy. We should use the IMF in consultation with the EBRD to help him

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fix his economic design. We should be saying yes to Gorbachev's request for an economic dialogue. All of us should respond in a different way to the request, but we should be more forthcoming with our statement. I support Chancellor Kohl in that regard. (Ø)

Prime Minister Kaifu: The USSR has embarked on efforts to build new relationships based on cooperation with other countries. The introduction of democracy and a market economy would be meaningful, and we should not minimize their importance. (U)

The USSR is in a mess. Gorbachev's opponents have been strengthened recently. We need to provide intellectual support for perestroika -- training, advice, etc. We have sent two economic survey missions to the USSR. But large-scale credits to the USSR and long-term agreements on investment are something that I am doubtful about. I doubt that financial support will be effective in helping the USSR. The USSR is still a military superpower. Financial support will help them to maintain their military machine. And we still have our problem with the Northern territories. (Ø)

It would not be appropriate to provide financial assistance to the USSR at this time. The OECD's center for transition can be helpful. The G-7 must respond positively in tone to Gorbachev's letter. President Bush should write the response himself. It should be encouraging in tone. The Foreign Ministers should review the text. (Ø)

Prime Minister Thatcher: There are no real parallels between China and the Soviet Union. In China, we are offering small changes in World Bank aid. With the USSR, we are thinking of massive assistance in some cases. We are thinking of ways of helping the Soviet Union with technical assistance. We can all agree to this. Management courses are already being done. Germany is offering substantial bilateral aid because of reunification. That entails honoring contracts with the GDR.

We are already doing a lot of good and different things to help Gorbachev. But it is a huge task. 200 million people over thousands of miles can only be helped if they help themselves. There are no statistics in the USSR; it's a mess. (U)

The Soviets haven't a clue as to what needs to be done to get a social market economy organized. (Reads the language on the USSR from the political declaration) This is good language. We have a good basis for facing the public and Gorbachev with this kind of language. How much debt does the Soviet Government have? There are $48 billion in loans outstanding. Credit lines to the USSR are already in place. $1.3 billion in debt is owed to the UK. The UK has offered other export credits which have not been taken up by the USSR. That $48 billion debt puts other things in perspective. (Ø)

The USSR is rich in raw materials. It should be a rich country, but it is horribly mismanaged. There are different conditions in

different parts of the country. All decisions must go to Moscow. There are no shortage of materials in the USSR, just an absence of knowledge on how to manage these resources. (U)

We need to talk up the IMF. We helped Poland. We provided grants, not loans. But on larger aid, we insisted on an IMF program first. Aid to the USSR not accompanied by reform will accomplish nothing except to accumulate new debts. We need to recognize that our aid must be limited, and we need to target our aid skillfully: food processing, transportation system reform, accountancy arrangements, statistics. The EBRD must be involved, too, somehow. We've all had a dialogue with the Soviet Union over the past five years. We need a broad-based dialogue with the USSR -- people-to-people -- to change attitudes. The McDonalds example in Moscow is good. Economic prosperity is harder to achieve than political liberty. You just can't hand it out, it must be worked for over a sustained time. (~~C~~)

The President: We have a consensus. (U)

Prime Minister Mulroney: (interrupts) McDonalds of Canada has opened up a Moscow store. It took seven years to get the thing set up. 20,000 people applied for the Moscow McDonald's 700 job openings. (U)

The President: President Mitterrand has the floor. (U)

President Mitterrand: Our ministers have a lot of work before them. Practical assistance could be offered to the USSR if the Soviets cleaned up their act in regional conflicts. (~~C~~)

The President: We need to craft a statement that is positive and that allows individual flexibility. We have mentioned certain principles. I agree that Foreign Ministers must now go to work. They should do it after lunch. (~~C~~)

Secretary Baker: We will have something done after lunch. (U)

4. Trade

The President: Trade is an important issue. An ambitious GATT round must succeed. Barber Conable of the World Bank wrote to ask for help in the GATT round. If we lifted the barriers to LDC trade, then they derive more benefits than from increased official aid. (U)

There is a need for movement in agriculture to save the round. We don't want a detailed negotiation here; we should establish goals. We must make sure that our negotiators confront the issue in Geneva in two weeks. De Zeeuw did his report on his own authority because the negotiators could not agree. The de Zeeuw report should be a basis for negotiation. I would like to ask for your help. If we can't do anything about agriculture, let's be up front in this meeting and admit that this will kill the Uruguay Round. (U)

Unless we get movement on agriculture, the Economic Summit won't be seen as a success. (U)

Commissioner Andriessen: We need to make a real effort to bring the round to a successful completion. In public discussion, there is mainly a focus on agriculture, but there is much more in the Round. We are trying to bring goods and services, intellectual property, and other important matters into the GATT. In goods trade, the negotiators have two problems -- agriculture and textiles. Both are of interest to the Third World. Both agriculture and textiles are now outside the rules of GATT. We need to implement rules for both topics progressively. There are major problems for textiles and agriculture and also dispute settlement. A well-functioning dispute settlement mechanism can work only if people renounce unilateral measures. We need to agree on an early objective for the Uruguay Round. There must be an increase in disciplines on all kinds of subsidies that have a direct and indirect impact on trade. (U)

Farming in the EC is different than elsewhere. We have many small farms. I would like to see our agricultural system incorporated into a GATT framework. We will not move to zero reduction in support levels as an ultimate goal. This meeting should give only a clear political message to negotiators on the political importance of the negotiations and the necessity to make progress. We don't want to repeat the OECD clash. I want to reconfirm our determination in preparing for the TNC meeting to reach objectives on the Punta Del Este level and avoid getting into deeper levels of detail. (U)

Minister Muto: Japan supports Andriessen's suggestion. We want to bring the negotiations to a successful conclusion. On all 15 items, a maximum effort must be made to achieve a profile for negotiation at the TNC meeting in Geneva. (U)

Japan wants to stress the need for broader participation by the developing countries in the Round. We need to get them into this process for it to be successful. Therefore, as Andriessen mentioned, we must get a successful dispute settlement procedure that will make unilateralism no longer necessary. In intellectual property and investment, we need progress. For example, take the Trade-Related Intellectual Property Rights (TRIPS). In one LDC, there are only five patent examiners. Transitional measures will be needed to bring them up to speed. Textiles are important for the Third World.

Prime Minister Mulroney: Andriessen has pointed out some numbers on trade that are interesting. In Europe, on 1000 hectares, 70 people are employed. In Northern America on a similar farm, only 8 people are employed. This symbolizes the problem that the Europeans have. It also indicates the specific problem we have today with this kind of inefficiency. That is why we have trade and comparative advantage. EC productivity in agriculture is abysmal. (Ø)

We understand your political problems, including those in Germany, but if productivity is the name of the game, then there is a problem of productivity in agriculture in Japan and the EC. Let's be frank. Those countries that are productive should not be penalized. (Ø)

I believe that we need to be statesmen and solve the agriculture subsidy problem. (U)

Let me read from the communique of the Cairns Group from their recent meeting in Chile. This group accounts for 25 percent of world agricultural exports. In the Cairns communique, Ministers expressed a sense of crisis. (U)

They asked that the Houston Summit consider the situation and that the de Zeeuw text be used as a basis for negotiation in the TNC. (U)

Canada supports this view. (U)

Australia has made real progress in reducing trade subsidies. We need to eliminate export subsidies over time. Then we need an appropriate blend of language in our Communique to make a meaningful step forward. I ask your support for a world trade organization. (U)

We spend a lot of money in the Third World to help developing countries, then we ambush them by over-subsidizing our own farmers too much. France, for example, is guilty of this. We don't expect miracles. We understand the political problems in Europe, but we hope to make some real progress here to avoid the collapse of the Uruguay Round which is now threatened. (Ø)

Prime Minister Thatcher: I agree with Prime Minister Mulroney on some matters. And I support President Bush's comment on the whole cost of agriculture: U.S.: $46 billion; EC: $93; Japan: $68 billion. (U)

Let's consider the cost of agricultural support and protection. Take the percentage of farmer income. According to the OECD, the percentage of farmers' income that comes from government subsidies in Japan is 70 percent. For others, it's about half that level. So we have got to carry out what we have agreed to do about these things. (U)

Agriculture reform should be based on an aggregate measure of support. Let's all reduce agricultural support based on such a measure, emphasizing export subsidies. A highly technical discussion of the negotiating process with the aggregate measure of support offers a compromise. We should not be overly negative in the communique. (Distributes proposed language for communique.)

President Mitterrand: I support the EC intervention by Andriessen. The policy of the EC on agriculture is not harmful

to the developing world. The Lome agreement helps the Third World. The EC is the leading importer of food products. (U)

I want to defend the EC point of view. All of us must act together. We must adopt a global approach. Export subsidies and internal supports all hang together. We must reduce support. Reductions must be fair and balanced and ultimately substantial. (U)

Farming is different in different parts of the world, but the situation must be addressed globally. We don't need experts, we need to come to some agreement. Let us find a compromise. I will agree to any compromise that includes a global approach, so long as it recognizes that in individual countries, there are different conditions. I support the British approach. (U)

Foreign Minister Nakayama: We want the Uruguay Round to succeed with a maximum package. Food is a problem. Japan imports lots of food. Only 30 percent of the grain we use is domestic. In that regard, I want to stress the importance of food security. (U)

Secretary Baker: We need a positive approach, not the OECD approach. We have got to do more than cite our differences. There are fundamental problems going back a long time. We are not much further along. And we are running out of time in the Uruguay Round. (U)

We need to deal with this problem at a political level, not a technical level. We have the basis of an approach with the de Zeeuw report. The good news is that none of us agree with it. Maybe it has some merit for bridging a difficult gap. (U)

The Uruguay round is threatened. Let's try to avoid getting bogged down in detailed language by supporting the de Zeeuw report as the basis of negotiations. If we do this, we will have taken a major step forward. Let's ask the Sherpas to take a look at the de Zeeuw report. Are there any comments? (U)

Foreign Minister Nakayama: I support Baker's suggestion. (U)

President Andreotti: Maybe we could have a few moments to consult with experts. Let's have the Commission speak.

Commissioner Andriessen: We have some problems with the de Zeeuw report. We must study its implications. We have not made a decision yet, and I cannot take such a decision on behalf of the Community. The report is a fact, and it will be studied. I don't exclude that we can find a few words to express our view. (U)

Prime Minister Thatcher: I am more optimistic than Mr. Baker. The de Zeeuw report has a lot of useful things in it. I would ask Mr. Andriessen to be optimistic in tone. (U)

Commissioner Andriessen: I don't want to go into the merits of the de Zeeuw paper at this meeting. I hope we can find some words to describe the de Zeeuw report. (U)

Chancellor Kohl: This is a difficult moment. On agriculture, positions have hardened over the years, but we have the will to find a solution. I endorse Mrs. Thatcher's proposal. (U)

Let's see if we can't use Mrs. Thatcher's suggestion and take something from the American suggestion and see if the Sherpas cannot integrate these things into a positive document. (U)

President Mitterrand: I insist on this point. I want a compromise. Mrs. Thatcher's proposal is acceptable, or almost acceptable, but we can't do much more. Let the Sherpas do some work. (U)

President Bush: Prime Minister Andreotti has the floor. (U)

Prime Minister Andreotti: We need to remember that not only agriculture is on the table. The reform of GATT is also on the table. We need to deal with such things as unilateral measures, too. (U)

The de Zeeuw report could be a basis, not the basis, for negotiations. I want to consult Rome for advice. (U)

5. Regional Political Issues

The President: I would like to turn to regional political issues. I invite Prime Minister Kaifu to speak about Asia. (U)

Prime Minister Kaifu: Let me explain how Japan views Asia. The South Koreans asked me to inform the Summit about the sincere efforts of that nation. In Asia, there are fears that interest in the region is slackening in comparison with other parts of the world. Asia has special problems. Japan has had problems with Korea because of the war and before. But we are working on improving our relations. We hope that Korea will be reunited before the end of the century. The Koreans want this, too. (U)

Cambodian leaders asked me to host a meeting in Tokyo on Cambodia. The talks were successful, but the Khmer Rouge did not participate. I hope they will do so later. Regarding southwest Asia, I appeal to potential belligerents for peace in Kashmir. The South Asian Regional Council should be more open. (Ø)

(Problem with translation.)

The President: Let me briefly mention the discussion between Gorbachev and the Koreans. Gorbachev wants to improve his relationship with South Korea. Korea was happy with the meeting. On the other hand, the North Koreans have not cut back on their armed forces. We are there in a peacekeeping role, encouraged by Soviet behavior regarding Korea. (Ø)

Prime Minister Andreotti: I would like to ask Prime Minister Kaifu whether Soviet discussions with South Korea for a large loan are conditional on legal and diplomatic recognition of South Korea. (C)

Prime Minister Kaifu: President Woo wants to establish relations with the Soviets. The Soviets have said this might take some time, but are not moving in this direction. The Soviets have said so in public. Diplomatic recognition is likely at some point, but I don't know if there was a financial sweetener in the package. The head of Laos came to Tokyo recently. Things are looking up in Burma and the Philippines. (C)

President Mitterrand: A word about Cambodia. France has co-chairmanship of the group trying to find a solution to the Cambodian war. If the USSR and China were to decide to stop their support for both camps, we would have reached a settlement long ago. The question is how to put pressure on Soviets and China at the same time to stop their assistance to various factions and let peace come. (C)

The Khmer Rouge have denounced the possibility of an agreement arranged in Tokyo. Sihanouk has said that he would not agree to a solution unless he is part of the next government. So we are stuck on that front. The Soviet Union and China hold the keys to peace in Cambodia. They are waging a proxy war in Cambodia. China is the main culprit, helping the Khmer Rouge. It used to be the USSR that was the main problem, but now it is China. How do we put pressure on China? (C)

The President: I believe we should adjourn now. (U)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Second Main Plenary Session of the 16th Economic Summit of Industrialized Nations

PARTICIPANTS: George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of Foreign Affairs
Pierre Bérégovoy, Minister of Economy, Finance and Budget
Jacques Attali, Special Counsellor to the President of the French Republic

Margaret Thatcher, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
John Major, Chancellor of the Exchequer
Nigel L. Wicks, Second Permanent Secretary to the Treasury

Helmut Kohl, Chancellor of the Federal Republic of Germany
Hans-Dietrich Genscher, Vice Chancellor and Federal Minister for Foreign Affairs
Theo Waigel, Federal Minister of Finance
Horst Kohler, State Secretary, Ministry of Finance

Brian Mulroney, Prime Minister of Canada
Joseph Clark, Secretary of State for External Affairs
Michael Holcombe Wilson, Minister of Finance
Derek Burney, Ambassador to the United States

Gullio Andreotti, President of the Council of Ministers of Italy
Gianni De Michelis, Minister of Foreign Affairs

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Guido Carli, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor to the Prime Minister

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister for Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Kabun Muto, Minister of International Trade and Industry
Koji Watanabe, Vice Minister of Foreign Affairs

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President of the Commission of the European Communities for External Relations
Henning Christophersen, Vice President of the Commission of the European Communities for Economic and Financial Affairs
Pascal Lamy, Chief of Staff to the President

DATE, TIME & PLACE: Tuesday, July 10, 1990, 2:43 p.m.-5:27 P.M.
O'Conner Room, Herring Hall, Rice University
Houston, Texas

1. Trade

The President: On the agriculture negotiations, the technical people have difficulties with some of the language. The problem with the Thatcher text is the reference to common measures. If we could end with the word "commitment" in the Thatcher text, then our problem is solved. (U)

If we could stop the Thatcher text after the word "commitment," we have the possibility of moving forward. Otherwise, let's go with Baker's text of this morning. (U)

Commissioner Andriessen: I would like a few minutes to study the text. (U)

Prime Minister Thatcher: I would like to substitute the word "balanced" with the words "fair, or in an equivalent way."

2. Environment

The President: Last year in Paris, we paid significant attention to the environment. We should continue this focus here. For us, a critical element is the need for balance, in particular, the balance between faster action on the environment and economic growth. We all face heavy pressure for immediate action on the environment. We can continue to make progress on the environment only in the context of economic growth. Let us not forget that our countries are the engines of global economic growth. (U)

We need international cooperation on the environment. We need not all take the same steps, but we should move in the same direction. I believe we can develop a communique which emphasizes cooperation in a number of areas. There seems to be three outstanding issues: global climate change, forestry and the World Bank environmental facility. (U)

Regarding climate change, I support the effort of the IPCC to develop a framework convention on climate change. I have offered to host the first negotiating session; this should be held in February 1991. We should agree that the convention be ready in 1992. But I believe strongly that it is unwise to become preoccupied solely with limiting CO_2 emissions. We must look at all greenhouse gases and sinks. Gases other than CO_2 are almost half of U.S. greenhouse emissions. (U)

We are taking steps that will cut these emissions -- through our Clean Air Act, CFC phaseout and reforestation plan. These will reduce U.S. emissions by 15-25 percent by 2000. But two points: First, targets and timetables on CO_2 or other greenhouse gases await completion of the framework convention. Second, any implementing protocol should be comprehensive, i.e., encompassing all sources and sinks of greenhouse gases. Thus, each nation can pursue its own most efficient strategy for addressing climate change. (U)

We all share a deep concern for protecting forests. Forests are important for reasons that go beyond climate change. For this reason, I propose that we agree to a Convention on Forests, to be completed by 1992, that would cover both temperate and tropical forests. Such a convention could cover cooperative research, education and technical assistance, monitoring of the condition of the world's forests, efforts to promote reforestation, curb air pollution and harmful subsidies and halt deforestation. We might also look at debt-for-nature swaps and other such mechanisms. I see this as a major initiative coming out of the Summit and look for your support. (U)

Our actions alone will not solve the world's environmental problems. Developing countries and Eastern Europe will be important. Additional financial assistance will be required. But on the World Bank Green Fund, I believe our position is misunderstood. The U.S. has long argued that the international financial institutions should place more emphasis on the environment -- to protect tropical forests, promote energy conservation and to require environmental action plans. (U)

I believe we can all support debt-for-nature swaps. Just last month, I announced an initiative for Latin America to promote these and other forms of bilateral assistance. But I also believe we must weigh environmental activities against the resources required for other developmental activities. I believe that all World Bank lending should take environmental considerations into account. Indeed, this is now required.

