Originally Processed With FOIA(s):
2009-0275-S

FOIA Number:
2009-0275-S

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the George Bush Presidential Library Staff.

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: Presidential Correspondence Files
Subseries: Presidential Memcons Files

OA/ID Number: 91109
Folder ID Number: 91109-001

Folder Title:
Presidential Meetings - Memorandum of Conversations 7/11/91 - 7/22/91

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	1	3

Withdrawal/Redaction Sheet
(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Memcon	Re: President Roh (5 pp.)	n.d.	(b)(1)	S
02. Memcon	Re: Meeting with Prime Minister Kaifu of Japan [FOIA exemptions redacted] (4 pp.)	7/11/91	(b)(1)	S
03. Memcon	Re: Meeting with Helmut Kohl, Chancellor of Germany on July 15, 1991 (5 pp.)	7/15/91	(b)(1)	S
04. Memcon	Re: Meeting with Giulio Andreotti, Prime Minister of Italy on July 15, 1991 (5 pp.)	7/15/91	(b)(1)	S
05. Memcon	Re: Meeting with Prime Minister Lubbers and EC President Delors on July 15, 1991 (5 pp.)	7/15/91	(b)(1)	S
06a. Memcon	Re: Opening Session of the London Economic Summit (11 pp.)	7/15/91	(b)(1)	S
06b. Memcon	Re: First Plenary, London Economic Summit (11 pp.)	7/16/91	(b)(1)	C
06c. Memcon	Re: Second Plenary, London Economic Summit (8 pp.)	7/16/91	(b)(1)	S
06d. Memcon	Re: Third Plenary, London Economic Summit (4 pp.)	7/17/91	(b)(1)	C
06e. Memcon	Re: G-7 Meeting with President Gorbachev (13 pp.)	7/17/91	(b)(1)	S

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 7/11/91 - 7/22/91

Pinksheet Number: cap926
OA/ID Number: 91109-001
Date Closed: 1/28/2009
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
06f. Handwritten Memcon Notes	Re: Opening Session (13 pp.)	7/15	(b)(1)	
07. Memcon	Re: President's Expanded Meeting with Prime Minister Mitsotakis of Greece (5 pp.)	7/18/91	(b)(1)	S
08. Memcon	Re: President's Meeting with Prime Minister Yilmaz of Turkey (4 pp.)	7/20/91	(b)(1)	C
09a. Memcon	Re: Meeting with Turgut Ozal, President of Turkey on July 20, 1991 (9 pp.)	7/20/91	(b)(1)	S
09b. Table	Re: Steering Group (1 pp.)	n.d.	(b)(1)	
10. Memcon	Re: President's Meeting with President Ozal of Turkey (6 pp.)	7/22/91	(b)(1)	S

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 7/11/91 - 7/22/91

Pinksheet Number: cap926
OA/ID Number: 91109-001
Date Closed: 1/28/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
01. Memcon	Re: President Roh (5 pp.)	n.d.	(b)(1)	S

Collection:

Document Partially Declassified
(Copy of Document Follows)
By [illegible] (NLGB) on 2/7/10

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/11/91 - 7/22/91

Date Closed:	1/28/2009	**OA/ID Number:**	91109-001
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(346)	**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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

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

President Roh: I hope for frank and candid exchange of views on the future, bilateral relations, etc. (U)

The President: We will discuss security things here, then go to the Cabinet Room. The floor is yours. (U)

President Roh: The Asia-Pacific region will be more important in the 21st century because economic output will be double that of Europe. There will be much trade increase between Korea and the U.S. If Japanese influence grows, U.S.-Japan relations must change. If and when the Soviet Union stabilizes, it will move into the region as well. China has the Middle Kingdom syndrome and when it stabilizes it will move in. I have mentioned three countries. If U.S. influence wanes, one of them may try to move in. Like previously, the Korean peninsula is a very strategic region. We are facing unification in the future but will do it in a way which doesn't hamper relations with others. Kim will soon pass from the scene and things will change. As for unification, we would like to press it peacefully with your support and with that of the other three in region. ~~(S)~~

BUSH PRESIDENTIAL LIBRARY
Pages 2 - 5 only
of #346

The President: When will that happen? (U)

President Roh: Could be before the end of the century. Unified, we have 70 million people, and can become equivalent to Germany, UK, and France. For this to happen we must preserve closest relations to the U.S. in all areas. Unification can be achieved with U.S. help and I hope the U.S.-Korea partnership can become like that of U.S.-Great Britain. We need the relationship to prevent one of the three from predominating. ~~(S)~~

The President: We intend to be vigorous participants in matters of the Pacific. My engagement with China now is because we want relations in the future. Relations with the Soviets is so that if they reform, they will not be a threat. We have good relations with Japan but have tensions due to trade. But we must and will stay engaged. The U.S.-Korea relationship will never be a pawn to any other relations. It will stand on its own feet. We will stay involved in defense affairs. ~~(S)~~

I am interested in your views on the nuclear issue. (U)

President Roh: The North Korea nuclear threat is a big problem -- not just for two of us but the whole world. Japan is pre-conditioning recognition on our conditions. North Korea is asking for UN membership and says it wants to join IAEA. But they are trying to link inspections to a nuclear free zone on the peninsula. We are respecting the U.S. policy of NCND but we will enter into negotiations with the North based on three conditions: 1) That the U.S. maintains its nuclear guarantee; 2) That the North accept full inspections; 3) That North Korea give up reprocessing. If they agree, we will enter into negotiations

with North Korea. But North Korea would like to negotiate directly with you, over our head. (S)

The President: They won't get that. Big thing is not to link U.S. presence with the illegal things they are doing. (S)

President Roh: It will be a difficult negotiation and we will consult with you. We may declare a non-nuclear policy of our own. Japan has three non-nuclear principles, we may have four: 1) A nuclear free world is a desirable goal; 2) Korea will be a peaceful user of nuclear energy; 3) Korea will not possess, use or have on its territory nuclear weapons; 4) Korea will support NPT. (S)

Just a couple of points -- for this room only: chemical weapons -- last May you proposed abolition of chemical weapons. I support that but we are concerned about North Korea chemical weapon capabilities. (S)

(b) (1)

The President: Should we go in with others? (U)

President Roh: One final thing. Last time I met Gorbachev he told me of his economic difficulties. He asked me who to trust. I said we should trust you and the American people. He agreed and said he would put his trust in you. He hoped Korea and the U.S. would jointly go into ventures in Siberia. (S)

The President: That is a way to go. We are prepared to do it as soon as he gets his economic house in order. (U)

The President then escorted President Roh into the Cabinet Room. (U)

The President: Welcome to the White House Mr. President. I see that you have your first team here. We should say to people on both sides what we discussed in the Oval Office. We had a chance to discuss issues of mutual concern, such as the North Korea nuclear question. I told the President we have every intention to maintain our commitment. We talked about the Soviet Union, China, and Japan. We will stay actively involved and keep on the road to peace. I think relations are in good shape. It's

fitting that this be a State visit. Now I would like to ask your side to make any comments on any topic of any kind. (U)

President Roh: Thank you very much, Mr. President. The United States is deeply involved in defense and international affairs, yet you offered to me an extended State visit. My thanks to you and the thanks of the Korean people. (U)

Thank you again Mr. President for your fine words of friendship and words on behalf of bilateral relations. I'd like to reiterate here our freedom and survival is assured through our blood-tested alliance with U.S. I understand Ambassador Gregg participated in the Korean War. Ambassador Gregg knows, during the Gulf war, we had a chance to send troops there. I wanted to go myself. (U)

The Korean people have a desire to achieve unification by the end of the century. When Korea unification is achieved, US-Korea relations will develop further and contribute to the development of Northeast Asia. (U)

I understand the many problems in the Asia Pacific area. But American ideals finally prompted change in Eastern Europe, the Soviet Union and other socialist countries and also led to victory in the Middle East. However, in the Asia Pacific region, we do not have a new international order yet. I will take this opportunity to urge that the President refrain from frequent trips to Europe and come to the Asia Pacific region. I strongly recommend, Mr. President, that you take time out to visit Korea this fall. If you cannot go, the Korean people will be disappointed. (U)

The President: Let me tell everyone in this room I am committed to the Asia Pacific region. Secretary Baker will go there this fall. We know about the trade flows, we appreciate the region. Thank you for the invitation, I hope we can accept. (U)

President Roh: I've taken your busy time. If any of my ministers have something to raise, do so now. (U)

Minister Lee: Concerning the APEC process. We are working hard to make progress. In APEC, we have the issue of three Chinas; I can report we are making progress. We look forward to seeing Secretary Baker at APEC. (U)

The President: That's right, he'll be there. Second, in addition, we are having a big fight in Congress on China MFN. This is very important because if we get isolated from China it will not help anyone. (U)

On the three Chinas, if Congress prevails and we knock off MFN, then the first to lose will be Hong Kong. So when you are talking trade between the U.S. and Korea in this country, which I'm sure you will, any favorable comment, if you agree, on US-China MFN would be appreciated. ~~(C)~~

I know you're talking to Secretaries Brady and Mosbacher on trade. We strongly urge working together on trade liberalization and toward successful conclusion of the Uruguay Round. It's absolutely essential to me. This means liberalization, unrestricted access and solving the agricultural questions. I know this is difficult for you but we've got to find a solution, otherwise the world trade situation will be set back terribly. We will work with you. We've made some progress with bilateral differences. We've got to keep working to break down bilateral problems in trade. (U)

President Roh: I understand as for economic issues, Korea will continue discipline on this point, even though our bilateral trade has been in our favor in the past, but recently is in favor of U.S. We value highly American efforts for stabilizing the growth of the world economy. We will contribute our share to the world economy. As you are aware, the free trade system is my firm belief and I strongly support it. In terms of liberalization and internationalization of our economy, you are aware of our steps, but I will make efforts to try and speed it up. Pertaining to the Uruguay Round and support of free trade system, of course we received your excellency's personal letter and we will do our very best. (U)

The President: I know you'll certainly try, and I know the ministers will. As for your invitation, we are trying to organize a visit to Asia later this year. If Congress goes home when they should, and if there is no massive conflagration here at home, that's what I want to do. I'm grateful to you for inviting me back. I know various ministers have to go to meetings, and I know Secretary Baker must go to welcome them. We need time to freshen up. So prepare to adjourn this meeting and meet later this afternoon. (U)

I didn't mean to neglect defense. We did discuss the common defense and the Soviet Union in Oval Office. There are no differences between White House and DOD. Secretary Cheney knows this is very important and understands where we stand on this. (U)

President Roh: I believe today's meeting was not only historical, but also a good contribution to new world order. I am very pleased and glad we could exchange views. I hope and believe we will succeed in the new world order. I wish you success in G-7. I wish to reconfirm you're coming to Korea. (U)

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
02. Memcon	Re: Meeting with Prime Minister Kaifu of Japan [FOIA exemptions redacted] (4 pp.)	7/11/91	(b)(1)	S

Collection:

Document Partially Declassified
(Copy of Document Follows)
By SCS on 10/14/14

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/11/91 - 7/22/91

Date Closed:	1/28/2009	**OA/ID Number:**	91109-001
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	2009-0644-MR (501)
AR Disposition:		**MR Disposition:**	Released in Part
AR Disposition Date:		**MR Disposition Date:**	12/31/2013

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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

~~SECRET~~

4915 Add-on

GEORGE H.W. BUSH 501 PRESIDENTIAL LIBRARY

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Kaifu of Japan

PARTICIPANTS: The President
Brent Scowcroft, Assistant to the President for National Security Affairs
Frances Seeds, Interpreter

Prime Minister Toshiki Kaifu
Hisashi Owada, Deputy Minister of Foreign Affairs
Daisuke Matsunaga, Interpreter

DATE, TIME AND PLACE: July 11, 1991, 3:00 - 5:00pm EST
Walker's Point

The President: Here is my list of subjects I think we should cover. (U)

PM Kaifu: I would like to hear especially about the Soviet aid issue and there are several things I want to ask you. (C)

The President: Good. I will say a few words. The U.S. and Japan are the closest together on how we see the summit. I do not think we will be asked for a check, but if we are, we do not have one. Bessmertnykh and Moiseyev were here this morning and gave us a letter. You will get yours. We do not want to rebuff Gorbachev. But before there is real money, there must be real progress. We will support you on the Northern Islands. One last point: I would like this summit to be perceived as a success for John Major. That is basically the way we see this summit. (C)

PM Kaifu: I gave my ideas to you in writing. We are close together. I want to support the U.S. position. (b)(1)

(b)(1)

The President: Sure. Another thing, the EBRD. They are trying to increase the Soviet lending. (C)

(b)(1)

DECLASSIFIED IN PART
PER E.O. 13526
2009-0644-MR
SCS 12/31/13

~~SECRET~~
Declassify on: OADR

The President: I will see Mitterrand Sunday. I would hope to convince him that the Bank should concentrate on, the focus should stay on Eastern Europe and not go wandering off. (C)

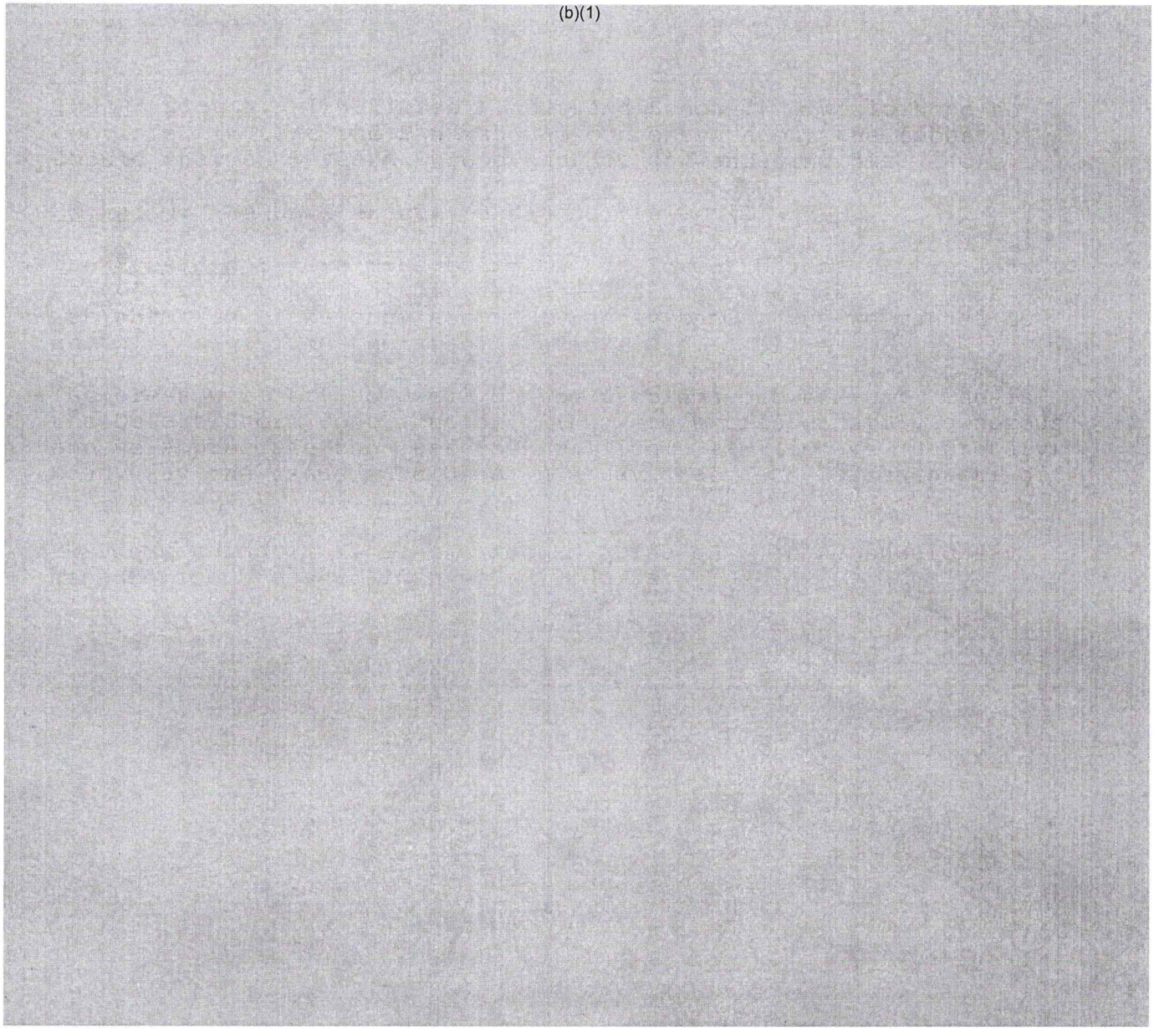
PM Kaifu: We have exactly the same view. (C)

The President: One more thing on the Soviet Union. It is good that Gorbachev and Yeltsin are now working together. We want to let them feel like they are in friendly hands, but we cannot do anything big, like the stabilization fund. (C)

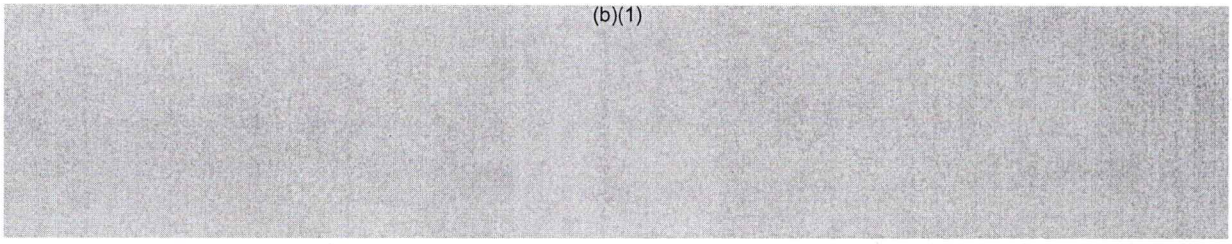
The press will try to dwell on the problems between us. One is the Desert Storm contribution. You were extraordinarily generous and we appreciate the last $500 million. I will have (Secretary) Brady say the issue is closed in a way that gets Rostenkowski off our back. (C)

The next thing is rice. We should agree on what we should say because the press will try to divide us. (C)

(b)(1)

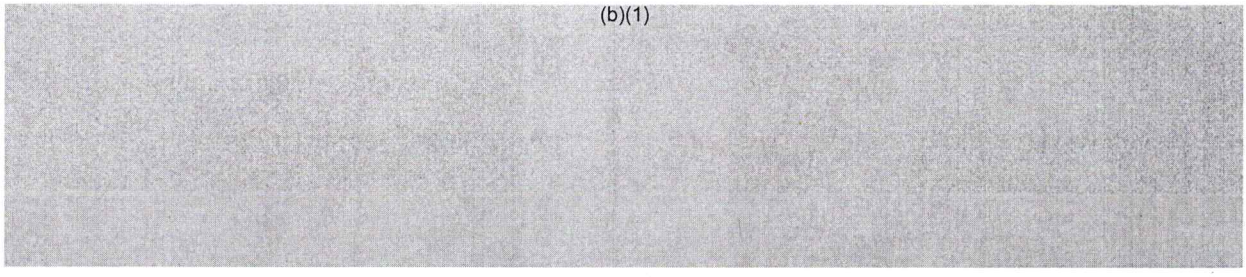


(b)(1)



The President: I agree that is the best we can do. (U)

(b)(1)



PM Kaifu: Japan regards these issues as very important. Therefore, we are working very hard, as we are in SII. We will do our best to resolve this in a useful way. (U)

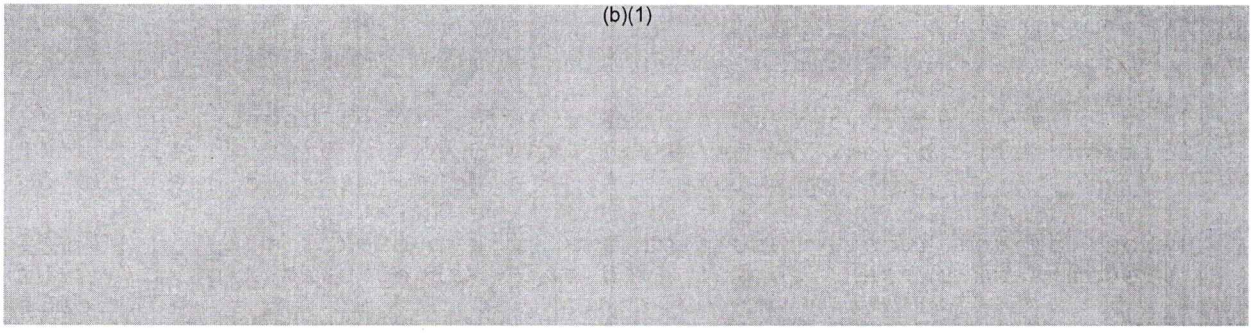
The President: These really are important issues for us, so we must all work hard on it -- we have issues that we must move also. (U)

PM Kaifu: Apart form the rice issue we have been steadily resolving SII and other troublesome issues. (U)

The President: Next topic. We appreciate your contribution to Latin America. These countries are turning democratic and deserve our support. We have EAI and the Brady Plan and we are grateful for your support. (U)

PM Kaifu: We regard EAI very highly and are cooperating with the Multilateral Investment Fund. We helped Nicaragua to clear up their arrears. (U)

(b)(1)



PM Kaifu: I will keep that firmly in mind and try to be successful. (U)

The President: I told you, Toshiki, that APEC was the best vehicle for cooperation in Asia. (U)

We hoped for a Philippine base agreement but nature has intervened. (U)

(b)(1)

I have been very supportive of the U.S. with Mrs. Aquino. [Describes contributions.] (U)

(b)(1)

The President: I am in a bitter fight on MFN right now. Any thoughts on Cambodia and Vietnam? (U)

PM Kaifu: We have made big efforts on Cambodia. We hosted a Conference and are doing our best to encourage progress there. (U)

The President: Good. We are together on that. (U)

We are running out of time. Any other subjects you want on the table before the press conference? (U)