Thus, I do not think it makes sense to have a separate Green Fund. (U)

I would like to hear your views. (U)

Chancellor Kohl: We must take measures to deal with the threat of global climate change. International cooperation is essential. Gases are caused by human activity. We need to deal with that problem. Whether the bad impact occurs in 40 or 80 years is unimportant. The problem cannot be ignored. Whole coastal regions of the earth will be flooded. (U)

We have acted to deal with the ozone. CO_2 also should be limited. In 1992 we want to limit CO_2 as part of the climate change convention. We want to limit or possibly reduce greenhouse gases. (U)

Turning to forests, I like President Bush's proposal. We are finding it difficult in Europe to increase forests. I would prefer a protocol in 1992 on forests which would come into effect at the same time as the framework convention on climate change. (U)

20 million hectares of forest are being destroyed annually. The world is losing tropical woods. People suffer as well. (U)

But industrialized and tropical forest countries must take action. I propose we set the example as the protector of tropical forests. I talked with the new Brazilian President recently. He is more concerned than his predecessor about the destruction of forests. Most of the tropical forests are in Brazil. In eight more years, there will be no more tropical forests in Brazil. They cannot be reforested. (U)

If we talk too long, the forests will be gone. We have asked the EC Commission to talk with the Brazilians. We need a pilot program. We should cooperate with the World Bank. We have a paper in front of us, but we need to work concretely to help, not just to talk and write. A hands-on approach to help Brazil is necessary. (U)

Foreign Minister Dumas: Last year at Paris we devoted much time to environmental issues. We need to address the global climate change question. Regarding forests, we should not single out one country, especially since the Brazilians are so sensitive. African tropical forests also are threatened. Some of the big African forests are threatened by desertification. (U)

Last year in Paris, we talked about the sahel observatory. We created a liaison group committed to combat desertification. 500 major political figures considered the problem south of the Sahara. We needed to fill in information gaps. All of this is now ongoing. Satellite observations are underway. All technical means are deployed to fulfill the Paris Summit decisions. (U)

Prime Minister Kaifu: Let me say a few words about our program. We have long-term and short-term programs for global climate change. These involve satellite monitoring. We need to redouble cooperation internationally. Each country has a special situation. Each country has its own target. Each country has -- and must set -- its own target, while not lagging behind others. (U)

On climate change, MITI issued a plan several weeks ago. Tropical forest problems are caused by poverty, in part. Advanced countries should support developing countries. ITTO is doing good work and NGOs are helping too. Japan provided 20 million dollars to ITTO. I hope others will contribute to ITTO as well. (U)

Japan will contribute to various funds helping with the environment. Our expenditures will reach 300 billion yen. This will strengthen aid efforts. (U)

We must use the UNEP Center. (U)

The President: Foreign Ministers have nearly finished the text on the Soviet Union and will now leave the room. One or two delegations have asked that we try to conclude a bit early. If Sherpas finish their work, then we could move up the Communique reading early. If we can get agreements done early, then we can speed up the departure. (U)

Prime Minister Andreotti: I am concerned about the Brazilian project, particularly if Brazilian sovereignty would be threatened. (U)

Regarding nuclear power, we held a referendum and can no longer build nuclear power plants. So we have to change the text of the draft communique to reflect an Italian legal problem. I oppose the greens on this, but it is a fact. (U)

Prime Minister Thatcher: We are all cleaning up the environment. The Clean Air Act in England is law. But we have a lot of sulfur coal that has to be eliminated. (U)

We are cleaning up the water and the beaches, but the costs are high. And people need to know that it will be an expensive proposition for all people. Public utilities will be more costly. (U)

We have serious regional problems too. Our pollution is bad, and we need to curb this. Rivers are impacted by nitrogen fertilizer. Algae bloom. The costs are high. The polluter pays, however. Damage to the ozone layer was caused by chemicals discovered in the 1930s. Their stability was a problem. We will phase them out by the year 2000. This is a good example of international cooperation. (U)

On the greenhouse effect, scientists are forecasting warming by the end of the decade. Still, there is much dispute about how much and how soon. And there are differences about the impact of man-made and natural causes on greenhouse gas creation. We must reduce CO_2 now. Many of us are taking precautionary measures, not only on CO_2, but also methane. Methane is worse than CO_2. CFCs are bad also. CO_2 emissions should be dealt with in some form. A much bigger nuclear power program would be a major help to the greenhouse gas problem. We can predict the cost of changing our energy consumption to cope with greenhouse gas problems. We don't know the cost of letting climate change occur. (U)

On biodiversity, we need to manage forests well. The quality of life can be improved by caring for the forests on a long-term basis instead of short-term exploitation. There is also the threat of ocean currents shifting. We need to take precautions now. We must continue with research, but also keep the Brazilian forest intact. I support a World Bank initiative on Brazilian forests. (U)

I would also mention the Antarctic agreement that took 8 years to negotiate. We need to sign and ratify it. (U)

Prime Minister Mulroney: In 1985 we decided to reduce acid rain by half by 1994. President Bush acted upon this, and we are now negotiating an acid rain accord. (U)

The midwest of the U.S. ships acid rain to Canada. 14,000 Canadian lakes are now acidified. 150,000 Canadian lakes are damaged as are Canada's forests. Acid rain hurts asthmatics as well. So President Bush's cooperation with Canada is important and will have massive benefits. (U)

We need to follow up on some of our undertakings at the Summit. Canada didn't do well on follow-up to the Paris Summit environmental commitments. (U)

We need to reduce CO_2 and other greenhouse gases with early protocols and specific commitments. Costs will come down. The more we wait, the more it will cost. North-South cooperation is necessary to solve some of these problems. The 1992 conference on development will be important. (U)

Environmental labeling is important. So is protection of tropical forests in Brazil. Canada is looking for ways to help the German proposal. We have encouraging signals from Brazil. The Houston Summit will be important for public opinion in Canada for what it does on environmental matters. (U)

President Delors: On the question of tropical forests and Brazil specifically, there is no real controversy here. All agree that those forests are important and should not be allowed to be destroyed. These vital resources are irreplaceable. Why is Brazil so important? The rapid pace of deterioration is of

dramatic proportions. The EC Council decided to consult with the Brazilians, even if Collor wants to respect Brazilian independence. (U)

The Brazilian President said he would possibly stop the forest destruction if he could arrange debt-for-nature swaps on a sufficient scale. The result is encouraging. If we want to develop global measures that are fair, it will be necessary in the climate convention to have a protocol on forestry and energy together. The developing countries think that developed countries have done much polluting in the past century and a half. (U)

In the case of nuclear power, scientists who were formerly anti-nuclear are now pro-nuclear. We should be encouraged by this and use the scientists to combat the green extremists who are anti-nuclear. (U)

We must balance costs and benefits on environment and the economy to change our economy rationally and in a balanced way. (U)

The President: Canada was attacked by environmentalists, but we too have some environmental extremists who will never be satisfied with whatever we do. (U)

Prime Minister Mulroney: Chancellor Kohl had a great year: unification, the World Cup victory, and an A grade from the environmentalists. (U)

Chancellor Kohl: Sherpas cannot do magic. I cannot ask for a vote on the Brazilian project, but I would like this program approved in the Communique. We are ready to talk to the Brazilians about forests. We want the World Bank to coordinate the Brazilian project. If the EC wants to do something about forests, fine. But let's now rope the U.S. into the EC study. (U)

Prime Minister Thatcher: Let the EC and the World Bank work together. All of us are members of the World Bank. Let's do the Brazilian project through the World Bank.

Unknown speaker: The machinery of the World Bank will work from a different vantage point. It is normal for the World Bank to help. The problem with the World Bank is that the rain forest may get lost in the shuffle. However, I am not against the World Bank. (U)

President Bush: We don't like to have the EC present us with a fait accompli. The Brazilian issue is an example. We don't like this kind of thing. We don't care what you want to do. But we are not members of the EC. (Ø)

In our initiative for Latin America, we are doing something about debt-for-nature swaps and debt reduction. (U)

The Brazilians are sensitive about sovereignty. Let the EC go ahead, but if we are part of it, I would like it to be done by the organization that we are a part of, i.e., the World Bank. (Ø)

Prime Minister Thatcher: Bilateral aid is the fastest action. We are in danger of doing something in the EC that is bad. We have an example here of what is dangerous about driving the world into blocs. Let's work through the World Bank. (Ø)

Chancellor Kohl: I have to contradict Margaret. We are not building blocs. We just want to be effective. This is the fourth economic summit where we have talked about rain forests. I want action. Let's do something concrete -- something must happen here and now in Brazil. My experience with the World Bank is that it is still just a bank. The EC is more than that. Let's bring in all the groups. (U)

If it is impossible for the EC to be included on this, okay. But I want to be sure that the World Bank actually does something about the Brazilian rain forest. Young people are concerned about rain forests. We must do something. I want you to send out the message that we are going to do something about Brazilian rain forests -- something that touches hearts not just minds. (U)

The President: Sometime I want to have a discussion with you about the EC and where we are going with it. This is not the time or place for such a discussion, but I am putting down a marker that I have problems with the way this is being handled by some. In that regard, I would recall the EBRD fait accompli. This is a big and complex problem for the U.S. and Japan. We want to be in on the take-off, not just the landing. My country is out front on Brazil. (Ø)

Prime Minister Mulroney: On this item, perhaps we could get a combination working group between the EC and the World Bank to collaborate on Brazil. I leave this as a thought. (U)

The President: That's an interesting thought. (U)

Prime Minister Kaifu: Regarding the Amazon forest issue, the U.S. and Japan and Canada are not in the EC. I support President Bush on this point. We need to deal with the issue in a broader framework. Let's get out the message that we are dealing with the Brazilian problem. Let's not have a public fracas about members and non-members of organizations. Some of us are already committed to bilateral programs. (U)

Prime Minister Thatcher: Nothing should prevent us from going ahead with our bilateral efforts. (U)

Chancellor Kohl: I have nothing against the World Bank. But something must be done in the next 12 months. I have never proposed that the EC and non-members were to accept it. The EC

should be part of what happens. Let's say that the World Bank manages things, but should cooperate with the EC. (U)

I am not concerned about the method, only about early results. The World Bank should manage the project, and the EC should cooperate. Who can oppose that?

The President: I think that sounds reasonable. Let's instruct the drafters to go that way. We now have an English version of the Foreign Ministers' text on the USSR. It will take some time to get the other languages ready. Let's talk about development in the meantime. (U)

3. Debt

President Mitterrand: I have some reservations. We have exhausted ourselves a bit on environment. Nothing is more important than the thorough misery in two-thirds of the world. (U)

Poverty concerns me as does indebtedness in the Third World. Commercial creditors have not been fully refunded. At Venice Summit in 1987, we asked the Paris Club to look at cancelling indebtedness for the poorest. That led to long-term rescheduling for seven poor countries. Last year at the Summit of Arche, we approved the Brady plan. Mexico and others benefitted from this. In Houston, another step forward is needed. Governmental debt for middle-income debtors needs to be addressed. Let's set up a system of options for dealing with Paris Club debt. We need to expand Paris Club terms for middle-income debtors and provide a menu of options similar to the Brady plan options for official debt. (U)

Prime Minister Andreotti: I want to refer to the Craxi report on debt. For poorest countries, we should be especially generous. For the middle-income countries, we need to be somewhat less generous, but more so than now. (U)

The U.S. initiative for Latin America was a good thing. (U)

We need to reexamine the Craxi proposals and think about it later after we have studied what he has proposed. (U)

Prime Minister Mulroney: We have cancelled some official indebtedness to poorest countries. Canada can also support the general approach of President Mitterrand. We would like to have the Paris Club study this idea -- to study the precedential element. (U)

Again, I want to recall my shock at the negative reaction of my people at cancelling debt in the Caribbean. Nevertheless, I support the Mitterrand proposal on debt. (U)

Prime Minister Thatcher: We need to consider debt on a case-by-case basis. At Toronto, we did cancel debt of the poorest

countries. The Paris Club has agreed to keep those concessions under review. In the case of lower middle-income countries, the Paris Club is offering to be more generous if reform efforts are underway. There is then the problem of middle-income debtors. The Brady plan has helped here. (U)

One comment before going on further: Last year in Paris we were asked to cancel our debt. If we start being irresponsible with that kind of debt write-off for middle-income countries, we will, in effect, encourage them to be prolifigate in future borrowings. Taxpayers will wind up paying for defaults in excessive borrowing. If it is too easy to borrow and then say you don't have to repay, you will encourage irresponsibility. I want to study the Mitterrand plan. (U)

Finance Minister Weigel: Aid to Central and Eastern Europe should not come at the expense of the Third World. In Africa, our efforts have made an impact. We should remember that the Asian countries who are prospering do not have problems with debts. We should continue the Brady initiative also in the Paris Club. Fifty debtor countries have been written off. The Mitterrand plan is worth thinking about for lower middle-income countries. We have to think about the problem of precedents in debt. (U)

The President: We cannot act on the specific proposal now, but perhaps later this evening or tomorrow after studying. (U)

MITI Minister Muto: The new debt strategy seems to be working well. The important thing is that the IMF and the World Bank agree on an overall program. Commercial banks will not provide new money under current circumstances, but debtor countries need new money. So for some countries, perhaps some will reduce interest rates while others will use other options. (U)

On official debt, we should think about Mitterrand's idea, but that may be a risky option. In the case of Japan, we will find it difficult to provide new money to countries that take the official debt reduction option. There are moral hazard problems with the Mitterrand plan. (U)

4. The Soviet Union

Prime Minister Thatcher: This work should be completed as expeditiously as possible. A four-month timeframe is impossible. (U)

Chancellor Kohl: I would like to urge that we mention a date for the study. Between now and the end of the year would be a suitable timeframe. The Soviet Union needs a decision between now and the end of the year. We urgently need a date that we can stick to. (C)

Secretary Baker: If we go with the option in paragraph 4, we need to designate someone to coordinate the study. I propose that the IMF and the World Bank chair the study. (Ø)

The President: Does that cause problems? (U)

Can we agree on the Baker suggestion on the IMF and the World Bank? (Ø)

Chancellor Kohl: I prefer alternative 2 of paragraph 4. (U)

President Delors: The EC recommends that the President of the EBRD coordinate the whole study. (U)

The President: There is no staff at the bank now. EBRD isn't established yet. (U)

Foreign Minister Dumas: I supports Delors' suggestion. Attali would head the study, drawing on consultants from World Bank. (U)

Chancellor Kohl: I support the EBRD suggestion by France. Let the EBRD manage the project. (U)

The President: The Bank is not a going concern. We much prefer the other solution. Attali can't do it alone. (U)

Prime Minister Mulroney: It's unfair to ask Attali to do it alone. (U)

President Mitterrand: Attali will not be my official after he takes over the bank. (U)

Prime Minister Thatcher: Mr. Attali will help in any case. Mr. Bush, what can you accept? (U)

President Bush: We are trying to find a compromise. We can support alternative paragraph 4 as the date for work. But we should specify that the IMF and the World Bank chair the study. (Ø)

I would like a report on the EBRD. (U)

Prime Minister Thatcher: It will be in a larger building in London. But it is not being set up yet. (U)

The President: We want to ask organizations now in business to do the work of chairing. (U)

Prime Minister Andreotti: I suggest that President Bush himself chair the study. (U)

Prime Minister Kaifu: I support the IMF and the World Bank. (U)

The President: How will we break this impasse? I suggest a compromise along Baker's lines. (C)

Chancellor Kohl: I am getting lost. Who is in charge? (U)

The President: The only issue remaining is the chairmanship of the study. (U)

Secretary Baker: We have agreed to ask the IMF and the World Bank to chair the study. They should coordinate with others. We have proposed this, but not agreed to it. (U)

Prime Minister Thatcher: I support that proposal. (U)

President Mitterrand: Why have two chairs? I propose a rotating chair. To choose between the World Bank and the EBRD should be the solution. All of the institutions should be equal. (U)

Prime Minister Mulroney: I recommend that President Bush chair the study. (U)

The President: I decline the chairmanship. I would prefer to have the IMF chairman with the others being equals. The Soviets would have difficulty with the U.S. as chair. (C)

Prime Minister Mulroney: The study will be coordinated by the IMF and the World Bank. (U)

President Mitterrand: I would prefer to have the four bodies get together to meet at the initiative of the President of the G-7. Perhaps the Secretary of the Treasury could convene meeting. Starting from there, they will be working on their own. It should be a headless operation -- four equals. We should convene the meeting and then let people do their things independently. (U)

The President: The Soviets will not understand if I am in the chair. I appreciate the suggestion, but don't want the position. The Soviets would be unhappy. I recommend the IMF or World Bank as chair, and, therefore, I endorse Prime Minister Mulroney's suggestion. (C)

Prime Minister Mulroney: Rather than co-chairmanship, the study could be coordinated, rather than chaired, by the World Bank and the IMF. (U)

President Mitterrand: I could reiterate my idea -- four equals. Let one of them convene the meeting. There would be no chairman, merely a convening. Coordinating is not good. Why not have the IMF convene the others? The work should be completed by year's end, and the IMF should convene the group. (U)

Prime Minister Kaifu: I agree. (U)

The President: I agree to inform the IMF that it should convene the meeting of the four organizations to start the work. (U)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Final Session of the 16th Economic Summit of Industrialized Nations (U)

PARTICIPANTS: George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
Richard McCormack, Under Secretary of State for Economic and Agricultural Affairs

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of Foreign Affairs
Pierre Bérégovoy, Minister of Economy, Finance and Budget
Jacques Attali, Special Counsellor to the President of the French Republic

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Margaret Thatcher, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
John Major, Chancellor of the Exchequer
Nigel L. Wicks, Second Permanent Secretary to the Treasury

Helmut Kohl, Chancellor of the Federal Republic of Germany
Hans-Dietrich Genscher, Vice Chancellor and Federal Minister for Foreign Affairs
Theo Waigel, Federal Minister of Finance
Horst Kohler, State Secretary, Ministry of Finance

Brian Mulroney, Prime Minister of Canada
Joseph Clark, Secretary of State for External Affairs
Michael Holcombe Wilson, Minister of Finance
Derek Burney, Ambassador to the United States

Gullio Andreotti, President of the Council of Ministers of Italy
Gianni De Michelis, Minister of Foreign Affairs

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Guido Carli, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor to the Prime Minister

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister for Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Koji Watanabe, Vice Minister of Foreign Affairs

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President of the Commission of the European Communities for External Relations
Henning Christophersen, Vice President of the Commission of the European Communities for Economic and Financial Affairs
Pascal Lamy, Chief of Staff to the President

DATE, TIME AND PLACE: Wednesday, July 11, 1990, 9:08 a.m.-9:35 a.m.
Herring Hall, Rice University
Houston, Texas

The President: Let me welcome you all to the final session. We owe a vote of thinks to the Sherpas who worked until 4:00 a.m. There are only two brackets left. The spirit of compromise has prevailed. I hope that nobody feels that their own national interest has been too badly dented. (U)

There seems to be a good feeling about the outcome. Let's have a brief discussion of the two brackets after we talk about the day's schedule. (U)

I suggest that after we complete our work we stay at our the holding rooms and then leave hall here at 11:10. If we finish earlier, then we can get the document printed and get through an hour earlier than planned. (U)

Any questions on logistics by anyone? At the press conference, I plan to summarize the communique, rather than read it in its entirety. Any questions? (U)

Chancellor Kohl: Could we fly away one hour earlier? (U)

The President: Yes, if we finish an hour earlier here. The two remaining issues in brackets are paragraphs 67 and 72. (U)

The first issue is whether communique should read "convention" or "agreement." Chancellor Kohl's concern about forests has prompted me to offer the forest convention idea. I want to have a convention -- a free standing convention. (U)

In paragraph 72, we support a greater role for the World Bank on environment. We differ on the idea of a separate facility which could duplicate existing facilities. There is a serious management and accountability issue. The global fund would be a public relations plus, but a bureaucratic minus. I would like Secretary Brady to speak. (U)

Secretary Brady: I support the President's arguments. We have pressed the World Bank to do more on the environment. A global facility will only cause confusion inside the Bank. Another facility for Congress would be difficult to swallow at this point from a funding point of view. There is ample money now available inside the World Bank, and we don't need another facility. (U)

The President: Who wants to speak? (U)

Prime Minister Andreotti: It seems to me that to the extent that this is legal terminology, we could use the word negotiation rather than convention. That would mean negotiation on a world commitment on forests. From a political vantage point, this has advantages. (U)

The President: That relates to paragraph 67. The interpreters need a copy of the draft text. (U)

Prime Minister Thatcher: Mr. President, I think the easiest way of doing this is to say "a convention or agreement" as a way of solving the bracketed text. (U)

The President: I accept the Prime Minister's suggestion. (U)

Prime Minister Thatcher: On 72, it is wrong to compartmentalize the World Bank funding. I want to delete the global environmental facility. (U)

The President: I accept that idea. Prime Minister Andreotti? (U)

Prime Minister Andreotti: No problem. I only want to avoid a delay. (U)

The President: We have a deal. We will be ready to leave here at 11:00. (U)

The President: Does anyone want to talk about something else?

Prime Minister Thatcher: I would like to use the free time to study the communique to prepare for press conferences. (U)

The President: I accept your idea. (U)

Prime Minister Thatcher: Thank you for your fine chairmanship. This is a wonderful communique, one of the best we have achieved. Thanks also to Houston and its people. (U)

(applause for her words)

Unknown Speaker: I agree with Prime Minister Thatcher's remarks. We all had a fine time here in Houston. The spirit of consensus has triumphed here. This positive attitude will be a key for the future in solving problems. (U)

The President: I am prepared to receive anyone who wants to have a bilateral conference upstairs later. (U)

Prime Minister Kaifu: I want to thank President Bush for his contribution and hospitality. (U)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President-Elect Gaviria of Colombia (U)

PARTICIPANTS:
The President
The Vice President
James A. Baker III, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Thomas E. McNamara, U.S. Ambassador to Colombia
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American Affairs, NSC
Lilian Nigaglioni, Interpreter

Cesar Gaviria, President-elect of Colombia
Luis Fernando Jaramillo, Senior Foreign Policy Advisor
Victor Mosquera, Ambassador of Colombia to the United States
Rodrigo Pardo, Advisor to President Barco

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DATE, TIME AND PLACE: July 13, 1990, 10:30 a.m. - 11:00 a.m. EDT
The Oval Office

The President: We have been following your trip to Europe with interest. First of all, I want to emphasize how pleased I am to have the chance to meet with President-elect Gaviria on a basis of respect and friendship. He made a strong, impressive showing in his election. (C)

With the help of Secretary Baker and General Scowcroft and Bob Gates and Assistant Secretary Aronson and the NSC Staff we think we pretty much know what is happening in Colombia, but I want to hear from you. I think that the way you put forth the best positions, when you were forthright and it was not easy, is something we all admire. (C)

I want to start out by saying that there's a lot of bad stuff coming out from the press on our military. Most of it completely unfounded. One of the worst, and I have to watch my language in

the presence of a lady, came in a article in one of my most unfavored magazines, Newsweek, which said a lot of stuff which is simply not true. Yes, we want to work with Colombia in fighting narcotics. We need to help on the demand side in the U.S. to start. I want to assure you that we are not going to do anything to cause your country concern. The article is inflammatory and untrue. I didn't have a chance to read the article but I've been told about it. There is going to be no mounting a military operation which would be detrimental to a freely elected sovereign country such as yours, and I wanted to clear that up at the very start. (Ø)

President-Elect Gaviria: I offered in my campaign to fight narcotics. I told President Barco that we would carry on his program. We have had a hard cartel to fight. Three candidates were assassinated. In Medellin, they are paying 2 million pesos, (about four thousand dollars) for each policeman killed. Recently, they have been killing two to three a day; sometimes five or six. The fight against narcotics traffickers is quite harmful. I'm not sure that all the things we were saying were popular -- our refusal to dialogue with the traffickers. (Ø)

The President: That was a very, very courageous decision. (U)

President-Elect Gaviria: My policy was not popular, but it was a matter of principles. I know we will keep the policy, but we need to find a way to make it work in our juridical system. We need to have narco-traffickers go to jail in Colombia. It is bad for Colombia when they don't. (Ø)

One reason the policy is unpopular is because we don't see the international support for the fight. We need more than rhetoric. We see the other countries just looking. Because some of our people are intimidated, we may not have support in future years for the policy. We need support for Colombian opinion. We may have difficult times ahead. People who want no extradition may win the next elections. (Ø)

When Colombian people are asked what they expect from the United States they reply -- reduction of consumption and increased trade. They are not even asking for economic assistance. Ninety percent of the Colombian people are wishing for more trade. (Ø)

The ending of the coffee agreement has been harmful, and the problem with cut flowers. (Ø)

Sometimes people think there is a feeling against Colombia. This gets people upset. We have fulfilled our international economic obligations. We have paid our debts. We have a sound economy. We did not benefit from the Baker Plan, and will not benefit from the Brady Plan because we are not on a list for debt reduction. (Ø)

The President: What kind of help would be constructive? There are a number of anti-narcotics funds. (C)

President-Elect Gaviria: I think your new initiative (for the Americas) will be helpful for Colombia. (C)

The President: I was going to suggest that you get together with other experts on counter-narcotics for a briefing if you have time. We want to make sure that you don't think we are planning anything which would be detrimental to Colombia. How long will you be here? (C)

President-Elect Gaviria: I'm leaving tomorrow, but- (U)

The President: I just want you to learn what our thinking is and to be sure that nobody thinks there is some conspiracy. (C)

Ambassador McNamara: I can give the President-elect a briefing back in Colombia. (C)

President-Elect Gaviria: I would like to talk about commercial aid and other economic matters a little. I should tell you how important commerce is for us. (C)

The President: How about flowers? (C)

President-Elect Gaviria: We got some good decisions on flowers. We have improved a little bit there. We had hoped for more. We are hoping for progress on our GATT subsidies code negotiations. (C)

Ambassador McNamara: On the GATT subsidies question, the Colombian Minister of Economy is here to talk with USTR one more time. We hope to wrap up the talks this afternoon, but we don't know. I mentioned to you previously that we needed to do more work on this and we have done more. We have narrowed the gaps. We need to do more to wrap it up. (C)

The President: Back to drugs. You wrapped up some collaborators of Escobar. What happened there? (C)

Ambassador McNamara: The Colombian forces were able to capture twelve collaborators. They have a ring around Escobar's zone of operations and are hoping to catch him in it. (C)

President-Elect Gaviria: We will work together to catch him. (C)

Ambassador McNamara: They think he is inside the police net at this time. (C)

The President: If that man is captured, would that collapse the drug cartel or would another man be likely to take his place? (C)

President-Elect Gaviria: If we get this man, it will stop the bombing, but won't stop trafficking. It will be very good news from a public opinion point of view. We have to catch Escobar, but it won't change the situation very much because others will take his place. (Ø)

The President: What about the other cartels? I think it is just terrible the killing of all those policemen. (Ø)

President-Elect Gaviria: Ninety seven a month. (Ø)

Secretary Baker: What was the significance of the arrest of the Escobar accomplices? Was it significant? (Ø)

President-Elect Gaviria: Yes, it was significant. (Ø)

Mr.Jaramillo: The very top people will know now that all the top people in their organization are at risk. (Ø)

The President: How is your personal security? (Ø)

President-Elect Gaviria: Not bad. It is good I am going to improve it. We need to get the best out of different organizations and reorganize somewhat. We are trying to improve. (Ø)

Ambassador McNamara: We gave the President-elect organizational ideas which could be used as a basis to improve security, first up to inauguration and then while in the presidency. (Ø)

The President: Will President Barco need security after he leaves office? (Ø)

President-Elect Gaviria: Yes. (U)

Ambassador McNamara: And some of his people. (Ø)

President-Elect Gaviria: We are having trouble with the World Bank. We have a very good relationship with the IMF and now the World Bank is trying to put new conditions which are the same that we have already accomplished with the IMF. What they propose will not be bad, but it looks like it is being imposed. The thing is that we are doing what they want, but why do they need to impose. (Ø)

Secretary Baker: Is it balance of payments or sectoral? (Ø)

Ambassador McNamara: Sectoral. (Ø)

The President: When President Barco was here he raised this problem and we said we would try to help and I think we called. (Ø)

Ambassador McNamara: Yes, Robson told me they had called. (Ø)

Mr. Pryce: We were told that recent talks with the Bank went well. (Ø)

The President: Let's call and see how things went. (Ø)

Ambassador McNamara: I will call and check on this this afternoon. (Ø)

The President: I wish you well on this. Please give my best regards to your wife. I hope you have had a chance to relax. (Ø)

President-Elect Gaviria: We have tried to do so. (Ø)

The President: You have organized security problems from the cartels. We have nuts, real nuts. My son Jeb had a problem with a man named Rip Holmes. He had a crazy idea that Jeb had kept him from passing the Bar Examination. He threatened to kill Jeb for this in calls to the house. A year later he called from the Federal penitentiary in Danbury, Connecticut, and the call got through to Jeb's wife Columba. He said, "This is Rip Holmes in the penitentiary and I just want you to know that I am going to get Jeb when I get out." There are nuts around here, and the thing is that under our system they will eventually get out of jail. (Ø)

We want to cooperate in every way possible. We wish you well as you assume your new duties. We will have a high level representation at you inauguration. The Vice President is interested in doing it if it works out. We don't want to impose additional requirements. (Ø)

President-Elect Gaviria: I think it will go well. (Ø)

The President: I wanted to go to Cartegena. There were people who said that two-thirds of the U.S. Army was involved. We didn't want to send a bad sign, but there are rigorous requirements for our Presidential travel everywhere. Even in London we had to make special extra precautions. We hope we don't send a bad signal. In every case the sign should be respect, which is what we feel. (Ø)

When you are President, if you see signs we are sending signals which are other than they should be, please let me know. (Ø)

President Barco had told me there was a problem with boarding ships. We were not asking the people on shore before boarding. We were able to adjust this satisfactorily. That is why I feel strongly that we need to be sure we are communicating well. (Ø)

President-Elect Gaviria: What do you think of the Free Trade Agreement? (Ø)

The President: We haven't set a schedule. You may have seen that we are going to start with Mexico. We have the problem of the Uruguay Round. We wanted to move fast enough for Salinas and slow enough for the Uruguay Round. (Ø)

Assistant Secretary Aronson: You are talking about a Free Trade Framework agreement now, which is a first step. (Ø)

President-Elect Gaviria: We have been talking with the U.S. representatives at Commerce and with USTR. We can reduce drugs (with more trade). (Ø)

The President: Let's let Carla and Jules know that. (Ø)

-- End of substantive conversation --

THE WHITE HOUSE

WASHINGTON

MEMCON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Rodrigo Borja of Ecuador (U)

PARTICIPANTS:

The President
The Vice President
James A. Baker III, Secretary of State
Nicholas F. Brady, Secretary of Treasury
John H. Sununu, Chief of Staff
William Bennett, Director of National Drug Control Policy
Brent Scowcroft, Assistant to the President for National Security Affairs
Paul Lambert, U.S. Ambassador to Ecuador
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American Affairs, NSC (Notetaker)
Stephanie van Reigersberg, Interpreter
Barbara Phillips, Interpreter

Rodrigo Borja, President of Ecuador
Diego Cordovez, Foreign Minister
Andres Vallejo, Minister of Government
Jorge Gallardo, Minister of Finance
Jacinto Jouvin, Minister of Industries
Abelardo Pachano, Presidential Adviser
Jaime Moncayo, Ecuadorian Ambassador to the United States
Washington Herrera, Secretary General of Public Administration
Pablo Williams, Interpreter

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DATE, TIME AND PLACE: July 23, 1990, 11:15 a.m. - 12:10 p.m. EST
The Cabinet Room

The President: Welcome, welcome to the White House. We have already had a chance to play a little tennis, and I speak for myself and for my brother when I say for those of you who may not know, that President Borja has a very fast hand, very quick reactions, especially at the net. Don't ask who won. When he and my son took us on, he won. (C)

On the family side, my staff has done a little research and they tell me that you have a daughter who is getting married on July 28. Congratulations! Barbara and I have sent her a little picture. (C)

We want you to feel that you are among friends. I have some economic matters to discuss, but first want to turn the floor over to you and to ask you for thoughts on any subject you would like to talk about. (C)

President Borja: I want to thank you for receiving us in the warmth of family in a framework of tennis. You made us feel at home with your brother and your wife and son. In our view, we made a tie. We lost one set and won another. (C)

Then I want to thank you for the invitation to visit, to be the first President from Latin America to visit after the announcement of the Enterprise of the Americans by President Bush. (C)

I would like to give a brief overview of my party. We have a party which has got the support of the majority of the people. It is a party of a Social Democratic orientation which I founded in 1970. We have received a cross-fire from the left and from the right. We consider that a party of this direction is the best kind to oppose the extreme left. History tells us this -- we see this in the example of Spain and Costa Rica. (C)

Here we have a party of Social Democrats. We fully coincide with the interest of the North American government in defending democracy. We think that this is the way, the direction of the Government we are taking, is the best way for democracy. But there are a series of threats. (C)

We must deal with economic problems -- the crisis of debt which runs the risk of reducing or destroying the foundation of democracy. There is a danger of placing democracy in a difficult situation of incompetence. This is dangerous because the people may then search for solutions of another nature. I'm concerned that absurd ideas like the non-payment of debt can flourish. This is very irresponsible, but the idea can take hold. They say to the poor people "you have not improved with the debt, you did not take it on, so why should you pay for it?" This type of talk could help the flow of Communism. (C)

President Bush, in his initiative, has faced fully the fact that this debt has political as well as financial implications. The solution of the debt problem is well phrased where he said that prosperity depends on trade and not on foreign assistance. This is important because trade is our work. To say that not all comes from abroad is correct. We have to put our own house in order. This is what President Bush said and this is correct. We wish to express our acceptance of your solution. (C)

I would like to make a proposal. I think that it would be important to have President Bush meet with the Presidents of the Andean Group. If this is acceptable, I could convey this message to the five Andean Presidents on August 7 when I will see Gaviria (President elect of Colombia who will be inaugurated on August 7.) (Ø)

We should suggest the city of Quito as a site for the meeting. We continue to be an oasis of peace and calm and we will continue to defend this situation. (Ø)

The President: Are you suggesting a meeting on August 7, or is that when you would discuss a meeting? (Ø)

President Borja: The date of the meeting could be determined afterwards to the mutual convenience of all of us. (Ø)

The President: Let me respond. There has been talk of a follow-up meeting to Cartagena. Let me discuss this with my advisors. I can see merits for such a meeting. But let me discuss it with my advisors. I don't disagree with the idea, but worry about timing. It is an interesting concept. We will let it sit, and will get together with our people and discuss it. (Ø)

With your permission, I would like to go through a few talking points on our Andean Initiative. I will be requesting that Congress pass legislation providing CBI like provisions for Ecuador, Peru, Bolivia, and Colombia. This will allow duty free treatment for many goods. I'm taking this measure as a special step that will fulfill some of what I promised at Cartegena. I will announce two additional initiatives: a U.S. decision to grant GSP for a number of additional products for the Andean countries and, a proposal to promote agricultural exports in the region. I hope the combination of the three steps will be evidence of our carrying out our commitment at Cartagena. (Ø)

On the enterprise for the Americas, I am pleased with the reaction. I believe we must move forward. I don't want to go into details, we can talk more at lunch if you like, but I know you will talk with Secretary Brady about it. We are trying to show support for democratization. I commend you for your democratic leadership. I know there is a feeling south of the border that we are so enthralled with Eastern European events that we are neglecting our Hemisphere. I hope that with the Enterprise for the Americas we have shown that this is not the case. (Ø)

I remember a gesture by Carlos Andres Perez at the San Jose meeting. He wanted to give me a message, and arranged, through a very attractive Costa Rican chief of protocol, to change place cards at the dinner so he could sit beside me and berate me about Eastern Europe and the need to avoid neglecting this Hemisphere.

It was a good lesson for us. We do not want to and will not neglect the Americas. (Ø)

Back to the initiative. The enterprise is a policy of trade, debt, and investment. They have to go all together. We are preparing legislation for the Hill. We appreciate that there is a framework agreement to be signed with Carla Hills. You know our position on the World Bank and the IMF. If this {legislation} goes forward, it will be applied to you. I can't give you numbers. Secretary Brady and his staff can consult. I want you to know that we support you. If you want to raise anything more with me on this subject, its okay by me. If not, I want to go to narcotics. Lunch will be a working lunch, and I would encourage the teams to talk up at the lunch. I think its more productive that way. (Ø)

President Borja: No, we can carry on. (Ø)

The President: I want to mention our Drug Czar, Mr.Bennett. He is a very impressive man. He takes a beating on the Hill sometimes, but often gets good results. He is doing pretty darned well. We know the view that if it wasn't for the problems of demand, we wouldn't have a problem. I understand, and you are right! But we are taking some progress on the problems we've had. A big part of our program is education. There are encouraging statistics I would like Bill to talk about at lunch. We want to have all join in the educational program to fight drugs. We want to salute you for what you have done on drugs. We know that you have proposed strong legislation and admire your courage. We want to conclude additional agreements on precursor chemicals and on money laundering. We are sorry that this hadn't been done prior to your visit. We would like to see you step up the pace. Money laundering is especially important. I'm told that Treasury is ready to talk. We want to make available an additional $3 million in narcotics assistance in Fiscal '91 and are talking about three helicopters. Your experts can talk with Bill. (Ø)

Secretary Bennett: We will have the opportunity to talk about this afternoon. We had a good meeting with your Attorney General. We are in the midst of an educational program. We have had to battle to get drug money back on the Hill. There is progress in that U.S. cocaine use is down: purity is down. The President's strategy is having the desired effect, particularly with cocaine. The news on cocaine right now is very encouraging. (Ø)

President Borja: Thank you. To speak about the drug issue, we must refer to Colombia because there, there is a late and unrelenting struggle. We must do things differently than the Colombians. In Colombia, the narco-traffickers were able to penetrate all levels of the Government and the State. They took over by corruption and threats. If it were not for the murder of Galan, they would have taken over. But with the murder there was a sort of unscheduled plebiscite. This showed that people wanted

to get rid of the narco-traffickers. This shows we must fight drugs at an early time. Each minute lost means more power for the traffickers. My government is coming into a full force in the fight. My country does not tolerate drugs, and it also has a drug Czar. We have adopted a series of decisions. We have set up military barriers at the border. We will authorize extradition. This is a controversial problem. All politicians are aware that judges and prison wardens can not resist the bribe of 50,000 sucres -- so they let the king-pins escape. All they are worried about is justice of the larger industrial countries. We have not made it public yet, but we are suggesting legal and conditions reforms so it will be possible for extradition at the request of other countries. (Ø)

We are also saying there need to be new rules for *habeas corpus* because *habeas corpus* has been used to get traffickers out. We are establishing a new Tribunal of human rights which will decide at the last instance whether a request for *habeas corpus* for a drug trafficker will be granted. This is to assure you that we are all fighting drugs. (Ø)

We are struggling, and we need the U.S. support that I have personally requested. The time has come. Transit is a big problem. Air transit from Peru and Colombia. We need a radar so that the Ecuadorean Air Force can force planes to land or blow them out of the sky. (Ø)