PM Kaifu: Owada told me you are coming to Japan. (U)

The President: Good idea to put in the press conference! Do you want to say you invited me or should I say I accepted? (U)

PM Kaifu: You go ahead. (U)

The President: On the nine billion we will say it is resolved and that we will make that clear to the Congress. (Ø)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Helmut Kohl, Chancellor of Germany on July 15, 1991

PARTICIPANTS:
The President
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Zoellick, Under Secretary for Economic Affairs and Counselor
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)
Gisela Marcuse, Interpreter

Helmut Kohl, Chancellor
Hans Dietrich Genscher, Foreign Minister
Peter Hartmann, National Security Advisor
Theo Waigel, Minister of Finance
Juergen Chrobog, Political Director
Horst Koehler, Financial Secretary
Johannes Ludewig, Chancellery Director
Walter Neuer, Private Secretary
Hans-Joehen Vogel, Government Spokesman
Miss Kaltenbach, Interpreter

DATE, TIME AND PLACE: July 15, 1991, 8:07 - 9:00 a.m.
Winfield House, London, England

The President: Mitterrand wanted to talk about NATO when I saw him in France yesterday. (S)

Chancellor Kohl: This is very important. After August we need to discuss in detail and calmly what we want to do before the NATO Summit. (S)

The President: Actually, he was not too mad. He thinks that we have created a Rapid Reaction Corps for things like going into Yugoslavia. I told him that no one is going to use force recklessly. Mitterrand thinks the United States is going to pull out of Europe, which is why the Europeans have to start creating their own defense identity now. Of course, this could be a self-fulfilling prophecy. This issue worries me. (S)

Chancellor Kohl: We will find a solution, Mr. President. We have to be aware of the dramatic changes in Europe. So far,

SECRET

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
OEI 8/12/2009
2000-0429-F

things have been relatively simple for us and the French. The Cold War made things clear and simple. In a crisis, we all knew that France would have been with us in NATO. Now with German unity, we are much bigger. Nuclear weapons don't matter so much any more. The Force de Frappe doesn't have the same weight as it used to. This has a big psychological impact on everyone. Let's look for ways to deal with this before the NATO Summit. (S)

The President: Mitterrand seems to want an EC-centered defense identity. My concern is this: as long as you want us involved in Europe, don't do anything that would dilute the Alliance. This is a key point. What he's doing could have the opposite effect. With regard to the recent NATO Ministerial decisions, we can't redo what's been agreed. (S)

Foreign Minister Genscher: We agree. Copenhagen was very good. (C)

The President: Let's be sure we don't reopen things. As long as Soviet missiles are aimed at the United States, I know who the enemy is. These Soviet missiles are still being modernized. This brings us to START. Let me ask Jim Baker to fill you in, if you are interested. First, let me say that we didn't want to link the START negotiations with the question being discussed here in London about G-7 support for the Soviets. (S)

Secretary Baker: Bessmertnykh and I went non-stop on START for several days. We disposed of all the issues but one. It's a very important issue and a very technical one. It has to do with throw-weight and the definition of a new missile. Telemetry encryption is solved. After 15 years, we've solved this problem. We solved PPCM and the new types definition. We solved the heavy bomber ALCM counting rule problem. We solved down-loading on a satisfactory basis. The Soviets initially wanted 1700. We said 1000 and we settled at 1250. So the matter now boils down to how to define throw-weight. This in turn will determine whether a new road-mobile Soviet missile system which could be destabilizing is considered to be a new type or not. They'll deploy it anyway. But the question is, how much will it cost them? Bessmertynkh and Moiseyev were not in a position to decide this. But we did make outstanding progress. (S)

Chancellor Kohl: This sounds very positive. (U)

The President: Let's turn to the question of the G-7 Summit. When I saw John Major last night, I asked him about his priorities. He said: one, handling Gorbachev correctly; two, a strong outcome on the Uruguay Round; three, providing debt relief for the poorest of the poor. (S)

I hope we're together on Gorbachev. It's important that he leave here with dignity, but not if that means we have to give him a pile of money. (S)

Chancellor Kohl: Three points are important. We must agree on GATT. Within the European Community, we're discussing

substantial change in the common agricultural policy. The general direction we're taking is good. It is a decisive change. It will cause domestic political problems for many of us, especially France, but also including Germany. But this is the correct course of action and I will contribute my share so we can reach an agreement. (S)

The President: Major said something disturbing. He said that the French are going around saying that the United States isn't really interested in concluding the GATT round. This is wrong. Make no mistake about it, we are in favor of a successful GATT round. (S)

Chancellor Kohl: Well, at least the French aren't accusing us. (C)

The President: We'll get you into the rumor if you'd like. Think about it, though. Why would we have fought so hard for the fast track authority if we didn't want a deal? Helmut, I believe that you hold the key to what the French decide to do on this. Agriculture is not the only point. We have to move forward on a package of key issues: market access, property rights, etc., have to be part of it. Of course, we'll be pressing on agriculture. I know you understand that. (S)

Chancellor Kohl: There is no other choice. A failure of the GATT round would be catastrophic for the LDCs. (C)

The President: The best aid program in the world for the LDCs is trade. (C)

Chancellor Kohl: One point where I don't think we agree is on the environment. Next year the G-7 Summit is going to be in Munich. Two weeks before that there is going to be a conference on the environment in Brazil. If that conference fails, we're going to have a bad time at the Summit in Germany. This thing is becoming a world-wide domestic problem. (S)

The President: I don't think we're that far apart on the environment. The U.S. clean air bill will cost the United States $40 billion. We have a good record, but we cannot accept imposed standards that will hit our economy. This is something that we will decide. We won't let Rio de Janeiro set standards that will affect our economy. Whatever we come out of this Brazilian conference with can't throw American people out of work. (S)

Chancellor Kohl: I think there is a misunderstanding. All we're talking about is a pilot project for the Brazilian rain forest. All experts say that if we don't do something now, the rain forest will be destroyed. It is simply a question of whether it will be 8 years or 15 years. We have in mind a $250 million project. I am warning all of us that it is best to address this now. This would give us something to show. The protection of the tropical rain forest will be a political issue for you in 1992. This is a way you can address it. 65% of the remaining world rain forest is in Brazil, and it's very important for the

world climate. It will vanish in 8 to 15 years. Now at last we have a Brazilian leader who will work with us. We should go on the offensive. (S)

Under Secretary Zoellick: If I may, Mr. President, the $250 million the Chancellor is referring is part of a $1.6 billion pilot project, with a still bigger program to come. The U.S. Treasury Department believes the project is big on bureaucracy but small on substance. There is a July 3 proposal that doesn't look very good to us. It doesn't seem to offer much for $1.6 billion and more. (S)

Chancellor Kohl: I don't want a new bureaucracy. I'm open to counterproposals. We don't need to decide on $1.6 billion now. All we need to do is agree on a $250 million program and then set some conditions. At least we can have an announcement. I'm saying this as a friend. This is in your interest, too. Let's avoid this as a hot spot. I will make you a bet that this will become a big issue for you. (S)

The President: Well, maybe we can talk about it on the margins. It is important, I agree. But I can't accept a new bureaucracy. Brazilian President Collor asked me if I could go to this conference. My view is there's absolutely no way I can get to the left of the environmental movement, anyway. So I'll simply do what's right. (S)

Can we get you involved in the Enterprise for Americas Initiative? (S)

The G-7 was designed to talk about the economics of the advanced industrial countries. Now there is an effort underway to institutionalize the G-7. The Japanese want that because they don't belong to any other club. I told Kaifu that we don't need a Sherpa bureaucracy. (S)

Chancellor Kohl: I agree. We have too much bureaucracy. (S)

The President: John Major says that he believes we need some kind of follow-on with regard to supporting Gorbachev's economic reform. Our view is that we ought to kick the follow-on into the IMF. The last thing we need is another international bureaucracy. (S)

Chancellor Kohl: I understand your position; but what we do now with the Soviets would be considered an exception. It won't last. Once they've got this launched, beyond that we won't need to do anything in the G-7. (S)

Secretary Baker: Look, we all have different relationships with the Soviet Union. We can't separate our economic relations from our respective political contacts. You have obvious special considerations with the Soviets. We have special relations as well. The point is that the President wants to avoid collective follow on with the Soviet Union. (S)

Chancellor Kohl: Look, there is no need for this kind of diplomatic beating around the bush. Those who are pushing for this want to overtake the UN permanent five. But we don't have such desires. Our position in Europe is now more difficult. Things used to be more balanced. The new reality is that there are 80 million Germans. We have the most difficult geopolitical position. Please don't forget we're not an island. Please don't forget we have our own history and that our neighbors remember this history. We are not liked because we are efficient. Yet Germans want to be liked by everyone, even though we're not. We don't have the charm of the French. We're always criticized. (S)

The President: U.S.-German relations are better than ever. The American people understand Germany. (S)

Chancellor Kohl: Thank you. That's good to hear. That's why I am clear that our partnership is more important than ever. But you don't have our problems. I'd like to take the core of your Mainz speech and apply it to Europe as a whole. (This is a reference to partners in leadership.) (S)

The Atlantic bridge used to mean a security bridge. Now we have to add economic, cultural and educational matters on that same bridge. The East-West conflict is changing. The North-South conflict is getting wider and wider. This means that we must work more closely together to help the LDCs. This is another reason for greater Atlantic cooperation. The strongest plank in the Atlantic bridge must be the German-American plank. (S)

The President: Helmut, I wish that our G-7 conversations could all be more like this -- a free discussion of all sorts of questions. (S)

Secretary Baker: I would like to add one more point. We've been trying to finalize the question of U.S. claims on the former GDR. We must get this problem out of the way and would like the Chancellor's help. (S)

-- End of Conversation --

~~SECRET~~ [redacted] 5505

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Giulio Andreotti, Prime Minister of Italy on July 15, 1991

PARTICIPANTS:
The President
James A. Baker, Secretary of State
Nicholas Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Zoellick, Under Secretary for Economic Affairs and Counselor
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)

Giulio Andreotti, Prime Minister
Gianni De Michelis, Minister of Foreign Affairs
Umberto Vattani, Diplomatic Adviser

DATE, TIME AND PLACE: July 15, 1991, 9:30 - 10:30 a.m.
Winfield House, London, England

The President: I am looking forward to our NATO Summit in Rome. We just received a letter from Assad. Maybe Jim Baker can explain it to you. (S)

Secretary Baker: Assad took six weeks to answer the President's proposal. We had heard that the answer would be positive. This represents a fundamental change in Syrian foreign policy. It is more or less unconditional acceptance. Assad makes a number of suggestions but no preconditions. His last paragraph makes it clear that he is coming to the conference. The government of Lebanon will come also, and we expect support from King Hussein. All of this should help resolve the question of PLO and Palestinian representation from the territories. It will put pressure on Israel to participate, notwithstanding their position that they would not attend if a UN observer was there. The President thinks we should follow up at the earliest opportunity. We will work with the Soviets and the Presidency of the EC. We have had conversations with Egyptians and Saudis. They are ready to suspend the Arab boycott if Israel suspends the settlements. You can help with some of the other Arabs, which will put more pressure on Israel. (S)

Prime Minister Andreotti: I think Assad's answer is very significant. When I saw him, we took up the question of UN participation, since the theme of the conference is Resolutions

~~SECRET~~
Declassify on: OADR

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
OA 8/12/2009
2000-0429-F

338 and 242, this implies some recognition of the UN role, even if they don't participate. The bilateral talks will be sequential but they will all end up at the same time. Concerning Israel, perhaps the Arabs can make a gesture. I'm interested in the idea of a commitment to cancel the Zionism equals racism resolution. (S)

The President: That would be very useful. We should go for repeal of that resolution, but why would the others go along? (S)

Prime Minister Andreotti: Because they see a significant peace conference as being possible. The announcement of the repeal of the Zionism equals racism resolution could get the peace conference going on a good start. Countries should say they are willing to do this. (S)

The President: But let's be careful not to make a repeal of that resolution a sine qua non. Let's not give Israel an excuse to delay a conference. (S)

Let me raise my favorite subject with you. I'll be very brief: Qadhafi. (S)

Prime Minister Andreotti: He's no angel, but I see some improvements in the current phase. One of the reasons for his moderation is your bombing. He's concerned about Islamic fundamentalism. He, more than anyone, explains this in a most convincing way. He says that when there is confusion between politics and religion it produces bad results. We have seen some positive action on his part, and Algeria and Tunisia think that Qadhafi is being helpful in dealing with the Islamic fundamentalist movement. (S)

On CW, he wants a total world-wide ban and is willing to have monitoring on Rabta. He is willing to have representatives of pharmaceutical companies come to verify. He has also eliminated contacts with Abu Nidal. We are just trying to maintain contact. After all, he is our neighbor, so we have more stake than anyone. (S)

The President: A lot of what you say is encouraging. But on Abu Nidal, we think he is still operating out of there even though he personally might not be there. Also, it's not clear that they are willing to give access to all of Rabta. The evidence is that he is going forward with weapons in some parts of the Rabta facility. Have you been briefed on Pan Am 103? There is some information that is not public yet, but it was Libya, not Syria, that did this. They did this dastardly act and now he has lowered his profile. Maybe he is giving less support for terrorism; but we would like to see his actions reflected in a changed approach, not just from his words. (S)

Let me suggest that we send a confidential briefing team to tell you what we see going on. (S)

Prime Minister Andreotti: Yes, I accept this. We want this because we are the most affected. I remember one time we had significant information from Admiral Poindexter about a coup d'etat being under way in Libya. That very day when we talked to him this information proved to be totally false. But let's have a briefing. (S)

The President: All right, we'll do it. (U)

Prime Minister Andreotti: I don't want to seem like a supporter of Qadhafi. Send your group. (S)

Secretary Baker: There's no question that Abu Nidal is still operating out of Libya. Qadhafi told Mubarak that Abu Nidal is gone, but his organization and infrastructure is still there. The evidence on Pan Am 103 is practically conclusive on the participation of Libyan terrorists. We are willing to share this with you. (S)

Prime Minister Andreotti: There was another event in which Abu Abbas had planned to stage an attack on Israel. What we must look at is Abu Nidal's business contacts with other Arabs, even some of the moderate Arabs. You'll have our complete cooperation. (S)

The President: Tell me, what are your priorities for the G-7? (S)

Prime Minister Andreotti: The most important is to provide political support to the Soviet Union. We can debate about the ways to do this. I think you've interpreted the spirit properly in your letter, but we want clear guarantees from Gorbachev. Political and economic reforms must go hand-in-hand. Second there is the relationship between the Soviet Union and central and eastern Europe, particularly trade. I think we can aim to help central and eastern Europe at the same time. Their current crisis is aggravated by the breakdown of east European trade with the Soviet Union. (S)

The President: I definitely do not want a signal that we've shifted our attention from central and eastern Europe to the Soviet Union. From our perspective, we have to show that Gorbachev was received with respect and dignity. We don't want him to be portrayed as a beggar any more than he does. There isn't enough real reform there to bail him out. The details of the reform are key if the Western private sector is going to go in. How do we get him out of town with our support made clear but not committed to help if his reforms are not fulfilled? We are unanimous that giving him money would be counterproductive. It won't help the reform, and we'll never see the money. So we will not turn this into a pledging session. (S)

Prime Minister Andreotti: Let's keep in mind three things. First, the political assessment. This man got his army to accept German unification. This has a bearing on the situation right now, particularly for Kohl. Second, Gorbachev must build up his

country after centuries of feudalism and communism. We have a right to link assistance to specific reform program, but the question is how. We will need continuous contacts after the summit. One aspect of his program that needs special support and that is that the independence for the Baltics can be a result of his political reform, but we can't expect everything all at once. (S)

The President: We can't forget what he has done, but neither can we forget Walesa and Havel. If we can be helpful, that's fine -- with technical assistance and IMF special status. The Soviets have no knowledge at all. Their half-baked proposal shows that they need help. A number of U.S./Soviet experts visited me in Kennebunkport. They all felt that the Union Treaty is essential. Otherwise, our business people won't know with whom to deal. You mentioned an on-going mechanism. We should not institutionalize the G-7 bureaucracy in this regard. We all have different problems with the USSR. We should not institutionalize except in the IMF. The Japanese want to use the G-7 because it's their only forum. However, we should only use it once a year to talk about our common economic problems. The United States will not deal with the USSR through a collective mechanism. If we try to set up a follow-on mechanism, it will mean more bureaucracy, and we want less. We need this forum to discuss our economic problems. (S)

Prime Minister Andreotti: We can find a solution. The OECD could follow the question of economic cooperation with the USSR. As for the political and bureaucratic aspects of the problem, I agree with you. (S)

The President: I'll give you an example. He puts billions of dollars into Cuba. This leaves us up against a wall. He is propping up Castro while asking for help. This is our problem with them. We can't internationalize that. Jim has made progress on START, but Soviet missiles are still aimed at New York and Washington. Congress would think that we're nuts to propose dollar aid for the Soviets now. We have to retain our total freedom to deal with the USSR as we need to. We give him a lot of credit for what he has done, but we feel strongly on this point. (S)

Prime Minister Andreotti: Why don't you study the question of using the OECD? On the problem of mixed prices, for example, in Italy during Fascism the state regulated prices. This had disastrous effects. But we had to eliminate that practice gradually to avoid inflation. (S)

The President: We must encourage the Soviets to convert their defense industries. They spend 25% of GNP on defense. That is ridiculous. (S)

Prime Minister Andreotti: But there has been a decrease in the last few years. We have signed an agreement to help them. (S)

The President: We see the same problems in Slovakia and in eastern Poland. They are still building Soviet tanks. Give me your views on Yugoslavia. My inclination is to let the EC handle the situation. (S)

Prime Minister Andreotti: Our point of view is that the Yugoslavs have to find a way to communicate. This requires two things: one, an absolute prohibition on the use of force; two, legal assistance in helping them prepare a new constitutional arrangement. They must all respect minorities. We are trying to press this on them. De Michelis and two others forced Milosevic to let Mesic assume the Presidency. We are all very concerned. They are a very diverse population, and they are all violent. (S)

The President: What do you want us to do? We have been stressing unity, no use of force and dialogue. (S)

Prime Minister Andreotti: There must be a new model of unity. If you can make a statement supporting the EC effort, it will be helpful. (S)

Secretary Baker: Our approach has been based on support for democracy, human rights and finding a new basis for relations among the republics. The Slovenes took unilateral actions, then the JNA overreacted. Do you think the 12 will remain united on this problem, or will some want to recognize Slovenia and Croatia? (S)

Foreign Minister De Michelis: The Germans will push for recognition of Slovenia if there's a coup d'etat in Belgrade. In that case, we are in trouble. (S)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Lubbers and EC President Delors on July 15, 1991

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
James F. Dobbins. Acting Assistant Secretary for European and Canadian Affairs
Robert Zoellick, Under Secretary for Economic Affairs and Counselor
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)
Eliza Burnham, Interpreter

Ruud Lubbers, Prime Minister
Jacques Delors, President
Hans van den Broek, Minister of Foreign Affairs
Frans Andriessen, Vice President
Peter Van Walsum Burghart, Political Director
Interpreter

DATE, TIME AND PLACE: July 15, 1991, 11:00 - 12:00 p.m.
Winfield House, London

The President: We want to tell you about the good results we have had on the START talks and to brief you on the letter from President Assad. I have also heard a rumor that the U.S. is not interested in a successful conclusion to the Uruguay Round. This is not correct. The U.S. wants a successful round. First, I would like to ask Jim Baker to talk about the status of the START talks with the Soviets. (S)

Secretary Baker: The throw weight issue may well have to be solved by the two Presidents, but we have worked out problems on data denial and down loading. (S)

The President: Some people have suggested that the U.S. wants to delay progress on START in order to somehow delay a G-7 decision on economic support for the USSR. This is simply not true. (S)

On another issue, I would like to ask Jim to review the Middle Eastern situation. (S)

~~SECRET~~
Declassify on: OADR

~~SECRET~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
OJ 8/21/2009
2000-0429-F

Secretary Baker: We are very pleased with Syria's positive response to the President's letter on a peace conference in the Middle East. He accepts the proposal for a conference along the lines we suggested. Now the ball is in Israel's court. Lebanon and Jordan will be there, and we have a better chance for a Jordanian-Palestinian delegation. Egypt and Saudi Arabia will propose suspension of the Arab boycott in return for suspension of settlements. (S)

Prime Minister Lubbers: What about an Israeli response to the letter? (C)

Secretary Baker: Well, the initial response has been negative. There are two outstanding issues for the Israelis: UN observers and reconvening a peace conference. They are also concerned about Palestinian representation. (S)

The President: Prime Minister Andreotti believes that the UN might repeal language equating Zionism and racism. While such a repeal is desirable, it should not be made a precondition for Israeli attendance at a peace conference. (S)

Secretary Baker: If that cold be done, it would make it harder to for Israel to complain about a UN observer. (S)

Prime Minister Lubbers: What can the EC do to help in the Middle East? (S)

Secretary Baker: It would be helpful for the Europeans to show support for an Arab decision to suspend its boycott of Israel in exchange for an Israeli suspension of new settlements in the occupied territories. You can particularly help with the Maghreb. (S)

President Delors: We have offered Israel the chance to participate in a trade arrangement and other financial incentives with the EC -- once a peace settlement is concluded. (S)

Secretary Baker: It would also be useful if you could urge the Palestinians to end the Intifada. Then we would apply pressure to suspend settlement activity. (C)

Prime Minister Lubbers: Can we assume King Hussein of Jordan would participate in a peace conference? (S)

Secretary Baker: Yes, Hussein would attend. The question would be whether he could put together a joint delegation. (S)

The President: Let's talk about the Uruguay Round. We are committed to the Round. The U.S. position is that everything has to be in there including agriculture. I made this point with Kaifu, Mitterrand, Major and Kohl. We want a deal. We'll do what we have to. We fought for fast track authority. The U.S. also has agricultural practices that it must also change. I

heard from Major of a rumor that the U.S. was not interested in GATT. That is just nonsense. (S)

President Delors: This is very important. (U)

Prime Minister Lubbers: It won't be easy. Let me tell you about the new EC CAP reforms proposal. The fact that EC agricultural ministers opposed the reforms showed how fundamental these changes are. This will be a difficult debate, but we must transform ourselves. The Dutch will act in support of the Commission's position. But we need help from Mr. Dunkel now: he must be more aggressive. (S)

Vice President Andriessen: I am happy to hear that you have recognized that the GATT is a global negotiation. A successful GATT conclusion will have consequences for eastern Europe and the Mediterranean. CAP reform will help our negotiating position. But we need a better paper from Mr. Dunkel by August. We must finish the round this year. The Cairns group positions on reform are too high. We cannot achieve it, but we can move a bit in each area. (S)

Prime Minister Lubbers: Agriculture is important but political will is what is critical. Europe isn't focused on GATT, and agriculture protectionism is a growing concern. The U.S. and Europe will decide agriculture. Japan, however, is a key player in the larger picture. If they're better, it would improve the climate. (S)

The President: We'll face protectionist sentiments on textiles. This is a terrible problem for Turkey and the other poorer countries, and as I said we're not perfect on agriculture. But we'll put everything on the table. We have the will. We all must remember that trade is far more important for the LDC's than aid. (S)

Vice President Andriessen: I hope that the G-7 meeting won't raise expectations on the GATT talks. It is important to avoid disappointment. From a European perspective, a successful Round does not depend solely on agriculture. If the round can solve some of the EC's problems with Japan, then this would affect European attitudes towards the Uruguay Round. Perhaps we will have a better sense of where things stand and what we must do after the Hills/Madigan/MacSherry/Andriessen talks on GATT at the end of the month. (S)

The President: Good. (U)

Prime Minister Lubbers: Do you expect any surprises from Gorbachev at the G-7 meeting? (S)

The President: No, I don't. His plan is short on specifics and not clear as to the role of the Republics. Who do businessmen deal with? (S)

President Delors: I'm very disappointed with Gorbachev's economic program as it was presented to the G-7 leaders. I see nothing new on the Union Treaty. (S)

The President: Our experts feel that until constitutional arrangements with the Republics are finalized, it will be difficult for western support programs to have any effect. (S)

Secretary Baker: We cannot grant his request for a stabilization fund or debt restructuring. Nor do we like the idea of lifting the cap on EBRD lending. (S)

President Delors: I think a most helpful thing to do would be to restructure Soviet debt. If this is done, it would increase Soviet imports from eastern Europe and give them maneuvering room. (S)

The President: But to what end? What will they do with the maneuvering room? We need to have greater evidence that such restructuring would help promote significant economic reforms in the Soviet Union. (S)

President Delors: Debt restructuring is the only measure that the G-7 can take at the present time without further clarification of the Union Treaty. Gorbachev cannot leave without something. (S)

The President: Do we have any assurance that the Soviet Union could repay even a restructured debt? Perhaps western assistance to the Soviet Union should focus on technical assistance and the IMF associate status. That's something important. It is also important that we don't send the wrong message to eastern and central Europe. We can't neglect them. Maybe we all can do more. We need to open our markets for them. Our message to Gorbachev should be that he needs to move towards open markets. (S)

Vice President Andriessen: The collapse of Soviet trade with eastern Europe is the eastern European countries' greatest problem and one argument for restructuring Soviet debt. (S)

Secretary Brady: Any debt rescheduling for the Soviet Union is an admission of the Soviet Union's bankruptcy. Such a step could result in future credit being cut off to the Soviet Union. (S)

The President: Also, there is no clear indication yet as to who is in charge of the economy. (S)

Prime Minister Lubbers: There must be some way to assist the Soviet Union through eastern Europe. (S)

The President: How can the London Summit help with this? (S)

Prime Minister Lubbers: This issue is too technical for London. But maybe we can make mention of relationship of the Soviet and the central and east European economies in the communique. (S)

Secretary Baker: The U.S. does not hold a lot of Soviet debt. The Paris Club seems to be the right forum to discuss the issue of Soviet debt rescheduling. (S)

The President: Let's turn to Iraq briefly. Saddam Hussein continues to lie and cheat on compliance with the UNSC resolutions. While I do not want to take unilateral action, it is folly to let him defy us on nuclear matters. We will not tolerate the way Saddam Hussein is behaving towards the UN inspectors on his nuclear program. We are also concerned about the Kurds and have made clear that we will be available in Turkey to punish him if he brutalizes the Kurds again. I don't want to do it alone. We want others to be with us. The U.S. will not vote to lift sanctions on Iraq as long as Saddam Hussein remains in power. We'll take the heat. He's absolutely evil. We're determined on both fronts. (S)

Foreign Minister van den Broek: On the Kurds, we're all on the same line thanks to good consultations. We should stay in close contact. (S)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Opening Session of the London Economic Summit (U)

PARTICIPANTS:
George Bush, President of the United States
Francois Mitterrand, President of the French Republic
Helmut Kohl, Chancellor of the Federal Republic of Germany
Brian Mulroney, Prime Minister of Canada
Guilio Andreotti, Prime Minister of Italy
Toshiki Kaifu, Prime Minister of Japan
Jacques Delors, President of the Commission of the European Communities
John Major, Prime Minister of the United Kingdom
Ruud Lubbers, Prime Minister of the Kingdom of the Netherlands

DATE, TIME AND PLACE: Monday, July 15, 1991, 2:20 p.m.-5:40 p.m.
Music Room, Lancaster House, London, England

Prime Minister Major: (Brief opening remarks on language and tea.) This is the 17th Summit, the 3rd in London and the 2nd in Lancaster House. All of you have sat here before; you have a wealth of experience. We have a heavy agenda. I hope we can set goals for the Summit in this opening. I hope our messages can be: building world partnership and strengthening world order. Politics & economics are united and of equal importance. Our joint aim is to build on Houston -- democracy, freedom, open economics. Chancellor Kohl is here as Chancellor of a united Germany. I will hold my observations and invite others to speak, starting with President Mitterrand. (U)

President Mitterrand: I feel the same keen interest in the events you emphasized and the great transformation all over the world, including the map of Europe. The Wednesday visit by President Gorbachev will represent the major element and will eclipse the others for better or worse. Since influential opinion is focused on his visit, we should set priorities. We may not agree on the comparative value of contributing to the USSR. It's the largest and most difficult topic, the more so because it has established its prospects for survival based not on facts, but on a particular analysis. Each can do this, even intuitively. One can't set a term on it. The USSR is in a precarious situation, but we've said it was that way for the past

SECRET

DECLASSIFIED PER E.O. 12958, AS AMENDED
CBJ 8/21/2009
2000-0429-F

4-5 years. Gorbachev has been in charge for a long time, longer than Lenin. All of us are launched on an adventure, which is unpredictable. Second, we need to consider how best to distribute assistance. (Ø)

Some ask about the choice between the USSR and Central and Eastern Europe. Can we harmonize our views? I favor specific assistance for the USSR, but no guarantee. So arguments against are cogent. There are many unknowns. We need to consider our obligations to others. The EC has been involved with many (to the east). But large parts of the whole world are looking to us. Our influence is not inexhaustible. We can't resolve all the problems. But we need to evaluate the USSR, Central and Eastern Europe, the Third World (especially Africa, to which the EC is bound by Lome) need to evaluate. Assistance is an absolute priority. It has been for the 11 years of Summits I've been associated with. To fail to recognize this is a danger. A gap is widening; the danger is even more than with nuclear weapons. We could control nuclear weapons. But no one holds the developing world responsible for poverty and destruction. We can't hold them responsible for consequences. So we should put Third World assistance before all others. (Ø)

This brings us to a difficult topic. Perhaps too much time is spent on this. We need a G-7; perhaps it should be a G-8. We need to focus on economic cooperation. We can be flexible, but cannot go over everything. We need to discuss the economy before the other issues. We also need to discuss diplomacy; I know some want to discuss arms, narcotics, the environment. But <u>our</u> competence isn't universal. Our job isn't to substitute for all fora. We need to be cautious when we approach matters not within our purview. We might offend others who are not here. (Ø)

The cost of energy, for example, hurts consumers and producers. We need to work on this. At Houston, what we said about the Third World struck a response. I want to thank those who agreed to Toronto measures on official debt. We must go beyond them. (U)

PM Major correctly emphasized the economic weakness of the USSR. Division threatens; this is a crucial factor. The collapse of the USSR's superpower status led to the emancipation of other Europeans. We don't want any relapse. The Eastern Europeans were part of an empire, but now aren't. They are seeking an order for tomorrow. They are right to ask about the destiny of Europe. Unity will prevail among the EC 12, and it is growing stronger from year to year. Others in Europe want to join this movement; they aspire to unity, but also have a tendency toward breaking up. They are like tribes in Africa, but they have a choice between two directions. Look at empires: the rule of force maintains them. When force disappears, all the disparate parts proceed as they wish. This shows that you cannot force unity. Democratic dialogue brings parties together. There can be no federation through force. But the alternative may be to risk anarchy. We are reacting toward Yugoslavia as responsible

nations -- not as the G-7 or the G-8. The fate of the world depends on replies to these questions. (Ø)

To conclude: Since Houston, we have seen extraordinary events. Some of us launched a war, a war that took place under law. We always do act in pursuit of our own interests, but here we did so under the law, too. The UN voted, effectively, to interfere in the domestic affairs of a member state. That is change. These are the 2-3 most important years of the century. The future of Europe is a consequence of the events of 1989. Europeans need to consider how to have unity without imperialism. (U)

I ask you to reflect on these developments -- the Third World, the USSR, Central and Eastern Europe, oil, and how to guide the future of the world together. (U)

The President: I haven't had time to digest your remarks. So my comments are somewhat at random. There is much food for thought. (U)

First, I'd like to thank Prime Minister Major. His task would not be easy to do normally, but adding Gorbachev -- the leader of a country that is not a Western industrialized democracy -- made it harder; the fact is that the USSR is a long way from being that. But it's fitting that you invited Gorbachev. It is important that Gorbachev be received with respect and a sense of the honor due to him. In the U.S., Yeltsin was the democrat for a fleeting moment. He spoke of cutting foreign aid, especially to Cuba. This is all in the context of a democratic experience. We should never turn our backs on Gorbachev's achievements. But we must also bear in mind that we can do nothing with the USSR that puts Eastern Europe in a less privileged position. I don't want to send them a signal that we'll slight them. In the case of the USSR, we cannot write out checks or give money until the reforms that have been talked about are implemented. I met with U.S. specialists on the Soviet Union recently. They emphasized the need to finalize the Union treaty, to sort out tax and investment policy, etc.; without it, the economy won't get better. So expectations of a $150 billion aid package have been lowered. Gorbachev is too wise to ask for this. But one should also note that the USSR is not an economic superpower. It has military might. This complicates matters for me. Long-range missiles are aimed at the United States. We're close to getting START; Secretary Baker has said we're 99% there. I will try to conclude it, but don't want to get into that subject here. It shouldn't affect our success at the Summit. START is in the interests of us all. (Ø)

I agree there cannot be a federation by force. We need to encourage Gorbachev to go ahead with Baltic independence. He needs to understand that the quest for independence won't be stemmed. For the U.S., the single best step would be to show the Baltics that they can be free. I look forward to having Gorbachev here. (Ø)

As for the Third World, trade is the best way to help. The Uruguay Round (UR) is key. Some countries have heard rumors that the U.S. isn't interested in the UR. We are interested. We know we have to give on textiles, agriculture, etc. Success is in all our interests. (U)

I'll leave the subject of oil until later on. We may have differences with France, but I don't think so. Prices must be sensitive to supply and demand. But Mitterrand was correct to emphasize the oil issue. (U)

Chancellor Kohl: I'd like to thank Prime Minister Major. We need to consider the consequences of what we do. Expectations are too high. We'll do what we can. Pragmatic changes are taking place in Central and Eastern Europe. We need to say we're not only delighted with their freedom, but that we will also support them. Thank you for supporting German unification. As for President Gorbachev, there is much speculation. I think Prime Minister Major dealt with this skillfully. Gorbachev's being here is proof of changes in the world. Consider what would have happened in 1975 had the current Yugoslav crisis struck then. We would be trying to avoid World War III. As bad as it is in Yugoslavia today, it remains a local conflict. (Ø)

President Bush referred to disarmament. He said in Kiev that they should not use our help to build up armaments. We need to provide the Soviets with the opportunity to change. I'm not sure what Yeltsin will do. There are promises. We saw this with President Gorbachev. It can't be in our interest for instability to exist in the USSR. We need to integrate it into the world economy. Help should be oriented to self-help. The USSR must establish the basics. President Bush was right on relations with the republics and local reformers -- this is necessary for any hope: without real decentralization, there can be no development of a market economy. Our resources are limited. The FRG has done a lot for Central and Eastern Europe and the USSR. It would be a serious mistake not to send a signal to Gorbachev for the future. There are a series of things to do: technical assistance, etc. Gorbachev's letter suggested consortia. The focus on nuclear power plants is important for us, too. A second Chernobyl would kill our nuclear program. It is correct that we cannot disregard Central and Eastern Europe. (Ø)

The G-7 is really an economic meeting. Could I ask if we could talk about the next Summit in Munich? We should redesign it on fewer topics, and not ask the Sherpas to cover more topics; they should focus instead on the real issues. (U)

We need to demonstrate concern for economic growth, GATT and free trade. It is vital for the GATT to succeed; it is key to the Third World. We can't afford a trade war. But this requires a readiness to compromise by all. The LDCs have a different level of development. Both sides need to be flexible. We should set a target of the end of the year; it won't be good to let this slide to an election year. (U)

On world environmental problems, we will have the Brazil conference right before Munich, which is very important. We need to address rainforests as we agreed in Houston. Not to do so will hurt our youth. We need a clear position here. (U)

On debt, we can work out a reasonable strategy. If we won't help the poorest, we will be overwhelmed by immigrants. (U)

In Houston and before, we discussed drugs and criminal activities. But this trend continues upwards. It has a turnover of some $500 billion -- the level of oil business. We need serious joint measures; EC can't do it alone. The EC needs to work with the U.S., Canada, North Africa, Asia. We should seek to develop mechanisms, not just take note of developments, and send a clear, short message. (U)

Prime Minister Mulroney. Congratulations to Prime Minister Major on the preparations for this Summit. I was struck by Helmut's point on high expectations. Everyone in the press is upping the ante. We have a remarkable confluence of events: the signal from Damascus is encouraging; START is close; we have Gorbachev visiting. This may mean the survival of his leadership. It is vital for Europe and peace in the world. I confess to a personal dilemma on his visit. In 1985 at Chernenko's funeral, Vice President Bush was there, and I wonder what he would have done if Gorbachev had said: I will free Eastern Europe, I will dismantle the Warsaw Pact, a united Germany will be in NATO, the UNSC will take action in the Persian Gulf, we will sign CFE and START agreements, there will be elections and democracy, I will develop personal ties with the U.S. President, economic ties with the West will develop. If Gorbachev had said these things in 1985, I would have hurried in with a check. Here's my dilemma: I find myself saying, what have you done for me lately. President Bush's comments on experts were just right. We don't want to waste money. We want to help, and do so in an effective way. I'm not sure what the effective way is. We're not experienced enough to know what to do. I look forward to hearing President Gorbachev. I want to hear how we can help. I'm not sure who he thinks his enemy is -- but it's worth 23% of his GNP. He needs to explain this. But still, I would have jumped at those 7 points if they'd been said in 1985. (S)

Second, on LDCs. I was thinking of the Francophone Summit of about 49 nations. Most are developing countries with low per capita incomes -- below $500/year. Yes, this poses a dilemma for us all; it's morally difficult. The solutions are: (a) to dismantle trade barriers, especially in agriculture; (b) to increase the percent of GNP we give them; and (c) to move to Trinidad terms. I congratulate Prime Minister Major; I can support this. (U)

Third, the Uruguay Round. The UR must be our top economic priority. If we don't succeed in addressing trade distorting agricultural subsidies, we'll look silly -- trying to solve others' problems while we cannot even solve our own. The collapse of the UR would be an indictment of us all. The G-7

would never recover. No one would pay attention to us, or should. (U)

Fourth, the environment. There will be the conference in Brazil. We have a particular interest in the marine environment. (U)

Fifth, we need to strengthen the UN. The solidarity shown in the Gulf crisis was one of the finest moments in the UN's history. (U)

Sixth, non-proliferation. With the Gulf experience behind us, the Summit needs to consider the issue of non-proliferation and arms trade -- though I also respect what President Mitterrand said. (Ø)

Prime Minister Andreotti: My thanks to Prime Minister Major. This meeting should strengthen support for international order as established in the UN charter. Last year saw the end of the Cold War. The Perm 5 worked together; there was an end to the old series of vetoes. We should look forward, not behind. In the past, we looked at the "crisis" of the moment. In Tokyo in 1979, it was the oil crisis. It went away. Some things can't be foreseen. There are momentous changes in Eastern Europe. No one discussed the Gulf in Houston. Perhaps we could have anticipated it. The enormous armaments should have led us to think of it. (Ø)

First, there is the problem of minorities. We have a concept of state sovereignty. But states are breaking up due to religious pressures, etc., especially where old dictators are gone. The road is to show the connections of the Community and other experiences. Trade is developing between the U.S, Mexico and Canada, too. These are forces that oppose breakup. Unless we establish the right of self-defense, the inviolability of frontiers. . . . This is just a theme. I'm not suggesting a solution. (Ø)

Second, migration. Poverty presses an unbearable solution, in the Middle East and along the Mediterranean, especially. There will be some 185-300 million people in this region by 2000. We need to work to keep people there. There are risks of mass migration. There are improvements, e.g., in South Africa. This could lead to economic integration. (U)

Third, there is political and religious intolerance. I'm talking of Islamic fundamentalism. They are moving toward a holy war against any modernizing influence. There is a large mosque in Rome, bigger than in Jerusalem; Arab leaders said they are pleased, but we want to be sure this doesn't become a center for Islamic fundamentalism. So we should bear in mind the number of Moslems in the world. (Ø)

We should concentrate on a few topics, and encourage a machinery, e.g., for natural disasters. (U)

I think Chancellor Kohl mentioned the problem of nuclear power in the USSR. We run many risks like Chernobyl. There needs to be an agreed program. We also need to reduce the arms trade, as Prime Minister Mulroney said. There should be transparency for production in the Middle East, not just trade. (Israel can produce a lot; there is an imbalance without trade). (C)

Drugs: A lot has been achieved, but this is still an issue of great concern. (U)

We need to finish the UR. (U)

Soviet Union: After the Paris Summit of 1989, President Gorbachev sent a letter to President Mitterrand seeking cooperation in the Third World. Gorbachev needs more than economic support; he needs political support. President Reagan said in Geneva: I don't know if Gorbachev will succeed, but none of us should have on our conscience the responsibility of not helping. We cannot require the certainty of success first; this just gets us into a vicious circle. (C)

Prime Minister Kaifu: I welcomed the Houston message. Since then, we have faced the Iraqi invasion. President Bush's leadership and the UN overcame this; partnership was strengthened further. Other key issues include the environment and LDCs. On the UR, we need a successful conclusion for the multilateral system. This is a foundation of our global partnership. As for regional integration in Europe or North America, we hope it will be positive. But non-members have fear. Mahatir of Malaysia came up with the East Asian Economic Group. So the integrators need to be aware of this, and bear it in mind. (U)

On the USSR, we support their integration into the world economy. I hope to see concrete reform. We appreciate the opportunity for dialogue with Gorbachev. The objective is to transform the USSR into a constructive partner, as a market economy. There is a political context, as well as an economic necessity: the Baltics, human rights, the union republic process, democratization, and the global application of "new thinking" in foreign policy (Cuba, Afghanistan). In the Asia-Pacific, we look for action, too. But we haven't seen much to date there. We will test the USSR's interest through the Northern Territories. Gorbachev's visit in April was an opportunity to predict future moves. But there was no breakthrough. We agreed to discuss the issue further. It makes it possible to provide support. (C)

Asia-Pacific: This is a region of dynamic growth. There is a common desire for the LDCs to become full members in the world economy. We need to recognize this achievement. Democracy exists in Mongolia, Bangladesh, Nepal; and we need more help for Mongolia. It is important for China to develop, too. There are new signs of political reform. We will work soon to encourage reform there. There are new signs of political reform, and there are countries like Korea and Cambodia. (U)

Arms Control: Japan maintains three non-nuclear principles. We haven't exported weapons. We want to strengthen the NBC regime including conventional weapons transfers (reference to Kyoto conference on disarmament). These are difficult issues, so we focus on transparency. (U)

Development Assistance: democracy and military experience are important. But we must also look to international political dialogue in this forum. (U)

BREAK

Prime Minister Lubbers: Thanks for the opportunity to be here. I would like to highlight a few items. (U)

(1) UR: We have seen the regionalization of markets. Now we need to add a multilateral success. There are possibilities. The EC has proposed a change in the CAP. This could change the climate. (U)

(2) USSR: We have a responsibility to integrate the Soviet Union into Europe, not only politically, but also into the world economic system. We shouldn't single out the USSR because the Central and Eastern European countries are also important. We might bring the USSR into the GATT; maybe also into the IMF. (Ø)

(3) Key global topics: Political progress has been achieved over the past 5 years, but two topics stand out: environment and energy. They are related to a certain extent. The Paris conference on energy was successful. As President Bush said, perhaps there are differences of view to sort out. I think all participants want markets, but also to improve their functioning. This is an issue of more than transparency; there are environmental costs, too. The G-7 needs to set course: for the Energy Charter and the environmental conference in Brazil. (U)

(4) Arms trade: This is not only an issue of non-proliferation, but of attacking all spots of danger. We have a larger responsibility than 5 years ago when the issue of non-proliferation was caught up in East-West problems. (Ø)

(5) Criminal money: We've started an effort on drugs, where problems of enormous organizational power and money laundering exist. It is important to address this issue in the future. (U)