Why do I mention this? There are two cases where two planes had mechanical trouble and had to land. In one case the Indians captured the plane and found over $300,000 dollars in the plane. They were honest and gave the money to the government. In the other case, the plane was forced to land on an island on a river in the jungle. They were barely alive but had a huge quantity of drugs. Within hours there was a hydroplane from Colombia attempting to land in the river to rescue. They were shot down. I would thank the President if he would consider the possibility of a radar contribution to assist with air traffic. (Ø)

With your permission I will give the floor to Mr. Vallejos who I offer as our Czar. (Ø)

Minister Vallejos: The President has said it all. I would like to add that we don't have coca and still don't have infiltration in the police. A minor problem is precursor trade. There have been accounts of money laundering. There is still time for avoiding the open war that is now occurring in Colombia. We need equipment. The best thing is to start today and thus avoid problems in the future like the ones they have in Colombia. If we don't act now, the help needed will be much greater. The first request is to be aware that we are going into it by the police. We will have a meeting with Mr. Bennett and will give him ideas about the precise equipment we are asking for. (Ø)

The President: Anyone else? Bernie? (Ø)

Assistant Secretary Aronson: No. (U)

The President: There are some general issues I want to mention. The strong record of Ecuador on Human rights in the region, I would say, is an example for the Hemisphere. We don't have problems. (Ø)

I wanted to mention the high esteem I had for Ecuador when I worked with your delegation at the United Nations. I understand that Ecuador will be a member of the Security Council. We will want to work very closely with you. We will ask Ambassador Pickering, who is not here, to be in close touch. (Ø)

Secretary Baker: As you know, we are working with the U.N. regarding El Salvador and the FMLN. We are also encouraging Cuba to stop sending arms to the FMLN. We see an opportunity to end the war. One way to help is if there is not a continual arms supply. (Ø)

The President: I was going to ask you about Cuba at lunch. Maybe now is a good time. (Ø)

President Borja: Yes. I want to thank the President for mentioning our scrupulous respect for human rights. I joked that we should have a rule that all leaders should be sportsmen. Leaders who are tennis players can take their aggression out against the ball and not human rights. (Ø)

Cuba depends completely upon Castro. Therefore we must carry out a specific policy for Castro. This is the thesis I expound. That is why I invited Castro. My theory is that if we isolate Castro, he will go to extremes. I was among the attendees of the meeting of Presidents in Quito and Venezuela. He had talks with men like Mario Suarez. Suarez is the enemy to him, but they talked and they realize that the tiger is not as harsh. Imperceptibly, Castro is changing. If we insult him, he will turn into a wild beast. His problem is psychological -- not political. How do we deal with the "owner" of Cuba so that he accepts reason and changes and we have a democratic process? (Ø)

His personality is too seductive for his people. He has charisma. He is an extraordinary man. He knows how to deal with people. He is very calculating. We must deal with him so that we get a favorable reaction. (Ø)

I am a Social Democrat. I am in full and absolute disagreement with Communism. In my country the Communists represent perhaps five percent. In poor neighborhoods, we get the most votes. If we were to disappear, the Communists would get the votes. We must be subtle -- Cuba is not a country, but a person. (Ø)

The President: Do you think he will ever agree to free elections? (Ø)

President Borja: I don't think that he would like to be subject to criticism. I have no doubt that he would win. They say that Castro is a man of the future. He is above good and evil. It is difficult to convince him he should be subject to a vote. If he could withdraw and have other duties, this would save face. If he passed on administration to other people. The fundamental idea is not to corner him. He will not capitulate, not surrender. (Ø)

Secretary Baker: Now about giving him a way to adapt and change; this is different than asking that he stop supporting subversion in other countries. I would think that you don't need conditions on that. (Ø)

The President: Shall we go eat? (Ø)

President Borja: I would like to talk about foreign debt. We hope, first, that the debt reduction would cover not only concessionary credits, but also non-concessionary credits. (Ø)

Second, I asked for the support of the U.S.Government so that the private banks accept a global solution to debt, not fragmentation. We suggest a global basis on a long term. We need to and hope to have a global solution. If the U.S. Government could assist. (Ø)

The President: Secretary Brady will be glad to go into that at lunch. Why don't we move over to the other side where we can continue our conversations. (Ø)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Rodrigo Borja of Ecuador (U)

PARTICIPANTS:

The President
The Vice President
James A. Baker III, Secretary of State
Nicholas F. Brady, Secretary of Treasury
John H. Sununu, Chief of Staff
William Bennett, Director of National Drug Control Policy
Brent Scowcroft, Assistant to the President for National Security Affairs
Paul Lambert, U.S. Ambassador to Ecuador
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American Affairs, NSC (Notetaker)
Stephanie van Reigersberg, Interpreter

Rodrigo Borja, President of Ecuador
Diego Cordovez, Foreign Minister
Andres Vallejo, Minister of Government
Jorge Gallardo, Minister of Finance
Abelardo Pachano, Presidential Adviser
Jaime Moncayo, Ecuadorian Ambassador to the United States
Washington Herrera, Secretary General of Public Administration
Pablo Williams, Interpreter

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
3c 8/21/09

DATE, TIME AND PLACE: July 23, 1990, 12:15 p.m. - 1:10 p.m. EST
The Old Family Dining Room

Secretary Brady: [Continuing conversation where it left off at Oval Office meeting.] President Borja mentioned that he hoped our debt negotiations would cover more than concessional debt. There is a congressional problem. It would be difficult to do more than concessional debt. It would be best to keep it at that level. And from a budgetary point of view, this was as far as we could go. (Ø)

On the second idea, that the U.S.could get into negotiations between the Government of Ecuador and the Banks, we found that, like in Mexico for example, we could help bring the two sides together, but not get involved in the actual points. It was the same in Venezuela. We found that you can make the emphasis to try to get them not to do so much this year and then so much next year, but have a more overall approach. We found that it works better to have the negotiations take place between the two parties. (Ø)

President Borja: I want to make clear our position on Cuba. We agree completely in the aim of getting democracy in Cuba. We are debating methods. Which is the most efficient way to do this. But we want to emphasize that we all agree on the objective. (Ø)

The President: I understand. (U)

President Borja: On debt, we don't want the U.S. Government to get directly involved or to interfere, but rather to let the private banks know that it would be a good idea to go toward a lasting plan so that we are not involved in redefining our targets at every point. (Ø)

Secretary Brady: I see the point. But it may be that the banks have their eye on Brazil and Argentina and they see Ecuador as a precedent, and so that enters into the problem. (Ø)

Finance Minister Gallardo: Our proposal is consistent with your theme, but the banks are trying to defeat it. They see Argentina and Brazil, but we need to see that they follow the Brady Plan which stipulates that each country is a specific case. (Ø)

The President: I don't see why we can't encourage that kind of an approach. Do you, Nick? (Ø)

Secretary Brady: No, okay. (U)

Secretary Baker: I think it would be interesting to learn what President Borja thinks about the prospects in Peru. (Ø)

President Borja: As you can imagine, we follow events in Peru very closely. We had a bloody war in 1941, and we think that Peru took 200,000 square kilometers of our territory by force. They are militarily stronger than us. For us, it is good for them to have peace. So we do not want any Peruvian President to try to distract the populace from internal problems by evoking international problems. (Ø)

The President: Do you know Fujimori? (Ø)

President Borja: Not personally. In a social sense the situation in Peru has deteriorated immensely. The Sendero Luminoso is an aberration. It has no clear aim or purpose. They don't even have specific demands. It is mad terrorism. There is

a military part which is adverse, with a tendency towards arms buildup. The political parties are belligerent -- they fight among themselves. There is an absence of Foreign investment. I feel pessimistic. (Ø)

The President: It is a poor picture, but probably true. What were his campaign and platform? His approach? (Ø)

President Borja: He never had a clear program. He deliberately avoided having one. What he did was take up on the disenchantment of people. The people voted for an unknown person of foreign origin. He was against the politicians. There was a disenchantment with the system, and every four years there was a further disenchantment. (Ø)

Secretary Baker: Do you think the military are likely to take over? (Ø)

President Borja: I don't think so. If they had been so inclined, they would already have done so. (Ø)

The President: With Alan Garcia. (Ø)

President Borja: You could see that they dislike the government, but didn't want to take over. (Ø)

Secretary Bennett: What is the major impact of the Colombian crackdown? Do you expect to see more traffickers? (Ø)

President Borja: The problem is to get more people to fight drugs. It is like having 10,000 runners waiting for a time to start. The murder of Galan was what got everybody off. Until then it was all fragmented. The police were doing one thing, the Armed Forces another. I think this will be a cruel and bloody fight, but the Government will win. We found an important trafficker in Ecuador and arrested him. (Ø)

Minister Vallejo: He had been living in Ecuador for two years before he was arrested. As soon as we found out he was there, we arrested him and turned him over. He was also wanted in Peru for a major crime, but the Colombians asked and we turned him over. There is a lot of territory. It is hard to find them. That's why we need helicopters. The eastern jungle is a hard place to find people. You said that aid this year was $3 million. I would like to say that we think that with assistance which is not much greater, we could solve the problem right now. We feel that the aid required later would be much greater. (Ø)

Secretary Bennett: We will talk. There are problems with the Congress, but we will try. (Ø)

One more question. Where do drugs fit in an opinion poll. How is the problem perceived? (Ø)

Minister Vallejo: The most important problem perceived is the cost of living. The second is unemployment. The third is drinking water. (Ø)

The President: Where are drugs? (U)

President Borja and Minister Vallejo: Way down! (U)

Minister Vallejo: The problem is very minor. (Ø)

President Borja: People do not perceive this is a major problem for them. (Ø)

Minister Vallejo: The middle class is starting to perceive it differently. They are putting this as in important problem. (Ø)

President Borja: Regarding the cost of living. We have to say that we got inflation from over 90% down to 47%. Even so there is a lot of protest. (Ø)

The President: When you have inflation at those rates, do you index your labor? (Ø)

President Borja: We are against indexing because we think it increases inflation. Concerning the history of Ecuador, when the Government got the power of deciding wages, it was a great help. Before, Congress had it, and it was a disaster. I am better able to fight because I can manage economic policy and wages at the same time. (Ø)

Secretary Baker: Can I go back to narcotics. (Reads from figures in a Briefing book.) We are talking about $3.7 million in military assistance. We also have $1.4 million in other assistance. I raised this because you said you could go to solving the problem with a little more. With this assistance there will be about $5 million plus the helicopters. (Ø)

Minister Vallejo: On the basis of that kind of budget, we can take a positive step forward. (Ø)

The President: Any one else? Bernie, do you want to say anything? (Ø)

Assistant Secretary Aronson: We are looking for every source of assistance. You will find that we are doing all we can. (Ø)

Secretary Bennett: We are doing all possible, but we do have problems with the budget on the Hill. (Ø)

Minister Vallejo: We are ready to talk about plans. We would like to move forward on this. (Ø)

Secretary Bennett: One more question. Given the location of your country, we have great respect that you have no serious drug problem. What is your secret? Strong family ties? Church? (Ø)

Minister Vallejo: I don't think it is only drugs, but also a sense of peace and tranquility despite that fact that we are surrounded by violence. We have had a relatively peaceful labor situation in part because Ecuador has made labor reforms years ago. Our reforms are 50 years old. We have had escape valves. This is the reason that it is important in certain areas of Ecuador to undertake drug programs. Abelardo wants to talk about programs. (Ø)

Presidential Advisor Pachano: According to a report of the World Bank dated September '89, Ecuador is considered a middle income country for several reasons including ratio of debt to exports and other indicators. They also say that Ecuador is the most indebted country in all of Latin America except for Nicaragua. That is why it is so important that, under the Brady Plan, and with the help of the International Financial Institutions, that our problems be solved on a global basis, so that we can free up resources and unleash growth. We have had two years of recession. With the support of the U.S. Government and the multi-national lenders we can come to global agreements that we seek. (Ø)

Secretary Brady: We would agree on one point -- that the conclusion of an agreement between Ecuador and the banks would unleash a return of investment and would encourage the return of flight capital. In Mexico, we found that the benefit from the agreement achieved wasn't as important as the return of capital and the infusion of new capital. It was as though Mexico had made known that it would go to a market economy. Those who come to an agreement (with the banks under the Brady Plan) sooner will be more likely to attract the limited investment funds which are available. There is only so much investment capital around. If you can narrow the gap between you and the banks that will be helpful, and it may be that you can come to an agreement before Brazil and Argentina. I know you have been working on the EMELEC matter. It will be helpful for facilitating foreign investment if you can come to a solution. (Ø)

Minister Vallejo: The problem is that the structural adjustments which the Bank and Fund have recommended and been adopted; but despite that fact, the private banks will not agree to an overall solution. They want to do it piecemeal. That is where we need your help. (Ø)

Secretary Brady: We will be glad to talk. The gap may be so wide that they put it off until next year. (Ø)

Finance Minister Gallardo: It is said that the Brady Plan is to be implemented on an individual basis. The principle of doing things on a case-by-case basis is important. (Ø)

The President: Does the World Bank have you in the middle income category because of oil income? Are there new oil reserves? (Ø)

Minister Pachano: There is a new area of exploration which will be let out to bids which could possibly expand our reserves by 400,000,000 barrels. (Ø)

President Borja: There will be new proposals in August for prospecting. (Ø)

I would like to talk for a minute about ecology. Since we are part of the Amazon basin, we have a special responsibility for maintaining the Amazon basin. This is the world's most important rain forest. It produces 40 percent of the world's oxygen and one fifth of the world's sweet water. We are interested in making joint efforts to protect this ecology because in the best sense, all countries of the world are part of ecology. (Ø)

The President: How is this doing? Will programs have support in Ecuador? (Ø)

President Borja: This is doing very well. The press is positive. This is one of the few areas where the press supports us. (Ø)

The President: Ecology is very important. Our problem is to find a strong environmental approach without throwing a lot of people out of work. I think we can do it. But on our political left there is no recognition of the human element. Take the case of the spotted owl. These people think that there should be no forestry at all in certain areas where this would throw 30,000 people out of work. People say "the hell with people, protect the owls" -- they don't say it in those words, but that is their message. There must be a balance on this matter. (Ø)

I think that the press is out there waiting for us. I want to let you know what a pleasure it has been to have you visit me. (U)

-- End of Substantive Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Federal Councillor Jean Pascal Delamuraz of Switzerland (U)

PARTICIPANTS: The President
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Kimmitt, Under Secretary of State for Political Affairs
Joseph Gildenhorn, Ambassador to Switzerland
Robert L. Hutchings, Director for European Political Affairs, NSC Staff
Ralph Johnson, Deputy Assistant Secretary of State for European and Canadian Affairs
Alec Toumayan, Interpreter

Jean Pascal Delamuraz, Federal Councillor
Edouard Brunner, Ambassador to the U.S.
Gerard Stoudmann, Personal Advisor to Mr. Delamuraz

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PER E.O. 12958,
AS AMENDED
2000-0429-F
JC 8/21/09

DATE, TIME AND PLACE: July 26, 1990, 10:50 - 11:20 a.m.
The Oval Office

During the photo opportunity, the President and Mr. Delamuraz engaged in a side discussion comparing the American and European media. (U)

The President: Welcome. We are glad you are here. I would love to get your views, especially on trade and how you see Europe developing on trade matters. Our desire is for a successful conclusion of the Uruguay Round, especially on agriculture. But this is just one subject we might discuss. I would be glad to hear anything that is on your mind. (U)

Mr. Delamuraz: Thank you, Mr. President, for your welcome. The Swiss Government names a President for only a one year term, and there has been no opportunity for such a meeting until now. Having served as President last year, I am pleased to have this opportunity to meet with you. As you know, political signals are important. (U)

I want to say how much the Swiss Government appreciates the leadership the U.S. has given regarding Europe. We Swiss also want to make our own contribution. Let me express to you another impression. When my country and others make a huge effort to

support the economic revolution of Eastern Europe, our efforts should not be to the detriment of other continents. There is a risk that Europeans will have devoted almost all their energy to Europe. We have responsibilities in Latin America, too, and Europe must fulfill them -- working together multilaterally in the GATT, for example. (✓)

As this meeting is the climax of my trip, I want to mention that my country, as a non-EC European country, wants to develop closer political contacts given that history is moving ever faster. I want to repeat, Mr. President, the invitation I extended as President of the Swiss Federation for you to visit Switzerland during a forthcoming visit to Europe. Next year the Swiss Federation celebrates its 700th anniversary; and as the traditional beacon of freedom, you, Mr. President, would fittingly help us celebrate our anniversary. (✓)

The President: I remember very vividly the invitation. Ambassador Gildenhorn has been leaning on me, and General Scowcroft and I have discussed the matter. We see the importance of a visit. Let us see whether we can work it out. In principle, I very much want to come, so let me try. I hate to be so vague, because I would like to come in principle. So I am not only aware of your invitation but am very grateful for it. (✓)

Let me ask how you see the mood in Switzerland concerning the major changes in all of Europe. The reason I ask is that in this country, there is a rather euphoric feeling that peace has arrived and there is no need to worry about defense. My feeling is, thank God we have a more peaceful Europe, but who know what will happen in the future? I would be very interested in your views on U.S. engagement in a post-unification Europe. How do people in your country see this? I would value your judgment. (✓)

Mr. Delamuraz: Let me answer in three points. First, the Swiss are very happy to see the recent events in Eastern Europe. We consider them irreversible, providing the Soviet Union holds together. We should do all we can to help with its political and economic difficulties. The U.S. is maintaining and encouraging these trends. The first guarantee for the accomplishment of this political revolution is the presence of the U.S. My second point is that the economic effort to complete the political revolution will be extremely costly. We have to make up for half a century of neglect of the economy and the environment. What the U.S. is prepared to do is an essential requirement. We are grateful to you for the clarity of the U.S. position and the impulse you have given at Houston. This was all received very positively in my country. Third, in this effort on behalf of Eastern Europe, there will be institutional efforts, on the part of the EC, EFTA, the G-24, and others. All the differences must not detract from the main effort. We must develop coordination among these institutions. As President of EFTA, my country wants it to move complementarily with what the EC is doing. Technical financial

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assistance and institutional support will be important for Eastern Europe. We must avoid making them dependent on the West but rather give them the means to carry out their own policies. The human resources in Eastern Europe are very good, but the economic infrastructure is a disaster area. The presence of the U.S. is very much valued. It is indispensable. (Ø)

The President: I am glad to hear that. I hope that is the universal view. I don't want us to slip into isolationism. I don't think that will happen, but there are pressures, because of the deficit, to realize a peace dividend. In Congress, on the liberal side of the American equation, there is sentiment for bringing the troops home and cutting back our security guarantees. So I am worried that people will call for massive cuts in defense. I don't know how you view changes in Germany. We are pleased and have been out front in supporting German unification. But there are some who worry about a united Germany. What are your views? (Ø)

Mr. Delamuraz: I have sympathy for your budgetary concerns. For us, the importance of the U.S. presence is not only in defense but also in the areas I described before. Let me add one word about the importance of the CSCE, which is another sign of your presence. And let me repeat the will of my Government to do what we can to help with our limited means on other continents, particularly in Latin America. Cooperation across the Atlantic must go both ways. (Ø)

The President: I couldn't be more pleased to hear that. Our friends in Latin America need help, and when Europeans help -- regardless of their size -- it is wonderful. (U)

Mr. Delamuraz: I have made two trips: one to Mexico, where I met with President Salinas, and another, two weeks ago, to Brazil. We have to help them because of the ties we have. Instead of saying we should help either South America or Eastern Europe, we should look for a synergistic effect so that these efforts can be reinforcing. (Ø)

Let me answer your question about Germany. Germany is accomplishing unification under the best possible circumstances. Again, you were instrumental in helping achieve what no European could have dreamed about 10 months ago. It is fantastic. There will be changes, and we worry about inflation, but we understand that the tide of freedom has gained strength. The Germans themselves will be wise enough not to take advantage of their dominant position in Europe -- not just in the EC, but in Europe as a whole. (Ø)

The President: I think they will be wise enough, but are there growing fears in Switzerland and elsewhere that Germany will become too dominant? (Ø)

Mr. Delamuraz: The public debate is less fully positive than I. There are some old fears, and also some among the younger

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generation. It depends how well the Germans and others assimilate these changes. (Ø)

The President: I think it is manageable, but if there were a shift inside Germany and the German Government moves far left, there could be pressures to get all U.S. and Soviet forces out. If there were a kind of parallelism, of equating U.S. troops and Soviet troops, then it would be very difficult for the U.S. to remain as a stabilizing force and a guarantor of security. (Ø)

These are fascinating times. I am glad we have these kinds of problems to worry about instead of the old ones. I salute Gorbachev. We will work with them. We won't send money, because they must reform their economy before our aid would be of any benefit. Gorbachev understands the U.S. position. (Ø)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Ivars Godmanis of Latvia (U)

PARTICIPANTS: The President
The Vice President
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Condoleezza Rice, Special Assistant to the President for National Security Affairs
James Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs

Ivars Godmanis, Prime Minister
Janis Jurkans, Foreign Minister
Ojars Kalnins, interpreter

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PER E.O. 12958,
AS AMENDED
2000-1197-F
3c 3/6/08

DATE, TIME AND PLACE: July 30, 1990, 10:00 - 10:45am EST
The Oval Office

The President: Welcome. I am anxious to hear how you think things are going.