(6) Migration: I see problems in Europe and elsewhere. We need a good political answer. (U)

President Delors: I will highlight a few specific issues. (U)

(1) World economy: No one has addressed this so far, but there are enormous problems. Kuwait wants to borrow $33 billion. Savings don't match needs. (U)

(2) The respective evolution of Central and Eastern Europe and the USSR: Their destinies are linked. The USSR has reduced its

imports from these nations by 40%; due to economic problems, the Soviets are cutting back. We decided in Paris to coordinate our efforts toward Eastern Europe. We need also to consider the Soviet Union. The EC accounts for two-thirds of the sum given to Eastern Europe. The Central and Eastern European countries need to organize themselves. Regarding the USSR, there are two progressive factors. (C)

-- (1) Structural reforms. They've never had a market economy, private property, etc. The fact that they are now accepted is progress. (U)

-- (2) Stabilization is a dialogue of the deaf. They mean restarting Soviet machinery; we mean macroeconomic stabilization. Gorbachev seems to recognize this in his letter for the first time. (C)

We also stress the union treaty, but there are no clear answers yet. (U)

(3) Houston requested a Brazilian rainforest pilot effort. The EC approved this and set aside credits for the purpose. (U)

(4) Natural disasters: We've had the problems of Kurdish and Shiite refugees. But the infrastructure was insufficient and the situation required the U.S. Army. We should think about how to organize for the future. (U)

Prime Minister Major: Our meetings were delayed because of the trade unions. They asked that I report on the present and incipient problem of unemployment. I told them I agreed with the objective, but perhaps differed on the means. (U)

-- Delors mentioned the world economy. This is a serious issue for sure. But we can be more satisfied than some think. (U)

-- The system showed its resiliency through the Gulf crisis. The oil markets were calm; stocks helped. And we avoided global recession. Some have seen a revival of growth. (U)

-- We agree with the trade unions on not blocking trade. The inescapable challenge for the Summit is UR success. The International Chamber of Commerce feared failure and said it would hurt business activities, including in areas where we have all agreed. I hope we're resolved to completing the Round this year. Agriculture is primary, but not the only problem. Others include intellectual property, services, etc. We all have to make sacrifices. I hope for personal commitments by the Heads. The technical negotiations can proceed, but as Mitterrand said in the EC, we need to make the decisions at the political level. (C)

-- Arms control and discussions on flows of weapons: we need to act to prevent another serious buildup. I hope we can agree on common principles, more effective checks on proliferation. Not only a forum, but a large and powerful forum. (C)

-- Desirability of a more effective UN, especially for humanitarian issues. We all saw how hard it was to get help to the Kurds; we saw the same in Africa's famine, in Bangladesh. (U)

-- Debt: All of us have been generous. But the very poorest still need help. I hope we can extend more generous relief. (U)

-- Environment: We're all pursuing actions, more and more. These are global problems; and we recognize the need for international action. So we should stress the Rio conference. I hope to attend and hope all of us will. This will send an immensely important signal. (U)

-- Drugs: Earlier Summits worked on drugs. This one should look at illicit movements without interfering with the legitimate people and goods. (U)

-- USSR: The Soviet Union is still divorced from our system. I believe it is at an historic crossroads. I don't see this as a one-off meeting. We'll need to follow through. This is <u>not</u> a make or break meeting; that is not the nature of our dialogue. He's submitted a plan; we've had limited time to examine it, to see how it will be implemented. What does he mean by privatization, and price reform? What about the union treaty? We need to exchange views on this matter. Both President Bush and Mulroney asked what help would be effective. And what will he do to help himself? (Including defense reallocation to other ends?) So help needs to be geared to self-help. We need to hear from him first; how will he carry out his own policies? We've ranged widely today; will return in more detail later. We have a few minutes left -- the floor is open. (C)

<u>The President</u>: The question of the Brazil Conference has been raised. I know Helmut is interested in the Brazilian rainforest. Is this what the conference will focus on? (U)

<u>Chancellor Kohl</u>: No. It's just of interest to many people. The vanishing rainforest is a catastrophe for the climate; 65% of the existing rainforest in Brazil has been destroyed. The Brazilian President is willing to do something. I had an unpleasant talk with ex-President Sarnay. We wrote into the Declaration at Houston a commitment on this. It's a pilot project to stop endangering the tropical forest in Brazil in 10 years. People going to the conference in Brazil will be asked about it. As for the idea that an enormous bureaucracy is growing up: I distrust this. We need to make a start on the problem -- through a pilot program and on a scale that the people will understand it's worthwhile. This is true for students in industrialized countries, even conservatives. So I ask you all to reflect privately on this, on finding practical examples. (U)

<u>Prime Minister Mulroney</u>: The Brazilian Conference <u>won't</u> deal just with forests: other issues include climate change, biodiversity. There is a vast agenda. (U)

Prime Minister Lubbers: Yes, the scope for this conference is broader. There is a climate change convention. It's necessary to coordinate policies. Regarding tropical rainforests -- this is an attractive idea. We often speak of protecting (the rainforest) against threats. This is positive. I'm not against exploiting these resources if done in a good manner. It could help with CO_2. Other items are related: biodiversity. These issues have a positive aspect. (U)

Prime Minister Andreotti: High-level participation is important, but we need follow-up. Need to mobilize our universities, to look at scientific arguments. On climate change, we don't have full scientific data, because there are few places for collection. So we have provisional considerations; need more places for collecting data, e.g., in Africa. So our scientific opinion is tentative. We must also look at what we would do after the conference. (U)

Prime Minister Major: There is another element: There is not real political input on the work of the conference. It may need political brokering. We can't just leave it to experts without input. The implications of our decisions are profound. (U)

Prime Minister Lubbers: There is risk in ecology. But we need to connect with the economic aspects. Our governments will be confronted by it. We need a strategy of combining economy and ecology. The EC is doing this. We don't want the environmentalists to blame our governments. (U)

Prime Minister Kaifu: I believe the Heads should participate. (U)

Prime Minister Major: Let's discuss our future program: We have a working dinner at the Tower at 8; the Ceremony of the Keys. At dinner I would like for us to take a preliminary look at the political declaration texts, to give guidance to our Foreign Ministers and Sherpas. I would also like to discuss global issues. On Tuesday, we'll need briefly to formalize the political texts, and then go to the plenary. (U)

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: First Plenary, London Economic Summit (U)

PARTICIPANTS:

George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of State for Foreign Affairs
Pierre Bérégovoy, Minister of State for Economy, Finance and the Budget

Helmut Kohl, Chancellor of the Federal Republic of Germany
Theo Waigel, Minister of Finance
Jurgen Moellemann, Minister for Economics

Brian Mulroney, Prime Minister of Canada
Barbara Jean McDougall, Secretary of State for External Affairs
Donald Frank Manzankowski, Minister of Finance

Guilio Andreotti, Prime Minister of Italy
Gianni De Michelis, Minister of Foreign Affairs
Guido Carli, Minister of the Treasury

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister of Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Eiichi Nakao, Minister of International Trade and Industry

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President

John Major, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
Norman Stewart Hughson Lamont, Chancellor of the Exchequer

~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
GH 8/12/2009
2000-0429-F

Ruud Lubbers, Prime Minister of the Kingdom of the Netherlands

DATE, TIME AND PLACE: Tuesday, July 16, 1991, 9:00 A.M.-12:30 P.M. Long Gallery, Lancaster House, London, England

Prime Minister Major: With regard to the Political and Arms Control Declarations, the Political Declaration seems agreed upon by Foreign Ministers. I don't see the need to discuss it further. FM Hurd can present it to the public later today. All agreed. (U)

On the Arms Control Declaration, there are four areas of disagreement by the French. Let's discuss paragraph 5. (ℓ)

President Mitterrand: I think this issue is outside our competence, i.e., this is the London Economic Summit. The decisions we take affect others. Once we go outside our competence, we affect many outside us. We give an impression that we're directing world policy. Other bodies exist for this. This kind of text can be accepted at every Summit, but we need to scrutinize such language closely. This doesn't suit us here. We should let appropriate bodies do the work. Six out of seven of us here belong to NATO; let that suffice. Or do it through the UN and the General Assembly. Not to mention other appropriate bodies. We're going beyond our competence here, with reports, senior officials meetings, experts, and so on. I won't refuse if others wish to speak of this, and will accept (the text) so as not to make difficulties. Maybe we could consider permanent structures to look at arms -- not let it be part of the G-7. We proposed yesterday deleting the reference to senior officials follow-up. (ℓ)

Prime Minister Major: I'm grateful that you're content for discussions to continue but understand that you are troubled by the specifics of on-going review by senior officials. (ℓ)

Prime Minister Kaifu: We are all well aware that the Summit started as an economic process. But we need to preserve peace and order. There can be no new Saddam Husseins. We can leave the specific formulation to the Chair. But I would like for discussions to continue and would like a specific reference to this in the text. (ℓ)

Prime Minister Mulroney: We've gotten the text pretty watered down already. We're down to one sentence. We're not talking about an annual review. The original text was much stronger. I find it extraordinary that we disagree on this message -- this was a key lesson of the Gulf War. We're all pushing these principles. I gather the question is whether the G-7 should do this. But no forum gets as much attention. We would be ridiculed not to do this at our first meeting since the Gulf War. We're not pushing the G-7's institutionalization. But we can't duck the issue. The text is as weak as it can be. Any more and

we should just take it out. It's really a matter of how many more wars you want! I think this doesn't trouble President Mitterrand's concerns about process. (C)

Prime Minister Andreotti: Maybe we can delete, "on the basis . . . ." (U)

Prime Minister Major: This seems sensible. (Prime Ministers Lubbers and Kaifu agree.) Is this OK with President Mitterrand? To say, "We intend to give these issues our continuing close attention"? (U)

President Mitterrand: I understand the suggestion. Prime Minister Kaifu has raised the issue of Saddam Husseins. I'm not sure our attitude would have been maintained then. I'm not sure why Prime Minister Mulroney says we'd be a laughing stock. Do we need a small committee to avoid this? It's OK to delete "on the basis. . . ." This won't stop close attention to the issue; we just don't need to have it done in the G-7. We'll be doing it in Paris. But I do consider this a concession on my part. (C)

Prime Minister Major: OK. We'll accept Prime Minister Andreotti's suggestion -- to delete "on the basis . . . ." (U)

With regard to paragraph 6, second sentence: I don't understand the brackets. This is a statement of fact. (U)

President Mitterrand: The whole philosophy of the text is mixed together. The Gulf War was not new. Nor was Iraqi aggression. Putting all the LDCs in the same situation as Iraq will miff them. I will have something else to say on LDCs when Prime Minister Major gives me the floor to do so. (C)

Prime Minister Lubbers: The second and third bracketed sentences seem to me to be related. So listen to Mitterrand on the third bracket . . . . (U)

President Mitterrand: I'm more concerned with the tone of the text than the substance. We're combining all LDCs with Iraq. This is paternalistic. Three of us have nuclear weapons. This is related to the third (sentence) brackets. We are encouraging donors to align their aid to the military situation, to be a gendarme on military expenditures. Many will object to this, saying security is their affair. This language has a bad tone. The first sentence in paragraph 6 is OK. We should cut the second. The third seems paternalistic; it covers up Third World development problems. This is a question of sensitivity. (C)

Prime Minister Lubbers: President Mitterrand is fundamentally right. We should address all nations. But we are doing so, e.g., in paragraph 5. Perhaps we should say the problem is disproportionate, excessive spending, and fix the text so that the same criteria applies to LDCs as to us. (C)

Prime Minister Mulroney: President Mitterrand is right. Perhaps we should add to the third sentence, "While all countries. . . ." (U)

Prime Minister Major: This is an intriguing suggestion. Prime Minister Lubbers' point is important also. There is a right to self-defense. But we should add a reference to disproportionate. (U)

Foreign Minister Dumas: I have a different suggestion. Let's begin paragraph 6 with the Iraqi sentence -- to start with the facts. Then add "all" in the third sentence per Prime Minister Mulroney. Then we can delete the brackets in the third sentence. (U)

Prime Minister Lubbers: I didn't mean delete in addition disproportionate military expenditures . . . . (U)

Prime Minister Major: I think we all agree on switching the first and second sentences. I think we all agree to adding "all" in the third sentence. Then we would keep the third sentence, but add after "military expenditures" the clause "where it is disproportionate." (Everyone said OK.) (U)

Regarding paragraph 16, the bracketed text "all appropriate fora." (U)

Foreign Minister Dumas: President Mitterrand made this point before. (U)

Prime Minister Lubbers: Let's substitute "will be continued in all appropriate fora." (Everyone agreed.) (U)

Prime Minister Major: We will circulate a clean text. The Finance Ministers will join us. (U)

World Economy

Prime Minister Major: Let's start with the Chancellor of the Exchequer for a report on Finance Ministers' discussions. (U)

Chancellor Lamont: We agreed this has been a difficult year -- the Gulf War, higher oil prices, recession in North America and the U.K., slower growth in France and Italy. In Germany and Japan, confidence is strong. Our policy coordination works well. The slowdowns have been shallow and short. The conditions for recovery are now in place. We all agree on getting inflation down and keeping it down. The only way to achieve lower nominal and real interest rates is to keep inflation down. (U)

We've heard that the U.S. seems to have bottomed out in the second quarter. The recession was mild and short. There are risks in the recovery. (U)

In Canada, recovery started in the second quarter. (U)

In the U.K., a moderate recovery is expected in the second half of 1991. (U)

In Japan and Germany, there was rapid growth last year. (U)

Overall, there has been a pickup of activity, but there are uncertainties. We expect greater convergence in the future, and 2.5-3.5% growth in 1992. (U)

We discussed inflation. It's still rising among the G-7 at a rate of 4.5%. But the foundations for non-inflationary recovery are laid. We need to maintain them. (U)

On fiscal policy, there is concern about budgetary deficits. Some of the deficits are due to recession. (U)

We agreed on an early, comprehensive Uruguay Round agreement, with an accord on agriculture as a prerequisite. (U)

Prime Minister Major: I'll invite Treasury Minister Carli to add to the Chancellor of the Exchequer's remarks (as Dean). (U)

Finance Minister Carli: Let's focus attention on the major change between 1990 and 1991: the change between the net capital importers and exporters. Up to 1990, two countries were net exporters of capital -- Japan and Germany. In 1991, Germany ceased to be an exporter and is now a net capital importer. Eastern Europe is also seeking capital from abroad. One can identify net capital importers, but it's harder to do so for exporters because the size of the omissions is larger. This means it is important to increase savings. Current account deficit nations destroy savings. Italy is among them. There is a question of tension on the international markets, leading to higher interest rates. The household sector continues to increase savings. Paragraph 6 of the Economic Declaration seeks to encourage savings. But savings are still inadequate. The EC itself is a net capital importer. This fact, plus Soviet needs, makes one wonder whether we could accept the requests that have been made. Contrary to the 1970s and 1980s, we now face a pronounced imbalance between savings of the developed countries and the needs of the LDCs, the USSR, and Central and Eastern Europe. (U)

It may be advisable to set up a working party to examine information on this subject. (U)

Secretary Brady: I'm pleased with the emphasis in the Declaration on growth. And on the fiscal and monetary conditions for growth. In the 1970s and 1980s, our policies produced growth that supplied the funds needed in Latin America, etc. (U)

Finance Minister Waigl: I'd like to pick up on the capital exporter issue. Germany has a large need for capital that will be hard to cover from the capital markets. We have a large need for savings. There is a big increase in the first quarter -- e.g., the self-financing of enterprises. This suggests we might

be able to finance from our own efforts. But for a few years we'll need co-financing. (U)

Reducing our current account deficit helps the general economic situation, e.g, the pulling effect of the DM on Italy helps to increase its exports to the FRG. This gives a big boost for growth, especially for smaller nations. (U)

We have a new budget. New debt has been reduced, and matches investments. Deficits in the public sector will be reduced from 5.5% to 3.3%. Unification has posed special circumstances for us. Next year, our budget will be up by only 3%, a rate which will be below the rate of our GNP growth. (U)

Finance Minister Hashimoto: Japan's current account surplus is up. This is a subject of concern. We have many requirements for savings. We may want to create new SDR's in the IMF until new quotas are created. Countries could match this. I proposed this to the IMF earlier this year. We need a program oriented toward the issue of the shortage of funds. (U)

Finance Minister Bérégovoy: The following are our main concerns. Economic activity is slower in France. German growth has kept overall growth in Western Europe up. Signs of recovery are being felt in North America, but the recovery is less pronounced than expected. German growth is less impressive, too. European exports are helped by Germany, but we are concerned about the consequences if Germany's economy doesn't grow. (U)

Secretary Brady has referenced the need for growth to generate savings, but higher rates stimulate savings and hurt growth. So we need coordinated actions on exchange rates. I support a new issuance of SDRs -- reserved for LDCs. We could open up a credit line to the medium-income countries who are in trouble. We need to show signs of optimism in the financial markets. We need to reduce interest rates. (U)

Finance Minister Mazankowski: There are three components for Canada: (1) a clearly defined deficit reduction target to be achieved by earmarking new VAT proceeds and by expenditure control; (2) an inflation target going from 3% to 2%; (3) holding down wages in the public sector. The Provinces backed this. Wage settlement increases are down to 3.1% in May. Another component is improving competitiveness. Minister Wilson will bring forward a comprehensive document soon. The first quarter was weaker than expected. (U)

Vice President Andriessen: We need an encouraging signal from this meeting, but the underlying trend is growth. But interest rates and inflation aren't good in the EC. There is a lack of convergence in the EC and globally. (U)

Prime Minister Major: I see a convergence of views, but shades of differences in emphasis. Recession was on the way before the Gulf War, but the war exacerbated it. Inflation is down, but we need to keep it down. (U)

~~CONFIDENTIAL~~

The conclusion: policies that served us well in the last decade will do so again. But we've also stressed the need for structural reform. The Uruguay Round is also important. So let's move to the next topic: Trade and Energy. (U)

Trade and Energy

Prime Minister Major: We need to resolve UR this year. Let's ask Prime Minister Mulroney to open. (U)

Prime Minister Mulroney: One year after the Houston Summit, the prospects for the UR are gloomy. We have a simple choice: make the necessary compromises to resolve it this year, or risk losing what we have achieved, thereby weakening the global system and risking a rising tide of protectionism. (U)

No one is perfect. All must compromise. The stakes are high. These questions are not easy, as we saw in the U.S.-Canada FTA negotiations. They can leave scars. No one has more hidden pockets of protectionism than Canada. Jim can confirm that the U.S. has them, too. I believe (trade) makes our economy stronger by imposing discipline. We are now negotiating a NAFTA that involves a market of 350 million people. (U)

So why focus on multilateral trade negotiations? For the sake of the world economy. The alternative is the poor use of resources, e.g., support to farmers. President Mitterrand said something important on LDCs. Almost all have opened up to the outside. The Round is critical for them: $55 billion of additional export income. The same is true for Central and Eastern Europe. (U)

There are four major areas: (1) intellectual property -- the elements are largely in place; (2) services -- we need a framework; (3) market access; (4) agriculture. (U)

Time is running out. We need to narrow our differences this summer. The Cairns Group is willing to do so. The EC's CAP reform proposals are encouraging and could facilitate progress. We need a clear personal commitment by the Heads. I read today's IHT editorial and the London Times. The West must practice what it preaches. The best way to signal to the Soviets that they need to make sacrifices is to make sacrifices ourselves. (U)

Vice President Andriessen: I see a trend toward regionalism. That is OK if the multilateral system is functioning. Otherwise, I fear the development of trade blocs. So we need to finish the UR this year. Failure to finish the Round could unravel the results achieved to date. The EC believes we should remain committed to what we've done. LDCs need to join the multilateral system. The world has an interest in UR success, but it is extremely important for the EC. I see three new contributions. (1) The U.S. extension of fast track. (2) DG Dunkel's activity -- e.g., the paper on options for the main sectors (agriculture, services, and market access). There will be a second, more operational paper by the end of July. (3) CAP reform. This was

not undertaken for the sake of the negotiations, but could affect them. Of course, there are criticisms of it; this is normal. We need to concentrate on the globality of the negotiations. Agriculture is key, but it is not the only sector. Singling it out doesn't help the climate. (U)

Prime Minister Lubbers: In the Houston Declaration, the Heads pledged their personal involvement. But they couldn't do it in December. Now there is a second chance. We need to be willing to be in direct contact. Regarding Eastern Europe, we need to integrate them into the GATT -- e.g., to see the linkage between trade and credits, and between the USSR's problems. We should ask our experts to examine this. (U)

Energy is a commodity. We need to handle this through the market. But it also helps to add transparency. And add to our considerations the issues of (1) the security of supplies and (2) the environment. We should seek to avoid a theological debate on the price mechanism. We need to address points one and two. Energy efficiency requires market prices -- as in the USSR. The EC is discussing the use of taxes to influence energy efficiency. We also need to focus on sustainable growth. Regarding the Energy Charter, I'm glad that many support it. We need to put it into practice in a practical way. We need protocols to describe specific issues, for example, nuclear safety versus oil versus natural gas transport. An instrument of economic integration in this area will help us, too. (U)

The President: I'm disturbed that some thought there has been a silent U.S. conspiracy to avoid a GATT success. I don't want to inflict our domestic problems on you. But we had a whale of a battle on fast track. Congress said there had been no UR progress. We won the battle, and our victory includes NAFTA. UR and NAFTA don't conflict; they supplement one another. So we want to gun down that rumor. I agree the Heads need to be involved. I had a good visit with Prime Minister Kaifu. We both understand one another's problems, as well as the need for agreement. We agree on the effect (of the UR) on the Third World. I see no conflict between regional arrangements and multilateral trade negotiations. The benefits of the former cannot match the latter. (U)

I'm concerned about Central and Eastern European needs, too. The best aid is trade, and trade is more important than any aid we can give them. Politics is involved, of course. For example, textiles. But we'll bite the political bullet. Others need to, also. (U)

I agree the core areas are services, intellectual property, market access and agriculture. Let's focus on agriculture. We have problems, too -- EEPs and Australia. If the Round falls apart, we'll survive -- by retreating back into blocs -- but it will hurt us all. We should focus on the 4 categories. We could have a minimum agreement, but that wouldn't get the job done. I'll make the tough political decisions. (U)

Prime Minister Kaifu: We are moving toward an economy more based on domestic demand and redressing external imbalances. Intellectual property, services, and market access are all important. I'll comment briefly on agriculture. Japan is the largest net importer of agricultural products. We are 48% self-sufficient. We have liberalized in a number of areas -- from citrus products to beef. We need also to consider non-trade concerns, such as food security. Agricultural export subsidies are important. (U)

Economics Minister Moelleman: There are two main issues for the press (from this Summit): GATT and the USSR. On GATT, there are great expectations for this meeting in Central and Eastern Europe and in the LDCs. There is EC consensus on the need for agricultural reform. On agriculture, we can't get closure this year, but can make key decisions. On IPR, services and market access, we could reach a conclusion by the end of the year. (U)

Foreign Minister De Michaelis: The climate now is better than in Houston. The development of stronger regional markets will be hurt if we don't conclude the UR this year. This requires political leadership and an added political effort. I like the text. We need to see compromise by the people in this room. We need to give a signal of political compromise. The negative consequences of failure will be political. (U)

Regarding paragraph 9, we would like it to say it is "politically essential" to achieve . . . , rather than "it will be essential." (U)

Energy is a special market. We need regulations and/or institutions to make that market as transparent as possible. We need a long-term strategy, too. We need to say something to producers. We should keep the language in paragraph 17 which is now in brackets. (U)

Finance Minister Bérégovoy: We need agreement in the UR, but everything must be put on the table. The fact is that the EC has a large share of international trade -- 25% (Japan and the U.S. have 11% each). The EC is not a fortress. We've already done more than others. Agriculture is not easy to solve. This concerns all of us, not just the LDCs. (U)

On energy, supply and demand is important. But this is not an ordinary market. Some have acted on stocks. We want the Franco-Venezuelan consumers-producers initiative approved. The Paris meeting was a big success. We want a regulated, orderly market. (U)

Prime Minister Kaifu: (He spoke briefly on energy and nuclear.) (U)

The President: Do the French statistics on EC trade include intra-EC trade? (U)

Finance Minister Bérégovoy: They are a percent of GNP. (U)

MITI Minister Nakao: Nuclear safety is an important issue. There need to be efforts with the LDCs and others. (U)

Prime Minister Major: The producer-consumer dialogue will be an issue of some dispute. I'd prefer to rely on markets; we saw during the Gulf crisis, market allocation was efficient. (U)

We are unanimous on the political and economic significance of the UR and on global, not partial, agreement. There is no dispute about the dangers of a trade war. We agree on the problems of the LDCs and the apparent contradiction of asking them to open their markets when we won't do the same. We also agree on the importance of trade over aid. (U)

Prime Minister Lubbers: The figures are 22% for EC external trade, versus 14% for the U.S. and 11% for Japan. I suggest formulating a connection in the Declaration between energy and environment. (U)

Central and Eastern Europe

Vice President Andriessen: At the Paris Summit, the 7 decided to support Central and Eastern Europe. The EC Commission was asked to coordinate. The G-24 has done its work, working with the various countries and the IFIs. Our strategy has three elements: (1) market access, (2) technical assistance, and (3) financial aid. Together, the G-24 and the IFIs have allocated $40 billion in Central and Eastern European assistance. This comes to $9.4 billion from the Bretton Woods institutions, and $30 billion from the others in the form of $20 billion in loans and $10 billion in grants. EC exports to Eastern Europe are up 10%, while those to the U.S. are up 17%; EC imports from Eastern Europe are up 8.1%, while U.S. imports are down 5.8%. We need to be concerned about displacing Central and Eastern Europe as we consider support for the USSR. And we need to try to reestablish Central and Eastern European trade with the Soviet Union. (U)

Secretary Brady: (He outlined the Trade Enhancement Initiative; said we believe the G-24 is the appropriate coordinator; stressed grants; noted that burdensharing needs to consider resources around the world; and said we oppose lifting of the EBRD cap on the Soviet Union because this would hurt the prospects for Congressional funding for the EBRD.) (Ø)

Foreign Minister Genscher: Germany accounts for over 24% of G-24 assistance to Central and Eastern Europe. We are concerned about the negative approach of the U.S. toward Romania; Romania is as much a democracy as Bulgaria. (Ø)

Finance Minister Hashimoto: Japan is far away, but we seek to cooperate. We need to be flexible in our response, and shouldn't be rigid. (U)

Finance Minister Bérégovoy: We agree on the need to include Romania. The EC has sought a 50-50 share in balance of payments

support for Romania; we need to get closer to this. It's hard to discuss Central and Eastern Europe without considering the USSR. (C)

Chancellor Kohl: I'm not satisfied with this discussion. We all hope for Central and Eastern Europe. Germany cannot be asked to bear the lion's share -- 40% -- of the burden. (C)

President Delors: It's hard to evaluate statistics. Technical assistance, food aid, etc., all get counted together into the $40 billion total. Of this, $10 billion is from the IFIs. Of the remainder, EC countries account for 78%, and the EFTA countries account for 6% The 50-50 split on Romania is important. We couldn't complete a balance of payments facility for Bulgaria because others did not share the burden. (C)

Prime Minister Major: To summarize, I think we see four main points. (1) We need to send a strong, clear message of support for Central and Eastern Europe. (2) We need to establish a liberal trade regime; this is critical for Central and Eastern European economic reconstruction. (3) The Central and Eastern European countries request some help in restoring their Soviet trade. (4) Progress in these areas is important to drawing in private investment. (U)

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Second Plenary, London Economic Summit

PARTICIPANTS:

George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of State for Foreign Affairs
Pierre Bérégovoy, Minister of State for Economy, Finance and the Budget

Helmut Kohl, Chancellor of the Federal Republic of Germany
Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs
Theo Waigel, Minister of Finance
Jurgen Moellemann, Minister for Economics

Brian Mulroney, Prime Minister of Canada
Barbara Jean McDougall, Secretary of State for External Affairs
Donald Frank Mazankowski, Minister of Finance

Guilio Andreotti, Prime Minister of Italy
Gianni De Michelis, Minister of Foreign Affairs
Guido Carli, Minister of the Treasury

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister of Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Eiichi Nakao, Minister of International Trade and Industry

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President

John Major, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
Norman Stewart Hughson Lamont, Chancellor of the Exchequer

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
8/21/2009
2000-0429-F

Ruud Lubbers, Prime Minister of the Kingdom of the Netherlands
Hans van den Broek, Minister of Foreign Affairs

DATE, TIME AND PLACE: Tuesday, July 16, 1991, 3:40-5:30 P.M. Long Gallery, Lancaster House, London, England

Chancellor Lamont: (Summing up earlier discussions) We've all considered President Gorbachev's message. We've agreed it needed a constructive response. The message is an appealing political document. It didn't disguise troubles. The Soviet economy has weakened more quickly than the reform plans foresaw. A key Soviet problem has been the lack of concrete steps and clarity on: Center-Republic relations, macroeconomic stability, and commitments to private property. We've all felt that reform plans lacked details and credibility. Under these circumstances, there could be no financial assistance. We've urged the Soviets to step up the reform process. We discussed specific proposals. We had strong reservations on creating funds for stabilization and to supply goods. On restructuring debt, there are difficult problems. We lack information on assets. We've asked the USSR to reflect on the damage which would be done by pursuing this issue. We could offer for the IMF to discretely collect information. Debt rescheduling is undesirable. We've felt it was time to offer leadership and frankness. (✓)

We see five criteria for reform: (1) achieving a balance between the Center and the Republics; (2) radical reform (no less than in Central and Eastern Europe); (3) tightened macroeconomic policy in the near future; (4) a commitment to drastic reductions of military expenditures; and (5) adequate conditions for foreign investment (related to point 1). These we've seen as the main tests of good Soviet intentions. A few other points: The collapse of trade with Central and Eastern Europe has hurt both the Soviets and the Eastern Europeans. We're concerned about agricultural decline. (✓)

Regarding follow-up, we've discussed several possibilities: (1) Special Associate status with the Bretton Woods institutions; (2) the four institutions (IMF, EBRD, OECD, and EBRD) should intensify work on the Soviet Union and work closely together; (3) enhanced technical assistance, with priority to food distribution, energy, defense conversion and nuclear safety. (✓)

There were different views on the form of follow-up. There was no agreement. But all agreed there needed to be a framework. Perhaps we'll want to wait for the Gorbachev meeting. But examples might include the OECD, or the Sherpas. (✓)

Foreign Secretary Hurd: We agreed that our response to the Soviets should be forward leaning. A number of political points were raised, and we should raise them now or later: Soviet

defense spending, Center-Republic relations, Cuba, information on Soviet gold reserves. Key points: (1) no cash, (2) Special Association, (3) stepped up technical assistance, including nuclear safety, and (4) on-going contacts of some kind, between the G-7 and the Soviets. (Ø)

We disagreed on (a) raising the EBRD cap; (b) how far should Special Association point toward full membership; and (c) the nature of follow-up. All agreed the four institutions should be involved, and there is also the question of political conditionality. (Ø)

Prime Minister Major: We have limited time for this discussion. We're all agreed: there can be no bag of money; there should be IFI Special Association (though the question of whether this leads to membership remains open); and what should be the institutional involvement. Let's focus on: (1) the follow-up process; (2) whether Special Association leads to membership; and (3) the EBRD cap issue. (Ø)

Chancellor Kohl: I thought the Heads' discussion went further. We should work from that. (Ø)

Prime Minister Major: There were further ideas mentioned, but I'm not sure everyone supported them. There are other issues, too: support for the EBRD, support for nuclear safety, and energy leakage. And President Delors set out ideas that could be developed bilaterally or multilaterally. (Ø)

Chancellor Kohl: Let me give my summary of the outcome: Either we send an important message or we don't. We must try to influence events in the USSR. There are some key points. (1) A special relationship with the IMF and the World Bank must be well established. Let the future decide; I'm against saying membership is not possible. (2) We should find a forum where we decide which of the four institutions is the contact point (not the leader). (3) It is absolutely necessary that technical dialogue go along with political dialogue. It could be important to involve the OECD nations, the Sherpas, or have a more open process. (4) On the EBRD cap issue, there was no decision by the Heads. (5) We should send a message if we want private investment (e.g., energy). (6) The security of nuclear power plants is an issue. There was a suggestion of IAEA involvement. The consequences of a second Chernobyl would be worldwide. I'm not suggesting that we adopt a Cassandra stance, but we need to address these things. We also agreed that defense expenditures are important. We've also got to consider what we say in public tomorrow. The Chairman should report; there should be no text released. (Ø)

Secretary Brady: A third alternative was discussed at lunch: use existing organizations. We don't want to create a new one that could become a pledging exercise. We could use existing regimes and organize, bilaterally and multilaterally, as needed. This could be more along Chancellor Kohl's line, where the institutions could decide among themselves. (Ø)

Prime Minister Andreotti: Amazing political changes are taking place. The Warsaw Pact is gone with no notice. (Pointing to Italy's experience) In 1947 our government was weak, the Communist threat was great, and we got an Ex-Im loan. We got the Communists out. I recall that. There are times one needs to decide with political foresight. This doesn't mean writing a blank check. It's also interesting to note the emphasis ex-Communists are putting on the IMF. Special Association needs to suggest it is transitory. (Ø)

Prime Minister Lubbers: I would like to see if we all agree with President Delors' points. (U)

President Delors: (1) As for a program to fight inflation, etc., only the IMF can take the lead. (2) The EBRD was created for Eastern Europe. It has $10 billion in funds ($3 billion capital and $7 billion loans). This means only 180 million ECU for the USSR. Could we increase it since Eastern Europe has gotten $40 billion? (3) On technical assistance, each of us can do it. What's new is what we developed in the five areas. (4) It took us six months to do this, and that shows a certain disorder. But now there is an organization/approach that can be implemented. (5) Gorbachev will emphasize the slogan that he must fill the shops to carry out reform. The U.S. and the EC did $1 billion each. It's important that our aid reach the places where it is needed. (6) Energy: The Soviets use three times more energy than the U.S., and six times more than Europe. Nuclear safety is important, and they've got to try to repair their existing systems. The European Energy Charter will explore this. (7) Private investment has been a disaster for a year. About $8 billion has been pulled out. Investors need assurances of the application of the Law on Foreign Investment. (8) On USSR-East European interdependency, the East Europeans are now paying market prices for Soviet goods. Soviet imports from the region are down 40%. Could we require Soviet purchases from Central and Eastern Europe if we assist them? (Ø)

Prime Minister Mulroney: I am in favor of special association. Gorbachev is visiting this group; we must respond. There must be a process. President Delors talked about the problems of finding an interlocutor. I agree with Secretary Brady and don't think we need a great new bureaucracy. The U.K. proposal doesn't build a bureaucracy. We can support this with enthusiasm. We need some coordination of international institutions. I suggest the U.K and Germany (as current and incoming chairmen) do this. I'm not sure what the OECD is doing there; I would prefer President Delors' approach. The U.K. proposal is excellent. (Ø)

Prime Minister Kaifu: Economic reform requires political reform, too. I agree on Special Association; we all do. We need to make use of existing organizations. (Ø)

The President: We set up the EBRD last year to help Central and Eastern Europe. At the last minute, we decided to fit in the USSR. Now some of us are calling for bank loans to the USSR.

Why should we raise the limits if the Bank hasn't made any loans yet to the USSR? In any case, it shouldn't loan because the economic conditions aren't there. Congress won't go along with this, and we've told them the Bank wouldn't do it. Why should the EBRD loan to the USSR when no one else is? If everyone wants to raise the limits, then there should be a footnote that the U.S. is against it. There is no economic logic in lending now. (Ø)

On assigning this problem to someone, I'm close to what Chancellor Kohl said. We're all assuming there needs to be a G-7 mechanism. But Prime Minister Kaifu needs the Northern Territories. We have political problems -- each of us does. The best thing Gorbachev could do for us is to free the Baltics. We all have our bilateral priorities; Helmut has some on eastern Germany. I don't like this kind of mechanism on the political side. It's OK to report back to the G-7, but don't set up a new bureaucracy. Economic policy in the Soviet Union isn't yet together. We shouldn't expand the mission of this group to start what could even possibly be a new bureaucracy. (Ø)

Secretary Baker: I'd like to add one point. It's hard to separate politics and economics with the USSR. Each of us has a different political imperative. The Soviets spend 25% of their GNP on defense. It would be hard for President Bush to bring around the American people to helping the Soviets under such circumstances. No one can accuse President Bush of not doing enough to support Soviet reform. But we need to consider the political aspects on a bilateral basis. We cannot address our political relationship other than through a bilateral mechanism. (Ø)

Foreign Minister Nakayama: President Bush referred to the Northern Territories. I would like to thank him. There needs to be a global application of new thinking in foreign policy. Japan is opposed to changes in the EBRD cap. (Ø)

Chancellor Kohl: Everyone here agrees that changes in the USSR will affect all of us globally. I recall in the INF discussions that Japan feared the Soviets would move their missiles to Asia. I understand President Bush's concerns on missiles. There can be no support for Gorbachev if his policy on armaments doesn't change. This is true for the Baltics, too. (Ø)

But what do we expect from the man? I see the political problem of Soviet forces in the former GDR, Poland, etc.; but that problem isn't less in the USSR. There is a split in the Communist Party. (Ø)

I'm not dreaming of a multilateral policy here. Is there agreement on Special Association and on a role for the four institutions? Then we also need a political approach. The U.S. is saying we could do this via Sherpas (notetaker comment: U.S. representatives all shake their heads in disagreement). The mechanism can't just discuss technical problems; it needs to

engage politically, too. I don't mind if the OECD does this. (C)

The President: We're talking about an economic program. I'm not saying don't follow up politically. It's a question of whether the G-7 does issues such as Cuba and the Northern Territories, etc. This is an Economic Summit. There is an interaction with politics, of course. Perhaps the issue is one of definitions. I thought we wanted to follow up on an economic agenda with President Gorbachev. You all wouldn't want to assign your political problems to the G-7. It's OK to follow up on energy, nuclear safety, and the agenda you laid on. The political follow-on of that agenda is an enormous expansion of the G-7 role. (S)

Prime Minister Mulroney: Maybe we're discussing the same thing. We support START, cutting aid to Cuba, recovering the Northern Territories. We're happy to do so. Our proposal doesn't impinge on the inviolability of bilateral relations. Nor does it create a new bureaucracy. We just want to see our economic response to the Soviets properly executed. (C)

Prime Minister Major: The word political seems to be the problem. The purpose is to follow up on macroeconomic reform, e.g., stabilization, price reform, etc. So the G-7 has a forum for discussion with the USSR that the IFIs don't. (C)

To summarize: (1) On the Special Association-Membership question: there is general support for Chancellor Kohl's position. It should evolve; there should be no presumption; it's a technical matter that will take time to clarify. So exclude that one. (2) On the EBRD cap: The U.S. and Japan oppose lifting the limit. We can't carry that one any further; there's no agreement today. (3) On carrying forward our discussions with the USSR: Secretary Brady has proposed the IFIs and the G-7 chairman make a yearly visit. The U.K., Mulroney and Kohl have proposed using the OECD to carry forward the economic debate, with members limited to the IMF executive board. I'm not sure there is consensus on either proposal. (S)

President Mitterrand: I'm reluctant to expand the number of countries involved (e.g, through an OECD-based mechanism). Nine of us thought we were close; make this 27 and we will have to repeat the process. I'm not keen on it. Let's simplify: We're agreed on the items of secondary importance (e.g., who discusses the Northern Territories). The Baltics and Cuba. Soviet missiles are aimed at New York (could hit Bonn and Paris, too). Our security is at stake. Those closer to the Soviet Union have less security. But I don't feel the threat weighs as heavily now as 5 years ago. The situation has changed. That's why we're here. But has it changed enough? Some think it could get worse. Some feel we could help by supporting Gorbachev. Who should we place our bets on? That's what it's all about. It is foolish to help someone who will attack us. If we're going to help Gorbachev, raising the ceiling on EBRD, which is so absurdly small, won't lead to missiles being fired. (S)

I'm glad President Bush picked up my points from the earlier case. If he doesn't want a follow-up, fine. The G-7 chair rotates. The Chair can maintain contact with the USSR. I'm not sure what we're talking about. I agree with Chancellor Kohl. (S)

President Delors' analysis is exactly right. It's not worth an IFI battle. Let the host of the G-7 handle it, and the four institutions can handle their relations themselves. The question is what more do we do for Gorbachev, given continuing peaceful revolution. We're not for throwing away money. But let's do something or nothing. Leave it with the G-7 Chair; no bureaucracy. Do you really think you'll achieve freedom for the three Baltic states before we raise the 180 million ECU cap? This is disproportionate. Gorbachev is coming here to speed up the process of reform. How should we help him? Not by throwing away money; there's no danger of imprudence. But we should go a few steps further. (S)

President Bush: No. Yes on the follow-up proposal. I didn't imply that we would wait on EBRD limits for the Baltics. I'm not linking these. I'm making this linkage because of my Congress and because no one else is loaning. I think I've done a lot to keep the process with Gorbachev on track. You've solved the question of follow-up; it should be the G-7 Chair. (S)

Prime Minister Lubbers: When you look at President Delors' points, look at the timing to see how it will work out. (S)

Prime Minister Major: I think we've moved the debate. We will put the points on paper before we meet with President Gorbachev. (S)

Developing Countries

Prime Minister Major: I want to focus on the poorest countries. (U)

Others: We need to work this out in the Paris Club. (U)

Secretary Brady: We need a slight alteration in the language, but back the spirit fully. (U)

Prime Minister Major: There is general agreement on a more concessional package. The terms have been discussed among Finance Ministers before. (U)

Environment

Prime Minister Major: (He called for attending the Rio UNCED conference.) (U)

Secretary Brady: (He noted that the U.S. cannot commit to attending UNCED; on global climate change, we'll show progress;

on biodiversity, he said we cannot comment; he addressed the issue of the Brazilian rainforest.) (U)

-- End of Meeting --

~~SECRET~~

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Third Plenary, London Economic Summit

PARTICIPANTS:

George Bush, President of the United States
James A. Baker, Secretary of State
Nicholas F. Brady, Secretary of the Treasury

Francois Mitterrand, President of the French Republic
Roland Dumas, Minister of State for Foreign Affairs
Pierre Bérégovoy, Minister of State for Economy, Finance and the Budget

Helmut Kohl, Chancellor of the Federal Republic Germany
Hans-Dietrich Genscher, Vice Chancellor and Minister of Foreign Affairs
Theo Waigel, Minister of Finance
Jurgen Moellemann, Minister for Economics

Brian Mulroney, Prime Minister of Canada
Barbara Jean McDougall, Secretary of State for External Affairs
Donald Frank Mazankowski, Minister of Finance

Guilio Andreotti, Prime Minister of Italy
Gianni De Michelis, Minister of Foreign Affairs
Guido Carli, Minister of the Treasury

Toshiki Kaifu, Prime Minister of Japan
Taro Nakayama, Minister of Foreign Affairs
Ryutaro Hashimoto, Minister of Finance
Eiichi Nakao, Minister of International Trade and Industry

Jacques Delors, President of the Commission of the European Communities
Frans Andriessen, Vice President

John Major, Prime Minister of the United Kingdom
Douglas Hurd, Secretary of State for Foreign and Commonwealth Affairs
Norman Stewart Hughson Lamont, Chancellor of the Exchequer

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
GL 8/21/2009
2000-0429-F

Ruud Lubbers, Prime Minister of the Kingdom of the Netherlands
Hans van den Broek, Minister of Foreign Affairs

DATE, TIME AND PLACE: Wednesday, July 17, 1991, 9:15-10:20 A.M. Long Gallery, Lancaster House, London, England

Prime Minister Major: (He opened by addressing errata in the Economic Declaration draft text made available the previous night.)