Mr. Jurkans: We believe that after this trip we will be on a new political level, even though we have had the same legation since 1940. (U)

The President: How is it going at home? There are so many changes and it is hard to keep up with them. (U)

Mr.Godmanis: We have established a multiparty democracy and private ownership. We will be the first to start a market economy. (U)

The President: Will it be possible for you to succeed when the Soviet Union is far behind? (U)

Mr. Godmanis: Our task is to show that it can be done. We have good democratic traditions. We are in close contact with the Russian government of Boris Yeltsin and the other Baltic leaders. We are also in contact with the central government. I talked for

a very long time with Mr. Ryzkhov. We should show how the process can take place peacefully and democratically. The corner stone is privatization and the maintenance of a social security net. My task is to speak to government and business people, to talk about aid. The main problem is to get aid from the West eventually. My opinion is that aid should go only to the private sector. We are not opposed to Mr. Gorbachev, but we look on our move as a rebirth. We will start to develop bilateral relations. We are looking to find a way to press ahead peacefully and normally. One thing that would help is a U.S. information center. (~~C~~)

The President: Are you walking in total agreement with Lithuania and Estonia? As you know, the United States has never recognized the incorporation of the Baltic states in to the Soviet Union. You say you are privatizing -- are you ahead of the other Baltic states? (U)

Mr. Godmanis: We are in close contact with the other Baltic states. We are good friends of President Landsbergis of Lithuania and the Prime Minister of Estonia. We have good coordination with several intergovernmental groups. We also have good coordination with the Russians and Moldavians, and we know Mr. Ryzkhov well too. (~~C~~)

The President: I have never met Mr. Ryzkhov. I understand his economic plan was met with displeasure. (U)

Mr. Godmanis: Their ideas on stabilizing prices are no way to institute a market. I think all the republics will have their own markets. The Finlandization of the Baltic states is our goal. We have strong ties with the East, and will act as a bridge between East and West. (~~C~~)

The President: Is Mr. Gorbachev interested in this arrangement? (U)

Mr. Godmanis: The answer is who will find a way out of the crisis. I told Mr. Ryzkhov that we are a laboratory. We are small and can help others to learn mechanisms to start a market economy. No one will be against it. We want to be a real sovereign state -- that is our right. We belonged to the League of Nations. (U)

The President: Does Mr. Gorbachev say that if Latvia does become a sovereign state the whole union will unravel, or does he recognize you as different? (U)

Mr. Godmanis: Everything will depend on the Republics. The Central Asian Republics will stay within the Union. Some people speak of a dissolution of the Soviet Union, but I believe it is a rebirth. The problem is how to establish normal relations. Our situation is different, and we need support. We want to be observers in the CSCE process, for example. I spoke with

business people about how we have a chance to organize in the Baltics and about the need for joint ventures. We will try to find out about a shareholding system. We are particularly interested in American investment. I spoke with twenty-five companies, and explained that we want to work with the Japanese to use our ports for trans-Siberian shipments. As I mentioned, we need a U.S. information center in Riga; this will help us to know that we are proceeding correctly. There are some differences between Latvia and the other Baltic states. We are only 52 percent Latvian, and 48 percent non-Latvian, yet we got two-thirds of the vote in the elections. (Ø)

The President: How many different nationalities are there in Latvia? (U)

Mr. Godmanis: 52 percent are Latvians, about 30 percent are Russians, and about 10 percent Ukrainians. There are some of these non-Latvians who have been in Latvia two or three generations. My government will do nothing to exclude them. (U)

The President: Are they all for your concept of Finlandization? Are you getting good support? (U)

Mr. Godmanis: We are a politically sovereign republic and our enterprises will be sovereign. We will have a market economy, but for this it is necessary to have a governmental structure. Our party got two-thirds of the votes, but we must prove that we are not just after the good of ethnic Latvians, but for all Latvia. We will need help, though, elaborating our program. (U)

Mr. Jurkans: I am of Polish extraction. We have national associations, and will need to have equal rights as well as institutions like Jewish schools and Polish schools. (U)

The President: What is the major stumbling block to your independence? Is it Gorbachev? (U)

Mr. Godmanis: The main task is for the Latvian government to control the economy. We also need to establish the sovereignty of the parliament and establish financial institutions. Then we can establish normal, organic relations. It would be impossible to organize everything from Moscow. There are big differences among the people in terms of cultural and economic development. (U)

The President: Do President Gorbachev and Mr. Ryzkhov understand that Latvia will be independent? (U)

Mr. Godmanis: The real issue is whether we can find a real mechanism to get out of the economic crisis. Then we can show that it can be successful. Our people need to understand for themselves. It is just a question of time how democratically-elected governments show their desire for full independence. The problem for Gorbachev, Ryzkhov and even me is that we should not

try to remain in power forever, but rather to prove that we can do this job now. (U)

The President: I had the feeling that the Soviets understood that secession is in order. Maybe it was a charade. We told them directly that we never recognized the incorporation of the Baltic states. (Ø)

Mr. Jurkans: We are in a transitional period, and we need ways to move to recognition. The radicals say that we should throw all the Russians out. And we have to show tangible proof of our sovereignty, things like cultural centers and information centers. The Danes have already established a center in Riga. (U)

The President: Denmark has a cultural center? We will look into your idea. (U)

Mr. Godmanis: Let me say something about secession. The secession law is too cumbersome. Mr. Ryzkhov has said that if Lithuania wants to be free we have to give back Klaipedia and other assets. We need to find a way out of this crisis. We are scientists and are not so emotional. The republics need to be independent; the main problem is how to make a transition to a market economy simultaneously with our move to independence. Some say that helping us will lead to the breakup of the Soviet Union. But the Soviet Union is breaking up already, and you are only helping Gorbachev if you support those who want to move more gradually. (Ø)

The President: I am impressed with you and how you make your case. How is it that you speak such good English? (U)

Mr. Godmanis: I am a physicist and have published in English. (U)

Mr. Jurkans: I taught English literature and culture in a Latvian university. My family came to Latvia in the last century. (U)

Mr. Godmanis: We badly need to teach our young people who don't know about market societies; only the older generation remembers how a market economy works. Maybe the U.S. could give support. We will write to American professors to come and teach us. We need a change of thinking. (U)

The President: Thank you very much for coming. (U)

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THE WHITE HOUSE
WASHINGTON

6169

MEMORANDUM OF CONVERSATION

SUBJECT: One-on-One Meeting with President Gnassingbe Eyadema of Togo (U)

PARTICIPANTS:

U.S.
The President
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert C. Frasure, Director for African Affairs, NSC (Notetaker)
Alec Toumayan (Interpreter)

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PER E.O. 12958,
AS AMENDED
2000-0429-F
JR 8/21/09

Togo
Gnassingbe Eyadema, President
Ellom-Kodjo Schuppius, Togolese Ambassador to the U.S. (Notetaker)
(Interpreter)

DATE, TIME AND PLACE: July 31, 1990, 11:00 a.m. - 11:15 a.m. EST
Oval Office

In response to press pool questions, President Eyadema said that he had tried to mediate in Liberia, but Doe did not want to meet with the rebels. Now it is too late. (U)

The President: You played a very constructive role. Who is the main opponent, Johnson or Taylor? Johnson seems to do most of the fighting. (C)

General Scowcroft: He is making the most progress. (C)

President Eyadema: Johnson's people are real soldiers. They have overtaken Taylor. Taylor's people are not fit. They are not real soldiers. (C)

The President: The US role in Liberia is simple. There is an historical relationship. We have been frustrated since the beginning with Doe. Doe made a bloody start. We want to see the bloodshed averted. But we do not believe that U.S. forces going in is the answer, unless Doe says he will leave, or if our embassy is attacked. I am interested in your feelings. Is there another role for the U.S.? (C)

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President Eyadema: Doe should accept to go. The Liberian people want Doe to go. He must listen to the people. When Doe accepts, you could get a transitional government. (Ø)

The President: It will be very difficult. We do not have much confidence in Taylor or Johnson. (Ø)

President Eyadema: They do not understand each other. (Ø)

The President: Is there a tribal difference? (U)

President Eyadema: No. It is a question of leadership. (Ø)

The President: We have got problems here in our own hemisphere. Look at Trinidad. (U)

President Eyadema: The aborted coup? (U)

The President: Not yet. Robertson is a good man. He is under stress. The rebels want him to resign. That faction has no following. It is a terrorist action. There is looting in Port of Spain. (Ø)

At this point, the small session adjourned. (U)

-- End of Conversation --

Withdrawal/Redaction Sheet
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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
17. Memcon	Re: Plenary Meeting with President Gnassingbe Eyadema of Togo (5 pp.)	7/31/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/5/90 - 9/24/90

Document Partially Declassified
(Copy of Document Follows)
By DJL (NLGB) on 12/16/10

Date Closed:	1/27/2009	**OA/ID Number:**	91108-001
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:	2000-0429-F(222)	**MR Case #:**	
AR Disposition:	Released in Part	**MR Disposition:**	
AR Disposition Date:	8/21/2009	**MR Disposition Date:**	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P-3 Release would violate a Federal statute [(a)(3) of the PRA]
P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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MEMORANDUM OF CONVERSATION

SUBJECT: Plenary Meeting with President Gnassingbe Eyadema of Togo

PARTICIPANTS:
The President
Lawrence S. Eagleburger, Acting Secretary of State
John Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Herman J. Cohen, Assistant Secretary of State for African Affairs
Rush W. Taylor, Jr. U.S. Ambassador to Togo
Robert C. Frasure, Director for African Affairs, (Notetaker)
Alec Toumayan, Interpreter

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PER E.O. 12958, AS AMENDED
2000-0429-F
BR 8/21/09

Gnassingbe Eyadema, President
Barry Moussa Barque, Planning and Mines Minister
Gbenyon Amegboth, Minister Delegate at the Presidency
Koffi Djondo, Industry and State Entreprises Minister
Kwaovi Johnson, Information Minister
Komla Alipui, Finance Minister
Yaovi Adodo, Foreign Affairs Minister
Ellom-Kodjo Schuppisu, Togolese Ambassador to U.S.
Mary Carol Wolter, Interpreter

DATE, TIME: July 31, 1990, 11:15 a.m. - 12:00 a.m. EST
PLACE: Cabinet Room

The President: Welcome to the White House. We are very grateful for your friendship, we want to show to you and your colleagues our appreciation. You have taken risks to be at our side over the years. (U)

You have a child here undergoing treatment. Is he all right? (U)

President Eyadema: Thank you. Yes. Thank you for caring about my family. The boy is doing well. (U)

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Declassify on: OADR

~~CONFIDENTIAL~~

The President: I want you to speak first. The floor is yours. (U)

President Eyadema: Thank you. I want to express my deep appreciation to you and your country. I want to salute you as a great statesman searching for peace and freedom. I recognize the struggle you have waged for a world of peace. (U)

The President: We are delighted to have you here. (U)

On Liberia, you spoke eloquently in the Oval Office about your attempt to work something out, on the lives at stake. I updated you on the situation in Trinidad, clearly a terrorist action. (Ø)

Since we last met, there have been remarkable changes around the world; Eastern Europe, in this hemisphere. How do you see all of this playing out in Africa? Our position is one of support for democracy. But some leaders whom we know including Kaunda and Moi seem worried. If we support democratic change in South Africa, we have to do so elsewhere. What should the U.S. be doing? (Ø)

President Eyadema: Concerning these profound changes in Africa, I will speak about my own country. In 1969 there were four political parties and some wanted to limit it to two. When I sent my message to the people of Togo, they wanted one party to handle the issues of the nation. Twenty years later, we can now accept what we rejected. (Ø)

We have set up five committees on the need to carry out democratization. People are skeptical of democracy. But our party will be like the others. Freedom of expression has been proclaimed. The time is coming to move to the next stage. But we must not destroy what was in place. A National Human Rights Commission has been established emphasizing duties as well as rights. We need to move to genuine democratization. (Ø)

The President: I welcome all of that. How do you see Kenya and Zambia? (U)

President Eyadema: We were surprised by what happened there. If you are not standing next to a latrine, you do not get the smell. You cannot convince people by force. If people do not participate, the decisions are inoperative. We were surprised. (Ø)

The President: Some African countries are doing well, Zimbabwe for example. The evolution of democracy is quite encouraging. (U)

I want to raise the situation in Angola. We think there democracy is the answer. Some countries think we are being backward with Dos Santos. But we do not want to sell out Savimbi. We do not want to try to dominate the situation. There are signs that the Soviets may want to be more reasonable. (Ø)

President Eyadema: It is a worrisome situation. After Gbadolite, which I could not attend, Savimbi came to see me and I told him it wouldn't be settled overnight and he should trust Mobutu as mediator. Dos Santos recently sent me his nine-point proposal. Savimbi agreed to it but wants the first point to be a ceasefire. I wrote that to Dos Santos. (Ø)

The President: You know Dos Santos? (U)

President Eyadema: Yes. (U)

The President: Is he a reasonable man? Is he a Marxist or did he just need Soviet support? (Ø)

President Eyadema: There are two sides to him. Few people believe in Marxism. He needed Soviet aid. But he is not alone. He is manhandled by his associates. He is not like Mobutu or Savimbi. (Ø)

The President: We support the Portuguese mediated talks. We should stay in touch on this. We both support reconciliation. Hank, how do you see the Portuguese talks? (Ø)

Secretary Cohen: When Savimbi come to see President Bush, we agreed there should be a ceasefire. Dos Santos did not want it because he was planning a major offensive. He had some successes. [redacted] Dos Santos then said he would turn to negotiations but he did not want the U.S. and the USSR involved. Dos Santos wants a ceasefire because of the success of the rebels in the north. We hope in the August round they will agree to the principles and a ceasefire. We are not sure they are ready to accept UNITA and Savimbi. The MPLA still has to take that step. (Ø) (b)(1)

The President: What level are the talks at? (U)

Secretary Cohen: Roughly assistant secretary. (U)

President Eyadema: You are absolutely right to support Savimbi. You have to support friends. In South Africa, I said to them you must not abandon Savimbi. People want free elections. The MPLA are not sure of themselves. Savimbi is a friend now and will be a friend in the future.

The President: Do a lot of African leaders feel this way? Some do not speak out?

President Eyadema: Not everyone has the courage to speak out. Some are asking for him to go into exile. I am trying to put him in contact with Babangida. (Ø)

The President: Lots of them will won't speak out. Right Hank? (Ø)

Secretary Cohen: Yes. Kaunda says it in private. (Ø)

President Eyadema: Have the Soviets stopped aid for the MPLA? (Ø)

Secretary Cohen: No. It is fifteen times bigger than our own aid to Savimbi. (Ø)

The President: Let me ask you about our friend Qadhafi. We keep getting feelers that he wants better relations. We say the should stop doing bad things like supporting terrorism, building a chemical weapons plant, and backing groups trying to overthrow democratic governments. I would not be surprised if his fingerprints are on Trinidad. We worry about him, his recklessness. What are your views? (Ø)

President Eyadema: Africans see independence as economic as well as political. They need peace and stability. Thanks to the U.S. some African governments have not been overthrown by Qadhafi. We were victims once. Sophisticated weapons were brought in. The culprits confirmed that Libya was involved. (Ø)

We had a similar situation in 1985. Two suitcases of explosives were brought in, one intended for the central market, the other for the U.S. ambassador's residence. If he would cease his activities, it would be good. (Ø)

The President: Is he fooling around again in Chad and Sudan? Looks like deja vu. (Ø)

President Eyadema: Yes. He is intervening in Chad providing support for the Chadian rebels in Sudan.

If you lay down terms, maybe he will meet them. (Ø)

The President: But he won't keep his word. Yet we would not want to miss an opportunity. We have intelligence reports from all over the world on his activities. (Ø)

Secretary Cohen: We believe the Chadian rebels are about to attack from Darfur in Sudan. We expect war to break out again. (Ø)

President Eyadema: It is a pity. What is he trying to accomplish? Thanks to the U.S., he has not succeeded. (Ø)

The President: I hear he wants to marry Diouf's daughter! I sure would not want him to marry my daughter! (Ø)

-- End of Conversation --

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THE WHITE HOUSE
WASHINGTON

6186

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon Meeting with President Gnassingbe Eyadema of Togo

PARTICIPANTS:
The President
Lawrence S. Eagleburger, Acting Secretary of State
Andrew Card, Assistant to the President, and Deputy to the Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Herman J. Cohen, Assistant Secretary of State for African Affairs
Rush W. Taylor, Jr. U.S. Ambassador to Togo
Robert C. Frasure, Director for African Affairs, (Notetaker)
Alec Toumayan, Interpreter

Gnassingbe Eyadema, President
Barry Moussa Barque, Planning and Mines Minister
Gbenyon Amegboth, Minister Delegate at the Presidency
Koffi Djondo, Industry and State Entreprises Minister
Kwaovi Johnson, Information Minister
Komla Alipui, Finance Minister
Yaovi Adodo, Foreign Affairs Minister
Ellom-Kodjo Schuppisu, Togolese Ambassador to U.S.
Interpreter

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2000-0429-F
JL 8/21/09

DATE, TIME: July 31, 1990, 1200 a.m.- 1:15 p.m. EST
PLACE: Old Family Dining Room

The President: What can you tell me about this export zone you have set up? (U)

President Eyadema: (Turning to Barque) Will you describe it? (U)

Minister Barque: Several years ago, we began with a survey, working with OPIC. We decided that our area was the right place for such a facility. The master plans are completed, and operations are beginning. Some companies are interested. (U)

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Declassify on: OADR

The President: I hope it works. We have a lot of confidence in OPIC. What kinds of companies will benefit? (U)

Minister Barque: A lot. Textiles, shoes, labor intensive operations in general. Electronics. (U)

The President: We want a satisfactory conclusion to the Uruguay round. Agriculture is the hang-up. The EC is dragging its feet on it. We are committed to a more open trading system. That will benefit developing countries in textiles in particular. (Ø)

You know I have got this Textile Protection Bill coming down from Capitol Hill at me. It passed the Senate and will pass the House. I will have to veto it and hope we can sustain it. In our case, textiles are a profitable industry, but a lot of jobs have been lost. I am determined to fight against protectionism. And that will benefit small countries. (Ø)

We have not talked about South Africa yet. Mandela was here. We encouraged him toward a peaceful solution. We told him that de Klerk is a most reasonable leader in our view. (U)

I had the feeling that Mandela is caught between several forces. He was at that big meeting to salute the SACP at a time when Communist parties are folding around the world. He must be getting bad advice. I have great respect for him, but..... What are your views? Are you optimistic? (Ø)

President Eyadema: De Klerk does not have an easy situation in front of him. With patience, they will find a peaceful solution. I am fearful of a right wing coup. (Ø)

The President: That worries me too. Mandela had this theory that, if we lift sanctions, it would strengthen the hand of white radicals. I do not understand the logic in that. (Ø)

President Eyadema: A gesture of good will is needed to encourage de Klerk. (U)

The President: That is our view too. But we do not want to be the first to raise sanctions. I do not want to sound too negative about Mandela, but it seems to me the guy is living in a time warp. He goes out and salutes Castro and Qadhafi. I asked him, "why do you want to do that?" He said, "because they helped me when we needed help." He was in jail that whole time. (Ø)

We need to keep the process going forward. We would like to see a society free of color barriers. (Ø)

Do you follow North Africa? I guess the Algerian government is in trouble from the left. (Ø)

President Eyadema: We follow Western Sahara. (U)

The President: Are you optimistic about a settlement? (U)

President Eyadema: Yes. (U)

The President: Do you have good relations with all of them, Mauritania? (U)

President Eyadema: Yes. We were asked to intervene at the OAU Summit on Mauritania/Senegal. Diouf has agreed, but the Mauritanians have not said yes. (U)

The President: Let us hope it works. (U)

What about Nigeria? I am fascinated by the place. Can Babangida keep going forward? What is your view? (U)

President Eyadema: The coup shook him. The journalists were at the root of it. He is a good man, very amicable. Babangida and Gowan were both good men. (Ø)

The President: Gowan has been gone for a long time. He went to London, didn't he? (Ø)

President Eyadema: Yes. We put ECOWAS together. (Ø)

The President: Does he want to return someday? (U)

President Eyadema: Babangida gave him an amnesty. (U)

The President: Do we have any bilateral issues? (U)

President Eyadema: I wanted to hand over this paper. (U)

The President: How is your economy doing? (U)

President Eyadema: Since 1982, we have not had much growth. It is a question of the drop in basic commodity prices. We have had to take measure, salary freezes, waive taxes on farmers, etc. (U)

The President: Do you have good relations with the IMF? (Ø)

President Eyadema: We are one of their best students! (U)

The President: It is not without pain. Do you want to hear about my budget problems? (U)

-- End of Conversation --

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6512 ADD On

THE WHITE HOUSE

WASHINGTON

MEMCON

MEMORANDUM OF CONVERSATION

SUBJECT: The President's Meeting with Sheikh Sabah al-Sabah of Kuwait

PARTICIPANTS: The President
Secretary Baker
Governor Sununu
Brent Scowcroft
Marlin Fitzwater
Richard Haass
Edward Gnehm, Jr.
Sandra Charles

Not H.S.

Deputy Prime Minister Sheikh Sabah al-Sabah
Sheikh Abdul Wahhab Al-Fawzan, Minister of Health
Ambassador Saud Nasser al-Sabah

DATE, TIME AND PLACE: August 14, 1990, 5:00 - 5:20 p.m. EST
The Oval Office

Sheikh Sabah: The Amir sent you a message that he is ready to help in any way. He thanks you and all the people of the United States for standing with us. (~~C~~)

The President: You have strong support from us to assist in getting Saddam Hussein out of Kuwait and the rightful rulers restored. I don't know if one way is better than another frankly. That was what her hypothetical question was about. The answer is he goes back and takes his forces out, and the rightful government takes its place. The proposal that Saddam made is to shift the emphasis from his aggression and is not really a proposal at all. It can't be linked, it's a crazy proposal. If we saw any basis we would be willing to make a proposal, but we didn't see anything positive in it. He was clearly trying to divert attention away from his aggression and stir up people against Kuwait and the United States. (~~C~~)

Sheikh Sabah: Everyone in Kuwait is looking to U.S. help to be free. They will be happy to hear this from you again. I will take this message to the people of Kuwait. (~~C~~)

The President: They have had to put up with some bad stuff. Your Ambassador was here the other day telling us. (U)

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JL 8/21/09

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Sheikh Sabah: They have stolen gold from the market, and cars. Homes are being destroyed. The Crown Prince's home was burned. They attacked the palace. The Amir had five minutes to escape. (S)

The President: It's good fortune that he got away. Were you there? (S)

Sheikh Sabah: I was at the Ministry. The Kuwaitis came and forced me to leave in a helicopter. (S)

The President: Did they catch any ranking Kuwaiti officials? (S)

Sheikh Sabah: No. (U)

The President: Can I ask you a hypothetical question? What would he have done if Iraqi forces had captured a high official? Like the Amir or someone from the Foreign Ministry? Would they take him back to Baghdad or kill him? (S)

Sheikh Sabah: They almost caught me. Thank God, I got out. Still for your information all the soldiers are tired. They are trading their weapons for dishdashas and staying in Kuwait. They don't want to go back. (S)

Secretary Baker: The number of desertions is growing. (S)

Sheikh Sabah: They are thirsty and are not allowed to drink cokes. There is no national feeling. They are not allowed in the presidential area. They use a tank to patrol it. (S)

The President: Do the people back Saddam or do they have to because he is so ruthless? (S)

Sheikh Sabah: They can't say no. And it's become sad. You could see us helping Saddam for the last eight years. He is changing because he does not want to pay money. We didn't ask him to pay. He says we were stealing his oil. The Rumayllah oilfield is ninety percent inside Iraq. The territory we have is only ten percent. Our daily output is only 12,000 barrels. We used the field in 1976 even before the war. (S)

The President: He claims you are taking his oil? (S)

Sheikh Sabah: Stealing. (U)

The President: Well, I wish you well. There are lots of anxious families with sons and daughters over there. But it is the principle. We have to work with others to focus on the principle. Aggression of this nature can't go unpunished or rewarded. Kuwait needs to be free, Saddam needs to get out. There is no other answer. Frankly, I'd like to see the Iraqi people rise up against Saddam. But I don't see it happening. That would be the best way to get rid of him and get his troops out. But it's wishful thinking. (S)

Sheikh Sabah: The Amir sends you his respects. He thanks you for your interest. One thing I wanted to mention is that we would like to have weapons for our resistance. (S)

The President: We should be able to help on that. Let me get with our defense people. Will you see Secretary Cheney while you are here? (C)

Sheikh Sabah: Tomorrow. This would be part of our common defense effort. We need to go forward. We are looking for help for the Mirage and Skyhawks. (S)

Governor Sununu: You also need to continue radio communications into Iraq and Kuwait to keep the pressure on. (S)

Sheikh Sabah: They are jamming. We have broadcasts from Monte Carlo, London, Bahrain. It is easy to contact them now. We are trying to coordinate this. (S)

The President: Well, good luck to you and thanks. My respects to His Highness and the rest who are in Saudi Arabia. We are determined to continue to assist in every way we can. I am glad others have pitched in strongly. I know this has been a hard time for your family. (C)

Sheikh Sabah: Yes. I now will go to London, Paris, Moscow, China and Tokyo. (C)

The President: That's a big trip. My best to you, sir. (U)

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
20. Memcon	Re: The President's Meeting with Foreign Minister Yusuf bin Alawi of Oman (5 pp.)	8/28/90	(b)(1)	S

Collection:

Document Partially Declassified
(Copy of Document Follows)
By CSA (NLGB) on 10/6/10

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/5/90 - 9/24/90

Date Closed:	1/27/2009	**OA/ID Number:**	91108-001
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:	2000-0429-F(225)	**MR Case #:**	
AR Disposition:	Released in Part	**MR Disposition:**	
AR Disposition Date:	8/21/2009	**MR Disposition Date:**	

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MEMORANDUM OF CONVERSATION

SUBJECT: The President's Meeting with Foreign Minister Yusuf bin Alawi of Oman (U)

PARTICIPANTS: The President
The Vice President
Brent Scowcroft
Robert Gates
DAS Jock Covey, State
Sandra Charles, NSC

Not U.S.

Foreign Minister Yusuf bin Alawi
Ambassador Shanfari

DATE, TIME AND PLACE: August 28, 1990, 4:45 - 5:15 p.m. EST
The Oval Office

The President and Foreign Minister Alawi began their discussion after a brief press interview. (U)

The President: Well, she asked a very good question. And your statement was excellent. Is there any chance of his complying? Thus far negotiations aren't leading to anything. Unless there is a total Iraqi withdrawal on the basis of the UN resolutions, it will otherwise be for naught. I would like to hear your views however. (S)

Minister Alawi: First, His Majesty sends you his greetings. He wants to express his appreciation for the U.S. stand in the crisis. It not only is a threat to Kuwait but to the whole area. There has been stability in the region for the last century or more. It will be dramatic if the policy of Saddam Hussein are allowed to go through and spoil this. If he succeeds, then four years from now there will be another move in another area. We all of us, His Majesty, appreciate your and the United States' stand taken to make clear to all that it is not the time to play politics. It is over. We think Saddam, based on experience, while he feels the pressure, is not at his limits. When it is at a maximum, he will retreat. (S)

The President: You mean economic? (U)

Minister Alawi: All kinds. He is not much concerned economically but about others more. Economically, Iraq can absorb this over time. It won't make him feel serious enough to reverse his course. (S)

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The President: What about military action? (S)

Minister Alawi: This is the only way to see him get out. (S)

The President: Then the question is, with the United States there, and recognizing that there is lots of fire power, does it give others in the Arab world pause? Because they can't be with the United States so they must be with Saddam Hussein. Then that makes it Arabs versus the US, not the world against him which is what it is. If we use military force, even if we were provoked -- but I must tell you if he took Saudi Arabia, we would win. (S)

Minister Alawi: But you won't use force if not provoked. But if he is allowed to take Kuwait, then 5 or 10 years from now he will take something else. (S)

The President: You're right. How do you get military action going? If sanctions don't work, then what? Where do you go? We have been discussing this at length. (S)

Minister Alawi: (b)(1) (b)(1) Those two add no credibility to the status of Iraq in public or in private. No one is suggesting war should be declared. There are other ways to make use of the military. You discussed this in your conversation with His Majesty. You heard His Majesty's views. He also conveyed President Rafsanjani's views. After your conversation with His Majesty, I went to Tehran and had two sessions with Rafsanjani. He does not support Saddam. Some have asked them to join the pressure against Saddam to corner him. He talked about the possibility then of joining the military blockade. He said he might be willing but... (S)

The President: On sea or land? (S)

Minister Alawi: On the sea, but requested that they need to prepare for such a move. When he got the news that Saddam had accepted the 1975 accord, it did not make him change his view. He said that Arab and Iran relations are different from Iran/Iraq relations. His confidence and position were reflected in his speech on friday. He again agreed that it was necessary for foreign troops to push Iraq out of Kuwait. I told him that the real issue was US-Iran relations. I informed him of the themes of His Majesty and your conversation. He was very interested. The President is openminded to any ideas and proposals. He would like to put the past behind and work out the future. He had nothing to ask from the United States except that you look at Iranian affairs differently now. There was a reference to assets as well as arms in the United States which they own. (S)

The President: They paid for some but they were not released. (S)

Minister Alawi: They are still in warehouses. (C)

The President: Yes, but that is clearly tied with the hostages. Can they do something there? (S)

Minister Alawi: I told him that it was all tied up in the hostage issue. He is committed to do his best to free the hostages but wants Israel to release five from Lebanon so he can work the release of the hostages with the Lebanese groups. I said Israel will then ask for their two or three soldiers. I asked him whether he was prepared to help with these Israeli soldiers and he said he was. But they don't know if they are there or not. But without these Lebanese released by Israel he said it would be hard for him to go about this. He needs to make a quick move. He said to tell President Bush now is the right time to finalize this. (S)

The President: Is it? We had a message from the other side that said it was not as good. They didn't think this was the right time. It was Ozal. The Turks got the feeling that first in particular they were not going to sell out to Iraq. There was a deal working and the prince was not Iran joining Iraq. He wants to see Saddam out of Kuwait. But he was not sure this was the time for improved relations with us. Apparently, he is under fire from Montashemi. He's a wild man. He makes a moderate statement and then he gets condemned for it. But I am very interested in your remarks. (S)

Minister Alawi: I asked him about that. He said he knows there is a feeling here that he does not have a free hand because of the radicals. He thinks we know this from information from Iranians from the outside who are anti-regime. He told me if we decide as a government, then we go. We have these people in the Majlis, we pay them lipservice. When it serves us, we do it. I was one of the few who talked to Rafsanjani in the Khomeini period. He is strong enough then to form a foreign policy. They are ruling by troika. The President, Khameini and the Speaker of the Parliament. There is political coordination between them. The other two were appointed by Rafsanjani. He appointed Khameini after the death of Khomeini. (S)

The President: Can Rafsanjani put him out? like if they were to fight? (C)

Minister Alawi: Yes. There is no doubt in my mind he will keep the three powers in hand. (C)

The President: Did he mention that we were making progress on the claims because we have? (C)

Minister Alawi: Yes. (U)

General Scowcroft: We have settled most of them, but not the military ones. (C)

The President: We have a problem with sending arms to Iran whether they are paid for or not. It would be a contradiction. They were sold to different folks who were friendly. (S)

Minister Alawi: But today things are different. (S)

The President: Right. We will look at it. They have changed. And there has been an intervening event. (S)

Minister Alawi: This will need to be finalized one day. There should be consideration to build a power balance between Iraq and Iran. People believe that Kuwait happened because of the power imbalance. You gave Iraq access to arms and intelligence for a time and kept Iran away. Now, whatever happens in the crisis, we must rebuild the balance. There are two choices. We can't form a power balance to Iran and Iraq. It is impossible for the GCC even together. And we can't rely on Egypt because of its economic problems. So there are two choices: to keep the west in the Arabian Peninsula for an indefinite time or find ways to balance these two nations, not in a superpower way, but as in the past by keeping them watching each other. His Majesty feels we must find ways to take Iran on board and get them involved. How is the question. We don't know. Now Rafsanjani has offered military assistance to small countries like Bahrain. (b)(1)

(b)(1)

The President: What about a deal with Iraq? Is there no quid if they stay out? (S)

Minister Alawi: No. Iraq demanded that they forget in the resolution on compensation and the investigation and banishment of the aggressor. There was no deal. Negotiations are going on but nothing was expressed by Iraq to Iran. Iranians don't trust Saddam Hussein. Whatever he proposes, they won't take seriously. But Iran will see how the crisis goes; if they think Saddam might make it, then maybe they will work with him. Now they are not interested in anything with him. (S)

The President: I appreciate this message very much. It has given us food for thought. Some day we will have improved relations. It was right for you to raise the hostages with him. That is the sine qua non, it is essential. Given the changes in their belligerent status, maybe there is an opening. (S)

Minister Alawi: What is the status of the airbus compensation? (S)

Mr. Gates: We are waiting for some information from them. (U)

Minister Alawi: They said you have more spares and other items in warehouses. They would like to purchase some things. The figure they mentioned was $1 billion for parts procurement. He is willing to buy these things and to pay cash for them. (S)

The President: You are seeing Secretary Baker. I would like you to spend time with him on His Majesty's and your views on the concept of how united we can get Saddam out of Kuwait. We have different views on it. We worry about lingering. If there is no decision, if nothing happens, there may be an opportunity for him to gain mob support. We don't want him to get the chance. Some people mention having elections in Kuwait. That is a nonstarter. It falls short of the UN resolution. The status quo unfortunately creates ideas like this. We need to stay together on our objectives to achieve them. Please convey my respects and thanks to His Majesty. I know he felt there was a chance to have Iran back in the happy family of nations. Maybe that time is at hand. (S)

Minister Alawi: There is a lobbyist for Saddam in Tehran. He is riding on Islamic tradition. He is trying to make himself into another Khomeini. But they won't listen because the wind in Iran is not to forgive. (S)

The President: They lost a lot of lives, a lot of children on both sides. I have not forgotten my memorable visit to your country. (C)

Minister Alawi: His Majesty hopes you will come again at an appropriate time. (C)

-- End of Conversation --

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WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Oskar Lafontaine, Chancellor-Candidate of the Social Democratic Party of Germany (U)

PARTICIPANTS:
The President
The Vice President
Robert Kimmitt, Acting Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President and Deputy for National Security Affairs
Robert L. Hutchings, Director for European Political Affairs
James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs
Gisela Marcuse, Interpreter

Oskar Lafontaine, Social Democratic Party Chancellor-Candidate and Minister-President of the Saarland
Horst Ehmke, SPD Security Advisor
Dietrich Stobbe, SPD Bundestag Member
Hans Eichel, Chairman of the SPD in Hesse
Gerd Wagner, Interpreter

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2000-0429-F
JR 8/21/09

DATE, TIME AND PLACE: September 7, 1990, 11:45 a.m. - 12:25 p.m.
The Oval Office

The President: Welcome. We are pleased to have you here. We want to conduct ourselves in such a way that our friendship goes on. I feel our relations are very strong. We have tried not only to understand, but also to be out front of, the German people's aspirations. We have also tried to meet the concerns of Germans regarding host country problems. I want to tell you, as a major leader in Germany, from our standpoint our relations are strong and will be in the future. It will continue being essential in the new world that the U.S. and Germany are on the same wavelength on economic issues and foreign policy. I believe that across party lines there is agreement on the basic issues. I hope you will agree. (Ø)

Minister-President Lafontaine: Thank you. I appreciate your setting aside this time, knowing how busy you are. We have now good cooperation with the U.S., especially concerning unification. We are very grateful for that. Now that discussions are moving forward, I would like to talk about the problems of unification. (Ø)

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The President: Yes. I am very interested in your views. (U)

Minister-President Lafontaine: There is a big discussion regarding the socio-economic development in Germany. We now have a deficit of $100 billion Deutsche Marks for the year, which we will have to spend for East Germany. There are also the costs for the withdrawal of Soviet troops. So if there is talk of burden-sharing, you should know we have big problems. Your Congress, where I have had meetings, refers to Japan and Germany, but there are big differences, because we have these economic problems. (Ø)