-- Paragraph 9, second sentence: insert after "stimulate": "non-inflationary growth by bolstering confidence, . . ."

-- Paragraph 12, second sentence: "improve" should read "improved."

-- Paragraph 17, second sentence: insert after "welcome increase in": "supplies by certain oil-exporting countries and by the actions . . ."

-- Paragraph 32, first sentence: delete "the" before "Soviet foreign policy." (U)

Chancellor Kohl: Re paragraph 54, this doesn't reflect the content of our discussions. I don't like, "seek financial support for the successful implementation of the preliminary stage . . . ." We should change this to "we will support the first phase." (U)

Secretary Baker: How about, "We will support the implementation of the preliminary stage of the pilot program." (U)

Chancellor Kohl: Financing is needed. (U)

Chancellor Kohl/The President: Agree: "We will financially support the implementation of the preliminary stage of the pilot programme utilizing all potential sources. . ." (e.g., adds "utilizing" to make it consistent). (U)

(Discussion of Economic Declaration completed.) (U)

President Mitterrand: We're getting through the agenda more quickly. This is good. Now we should move toward the extended part of our agenda. We only come together again with President Gorbachev. I met him, as will others. I'd like to ask the Chairman how you intend to proceed. There won't be a concluding plenary. How do we draw lessons from this visit? How do we disperse without informing world opinion? How will Prime Minister Major proceed? I feel we're leaving the process hanging in the air. We should explain what needs to be done. We might try to move the process forward. (C)

Prime Minister Major: On the basis of yesterday's discussions, we had a general agreement on some points. When we meet with President Gorbachev, I will open; then Gorbachev and then the Heads will talk, and then we'll throw the discussion open. At the conclusion, I would, as we do in the EC, summarize the views expressed and seek concordance for the summary. There won't be a formal statement, but at the press conference with Gorbachev I would sum up. (C)

On follow-up, we've talked about several elements: (1) Special Association with the IFIs. (2) As President Mitterrand suggested, the G-7 Chairman would visit the USSR before Christmas and report to his colleagues. (C)

(There was silence; e.g., everyone agreed.) (C)

The President: As a wrap-up note, I'd like to express sincere appreciation to Prime Minister Major for his leadership. And thanks to Her Majesty for a splendid evening. (U)

Chancellor Kohl: There is a problem. We have been talking about the Soviet issue before we meet with President Gorbachev. We can't predict what will happen. We don't know what he'll propose. We should have a moment to reflect after we meet with him. I'm concerned we'll echo different views. I'm all for pluralism, but . . . . What about a little time to put our heads together after meeting with President Gorbachev? There's nothing planned now. I don't find it good to have different versions (of a meeting) given. This has been a well-prepared Summit. We need a meeting where we can discuss these questions. On the U.S. side, they will also have things to say. (C)

Prime Minister Andreotti: This is a very good idea. We're called upon to approve a document. Those of us in the EC approved a very precise view on the USSR last December. We were unanimous on encouraging Soviet participation in the IFIs. I understand that there are limits; the EC doesn't commit all of us. But if we compare this with what we have here . . . .We shouldn't fail to give a politically valid message. (C)

Prime Minister Lubbers: I fully see the problem. Re paragraphs 28-33, the text is OK, but less specific than the lists we discussed yesterday. There is a risk the public will see this as vague. We might ask the Sherpas to continue work by looking into the list presented by Chancellor Kohl and President Delors. We will be more specific at the end of the day. (C)

Prime Minister Major: The language is bland in the Declaration because we cannot preempt the Gorbachev meeting. But we can be much warmer after we meet. Later we will work on some conclusions and circulate them. (C)

Prime Minister Lubbers: That's what I suggested: a list of specific points. (U)

Prime Minister Mulroney: If Prime Minister Major makes his presentation to the media afterward as skillfully as he has here, then we'll do fine. But it's hard to do in advance. We have an idea of our package; Helmut laid it out yesterday. The Chairman can lay it out. My concern is that we need to find out what Gorbachev will say before we leave. We need to know what he'll say before we put forward our line. We need to know he'll respond constructively. If he were critical of what we're saying, the press will be on his side. President Walesa did this to us once after we forgave Poland's debt. We need to nail down Gorbachev's reaction. (✍)

Prime Minister Kaifu: There are points we need to be careful on, e.g., the Asia-Pacific, LDCs, etc., that we don't want to have overshadowed. With President Gorbachev, we want to find out if there is progress in key areas and leave it to the Chairman to represent a common understanding. (✍)

Prime Minister Major: Prime Minister Mulroney's point is compelling. That's why I proposed that we agree on the basis of yesterday's discussion (note: he said he'll circulate a text). Then I will summarize what I'll say, and then ask Gorbachev what he'll say. I hope to reach a concordat. I will circulate language with the warmest tone, according precisely with what was agreed yesterday. I will seek to summarize this at 5:30, to give us time to handle it before the 6:00 p.m. break. There won't be a formal communique. I'm doing it this way because of Prime Minister Mulroney's point. But I also wanted to avoid a sense of sitting in judgment without Gorbachev after we meet. This is a proud man and nation. But I can see why you'll want to know the line we're taking. So I'll circulate later this morning a text of points on what I'd like to say. I'll be open to suggestions. (✍)

Chancellor Kohl: Perhaps we might talk during a coffee break. This will allow us to act with tact. (✍)

Prime Minister Major: OK. We'll have a paper to look at (e.g., talking points for PM Major). There won't be formal communique. We may want to move up the 10:45 reading of the Economic Declaration. (✍)

BREAK FOR COFFEE

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: G-7 Meeting with President Gorbachev

PARTICIPANTS: George Bush, President of the United States
Francois Mitterrand, President of the French Republic
Helmut Kohl, Chancellor of the Federal Republic of Germany
Brian Mulroney, Prime Minister of Canada
Guilio Andreotti, Prime Minister of Italy
Toshiki Kaifu, Prime Minister of Japan
Jacques Delors, President of the Commission of the European Communities
John Major, Prime Minister of the United Kingdom
Mikhail Gorbachev, President of the USSR

DATE, TIME AND PLACE: Wednesday, July 17, 1991, 2:20 p.m.-6:15 p.m.
Music Room, Lancaster House, London, England

Prime Minister Major: We're all very pleased that President Gorbachev is here. We are among his well-wishers. We've all heard that President Bush and President Gorbachev have resolved START. We're all very pleased. This is an historic meeting -- the first of its kind. I'm delighted that it's taking place. We've all studied your letter. We agree with much of what you have to say. We have moved from confrontation. We're united behind your efforts. We want to integrate you into the world economy. The USSR has immense human and natural resources. There are immense challenges, but limitless opportunities. We accept your personnal commitment to reform. We hope you'll talk in detail, not just on the nature of economic reform, but also how it will be implemented . . . so we can help you. You can also learn what we can do to help out and our inhibitions. (✓)

Our interests: the budget deficit, the money supply, etc.; center-republic relations (including with regard to the deficit and debt); the question of private property -- personal property and private ownership of companies. These seem vital to economic reform. The area where we are best equipped to help is technical assistance, know-how, on macroeconomic and microeconomic reform (e.g., energy). The key is to create a climate of confidence to attract increased investment. Your country needs an irreversible reform process. This is for the Soviet people to do, but we will do what we can to help. The international institutions can help; we need to explore this issue with you. I'd like to invite you to share your thoughts. (✓)

~~SECRET~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
OH 8/21/2009
2000-0429-F

President Gorbachev: Thank you. I'm pleased to be here with you and all your colleagues. My being here is a symbol of the profound changes which have taken place in international relations. This meeting of state leaders is important. You share a special responsibility because of the role played by your countries. You help shape the world. I understand the real historic context and that this dictates what's possible. But it also dictates the need for a new level of trust. This is a strategic moment. Let me point to some important elements, and also respond to yesterday's Political Declaration. (S)

Enormous gains have been achieved in disarmament and in resolving regional conflicts. There is a real chance for progress, but we must be realistic. Dangers arise from the transitional situation in the USSR. This requires special intellectual effort. There is a crucial political choice. We're leaving behind one system of values that regulated relations between states to a new understanding, new methods of achieving security -- collective security versus old alliances. There is also instability, both political and economic. We also see how the legitimate desire for national self-determination has negative implications: nationalism, separatism, sometimes with religious overtones. There are dangers to the political environment. A balanced approach is needed; we have a unique responsibility. (S)

Let me share some thoughts on the real dangers that confront us . . . . The inviolability of borders; changing international institutions. The USSR wants to be part of the world economy. There are questions about how to organically incorporate it. We believe it is in our long-term interest to integrate ourselves. We will also renew our federation. This will help us move together, with fewer social costs, and to overcome our distorted economy; perhaps the most distorted economy in the world. (S)

We expect reciprocating steps from you. Like lifting legislative barriers; letting the USSR participate in international economic institutions; and a number of other steps. I have long lists on each. We need reciprocating steps. Let me be frank: Will you be well-wishers, onlookers, or active supporters? I'll answer your questions, but want you to answer mine. We've decided on irreversible moves. But it will be impossible to move to radical reform outside the world market. So integration isn't a self-serving policy, it's a strategic move. (S)

A few words on the economy. We had a dramatic situation late last year and early this year. We had to maneuver between the ultra-radicals and those who would slow down or reverse reform. So we had an acute, critical situation. Even well-tested political leaders broke down under pressure. It was like an earthquake, with the roof shaking over our heads. (S)

Let me tell you: Gorbachev was playing for time to save perestroyka. The mechanism of self-preservation was not to suspend change, but to radicalize it. This was reflected in the 9+1 process. (S)

We arrested the situation. We got some time to implement anti-crisis measures. But we cannot waste time. Dangers still exist. We must address the transitional problems in the second half of 1991 and in 1992. First, our plan is social accord. Second, to radicalize the economy. Third, to seek new international economic cooperation with the industrialized economies. We did reach accord with the republics. We can debate specific elements, but we need all three of these. Also for the social aspect, there is a growth of support (for reform) from below. Some say this is the most important social change. (S)

I agreed with President Bush. His mission came, with Ed Hewett and others. I talked to them, to Hewett, a Special Assistant to the President who knows the USSR, who said that something unprecedented has happened. New people have emerged. In particular, Moscow has changed, but not the provinces; but now they have, too. (C)

Our reforms began from above; now they have support from the people. Democratic forces are more active. There are new democratic groups -- movement is rapid. We have moved toward a new Union treaty based on federalist principles. Eight of the republics have approved it; Ukraine will decide in September. We're looking for the optimal combination of sovereignty and a new, unified state. Let me emphasize the importance of the referendum, in which a large percentage of the population favored maintaining the Union. There will be no change in the direction of the process underway. (C)

It's important to avoid extremes. Before, the republics had no freedom, no oxygen; it was all unity. Now the hotheads want to move to disintegration. There are adventurists, separatists. We can't put 70 million people out of our borders. We're economically interrelated. All our problems must be tackled together. So we can't separate or divide our Union. But we can redistribute authority and achieve a new balance -- a common economic space with unified finances and a central bank. We need a new role for our republics. (S)

President Delors is looking at me very closely because he has many questions. President Kohl, too. I understand this. We need the Union. Take the Yugoslav example. This concerns all of us. It gives us an idea of what could happen if the Union disintegrates. That's why I proposed the referendum; the people supported it. So do 9 republics, with 93% of the people and 97% of the territory of the USSR. The sovereign republics will have broad authority. We will devise a new constitution and then hold elections. There will be new authorities, elected by the people, who have a mandate for reform. This new government will have new terms of reference. As for the other republics, some will hold their own referenda, e.g., Armenia, Moldova, even Georgia. A large majority are for union. Even their polls show 70-80% in favor of a new union. (S)

The Baltics are a special case. We will rely on a constitutional framework. It's up to them to decide. If they want to separate, we'll have a divorce procedure to figure out the way to do so. This is especially important because there are many Russians there, defense interests, infrastructure, etc. We will do this through a constitutional process without violence. The key is self-determination. We have to respect this. (Ø)

On economic matters, we've got 13-15 of the republics. This is a multifaceted process. (Others have these problems, too, e.g., Prime Minister Mulroney is tackling the question of Quebec constitutionally.) We'll do it in the same way. (Ø)

We're radicalizing economic reform. We're in a process of transition, not just declaring our intentions. We're gaining ground, though there are many contradictions. We have legislation on the rights of private property and entrepreneurship. We already have these laws -- did you know that? We have come a long way; it's described in the paper on legislation I gave you. (Ø)

Reform has accelerated over the past six months. There are new, non-state producers, and private initiatives in banking and commodity exchanges. There is debate in the Communist Party about these new sectors. The process also applies to the defense sector. In 1988-90, cooperatives grew by over 200%. These are not collectives, but cooperatives, and they employ 6 million people, with an output of 70 billion rubles. Leaseholders account for 7% of industrial output. Shareholding exists in large enterprises. There are 3,000 joint ventures. Over 47,000 individual firms. 15,000 non-state cooperative banks. Soon we'll adopt anti-monopoly legislation. We need to accelerate more in the next 1-2 years; no more than 2. We're in transition from centralized demand to economic regulation of business. We want to commercialize most of our industry. There is equality and protection of all forms of property. We have laws on foreign investment. There are problems of ruble convertibility. I'll address this later. Step-by-step, we'll liberalize prices. We'll move from a situation in which 35% of our prices are unregulated to one in which 70% are unregulated. We're creating a market infrastructure. We need your help above all on defense conversion. (Ø)

On private property, our legislation permits 100% foreign ownership. Each republic decides on its own. Russia has a communal tradition. The situation is not the same in Central Asia, which is less likely to accept private ownership. Each republic will decide this on its own, probably by referendum. Reselling of leasehold rights is possible if there is interest. (Ø)

Regarding macroeconomic stabilization: This is not the most important issue. I set out our program, with figures, e.g., those required by international economic institutions. We will go as far as socially acceptable. Neither of us would want to see the process become socially impossible. The deficit is being

reduced, to no more than 10% of GNP. It will be covered by bonds and the state banks. We will raise interest rates and will change our tax policy. We will freeze deposits to use to buy shares. There are some 250 billion rubles in the hands of enterprises. Some ask why isn't Gorbachev cutting military expenditures, when he will solve the question of links with Cuba and Afghanistan. I've tried to tell you about the real process of arms procurement. We've cut 29% since 1988. Procurement of APCs is down by a factor of four. I'll cut more. What we've done already has created social tension. The best brains, etc., are in this sector. Now they're idled. This will add to problems in the Army. Now the Army and the defense industrialists basically support us. We will implement the withdrawal from Germany, including with regard to humnitarian and economic problems. We will continue the defense conversion process. (S)

New Economic Cooperation: We're responding. We've created better conditions for foreign investment, and recognize the need for this. We're going to make the transition to ruble convertibility. If we do, many of our problems will take care of themselves. Convertibility is under study. Your involvement can consist of some financing, more likely oriented to specific projects. Paying debts -- we <u>will</u> pay them. We have great potential. With some space, etc., we will earn currency to pay our debts. We accept the rules of the game, but bear great burdens and need solidarity. You have a list of projects, many of which have been developed by your businesses. They want a political signal. We're opening up our defense sector -- 80% of it, our "holy of holies." This is important for you to see. We share the burden and the responsibility. To promote cooperation in investment, we'll accept international groups to monitor certain areas. (S)

This brings me to this question: How shall we complete this meeting? We don't have a lot of time. We need to say something. These are not just the USSR's problems. We need to show we can cooperate, what the mechanisms of cooperation are. All of you say, let's discuss. I am looking to President Bush, hoping he'll say something. We need a follow-up mechanism; we need to create one. We need to say something politically, too. There needs to be follow-up. We need an arrangement around the Chairman, and I'll look to the Chairman. I invite your Economic/Finance Ministers to come to Moscow to follow up on this discussion. This is agreed with the republics. All our debts will be repaid. New relations will come and we will establish an Inter-Republican Committee to develop projects for you. (S)

Finally, the USSR is closely linked to Eastern Europe. We've acted badly. Both. We had a bad divorce. We know we have to cooperate with Eastern Europe. We understand the need for this. There are natural links. The sooner we cooperate with you, the sooner we'll cooperate with them. President Havel said to help the USSR is to help us. A clearing system of accounts -- Chancellor Kohl is working on this. German unification . . . . I'd like to thank all. I got carried away. I'll stop. (S)

Prime Minister Major: I'll invite President Bush to speak. (U)

The President: First, I want to note START. This is in the interests of all of us. We're trying to hammer out the details before we get to Moscow. I will go there later this month. This treaty is historic; it's the first sign of a reduction of our massive stockpiles of strategic weapons. I'm not trying to bring this issue into the G-7, but wanted to note it. It sets a good tone. (S)

I don't have much to say. (U)

As for a follow-on mechanism, each nation has its own bilateral problems to work out. For example, Prime Minister Kaifu has special concerns. You're right about follow-on. We should have the Chairman of this group coordinate common areas with the USSR; this is the way to do it. We could also discuss the IFIs, which are important as purely economic coordination mechanisms. As you move toward a market, participation in them will be very important. It gives you worldwide contacts. So I'm enthusiastic about a follow-on mechanism. (S)

Someone, I'm not an expert, can discuss follow-on with the IFIs. The political push will come through the Chairman. We can do without organizations, so they don't compete with existing ones. So the bilateral issues will be considered separately. This leaves nations with special problems the flexibility to move bilaterally. (S)

I'd like to ask a question: Experts raise the question of working out the details of the union treaty. (You are moving in this direction.) It is critical to investment, taxing rules, etc. For example, jurisdiction over offshore platforms, we've found, is very complex. And we've had many years to sort all this out in the United States. But it's critical to attracting investment. It can get you milti-billion dollar energy development; this would overshadow aid. It's the same with food distribution. I've met with our Soviet experts; they all say this is key. Yours was an outstanding presentation. (S)

Chancellor Kohl: We all feel this is a most unusual hour. It's historic, and we are grateful to you for coming. Congratulations to Presidents Bush and Gorbachev; your progress on START is a favorable development. We are having an open discussion. We have some questions. (S)

I'm grateful to President Bush, and the questions he put about moving to a cooperative system. We don't want bureaucracy. We'll try it out: the Chairman will lead. So there won't be any new structures, but all of the G-7 structures we use now. This is a huge step toward normalcy -- like joining the World Bank; cooperation through the OECD, etc. These are normal institutions, not new ones. Perhaps our Finance Ministers could meet in Moscow. This is a good idea. It would heighten our awareness of your problems. (S)

I have some questions:

(1) Will the Union Treaty come about? What guarantees are there? We talked with the Ukrainians. This is key to investment. (Ø)

(2) What about making information public on possible Western consortia, e.g., in energy, modernization of nuclear power plants? There is interest because of Chernobyl. Fear is great. (Ø)

(3) Your moves toward disarmament are a great step forward. Conversion, too. This is important for acceptance of our policy in the West. We want to help, but need to know if we support, (that our aid won't go to Cuba). (Ø)

President Delors: There is awareness of the incredible problems that exist. (1) I think people recognize the union treaty is important. (2) All property needs to be developed on the basis of equality. (3) As for trade and cooperation, the EC agreed to help "fill the shops", and to help maintain "social accord". We've also worked out a technical assistance agreement covering sectors. So there already is cooperation, though it's inadequate. I have some questions: (Ø)

(1) Institutionally, there are two key questions. Your letter asserts there is agreement on a union treaty, but it looks different from the point of view of the Ukrainians, etc. (a) Will the Center have total control over defense policy? Is there to be coordination of each individual budget? Will the center levy direct taxes, or rely on republic assurances of revenues? (b) Will there be a single monetary/financial system? This is essential. Will Ukraine issue its own currency? Without it you couldn't negotiate with the IFIs or make the ruble convertible. (Ø)

(2) Financing level re external solvency. You said you have always paid your debt. But you've cut imports by 40% and there is a decline in currency reserves. How do you see the next few months? Our Finance Ministers need to know this, and to pass it to the IMF. Otherwise, there's no room for maneuver. (Ø)

(3) Is there a link betwen your internal situation and the reduction in imports from Central and Eastern Europe? If so, we could think of a mechanism to reactivate trade. (Ø)

(4) Re technical assistance: Prime Minister Pavlov has set up a single mechanism. Can you confirm that it will continue? There needs to be a single interlocutor with the IMF, etc. We've worked with the Pavlov group. Will it continue? (Ø)

Your replies will help us move ahead. You have great resources. (Ø)

President Mitterrand: We have no right to doubt expectations. But we have to get over certain doubts. It's the problem of the chicken and the egg: will the USSR establish itself first, or does it need assistance now, recognizing the risk of failure? Consider this question against the background of your actions over the past 5 years. History will remember your actions as extraordinary. We've considered the USSR (as a country) since 1917; since 1924, you've had relations with the satellites. Your perestroyka has made it possible to move to a new system, to free many peoples from their recent occupation. German unification was made possible by your policies. So your actions argue for belief. What you have done is a fact; there is hope for the future. There are great problems. Look at Germany. It has emerged as a great power in 50 years, and it has difficulty assimilating five states. What does this say about the USSR, without the same degree of prosperity, unity, with the system of the Czars? It will be much harder. The alternative is upheaval. We can't settle this in an afternoon. All this is the basis for feeling we're taking the right road. The USSR needs serious, sensible assistance. Conditions are posed: first, political stability, based on a union treaty. Some should have their sovereignty. France and the U.K. never recognized the incoporation of Lithuania into the Soviet Union. An overeager desire for independence makes your task more difficult. The example of one becomming independent could be a model for another republic with longer, stronger historical ties to the center. As President Delors said, be quick. Are you one country in diversity, or several countries? (Ø)

(He noted: defense, energy, the IMF/IBRD/OECD/EBRD) The mission of these four with direct liaison with the Chairman is the best way. The invitation to the 7 Finance Ministers is a happy idea. They can debate on the spot. Prime Minister Major has a mandate from us. He has authority from us. (Ø)

I wouldn't say privatize everything. I'm of a socialist temperament; this is true of most of us around the table. There is a happy synthesis between private enterprise and the role of the state. This operates in all states. Some don't admit it. It's not for us to tell you what system to have if we have a common basis, e.g., private property. Investors want their profits. Your country needs a middle path to permit external assistance. You need to take stock of what has worked elsewhere. You have substantial resources and great wealth. But this hasn't always produced added wealth. You have unproductive technology. The distribution system doesn't allow you to get the most out of your resources. (Ø)

Some of our kings sought wives in Russia. This was not just because they were beautiful, but because of an alliance of interests. In 1492, the first emissary from Moscow reached Florence. This is not the moment to refuse your interest in integrating yourself in our common history. (Ø)

Prime Minister Kaifu: I agree with many of your comments. We hope perestroyka will be successful. The true worth of reform is

for the USSR to work with us as a partner. There needs to be a firm commitment to the transformation of your economy into a market economy. Having listened to your presentation, I understand what you want to do. On the political level, you need to involve your people. New thinking needs to involve the Asia-Pacific region. We have seen some progress with China and Korea; this is positive. Japan is your neighbor in the Pacific end; improvement in our relations is important beyond the bilateral context. We met and talked about the Peace Treaty. This would be significant for world peace and prosperity. I read your message. You spoke of risk and the need to move carefully. But on economics, half-boiled reforms will increase the costs at the end of the day. You say you'll reduce the military and that this is key for reducing the deficit. I wonder how, specifically, you'll do this, and when you will carry it through. Regarding private ownership, you said it was essential, but also said all forms of property will be treated equally. Is a mixed economy the ultimate goal, or is this a transitional stage? (C)

We will proceed with technical cooperation. (U)

TEA BREAK

Prime Minister Mulroney: You're in a unique situation. It gives you an advantage. You already know history will be favorable to you. Your challenge is to keep going politically and stop those who might reverse you. All of us started with strong economies; you didn't. That's why we appreciate your difficulty, as political figures. You have a rich country with a poor system. It is correctable. This is better than the other way around. The key to your integration with the world economy is to achieve it in the judgment of the marketplace, not (among) us. The marketplace can be brutal. It's not impressed by half-measures. It's nothing personal to you that the market judges so harshly; it doesn't give too many compliments. But the beauty is that once the market is on your side, it can create tremendous wealth. Private investment is the key. (He cited a Canadian firm doing an oil recovery project in the Arctic. It involves about $1 billion. Multiply this by 100.) The private sector will respond. So the question we ask is how can you attract more private investment, meet voter expectations and consumer demand, and create wealth? Gratitude isn't long in Canada; the question voters ask is what will you do for us tomorrow? (C)

I asked our top investors to visit me, and I asked them what it would take for them to invest in the USSR. They cited three factors: (1) political stability, e.g, clarity as to who has control of resources; (2) currency reform; (3) private ownership/freedom for enterpreneurial activity. Jobs are created by small business. Canadian businessmen are in the USSR with McDonalds. They said getting rights to the land is like dental surgery. The one in Moscow employs 1100, and 2-3000 in its supply network. He wants many more. That's where the jobs are. It's no mystery why U.S., French, and other farmers are productive: they own the land and can pass it on. The

productivity of Saskatchewan farmers would drop like a stone if agriculture were collectivized. (Ø)

The key to market pricing: government authorities have no power to control prices. This requires a psychological leap of faith. You can't do it part way. The debate goes on, but you can't challenge some fundamentals. Federalism allows us to take from one part and give to another for the general welfare. (Ø)

I have two questions:

(1) You said 70% of prices will be decontrolled. Why not 100%? Not right now, but as the objective? (Ø)

(2) You said that cutting military expenditures increases tensions. I understand your point. It serves as a regional subsidy program. You said the Army generally supports reform. Does this mean further cuts could provoke the Army? (Ø)

I recommend that Finance Ministers and Ministers of Small Business go to Moscow. (U)

Also, we have bilateral programs, plus the IFIs. We'll focus on energy, agriculture, nuclear safety. Canada has proposals in these areas. We'll discuss them when we meet tomorrow. So institutional activity doesn't preclude these things. (U)

We believe in what you're trying to do. We want you to succeed -- for you and for us and for the world. (U)

Prime Minister Andreotti: Our colleagues discussed the economy. I'll touch on the political. We started with a horrible economy. We met in CSCE, but now have Japan, too. I think the message to world public opinion is positive. Plus, there's President Bush's announcement. This has educational value for world public opinion. (Ø)

Regarding the substance of the enormous transformations, I recall a complete reversal -- now we're crying for the USSR not to cut off the old Warsaw Pact nations. Its very satisfying. Economic cooperation is based on political cooperation. Certain topics strike public opinion in some nations, e.g., Cuba. Castro is the greatest critic of Gorbachev. Castro says if he loses Gorbachev's protection, the U.S. will eat him up. Don't believe this. All must be aware of Gorbachev's public opinion. He had to struggle with German unification. It's the same with the Japanese problem. It will be better to solve these problems with cooperation. There needs to be a positive message. This can also help in the Mideast; you (Gorbachev) helped with Syria; this could help with Israel. (Asked about Soviet Jews leaving, settlements, a peace conference.) Last year I had the honor of giving you a prize; not because of successes, but because of the actions you're taking. (Ø)

Prime Minister Lubbers: The first step is constitutional reform. We in Western Europe are looking for political union. We're

coming from different poles. We can learn from one another. The second is the economy. You need radical reform. That may answer many questions. Third is integration with the world economy. We want to support you politically and in practice. (He recalled ideas like the Energy Charter, the environment, common infrastructure, especially in transport.) Fourth, is the USSR/EC and the USSR/Central and Eastern European relationship. You spoke of divorce and realizing the need for one another. It would be useful to add to our agenda studying a mechanism for trade with Eastern Europe. Perhaps a special credit mechanism would help. (C)

President Gorbachev: I thank you for the atmosphere. It makes it possible to express our common concerns. Thanks for your remarks on your positions; notwithstanding differences, they cast light on the viewpoints regarding cooperation and on world politics at large. This moves us toward our organic integration. (C)

There seems to be reason to say, if I understand correctly, that there is not just support, but agreement to set up a specific framework. There is the question of the forms of cooperation. All of what we were doing here is necessary for all of us. (C)

The fruitlessness of the command system and state ownership brought us to a state where we can't harness our potential. Logic has driven this home to us. We need the mass of society to understand, and not just at the intellectual level. We need to change our dogma, our psychology, etc., in the Party and everywhere. We are forming new structures, competition, new people in the processes, and new attitudes toward ownership. We need to create confidence in our economy. We're just starting at this, however. We understand the scale, the history, and the burden on society. We're a country of 120 different nationalities. Everything is converging on this moment. We'll travel this path. We appreciate your expressions of support. There won't be any disappointment regarding "new thinking." There is a growing process of mutual understanding. What we need now is a new measure of trust. We want to move into the international economic arena. If we're not admitted into the IMF, the World Bank, GATT and the EBRD, it won't work. We need them to provide oxygen to breathe; we'll fit into the political process. We're talking about mutuality. If I'm going too far, or am too optimistic, then let me know. I hope not. (S)

As for your specific questions. You're interested in business. So are we. There can be no stability without radical reform. (U)

On macroeconomic stability, we understand your approach. Let me respond. The Union Treaty covers all major aspects of foreign policy -- with a mechanism. Nuclear power is part of the union's purview, as well as transport, communications and meteorology. (U)

Then there's the broad field of joint response. This includes individual projects where investments might be carried out. (U)

We'll have a single market, a single currency, a central bank, central authority, and federal taxes (among 7 of 9 republics). We're still discussing this with Russia and the Ukraine. Now we're looking at mechanisms. We discussed Hamilton, Bismarck, a range of world experiences. I won't sign the Union Treaty without a federal tax. (Ø)

I want a strong center and strong republics on the basis of distributed power. (Ø)

Regarding the convertible ruble: We need this. Without it, we'll be delayed. McDonald's vice president wants to invest rubles, but he needs dollars for investment. At what exchange rate? It's up to 40 rubles to the dollar. The commercial relationship between the ruble and the dollar doesn't correspond to reality. We face great difficulty on this issue. I have files on projects in the pipeline. The stabilization fund is a technical matter; let our experts examine this. We'll get convertibility anyway without this fund, but lack of it would slow us down. (Ø)

For Prime Minister Mulroney: On price decontrol, we're aiming to decontrol 70% of all prices during 1991-92. This will double the level currently decontrolled. We'll just be keeping 3-4 items controlled. The question is bound up with assessing goals. I'm not saying give us goods. I'm saying for each specific step toward a market, in good time, in sequence, in synchronization. (Ø)

On the pace of reform: I would like to speed it up, but can't go any faster. Society could not stand it. There are always disputes. Economists like Leontief or Galbraith will always say, "why have a ministry to move to a market." But there is no pure, unregulated market economy. We shall move toward reform of property, monetary reform, and private enterprise -- but let society decide. We'll adopt a legislative framework and then give (the republics) the freedom to choose. (Ø)

As for Cuba and Vietnam, our relations have changed radically. We've cut aid to Vietnam three-fold. Aid to Cuba has been halved. We get more from the Cubans than the reverse as of July, e.g., sugar, citrus. Cuba will be gradually integrated into the normal processes. Things are moving. Regarding Vietnam, we helped to introduce big rice producers to the market. Cuba and Vietnam will become normal members of the world community. (Ø)

It is extremely important to tell the world of our brainstorming; not for applause, but to show the fact and the breakthroughs achieved. I hope the Chairman will work for positive contact. We also need a mechanism. (Ø)

Prime Minister Major: Let's consider what we'll say in our press conference. There will be huge interest. We need some message.

It should be a positive one and will be historic. Let me sketch out my views. I will be brief. I'll stress the frank, substantive nature of our discussions in a cordial, free atmosphere. I'll welcome the START agreement and the positive respose it received. Regarding dimension and style, I'll emphasize "across the table" not around the table with set speeches; and the questions and answers. I'll say we agreed to promote Soviet integration into the world economy. And I'll discuss some specifics: (Ø)

(1) Special Association with the IMF and the World Bank and the other organizations. I would include mention that this is an enormous step forward, which will bring benefits, expert advice and a wealth of experience. (U)

(2) Ask the 4 major international institutions (IMF, IBRD, OECD and EBRD) to work closely together, especially on creating a market economy. (U)

(3) We'll intensify our technical assistance, especially in energy, defense conversion, transport, nuclear safety, and food distribution -- both bilaterally and through the international institutions. (U)

(4) On trade: I should mention the consequences of the collapse of trade with the USSR's neighbors and that we'd like to see trade reestablished. Also more trade access. (U)

(5) Regarding follow-up, I'd note that this isn't a one-off occasion, but is part of a continuing dialogue. The agreed mechanism would be the Chairman of the G-7 -- to keep in close touch with the USSR, visit it, and maintain liaison with the others. After the visit, we could report on progress. Chancelklor Kohl would do the same. And it would be desirable for Finance Ministers and Small Business Ministers to accept the invitation to visit. (U)

These are six particular ways to follow up. This is the beginning, not the end. It's the first step toward helping the USSR become a full member of the international economic community. (U)

I'd like to request comment, beginning with Gorbachev. (U)

President Gorbachev: I'll be positive. This was an important political discussion among statesmen. We determined certain areas as directions for our cooperation. We've not yet exhausted our cooperation, but are started on it. I'd like to thank you all. (Ø)

-- End of Meeting --

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
06f. Handwritten Memcon Notes	Re: Opening Session (13 pp.)	7/15	(b)(1)	

Collection:

Document Partially Declassified
(Copy of Document Follows)
By [illegible] (NLGB) on 10/7/10

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/11/91 - 7/22/91

Date Closed:	1/28/2009	**OA/ID Number:**	91109-001
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(355)	**MR Case #:**	
AR Disposition:	Released in Part	**MR Disposition:**	
AR Disposition Date:	11/29/2007	**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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

OPEN

7/15 Opening Session

BUSH PRESIDENTIAL LIBRARY
Dupot
00-0429-F
#355

BUSH PRESIDENTIAL LIBRARY
505.05
09-0044-MR

(b) (1)

DECLASSIFIED IN PART
PER E.O. 12958, AS AMENDED
GJ 11/29/07
2000-0429-F

Entire
page
(b)(1)

Entire
page
(b)(1)

(4)

(b) (1)

GB: Haven't had time to digest. So comments at random. Much food for thought.
Major regret) 1st thank Major. Not easy to do normally, but also adding Gorbo, not a Western, industrialized democ. Feel he's a long way from that.
But thkg you invited
- Important to be received w. respect, sense of time due him.
In US, Yeltsin was the democrat for a fleeting moment
Spirit of aiding foreign aid eg. to Cuba. All in Hemi democ except
Never turn back on US achievements. Salute Commonwealth.
Salute Centrifugal forces. We can do nothing w. USSR that puts EE in less than privileged position. Don't want to send signal will slight.
Can't right-out checks, give money, until reforms talked about are implemented
Met w. US specialist on USSR recently. They emphasized need to finalize Union Treaty. W/o it, could descend into Wild West-anti-democ tendencies, etc. for I-nest
Do expectations of $150 b.l Can lowered, Gorbo to use
But also, USSR wont on econ superpower. Have military might. This complicates for us. Long range missiles aimed at US. (Close to getting START; Jim said 99% -- I'll try to conclude, but don't want to thrust into this one.)
Shldn't affect success here. START is intensely w/ it's

TOTAL P.01

5

GB Agree can't be a federation by force. Need to encour Gorbs to go ahead with Baltic indep. He needs to understand guess for indep won't be stemmed. For US, single best step will be to show they can be freed.
Look-fwd to Eis being there.

Will stop there. Wanted to address Mitt's pt 3.

As for 3rd world, trade is best way to help. UR key.
Some heard rumors US not interested. We are.
Know we have to give on textiles, agric.
in all our interest

On oil, leave to later on. May have difference with France, but don't think so. - Still STD sensitive price. But N correct to emphasize oil - Same for energy, belt

You've been spared 8 pages of Talking Pts

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

Entire
page
(b)(1)

~~SECRET~~ 6016

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: President's Expanded Meeting with Prime Minister Mitsotakis of Greece (U)

PARTICIPANTS:

The President
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Marlin Fitzwater, Assistant to the President and Press Secretary
Michael Sotirhos, U.S. Ambassador to Greece
James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs
David C. Gompert, Senior Director for European and Soviet Affairs
David Ransom, Director, Office of Southern European Affairs, Department of State
Nicholas Burns, Director for Soviet and European Affairs (Notetaker)
Interpreter

Constantine Mitsotakis, Prime Minister
Antonis Samaras, Foreign Minister
Ioannis Varvitsiotis, Minister of Defense
Dora Kakoyianni, Deputy Minister to the Prime Minister
Efthimios Christodoulou, Alternate Minister of Economy
Christos Zacharakis, Ambassador to the U.S.
Constantine Liberopoulos, MFA Director-General of Political Affairs
Emmanuel Ghikas, MFA Director for Cyprus and Turkey
Lucas Tsilas, Director of the Prime Minister's Diplomatic Office
Interpreter

DATE, TIME AND PLACE: July 18, 1991; 5:00 p.m. - 6:00 p.m.
Prime Minister's Office, Athens, Greece

Prime Minister Mitsotakis: Thank you very much for your visit, Mr. President. It is very important and very effective for moving forward with our relationship. This is a good opportunity to exchange views on the most important issues. In the time left to us, we would like to ask our Minister of Economics to give you a brief picture of our economy. (U)

~~SECRET~~
Declassify on: OADR

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
(S) 8/21/2009
2000-0429-F

Minister Christodoulou: Allow me to outline the problems. The economy was mishandled in the 1980s to serve party aims. There was increased consumption and excessive borrowing. Between 1981-1990, there was a fourfold increase in the national debt in standard prices. We have income-generated consumption and investment fell, government obligations rose. In addition, while we had EC contributions annually, they were channeled into consumption. By last year, 85% of new savings covered the national debt -- this was very inefficient. Under Pasok, the government became a payroll factory and the payroll grew. The gray economy grew at an enormous rate, covering 40-45% of GDP. All together, in 1980, GDP was 59% of the EC average while in 1990 GDP was only 52% of the EC average. So, the 80s was a critical decade, a lost decade. (S)

Our policy is the following: 1) Budgetary discipline; 2) big reforms; 3) concentrate public investment in infrastructure -- our telecommunications was once the best in Europe, the best, but now is the worst. We need $600 million in the next five years for health and education and to provide the base for private investment. We also stress privatization. The country needs to be more productive. We need a growing tax base. The principal aim is to lower tax rates and broaden the base. (S)

The President: Is Papandreou giving you hell when you speak in Parliament? I noticed the left block when I spoke in Parliament today. Do you have questions hour in Parliament as in the UK? (S)

Minister Christodoulou: Yes. The Prime Minister faces the opposition. (S)

The President: I see. Who can ask questions? (U)

Foreign Minister Samaras: Papandreou and all the other leaders of the opposition. (U)

The President: Including the little lady? Excuse me, Mr. Minister for the interruption. (S)

Minister Christodoulou: We have a restricted incomes policy. As a result, we started with 23% inflation in January, down from 18.1%, and we hope to reach 15% by the end of 1991 and be in single digits by 1992. We would then want to join the European Monetary system. We have a solid platform for further investment and really need it. We want the platform to stimulate it. But there is a very large public debt -- over 60% of tax revenues. The Gulf war was a big cost to us and the problems in Yugoslavia hurt our exports. Forty percent of our exports go to Yugoslavia which has hurt them badly. This crisis is costing us millions per day. The danger we run is that we may have cash difficulties in the future since the tax revisions are geared to the economy which is in recession. Anything that would lessen the burden would be important to us. Tourism is also down. (S)

The President: We talked to the Prime Minister about the possibility of reducing obligations to the U.S. -- we'll have to see what can be done. (Ø)

Prime Minister Mitsotakis: We discussed this with you today, Mr. President and thank you for your understanding. We would be most interested in an overview of the meeting with Gorbachev but first I would like the Defense Minister to describe our military ties. (Ø)

Defense Minister Varvitsiotis: We would like to thank you for the two Knox frigates and accelerated deliveries of the F-4Es. I want to make two points. First, in 1993, annual FMS credits should be about equal to the amount needed to reimburse you for our debt. This could effectively suspend our military arms program. I have a list showing the annual payments -- in 1993, it would only get around $30 million. Second, I want to stress that we have very old weapons. All of our ships are over fifty years old. The armaments are old and would be a good collection for a museum. I would appreciate it if you would accelerate some of the items on our list. (Ø)

The President: In what categories? (Ø)

Defense Minister Varvitsiotis: We are waiting for 36 A-7s. We have a letter of agreement and are waiting for an answer. (Ø)

The President: We will see what we can do. What did Cheney and Powell say? (Ø)

Defense Minister Varvitsiotis: General Allen came but we need a push from you. (Ø)

The President: We will talk about that when we get back. General Scowcroft works with them. (Ø)

General Scowcroft: Mr. President, the CFE cascade will help a bit with tanks and artillery. (Ø)

The President: Let me review the summit. Bessmertnykh gave Jim Baker a paper proposing a START agreement. General Scowcroft and Jim checked it with our experts in Washington and we found that the Soviets had met our issues. Data denial was important. You know it is difficult for the American people to understand why we should aid a country that has nuclear warheads pointed at us. I'll be in Moscow the week after you. On the economics side, there are enormous problems. Gorbachev to his credit did not ask for money. We encouraged him to do what you are doing -- privatize. We encouraged a treaty with the republics. They have enormous energy potential but there is confusion over who owns the resources. He said he would work out the union treaty, privatize and convert the ruble. This is an enormous challenge for Gorbachev. He is threatened by the right which does not like his economic and political reforms. On the left is Yeltsin who came to the U.S. recently and performed well. (Ø)

Prime Minister Mitsotakis: He has matured. (U)

The President: He has. Our G-7 meeting with Gorbachev went well. He accepted the package we had and we also provided some agricultural support before we got there. We are very pleased on START but probably cannot finish all of it by Moscow, can we Brent? (S)

General Scowcroft: There may be a few blank pages. (U)

The President: START was a major development. We are almost staggered by how to help Gorbachev. He does not have the advantages you have. But he is less threatened than before. We discussed the Baltics which may be of interest to you. Gorbachev insists they abide by the secession law. So, overall, it went well. (S)

Defense Minister Varvitsiotis: Is he afraid of the Baltics? (S)

The President: Yes. Lithuania is important economically for some products. (S)

Prime Minister Mitsotakis: Thank you for this summary. I would only add that similar problems exist in Eastern Europe. The transition to a market economy is difficult and so we have to be patient. (S)

The President: I think growth in world trade would help Greece. We are coming out of our recession, not quickly but we are and we hope that will have some good effect on you. (U)

Prime Minister Mitsotakis: We are glad for what you said. Despite Gorbachev's difficulties, he cannot be replaced. (S)

The President: We are trying to maintain support for Gorbachev. Some of our extreme right wants a dissolution of the union to reduce the military threat to us. Some supporters of the Baltics think getting rid of Gorbachev will help. But we are concerned the KGB or military could end up in charge. Gorbachev doesn't seem worried about that and Yeltsin doesn't either. So, we have kept on track with Gorbachev, especially on START. I told Gorbachev in London that he was on a tightrope with all his problems and was holding things together. (S)

Prime Minister Mitsotakis: Your presentation is optimistic and I thank you for it. (S)

Foreign Minister Samaras: I just received word that your Charge d'Affaires just notified us this afternoon that your State Department will announce a new travel advisory on Greece and Turkey for July 18-22. We would like to say that things are bad enough. If this is done, it will be unnecessarily turbulent. It will create huge problems. (S)

The President: International problems? (S)

Mrs. Bakoyiannis: Extremely. (U)

The President: What is the security reality? (Ø)

Mrs. Bakoyiannis: There is no danger to tourists. We have a special terrorism which is focussed on specific targets. If this is done now, Mr. President, it would really be bad. (Ø)