The President: The average Congressman does not know, but the equation occurs because of the Constitutional constraints on military action. So understanding these Constitutional constraints, it is almost natural that some would argue that Germany, a big, rich country, should pay more money. So there you have another problem on top of unification. I do think the discussions you had with the Congress are very important. There may be more understanding than you think. (Ø)

Minister-President Lafontaine: I talked with Mr. Kohl and said that we Social Democrats will talk, but only after unification, about changing our Constitution. (U)

The President: We understand and appreciate your position. Are there differences among the parties on this issue? (Ø)

Minister-President Lafontaine: Not big ones. I told the Chancellor we will talk, but after unification. (U)

The President: I ought to be careful in what I say, but I don't think there is external pressure on Germany to militarize. It would be nice if Germany could do more. We certainly don't want this crisis to be the U.S. versus Iraq. We are taking some hits on that. Let me put it this way: the more solid support we have, the better. But I don't think there are anti-German views around the U.S. because of your Constitutional constraints. The numbers you described are staggering. But this issue won't undermine U.S.-German relations. We have been through too much together. (Ø)

Minister-President Lafontaine: There is a broad consensus in Germany to help the U.S. in the Gulf. The question is only how. There is no problem with international support. Through the EC we are providing help to Turkey, Jordan, and Egypt. It is also very important to remain within the framework of the UN. Your policy has been very important. (Ø)

The President: Have you established how many Germans are still in Kuwait and Iraq against their will? (U)

Minister-President Lafontaine: There are around 200 in Iraq and 300 in Kuwait. Now that children and women have been let out, there are altogether around 650. (U)

The President: It is important that we all stay together on the Embassy situation, because we are all in the same boat. I appreciate what you said about internationalization. It is important on issues like the Embassies that we stay close together. I'll continue working as much as possible to keep the issue internationalized. There is one special motive. Saddam Hussein says it is him against the U.S. We say, wait, it is everyone against him. So the closer we stay together, the better -- for humanity, it's better. (Ø)

Minister-President Lafontaine: It is also important to have support from the Arab states. (U)

The President: Yes, terribly important. (U)

Minister President Lafontaine: I have a letter from Mr. Wischnewski, who has proposals for handling the crisis. He was prepared to go to Baghdad, but we feared a deal like Waldheim's and said no. [Horst Ehmke hands the letter to Brent Scowcroft.] (Ø)

The President: Are there good ideas there? (U)

Horst Ehmke: Very good. He is a Middle East hand and knows the area well. (Ø)

The President: What your leader said is very important. It is an irony that most Arab countries support our position, but Saddam Hussein keeps repeating the canard. He attacked Mubarak and Fahd and has mounted a real propaganda campaign. His spokesman wears this fancy hanky, and I think Marlin feels inadequate. But I don't think that guy makes much progress. (Ø)

I have good relations with Mubarak, as many of you do. His wife was here yesterday -- Barbara loves her -- and she was pessimistic. She said he has tried so hard to work his way back into Arab leadership. Suzanne says he is worried that this may be the death knell of Arab unity. (Ø)

Mr. Kimmitt: Saddam Hussein did not want Mubarak to assume leadership. That is one reason he wanted to foment problems in the Arab League. Arab unity against Saddam Hussein has been good so far, but it will be hard to maintain. (Ø)

The President: I hope it is maintained. I'm a little disappointed with Tunisia, but please don't repeat that comment. As for Hussein, I well understand his difficulties. (Ø)

Horst Ehmke: As for Tunisia, the Iraqis have promised them everything they want. (Ø)

The President: Saddam had better be careful. He's promising a lot. Of course he's trying to bring Gadhafi in, but he is reverting to form. I tell Mubarak that he shouldn't let Gadhafi get into his wallet. Ben Ali is a good man, but he has problems

with his radicals. (Ø)

Horst Ehmke: One important question is your future relations with the PLO. (Ø)

The President: We were doing all the right things, then came that crazy incident. They knew we would have to respond. Since then the PLO has moved to the left to shore up relations with the radical Arabs. I think it has hurt him. (Ø)

Minister-President Lafontaine: I would be very interested to hear about your meeting with Gorbachev. (Ø)

The President: I will be glad to tell you about it. I was just talking to Brent Scowcroft. I think it will go well. It is more important for Gorbachev, but it is also important for us that Gorbachev is in step with the actions of the West on the question of Saddam Hussein. It is difficult for him, because of their historic relations. He has been very good, though. I thought for a while they were dragging their feet at the UN, but they did come around. But we recognize that they have problems. (Ø)

At our meeting I hope a couple of things will happen. First, I know this will not happen: there will be no U.S.-Soviet special agreement. That won't happen. My mission, on behalf of the West and everyone, is that we've got to stay together on the sanctions. Gorbachev is worried about the use of force. We are not going recklessly to use force, but we cannot allow acts against our "allies" -- I am using the term in the broad sense. I will assure Gorbachev we are not going in to use our muscle, but he should understand that we should all be in this together. I know he has problems. We've got problems, you've got problems, but compared to the Soviet Union none of us has problems. I think we have a real opportunity to come out -- without elevating the U.S.-Soviet role -- with solidarity and to move him further into solidarity. (Ø)

There are other things we will discuss. On arms control, we want to move forward to a CFE agreement, so that we can have a CSCE Summit in Paris in November. Gorbachev, like me, doesn't know all the details, but we can get our negotiators to get going. I can talk about NATO's decisions, which he should interpret as meaning that no longer should we be seen as a threat -- neither Germany, the U.S., nor the collective entity, NATO. (Ø)

So if we can come out of this meeting with Soviet support, not for the U.S. but for what the UN has done, it will be a positive result. (U)

Minister-President Lafontaine: He also needs help economically. (U)

The President: I have talked with Chancellor Kohl about this. We have some differences, and you are probably farther along than either of us. Our view is that reform is needed before Western assistance would have any real impact. We are prepared to extend

humanitarian help, but otherwise the next step has to be economic reform. (Ø)

Minister-President Lafontaine: Will you offer bread? (Ø)

The President: Gorbachev has said that bread is available. That is not the problem. The problem is their distribution system. In that area they need immediate help, as well as in the extraction of minerals. Gorbachev told me he was grateful that U.S. oil firms are getting involved. It's the old line: instead of giving them fish, show them how to fish. (Ø)

Minister-President Lafontaine: There is a problem also in relations between Germany and the Eastern countries. We are devoting $100 billion to the GDR, but much less to Poland and the others. We need to create a better economic balance between West and East. (Ø)

The President: That's a good point. I will say that you have done a good job of laying to rest doubts stemming from history. I think Germany has handled this very well. But I am not arguing against your point. (Ø)

I hate to break off. I am delighted you came. This meeting is how countries with two parties -- or in your case a few more -- should operate. I want you to know you are always welcome here. (U)

Minister-President Lafontaine: Thank you very much. I hope to find in the future common solutions. (U)

The President: Thank you. No one here thinks we've got all the world's wisdom. On Iraq, we have had a wide array of consultations. It is very important to internationalize the issue and stress the UN role. (U)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Working Luncheon with President Mauno Koivisto of Finland (U)

PARTICIPANTS: The President
John Weinmann, U.S. Ambassador to Finland
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Condoleezza Rice, Special Assistant to the President for Soviet Affairs (Notetaker)

Mauno Koivisto, President
Jukka Valtasaari, Ambassador to the U.S.
Ake Wihtol, State Secretary
Jaakko Kalela, Secretary General, Office of the President
Jaakko Blomborg, Director General for Political Affairs

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JL 8/21/09

DATE, TIME AND PLACE: September 8, 1990, 12:20 - 1:00 pm
Presidential Palace, Helsinki Finland

Governor Sununu: We met with Sobchak - he told us how independent he is. (Ø)

President Koivisto: If Yeltsin gets power he will have to share with Sobchak. (Ø)

Governor Sununu: I think there is a will to come to a decision on economics but they will have to redefine a lot. (Ø)

President Koivisto: Yeltsin has said that he needs Gorbachev more than Gorbachev needs him. But I think Gorbachev needs him a lot. Yeltsin could pick up some of the high central bureaucracy and fire the others. (Ø)

Governor Sununu: They want to close down some Ministries. (Ø)

President Koivisto: The so-called Peoples Democracies of Eastern Europe have had an easier time - free market, private enterprise had been there. Hungary has tried to open the market for 20 years. The issue is what kind of benefits can you show to the people. They now associate wealth with "criminal activity." It is difficult for them to accept differentials. We have been

following what is happening there. One of our experts tried to put himself in their place. What is economically necessary is politically impossible. There is no official overall policy - they just react as things come along. (Ø)

Governor Sununu: If asked, do you want market economy, higher prices but with food on the shelves - people may want it? (Ø)

President Koivisto: People are not prepared to act. The situation is deteriorating. Inflation must be solved. Ryzkhov has pledged too many times that there will be no inflation. The national income is only 50% greater than the money in circulation. Population could live for a whole year without working. They are discussing without trying to solve fundamental problems. (Ø)

The President: What happened on the bread? Gorbachev told me people use loaves as footballs. (Ø)

President Koivisto: They have everything cheap but the problems of storing the harvest are severe. (Ø)

The President: Cigarettes are a serious problem too. (U)

President Koivisto: On the policy of Gorbachev - knew what happened with Khruschev. He knew he had to neutralize the bureaucracy. No one is loyally implementing measures. The Party did that. (Ø)

Governor Sununu: The Soviets are having to accept the wellbeing of their neighbor. (Ø)

President Koivisto: The other side - glasnost - has been much more successful, but people are not motivated and older people are just fed up. They are opening up the dark side of their history: Katyn Forest, Nicholas II and the family's death. They haven't said they attacked us but they have stopped saying that we attacked them. Volkogonov and some historians continue to say we provoked them. (Ø)

Ambassador Weinmann: When I visited a small village they said Sweden's border was there too - when Finland became an independent country they kept their Swedish based laws, etc., developed the national identity. (Ø)

President Koivisto: Molotov held discussions with the Baltic states - Minister of Foreign Affairs Molotov told the Lithuanians to change the government and to persecute them. This has been published in Mezhdunarodnaya Zhizu. (Ø)

President Koivisto: Discussions with the Balts have not yet really started. (U)

The President: They look resigned to working it out - I was worried for a while about bloodshed. (Ø)

President Koivisto: There are problems of minorities. Riga is very dependent on raw material from Russia - what they produce can be sold only to Russia. The northeast corner of Estonia is Russian - they want their independence. (C)

President Koivisto: It will be interesting to see what happens when Gorbachev goes to Japan. (C)

Ambassador Weinmann: Has Iraq had any effect on the Muslim population of the USSR? (C)

The President: Saddam is pretending the Moslems are on his side and it just isn't true. (C)

President Koivisto: There are huge resources in the Soviet Union but they are being consumed. Many problems of productive capacity have been neglected and the population growth in Russia is almost flat. The Baltic states could probably successfully get out. I discussed this with Gorbachev. I said one problem is overpopulation. If one subtracts India's population from China - it is the population of the Soviet Union. (C)

General Scowcroft: Are Finnish enterprises able to do business more easily now? (U)

President Koivisto: No, there is still a problem of payments. They are looking for a transition. We have been able to barter. They were able to pay us back because of the oil crisis. The Commission for Cooperation met and others are studying problems of convertability. Our enterprises are most interested. (C)

Ambassador Weinmann: What about Finland and the EC? (C)

President Koivisto: We are hopeful - but some in EC worry that we will have the benefits without the obligations. These are discussions of new members. (C)

General Scowcroft: The problem to let new members in is they worry about political cohesion. (C)

President Koivisto: This is not a problem for today - the Swiss have a problem. (C)

Ambassador Weinmann: Does Iraq's cancellation of debt payments affect you? (C)

President Koivisto: No. (U)

Governor Sununu: What is public opinion on the situation? (C)

President Koivisto: Most are not prepared to send Finnish troops. (C)

Mr. Blomberg: Fourteen Finns are seeking to leave. (C)

The President: With Finland on the Security Council, I am sure it attracts more support. (C)

President Koivisto: When I was Prime Minister - we had a flap with Iraq. (Ø)

Governor Sununu: It's very difficult for some Embassies - the French and the others.

President Koivisto: If one could find a solution to the Middle East - on the issue of airlift of Soviet Jews, there is a possibility of airlift through Helsinki - voluntary organizations are a little too eager.

Mr. Blomberg: One weekly El Al flight.

The President: We have a difference with Israel on the issue of the settlements. The Shamir government is very tough. We have some problems coming - we have to resist Saddam Hussein linking this all up with the West Bank. I don't want to see world opinion diffused as it becomes an Arab fight against Iraq.

General Scowcroft: Shevardnadze gave three parts at his press conference: Iraq-Kuwait, West Bank and Lebanon.

The President: Our answer to that is that we have a conference called the UN.

President Koivisto: The wrong people sometimes have wrong ideas and vice versa. It is very important who says something - and what he says.

The President: I've been disappointed in Arafat. He's gone so far over.

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Mikhail Gorbachev of the USSR (U)

PARTICIPANTS:

The President
James A. Baker, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Condoleezza Rice, Special Assistant to the President for Soviet Affairs, (Notetaker)
Interpreter:

Mikhail Gorbachev, President of USSR
Eduard Shevardnadze, Foreign Minister
E. Primakov, Member, Presidential Council
S.F. Akhromeyev, Advisor to the President
Aleksandr Bessmertnykh, Soviet Ambassador to the United States

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JL 8/21/09

DATE, TIME AND PLACE: September 9, 1990, 2:30 - 5:00pm
Presidential Palace, Helsinki Finland

President Bush: I thought we had a very good discussion this morning. I have taken on board seriously your views that a peaceful solution is needed. I understand there is a statement, which we need to discuss, that would be seen as an enormous success. I think we would then have exhausted the Persian Gulf discussion. If this is agreeable, let's move on. (S)

I'm not equipped to negotiate arms control now. As I said, we are very much committed and awaiting resolution. I'll go back and encourage our negotiators to get going. (S)

President Gorbachev: Now you are speaking of negotiators respectfully. (U)

President Bush: They should get it done; they're hung up on technicalities. I am open to hearing about the future of Europe. There is the IMF. We could talk about economic issues. We don't have an agenda. (S)

President Gorbachev: I want to greet my colleagues with whom we have worked with success. I want to support what the President has said - our colleagues and yours can take full note. The President and I think it is very important to make sure at this phase of mutual development that we act together, supported broadly by the UN. I recall in 1967, the evolution of crisis and comparing it to now. We are channeling our energies differently. We have barred the possibility of any further action on his [Saddam] part. We have adopted an embargo and protected oil resources. Based on those criteria, a lot has been accomplished. We can contemplate the next phase to make sure UN Resolution 660 is accomplished. We will have acted not from a position of weakness but of strength. There are some hot heads who have been hinting that we are acting from weakness. We have been able to discuss developments fruitfully and agreed to work together. I've said that as regards arms talks, it is possible to complete the talks and negotiations on CFE and START. The Foreign Ministers will have to work in a very substantive way. (S)

I have done some work on the Statement on page 1. There are some amendments that we would like to suggest: (S)

In para 1: "Iraq's illegal invasion": I want to omit illegal because yesterday he wanted to prove it was legal. The word invasion makes it entirely clear.

President Bush: "Illegal" strengthens it. (S)

President Gorbachev: I think he is trying to exploit the point - invasion is invasion. (S)

Even now in the resolutions being adopted in the UN the humanitarian aspect is being provided for. We should also take out "should be monitored." Saddam has said there is no pressing humanitarian need. We have agreed that it must be monitored, but we cannot describe everything. You have mentioned children; maybe we should reflect this. We could mention children, and that we want to resolve the crisis --" consistent with the UN Charter" --as soon as the objectives have been achieved. It is essential at this stage to work actively to resolve all conflicts. (S)

President Bush: That links the Palestinian question with Saddam's illegal act. I want to ask the Secretary of State to respond. (S)

Secretary Baker: Deletion of the word "illegal" is no big matter. If you want to, no problem. (S)

Minister Shevardnadze: Maybe "aggression" is better. (S)

Secretary Baker: The only fundamental difference is the issue of food. Let me skip and go to "our preference to resolve." There's no problem with a small change -- "determined to see it end" -- no problem. "Once the objectives mandated by UN 660-665 resolutions" have been achieved. (S)

President Bush: OK. (U)

General Scowcroft: "The resolutions listed above." (S)

President Gorbachev: OK. (U)

Secretary Baker: You suggest it is essential. The change would be to "is." I want to say that it is essential to work actively, to avoid future, present or past tense. (S)

President Gorbachev: OK. (U)

The paragraph on food is inconsistent with the UN Security Council's discussions. We need to add something about the children. "Control" is meant to make sure only those who are truly deserving. I would speak specifically of children. This doesn't change the essence. (S)

President Bush: Let me comment on a problem here. What we are doing is accepting the argument that the humanitarian clause needs to be enacted. We must be careful that we don't accept Saddam's view. If we now say that the Indians, etc., would send food and say that the humanitarian clause has been triggered. I accept that the UN has spoken, but my reservation is that I don't know that there are shortages. We are told that they have a good stock. (S)

Secretary Baker: Why not reference the UN resolution, and (1) provide for embargo exceptions in humanitarian conditions; (2) note the sanctions committee is in process of determining the meaning; and (3) that the US and USSR agree that monitoring is necessary, with priority to children. (S)

President Gorbachev: The idea of referring to the resolution is correct. It will show our humanism, but then you are saying US and USSR imports must be monitored to ensure that food reaches strictly those to whom it is destined. (S)

President Bush: We also need to have the right to put medicine in the same category. (S)

Secretary Baker: Let's have drafters work on it. We agree that commercial sales of food is not what is meant by humanitarian exception. (S)

President Gorbachev: Yes, indeed. (S)

President Bush: This statement will have a strong positive impact. (S)

President Gorbachev: Even reiterating our position will so do. (S)

President Bush: I understand President Reagan is coming soon. (U)

President Gorbachev: We have prepared for him. I will receive him. (U)

President Bush: He is a little older. I have great affection for him. (U)

I am interested in how we can be positive influence on your reforms. I would like to think that out of being together on the Iraq crisis that we can work together better. I wondered if that should be left for later when we helped formulate change in NATO. I wanted a signal to be seen, that east-west confrontation had given way to cooperation. The NATO meeting in London was enthusiastically approached. I hope it was read as a real change. What shall we talk about? Economic problems? (S)

President Gorbachev: OK. You are right that we, in the context of our reform, have reached the decisive phase. This explains all the debate and turmoil. We have been able to keep the turmoil within debate, which has sometimes been sharp. In some places there has been conflict. Still, overall, any global confrontation or civil conflict has been averted. In a country with our complicated history, structures are not simple. We are overloaded with problems. That we have avoided conflict is good. Now all is to be decided. It is understood that we must move toward a market. It will mean substantial changes. There is an understanding that to move, it is necessary to have a different situation. How do we get there? We must change property relations. There is a very difficult process of phasing out state property -- lease holds, cooperatives -- and selling off small and medium enterprises. It means privatization in many forms and a new motivation for individuals: peasants to own farms or family shops. In setting up shareholders, we create new participants in the market. We need to reform banks, create antimonopoly laws. Everything is ready; stock exchanges are being set up right now. We are approaching a complex society with a dislocated consumer market. It could result in a price explosion. There is now a sharp debate about whether we should raise prices in a centralized way. The government wants a centralized rise in prices. Shatalin wants price stabilization first, and then let the market set the prices. This means absorbing ruble overhang and adjusting incomes. This discussion is in the final stages. A decision will be given and the program of transition announced as of Oct. 1. (S)

President Bush: When you submit the plan to the Republics, do they have to act on it and pass laws? (S)

President Gorbachev: We must not just consult them, we need their consent. (S)

President Bush: How long a time frame do you envision? (S)

President Gorbachev: For stabilization, we need 3-5 months to stabilize the market to begin to release some prices in 1991-1992. The transition period will come only then, and it will be

long and hard. People worry about price inflation and unemployment. The whole of society must learn how to act; this may seem strange to you. We will need tremendous effort. Unpopular measures will be enacted, but we must hold the society together. But we cannot wait. If we do not act radically, it will be dangerous. Money will cease to work and barter will take over. There will be economic chaos with each collective working self-protectively. We must muster the will, and this is not a simple thing. The Russian Communist Party Congress shows there will be problems. We need also to have some sort of room for maneuver, to saturate the market with products, to make people feel that the change in prices will bring something to the consumer. A reduction in the money supply, an increase in production of consumer goods -- I hope Western countries can help with the specifics. We are speaking of a need for help. The numbers are not great, and we are not asking for grants, just loans that we will pay back with interest. The coming 3-5 months will be critical. Your position will be of great importance. I hope that when Baker comes to USSR he can discuss specifics, not just in terms of bilateral relations, but things that will have an effect on others. (S)

President Bush: There are certain areas where we can move forward. I touched briefly on energy cooperation; that could be done in the short range. We could free up some technologies that have been held up, like horizontal drilling. There we can move forward. I hope Shevardnadze can talk about what you need in the short-run. (S)

As you know, we don't have the cash for large economic assistance. I don't want to be under false colors, but the climate for cooperation is continuing. There is still some old thinking, but I think we are on common ground now. This statement will help, and I will refer to it. Maybe it will swing some heads. We are negotiating at Andrews Air Force Base, trying to figure out how to cut the budget. We have some constraints, but out of this new order we can find a way. (S)

Secretary Baker: It's important to clear away the legal underbrush. For example, if you can get your negotiators to engage meaningfully on the Kerensky Debt claims, we might be able to repeal Stevenson and Byrd. In terms of getting a Trade Agreement, we are watching your discussion on passage of emigration legislation. You need to get it approved; it will help give us some freedom to maneuver. (S)

President Gorbachev: We are about to pass new legislation on foreign investment. We intend to take the first steps to convert the ruble. (S)

Secretary Baker: We are also negotiating a Bilateral Investment Treaty. One of my assistant secretaries of State told me we are in a position to complete a draft for a later meeting. We would be in a better position to cooperate on loans and grants. (S)

Governor Sununu: There is big difficulty in encouraging private investment. They don't know who to negotiate with -- the Republics or the center. The uncertainty is the biggest problem. If you can make it clear, we'd be able to move more quickly. (S)

President Gorbachev: I believe we are on our way to -- we are reexamining -- major Union programs. We will send Union money to fund programs with the Republics. They can also cooperate between regions. All enterprises are able to have independent access to the market. We see vast opportunities; some partners have already found each other, particularly in conversion of defense complexes. I understand the process is well underway. The Soviet Union will not disappear, but we need production, etc. (S)

President Bush: Have you thought about gold backing of some instruments? You could raise a specific amount of money. (S)

President Gorbachev: There will be some new opportunities. We want the normal ruble to be gold backed too, and we will devalue it. This question was analyzed, and we must move toward convertability. Otherwise it will interfere with market reforms. Sound finances, a reliable ruble, and diversity of ownership will help. (S)

Secretary Baker: As you know, we are briefing businessmen. There is a great potential to further develop energy reserves. The US can make the technology. (S)

President Gorbachev: We can have very good cooperation in this area. (S)

Secretary Baker: Let's take it out of the U.S. realm, for example, if a French company wanted to risk its money, would the USSR grant concessions? (S)

President Gorbachev: I think there are some well considered proposals for the Tenpiz Oil fields involving an entire consortium with Chevron. All in all we must develop the oil, gas, and energy industry. We sustain great losses now. We listen to good proposals. (S)

Another subject which should be positively evaluated concerns laying a Euro-Asia communication channel based on fiber optics. The Japanese are interested in it. But we want to hear from you -- the US must look into everything agreed on. (S)

There are problems involving the US Administration and the Soviet Aviation Minister. (S)

General Scowcroft: I believe this concerns the development of a civil aircraft. (S)

Yes, the Soviet Union would provide the body, the US the engine, and the Israelis the avionics. (S)

President Bush: Another important area is energy. Cooperative development of hydrocarbons with other countries would beneficial. I understand ARCO is coming to your country. Companies are aware of the need to safeguard against appearance of "owning" the resources of the USSR. They are prepared to be flexible. (S)

President Gorbachev: Maslykov is in charge of this; he will work out all proposals. Perhaps you could talk with them. (S)

Secretary Baker: Companies are worried that the Republics will come back and say there is no deal. (S)

President Gorbachev: We understand. (S)

Shevardnadze: In Irkutsk we described long term projects. (S)

General Akhromeyev: The President of Texaco will make a report. He is working both with central organization and Russian Federation. (S)

Mr. Primakov: He raised the problem correctly. This document has to be dealt with in great detail. There is speculation at this time about why don't you get access to just some Republics, not to all Union Republics. The main recipient will be the central government. It is a much different matter to do it between enterprises. We are open to creation of markets, and the Union republics want to participate. But only those who produce goods should participate. But we should not forget the importance of the central government. (S)

President Gorbachev: We ask whether anyone asks what state General Motors belongs to. We are in the phase of passing declarations which people might have thought then alarming. Now we are tackling the economy, which demands the establishment of a unitarian state. Russia was particularly decisive, although they continue to thrust out statements. People are getting sober. This is now the foundation of an economy -- communications, information, finances, single currency, a single custom system -- there is no getting away from it. (S)

President Bush: I believe it would be helpful, strictly on trade, to have some state officials talk about how trade and taxation works. Would it be helpful for you? (S)

President Gorbachev: I think after a while it would be helpful. (S)

Primakov: Republic governors can receive them on a level of friendly bilateral exchange. (S)

President Bush: There are many people who understand what you're trying to do. Maybe this is for the near future. (S)

On regional subjects, I think we're close on Afghanistan and Cambodia. I feel like a mouse in a trap. I don't want the cheese just out of the trap. I want to ask Jim to say what we're thinking; I know Eduard and Jim have talked about it -- let's get them resolved. (S)

Secretary Baker: Recent developments hold more promise on Afghanistan, and we are closer to an agreement. On July 18, we said we would have a dialogue with Vietnam. The Perm 5 has a framework agreement, and we are fairly satisfied with it. We said we would begin with Phenm Phen, and you with Sihanouk. He has indicated he will attend. I am very hopeful that maybe we can find resolution. We would appreciate anything you can do to press on this matter. (S)

On Afghanistan, the question is one of the degree to which Najibullah would cede authority. We're getting closer. We need to revive the detailed proposals, but we're very close. One solution could be a temporary transfer authority, and then we could consider negative symmetry within that context. But we don't want a hostile government. (S)

President Bush: I know we can get them done. (S)

Shevardnadze: It is right that we should continue and work out the fundamentals like free elections, uninvolvement, presence of some organization in Cambodia, such as UN representatives there, etc. Five documents were agreed among the Perm 5 on the internal aspect. The Chinese are serious and changing, but internal contradictions remain. We and you could have been more active if it had not been for Iraq. But we are on a good track and making natural headway. There are some new elements, such as consenting to hold free elections under the sponsorship and rigorous control of the UN. We should set up a committee for holding elections and overseeing government and Presidential functions -- these should be turned over to that committee, including the army, militia, etc. I think in Moscow we can analyze it all. (S)

Also, the President received Najibullah -- the Afghans are showing greater flexibility. (S)

President Bush: Is UN election idea new? (S)

Shevardnadze: It would be just the way it was in Nicaragua. (S)

President Bush: And there would be observers? (S)

President Gorbachev: We think we should set up committee for that purpose. (S)

President Bush: Creating a UN presence in Cambodia could be expensive, perhaps $5 billion. (S)

General Scowcroft: May we should discuss what we will say at the press conference. (S)

Shevardnadze: A question is sure to be asked about the President's visit this year. (S)

President Gorbachev: Our position is that an agreement remains in effect to meet; we just need to speed up work. (S)

President Bush: We didn't put any conditions on our next visit. I will say I'm looking forward to it, hope to have a START agreement in place, we're hoping to do it this year, and that we discussed it. (S)

President Gorbachev: Your formula is acceptable. (S)

President Bush: I'll mention that there is no specific date, but that we want to do it, maybe at the end of this year or early next year. (S)

What questions, Marlin, should we be ready on? (S)

Marlin Fitzwater: The situation in Gulf and whether you made any new plans. (S)

President Bush: I would say we want a peaceful resolution, and that our statement speaks to our fundamental resolve. (S)

Marlin Fitzwater: A question may also arise on Soviet participation, troops in particular. (S)

President Bush: If economic assistance comes up, we can say that some businessmen are on the way. (S)

Secretary Baker: The use of force question may also come up. (S)

President Bush: The statement is very good; it deals with all of this. Who will read it? If you get Russian copies, we can do it in English. (U)

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Gilberto Guardia of the Panama Canal Commission (U)

PARTICIPANTS: The President
Brent Scowcroft, Assistant to the President for National Security Affairs
Bernard W. Aronson, Assistant Secretary of State for Inter-American Affairs
William T. Pryce, Senior Director for Latin American Affairs, NSC (Notetaker)

Robert W. Page, Assistant Secretary of the Army and Chairman of the Board of the Panama Canal Commission
Gilberto Guardia, Administrator
Raymond Laverty, Deputy Administrator
Billy Ford, Vice President of Panama

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JR 8/21/09

DATE, TIME AND PLACE: September 21, 1990, 11:50 a.m.-12:05 p.m. EST
The Oval Office

The President: I'm so glad to welcome my good friend Vice President Ford to the White House on the occasion. It is always good to see you, and I want to congratulate Mr. Guardia on assuming his important responsibilities. Any serious problems? (Ø)

Administrator Guardia: No. We have lost time in utilizing the reverted areas, and we are working on that. (Ø)

The President: Reverted areas? (Ø)

Vice President Ford: The areas that reverted to Panama under the Panama Canal Treaty. And we are making progress on that. (Ø)

The President: How are things at home? (Ø)

Vice President Ford: There are a few problems, but we have come to grips with the situation. All in all, I am pleased. I am worried that Gaitan escaped from the Papal Nuncio's residence. (Ø)

The President: He escaped? (Ø)

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Declassify on: OADR

Vice President Ford: Yes. He was the head of Noriega's security detail and had been in the Nunciatura, and evidently he just left. (Ø)

The President: Do they have lookouts for him? (Ø)

Vice President Ford: Yes. He is a dangerous person. (Ø)

The President: Are you satisfied with the way the police force is shaping up? (Ø)

Vice President Ford: Yes. There are no serious problems. (Ø)

The President: And the economy -- is it starting to move? (Ø)

Vice President Ford: Yes. (U)

The President: I wish I could say the same! (Ø)

Vice President Ford: The budget now has an excess of $150 million. We are moving in the right direction. (Ø)

The President: I recently asked for a report on Panama. I am a little embarrassed that it has taken so long for our aid to start moving. (Ø)

Vice President Ford: We have had some problems with our Congress too! (Ø)

General Scowcroft: We could say there have been problems on both sides. (Ø)

The President: What is the sentiment on Noriega? Oh, that's right, Arias Calderon is in charge of security. (Ø)

Vice President Ford: Yes. The situation is pretty well cleared up. There were stories of support for Noriega, but they were greatly exaggerated. (Ø)

Mr. Page: There were stories of guerillas out in the interior and plans to support a return of Noriega, but we have checked these out and they turned out not to be correct. We have not found any significant guerilla support for Noriega. (Ø)

The President: I understand that General Thurman was at the swearing in ceremony and that he is looking well. He has a tremendously positive attitude which will help him overcome his illness. Is General Cisneros still there? (Ø)

Mr. Page: No. He has left and is now at Ft. Hood. (Ø)

The President: He did a good job. General Thurman is so dedicated and hard driving. I remember a joke when he said that when he was asked why he never married, he replied that if the Army had wanted him to have a wife, they would have issued him one! (Ø)

I am very glad to have had the opportunity to meet with you and wish you well in the tasks that lie ahead. We will do what we can to help if bilateral problems arise. It was so good to meet you! (C)

-- End of Conversation --

THE WHITE HOUSE
WASHINGTON

~~SECRET~~ 7610

MEMORANDUM OF CONVERSATION

SUBJECT: Plenary Meeting with President F.W. de Klerk of South Africa (U)

PARTICIPANTS:
The President
James A. Baker, III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert M. Gates, Assistant to the President, and Deputy for National Security Affairs
Robert Kimmitt, Under Secretary of State for Political Affairs
Herman J. Cohen, Assistant Secretary of State for African Affairs
William L. Swing, U.S. Ambassador to South Africa
David C. Miller, Jr. Special Assistant to the President and Senior Director for African Affairs
Robert C. Frasure, Director for African Affairs, NSC (notetaker)

Frederik W. (F.W.) de Klerk, President
Roelof F. (Pik) Botha, Foreign Minister
Pieter Koornhof, South African Ambassador to the U.S.
Neil P. van Heerden, Director-General of Foreign Affairs
Lukas D. Bernard, Director-General, National Intelligence Service
Johannes P. Roux, Director-General, Office of the State President
Derek W. Auret, Chief Director, Department of Foreign Affairs
Andre Kilian, Director, Department of Foreign Affairs

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0429-F
JR 8/21/09

DATE, TIME AND PLACE: September 24, 1990, 11:35 a.m. - 12:10 p.m.
The Cabinet Room

The President and President de Klerk met with their senior staffs in the Cabinet Room and proceeded thereafter to the Old Family Dining Room for a working luncheon. (U)

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Declassify on: OADR

The President: I want to start by saying how pleased we are to have President de Klerk here. This is an important visit. I have great respect for what the President is trying to do. I have no hesitancy in saying that. There are some out there protesting but don't be deterred by that. I live in the White House and see that every day. (U)

You are welcome here. (U)

People sense the changes in South Africa. I want to be a part of that. I want to stay out of the way but if you need help, let me know. You have my telephone numbers. It's a new era. I talked to you both before and after the Mandela meeting. (~~C~~)

President de Klerk: Thank you very much. I would like to say how much we appreciate the warmth and the logistics of the visit. I appreciate the status of the visit. It will have a very positive effect in South Africa. The U.S. will be seen to be sympathetic to the process. (~~C~~)

I want to reiterate to you we recognize your courage in the Gulf crisis. We support you. (~~C~~)

We used our time together as an opportunity to get across a true picture of the process and the problems. Maybe we could concentrate now for moment on the regional role. Mozambique is struggling to get on its feet. Angola has internal strife. I just saw Savimbi and he is positively inclined. He is insisting on some form of recognition. He is prepared to talk about a truce. I concluded that if it is handled correctly, a breakthrough is possible. There is a great concern on Savimbi's part about the bona fides of Dos Santos. (~~C~~)

Returning to South Africa, the problem is not to find a constitution, but to get consensus on what the corner stones should be. An example is the economic issue. The ANC, the PAC, and the trade unions must be moved away from socialism. We in South Africa share the problems of Africa; poverty, illiteracy, and urbanization. We need to create a half million jobs a year. A 5.5% growth rate is needed. A new school is built every day. A one billion dollar fund has been set up separately as a way of uplifting our Third World people. (~~C~~)

If we are to succeed, we need a broad consensus on the economic foundation. It is not the heritage of apartheid. We are part of Africa. The time has arrived for a reevaluation of the situation in South Africa, in southern Africa. If the downfall comes, it will be caused by rising expectations. (~~C~~)

The President: This is fascinating. When will the Front Line countries who know what is happening in South Africa be publicly able to encourage others to have more commerce with South Africa? When can a Kaunda or someone say, "The situation is clear, this is the time to move ahead." (C)

President de Klerk: It is not easily done without Mandela. Already their trade with us is growing. But the rhetoric is still there. (C)

Foreign Minister Botha: They have always insisted that sanctions are not for them. (C)

The President: Because they cannot afford to do it? (C)

Foreign Minister Botha: In Madagascar they told us not to create a black majority government. Chissano says to us he is against sanctions. Only Mugabe still displays hostility on our Marshall Plan for the region for the eleven states. He is holding back. Kaunda took the lead in their last meeting. (C)

The President: Thank you. That is most interesting. Mugabe started being pretty forthcoming toward us. But then he pulled back. (C)

President de Klerk: The Front Line States will be influenced by international reactions. I'm aware of your impediments, of your legislation. Europe can take the lead on this. (C)

The President: Jim Baker is going to go into the details of this. We do want to move forward. We want to find a way to facilitate things. (S)

Secretary Baker: We are still fighting efforts to reinterpret things. We will say we cannot move the goalposts. (C)

President de Klerk: We appreciate that. (C)

The President: Some groups still want to punish South Africa. But basic public opinion in this country is moving on this. I took some flak on calling for a peaceful solution with Mandela. Jesse Jackson jumped on me. But Mandela talked about that when he went back to South Africa. There is not much guts anymore in the movement to rachet down South Africa. The tone is much better now. (S)

President de Klerk: I think the basic crisis for American opinion makers is that they have been supporting for decades those who were deprived. The door is now open. We are talking about equal opportunity now. What do these movements believe in?

That is now the question. ANC policies militate against your own economic values. Mandela is moving but it is hard. What do they believe in? They must moderate their opinions. (C)

Foreign Minister Botha: The U.S. cannot agree with the ANC on anything. Qadhafi is their comrade in arms. They cannot even condemn Saddam Hussein on the Gulf. Mandela is tied up with things you don't believe in. (C)

The President: Castro is another one. (C)

Foreign Minister Botha: Mandela is going to visit him. Once we took the stand against apartheid, we were in step with you. (C)

President de Klerk: We are in step with America now. (C)

Secretary Baker: When Mandela was here we were interested in taking about the next steps. With whom will you be engaged? (C)

President de Klerk: Thank you for your help with them on the Constituent Assembly issue. They don't talk about that much anymore. Mandela wants the process to succeed. (C)

Mandela's main approach is that he sees it as us and them. Our approach is that the process must be fully representational with all leaders and groups involved. There is a debate now inside the ANC on a black election to produce legitimate leaders. When we raised it some months ago, it was seen as a racist move. Now it is a viable alternative. (C)

Another alternative which would be unnecessary if all of this works out would be a wise men group. I'm drawing them into a parallel situation for discussion. It would consist of homeland leaders, radicals, and others. It is possible at the right time to form a working group of all. (C)

We could get six or eight people together on how to take it further. (C)

We have also asked the law commission to do a study. At the right time it could come together. (C)

We are in an inbetween situation at the moment. (C)

The President: Can I suggest we walk over to the lunch now? (

President de Klerk: Yes. A final point. Mandela's Cuba visit was postponed because of the violence. (C)

-- End of Conversation --