Foreign Minister Samaras: It will hurt tourism. (Ø)

The President: Let us talk about it. We better get inside (Samaras handed to the President the U.S. announcement). What will be the effects on Greece? (Ø)

Prime Minister Mitsotakis: I agree with Dora. I really think there is no threat. Take the facts. Look at recent months. We had terrorist bombs but no victims. Our terrorists are mainly active in domestic politics. (Ø)

Mrs. Bakoyiannis: The terrorists were hoping for this kind of reaction during your trip. (Ø)

Prime Minister Mitsotakis: There were expectations you would withdraw the previous advisory. Let us talk about this. (Ø)

The President: Perhaps we could say it without mentioning Greece and Turkey. We could remind people of the existing travel advisory and note that caution should be used during my visit. (Ø)

-- End of Conversation --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT:	President's Meeting with Prime Minister Yilmaz of Turkey (U)
PARTICIPANTS:	The President John H. Sununu, Chief of Staff Brent Scowcroft, Assistant to the President for National Security Affairs Mort Abramowitz, U.S. Ambassador to Turkey James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs Nicholas Burns, Director for Soviet and European Affairs (Notetaker) A. Mesut Yilmaz, Prime Minister Safa Giray, Foreign Minister Ozdem Sanberk, MFA Under Secretary Kaya Toperi, Spokesman Mehmet Ali Irtemcelik, Advisor to Prime Minister
DATE, TIME AND PLACE:	July 20, 1991; 2:00 p.m. - 2:24 p.m. Office of the Prime Minister, Ankara

Prime Minister Yilmaz: I am delighted to have you here. (U)

The President: I am pleased to be here. Here we are in Ankara while Secretary Baker is on a trip to the Middle East in Egypt, Saudi Arabia and Israel. (U)

Prime Minister Yilmaz: It is hot here. (U)

The President: Well, it is hot in Houston where I come from too. (U)

Prime Minister Yilmaz: (reading from a prepared statement) Mr. President, we are very pleased to see you here in Turkey. Your visit takes place at a crucial time of profound changes in the world. There are new challenges and new opportunities. We must stand together and have close relations based on our common values and interests. We think we must build relations and broaden them. Our relations must be strategic. Our aides have been working on a framework for a binational steering group. We now have the agreement to establish the steering group. Mr. President, our talks give us an excellent opportunity to exchange views. (Ø)

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
BH 8/21/2009
2000-0429-F

We want to give thanks to the U.S. on Cyprus, especially for your efforts to draft UN Security Council resolution 649. We believe this resolution constitutes a fair and complete basis for an agreed settlement. As you know, the Turkish Cypriots have been cooperating with the UN Secretary General. Mr. Denktash has met with him. We support the UN Secretary General's effort but a settlement requires both parties to cooperate and engage in serious negotiations. Vassilliou expects the U.S. and others to pressure Denktash before a meeting. This is not constructive but it does have Greece's support. (C)

I cannot help wondering if Greece is satisfied with the status quo. Greece is abusing its EC status to affect Turkey's relations with its western partners. This should not be permitted. I believe the U.S. has good relations with Greece and is well placed to induce Greece to reconsider its position for a settlement. If the Greeks change their mind, a quadripartite meeting could be the impetus for a settlement. (C)

On Greek-Turkish relations, I appreciated the reference to Ataturk and Venizelos in your remarks. This is the atmosphere we want to create. There are a number of problems and we are ready to meet them. We are sincere and serious. It is the only way. The major problem is that Greece is reluctant to engage with us. In May 1988, I visited Greece and proposed an agenda on the Aegean. The Greek reaction was that the Aegean could only be for Turkish tourism. The Greeks are using Cyprus as a precondition for our bilateral relationship. A useful role for the U.S. would be to encourage Greece to have a better attitude. Greece should not mar Turkey's relations with the West. (C)

We seek U.S.-Turkish cooperation which will also be important for our relations with Europe. Good U.S.-Turkish relations will help on European integration. Turkey is a democratic and secular model for others. We want EC membership and hope for a consensus that Turkey should join. Recent events have shown the importance of a pro-western state of mind at home. So that means we are ready for the EC. We want cooperation with Europe. After being admitted to the EC, Turkey will have assumed its proper place. We appreciate U.S. help and continuing this help. I hope during our meetings, we will have the opportunity to benefit from your views on the G-7 meeting and your trip to Athens. (C)

The President: I would also like to tell you about my meeting with Gorbachev and the START agreement. This will be good for the entire world. I saw some kids along the route today coming in to Ankara and thought that this kind of thing is an opportunity to benefit their generation. The U.S. has the size and stature which makes me redouble our efforts to reduce tensions and let these kids grow up without fear. (C)

Let me thank you for the welcome today. I was moved by the number of people in the streets. I could sense the feeling of good relations. There was no way you could have arranged that -- that was spontaneous. We were very moved and it is a good beginning. You ought to know the respect we feel for you. I'm a

politician and I'll have to decide on next year. But I use the word politician for you in a positive way. You have a lot of friends in the U.S. and there is tremendous support for you and there is also great respect for President Ozal. I don't want to embarrass you and perhaps you aren't as well known, but there is a wonderful respect for you. I do not want to interfere in your domestic politics but we want broad relations with Turkey's leaders. On Cyprus, I would like to think -- maybe I am naive -- that there can be progress with you and the Greeks. We have confidence in Nelson Ledsky. This problem has been going on for too long. Mitsotakis is bright and reasonable and is a good man. He has the same family values as the Turkish people do. On Cyprus, he talked about the Gobbi line. My appeal is that the time is right now to get something done. (C)

I saw a poll that said a big percentage of Turks want the problem solved. I want you to know that we are ready to facilitate. I would love to say to the world soon that the Turks and Greeks will talk even though the details must be worked out. There is nothing worse than having an unsuccessful meeting. We back the UN Secretary General and want to get the parties together. We are dealing with reasonable people on both sides. So, I appreciate what you said and hope we can be a catalyst. There is nothing worse than a superpower interfering but if we can be a catalyst, we will be. I hope you approach this without every t crossed and i dotted. The UNSYG is presently engaged and that is good. He wants a triumph for the UN and has shown that he can be effective. We think Perez de Cuellar will do everything he can to move forward. And I would love to see us help. I don't want to set up a new process because we have the UNSYG's initiative. We have unique and good relations with Greece and Turkey and hope we can be objective and fair. Let's try. You guys talk and we will see if we can go to the Greeks or the UN. (C)

General Scowcroft: They are concerned about territory. (U)

The President: Right. I said I would pass that along. I know you have issues too. Again, the time is right and U.S. credibility is high. We could use that to help here and will do that. This is the same approach we are taking in the Middle East. We were pounding away at Syria and they have now decided to take part. So Israel now must decide. Our coalition saved the necks of some others in the area. So, let's use our credibility in Middle East. The international response I have received is that there were no curves in Syria. That reassured Jim Baker. He had his shortest meeting on record -- three hours. He usually meets Assad for nine hours. He is in Egypt and will go to Saudi Arabia, Jordan and then Israel. I know that people want us to pressure Israel but that may be the wrong way to solve it. We are prepared and think there is a good formula. I am prepared to tell the American people what is holding up things in spite of our special and protective relationship with Israel. We want to use our clout to force peace. The challenges that face us are exciting. I worry about our economy but we seem to be coming out of it. I would like to get your and Ozal's views on Iraq. (C)

Prime Minister Yilmaz: We are holding a water conference in the fall and it is important for us. (U)

The President: That is the peace pipeline and I think it is worth a try. This is a big vision. We need agreement in the Middle East to open doors for cooperation like this. (Ø)

Back on Cyprus, the UNSYG has our support. How can we get the parties to come to a meeting? A commitment to go would be helpful to Turkey's standing in the West. I mentioned this to the Greeks and they suggested the importance of territory and the Gobbi line. There is no hidden agenda here. The UNSYG has the lead. Denktash is looking at this. There is a certain respect for him in the U.S. We need someone, not us, to make these compromises. I don't know how you feel about a meeting. (Ø)

Prime Minister Yilmaz: I am a close friend of Mitsotakis. We are both in the European Diplomatic Union. We meet once per year. I told him if Greece is sincere, they should encourage the Cypriots to take into consideration security and political equality. (U)

The President: What do you want to see Mitsotakis actually do? What would be most constructive? (U)

Prime Minister Yilmaz: First, give up using the Cyprus problem as a pre-condition in Greek-Turkish talks. Cyprus is useful to Greece to cut Turkey from Europe. They use it as a lever. (Ø)

The President: But on Cyprus per se, I would like to see progress. There is the Chief of Protocol coming to tell us that we have to end now. I want to come back to this while I am here and see what we can do. Let's talk about Cyprus. I want to thank you for your cooperation in Desert Storm and for saving the lives of the Kurds. I am worried now about the fighting in northern Iraq. (Ø)

Prime Minister Yilmaz: It was a great pleasure to receive you here. (U)

-- End of Conversation --

~~SECRET~~ ~~SECRET~~ 5507

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

July 24, 1991

SIGNED

ACTION

MEMORANDUM FOR WILLIAM F. SITTMANN

FROM: DAVID C. GOMPERT

SUBJECT: Meeting with Turgut Ozal, President of Turkey on July 20, 1991

Attached at Tab A is a Memorandum of Conversation between the President and President Ozal of Turkey on July 20, 1991 in Ankara.

RECOMMENDATIONS

That the attached Memorandum of Conversation be filed for the record.

Approve KSH for Disapprove _____

That you authorize William Sittmann to sign the Memo at Tab I transmitting the Memorandum of Conversation to Secretaries Baker and Cheney on an "Eyes Only" basis.

Approve KSH for Disapprove _____

Attachments
Tab I Sittmann Memo to State & DOD
Tab A Memorandum of Conversation

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By bp NARA, Date 1/28/09

~~SECRET~~
Declassify on: OADR ~~SECRET~~

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Turgut Ozal, President of Turkey on July 20, 1991

PARTICIPANTS:
The President
Brent Scowcroft, Assistant to the President for National Security Affairs
Morton I. Abramowitz, U.S. Ambassador to Turkey
David C. Gompert, Special Assistant to the President for European and Soviet Affairs (Notetaker)

Turgut Ozal, President
A. Mesut Yilmaz, Prime Minister
Safa Giray, Foreign Minister
Nuzdet Kandemir, Ambassador to the U.S.
Mithat Balkan, Presidential Advisor

DATE, TIME AND PLACE: July 20, 1991, 2:35 - 3:00 p.m.
Presidential Palace, Ankara, Turkey

President Ozal: Welcome. We have finally achieved your visit. I hope it will be very successful. I think you will like Istanbul. (U)

The President: I liked very much seeing all the people on the way in from the airport. It was wonderful. (U)

President Ozal: Let me begin with the question of our strategic cooperation. (Ozal produces attached chart.) This chart illustrates the idea of strategic cooperation that is in your letter, Mr. President. For the political group, we understand this will be led by your Under Secretary of State for Political Affairs. In the military area, two principal groups, one on security, the other one on the defense industry. Then there's a third group on economics, science and technology, and so on. Intelligence is also mentioned, though we will not refer to this in the press. This chart is not to be handed out to the press. With regard to economic cooperation, this is very important to us. Perhaps the most important of all. We very much want U.S. investment. This investment in turn would help our relationship. (S)

The President: I think this is in line with our general thinking. We will certainly try on the investment question. Let's also work in small business as part of our follow on. This is something I also emphasized with Gorbachev. Most of our

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
8/21/2009
2000-0429-F

businesses are in the small business category. I'm planning to have CEA Chairman Mike Boskin come here to follow up on some economic issues. (S)

President Ozal: Yes, very good, and with regard to the environment, to have Mr. Reilly come. (U)

General Scowcroft: We can work on the specifics after the visit. (U)

Ambassador Abramowitz: The basic structure is agreed. (S)

The President: (To the U.S. side.) Now with regard to the F-16s, is the position that I'm supposed to state something that we have not stated before? How are we handling Congress? (S)

Mr. Gompert: The plan is for you to announce our support for a 160-plane follow on phase. While we have indicated our general support for this program, this will be the first time that you embrace this specific objective in public. However, we will only notify 80 to Congress because as of the moment we can only clearly identify financing for that number. This position was conveyed in your most recent letter, which we understand the Turkish side has accepted. (S)

President Ozal: That is correct. (U)

The President: Fine, then. Someday we're going to get ourselves in some kind of a bind. Even with this sale, because it's so big, we could see some editorials that while we're advocating arms control, we are making too many large arms sales. But we have a security commitment to you and so we don't think that there will be too much opposition. I also am pleased to see that we got large financial commitments from Kuwait and Saudi Arabia. (S)

President Ozal: Yes, we are glad, too. They agreed to this thanks to your efforts, Mr. President. (S)

The President: The Kuwaitis are currently short of cash. The good news is they're putting out those oil fires. (S)

General Scowcroft: 225 are already out, and now we're putting out three new ones per day. That means we'll be done in about five months. (S)

The President: We cannot let the world forget what incredible damage Saddam Hussein did to the environment. We also have to remind the world about this nuclear problem. We have to get the story out better. This man did unprecedented damage to the environment. (S)

President Ozal: What is your current thinking about Iraq, Mr. President? (S)

The President: Well, I'd like to learn from you, Turgut. But let me give you my views. He continues to lie and cheat, even in his letter, he admits that he is lying. So we're still concerned, and we're still on alert. He is launching a world-wide "save the children" campaign designed to get relief from the sanctions. But there is hard evidence that he diverts food and medicine away from the people. A lot of people are going to say that we are killing babies. We're going to have to stay together on this question of sanctions. We're going to insist that emergency food goes to the people who need it. We cannot let him use humanitarian assistance to coerce his own people or to get the sanctions taken off. We won't budge on this matter. (S)

I'm also pleased about our cooperation to deter Saddam Hussein's resumption of aggression against the Kurds. This is something we might have to use air power against. Our public opinion will not tolerate another massacre of the Kurds. (S)

President Ozal: What about the latest flare-up between the Kurds and the Iraqis? (C)

General Scowcroft: Our understanding is that it is now subsiding. (C)

The President: With regard to this residual force, I want to thank you for your support. The British and the French are willing to contribute air power. We will consult you, of course, before there is any use of force, and we would only use force if the alternative were to allow him to brutalize the Kurds again. With regard to the nuclear problem, I want you to understand that this is something we would deal with from the south. We think we have the cooperation of Saudi Arabia. Jim Baker reports that the Arabs are saying that we should not use force against Saddam Hussein again. This is the view of Syria and Egypt. The Saudis are being cooperative. They say that their territory can be used, but this cannot be just a U.S. effort. It has been a coalition, and it must continue to be a coalition. This is key for me. But I want you to know that we will not be reckless. (S)

The sanctions must remain in place until all UN Security Council resolutions are enforced and implemented. We don't believe we need a new resolution to justify further military action. If Saddam Hussein violates 688 or 687 we are afraid that if we seek a new resolution, we can't count on the Soviets to go along, and we have even stronger doubts about the Chinese. (S)

I also want you to know that we are not in favor of seeing a Kurdish state established. (S)

What do you think we should do? (U)

President Ozal: I have a copy of a letter from Talabani to you and another copy of a letter from the Turkmans to you. Talabani thinks that there is the possibility of a coup d'etat from the military. They think they have some in the Army who might be

with them. The Turkmans have people in the Air Force that they say are not happy with Saddam Hussein. If the embargo continues, and if some sabotage begins from within, this will put great pressure on him. On top of that, if they are forced to accept free elections, Saddam Hussein will go. (S)

The President: Do you think Talabani and Barzani will make a deal with Saddam Hussein? (S)

President Ozal: Yes. I believe that what they're interested in is democracy within Iraq, not a Kurdish state. (S)

Ambassador Abramowitz: Could you clarify something, Mr. President? If Talabani believes that Saddam Hussein is in such a precarious position, why should he sign an agreement with him? (S)

President Ozal: Well, he may not sign an agreement. But I do know that he wants democracy. They view this as the best way to get Saddam Hussein to keep his word. If he does not keep his word and there is democracy in Iraq, Saddam Hussein will be destroyed. (S)

The President: How do you think we should stop the nuclear program? It looks like he's starting over. Do you think our approach is right? (S)

President Ozal: We should give the embargo another three months. (S)

The President: But what if we find the nuclear rings and he won't let us inspect them? They can't have any other purpose than nuclear weapons. If he says that we cannot see something that we believe can only have a nuclear weapons purpose, don't you think that we should go after it with a smart bomb? We can't just let him proceed. (S)

President Ozal: My opinion is to keep the embargo on and wait. If he keeps going, then I agree you will have to hit him. (S)

The President: I'm not saying we want to do this. I'm not saying we want to get involved in another massive use of force against Iraq. In the north, if he resumes massacring of the Kurds, then we will have to act. But we would not do so if it is the Kurds' fault. In the south, if we have hard evidence that he is continuing with his nuclear program, then we will warn him. If the warning does no good, then we will use a cruise missile or precision-guided munitions to deal with the problem. But I am planning no new offensive. This will be a very precise attack on his nuclear capability. The world opinion should be with us on this. I am reluctant to do this, but if there is a clear violation of his own statement, we must be prepared to challenge it. This man only understands the use of force. Our weapons are very smart and precise. With regard to the British and the French, they are supportive with regard to our action in the north. Can we get allied air power into Turkey? (S)

President Ozal: No problem. (U)

Mr. President, what do you think of the idea of the United Nations giving a special amount of money directly to the needy Iraqi people as a way of taking the pressure off to lift sanctions for humanitarian purposes. (S)

The President: I agree with that type of an approach. But we may have a problem with Suddein Khan. Saddam Hussein says that the embargo has to be lifted in order to save the children. But we think he has enough money of his own to take care of his children. (S)

President Ozal: He is still very good at propaganda. (C)

The President: Yes, it's amazing that he can still fool people. (C)

General Scowcroft: Our analysis indicates that he doesn't need to sell oil in order to feed his own people. He does have the money, we think. (S)

President Ozal: He's buying from Jordan, so that means he definitely has money. (S)

General Scowcroft: It's okay if he buys from Jordan as long as it's for humanitarian purposes. (S)

President Ozal: We are planning to give the Kurds food and medicine. (C)

The President: Are you satisfied that the Kurds are dealing with you in good faith? (S)

President Ozal: Some of the Europeans are thinking along the lines of establishing an independent Kurdistan. This is true of the French, the British and the German Socialist party. I don't think it's necessary. I think democracy is an alternative. Twelve or thirteen percent of the population of Turkey is Kurdish, but we are going to involve them through democracy. This is another reason why Iraq must get democracy. Otherwise there will be pressures for an independent Kurdistan. Most Kurds in Turkey now live in western Anatolia, and they are very well off. This has taken the pressure off of us. Democracy has solved the Kurdish problem in Turkey. It can do the same in Iraq. Once you realize that you need their votes, you have to be more gentle with them. We are doing all right with the Kurds, except for the PKK, who are supported by West European money. (S)

The President: Is this the group that Mrs. Mitterrand supports? (C)

President Ozal: No, she doesn't support the PKK. (C)

The President: Tell me, is there popular support now in Turkey for what we had to do in the Gulf? What is the mood now? (C)

President Ozal: The support for our policies is comparatively high in Turkey. It's over 50%. (C)

The President: Isn't it interesting that some people who failed to support our decision to use force are now saying that we should have gone after Saddam Hussein himself. But that wasn't our goal from the very beginning. I think what we did was right. We would have lost international sponsorship if we had gone into Baghdad. And we would still be there today trying to occupy that country if not bogged down in door-to-door fighting. (S)

President Ozal: Iraq will not be the same country for 20 to 30 years because of what was done to their military capability and infrastructure. (C)

The President: We have to point this out to the Israelis. The Israelis say that we now owe them because they didn't go into the war. Well, I say if anything they owe us because we destroyed the principal threat to them. (S)

With regard to the Middle East, our hope now is that Israel will step forward. I would like to see a trade involving lifting of the Arab boycott in return for a cessation of Israeli settlements. These settlements are a very destructive policy. (S)

Prime Minister Yilmaz: Mr. President, there is some current concern here that the residual force might actually encourage the Kurds. (S)

The President: That's a good point, Mr. Prime Minister. I'm not sure we can count on the Kurds to be restrained. Some of them are half-crazy, too. (S)

General Scowcroft: We have been warning the Kurds directly. (S)

President Ozal: Some of these Kurds are just renegades. They're really just bandits. (S)

The President: Well, the Prime Minister's point is a good one. We don't want to get sucked into a civil war. (S)

Prime Minister Yilmaz: I think we should emphasize that our purpose is stability. The purpose of the residual force is not to encourage the Kurds to pursue their aims. (S)

Ambassador Abramowitz: There has been some speculation here that we may have an ulterior motive in forming this residual force. (S)

General Scowcroft: It's very simple: we want to prevent a repetition of the disaster we had on the Turkish-Iraqi frontier a couple of months ago. (S)

Ambassador Abramowitz: The Prime Minister made a statement about the purpose being to preserve stability. (S)

The President: I'll make it clear that we don't want to use force again. What we want is stability. (S)

With all the turmoil that's been going on here, has your military picked up any interesting ideas or intelligence about dissatisfaction within the Iraqi army? (S)

President Ozal: No, the best information we have is what I told you about Talabani and his connection to the Iraqi military. But his own military is afraid of Saddam Hussein's terror. The key is to get a vote. He won't even get 10%. (S)

The President: Well, that may be so, but how could we get them to agree to internationally supervise elections? You said that Tariq Aziz was unwilling to go for that. (S)

President Ozal: Yes, but as time passes maybe in two or three months we can press for this. (S)

The President: Do you have any questions on our Middle East effort? (S)

President Ozal: No, but I want to make sure you know about the water conference we are preparing for the Fall. I am thinking of inviting Israel, but I'd like to wait and see if there is a way I can handle this that would help the peace process. The idea is to discuss the water pipeline at this conference, but perhaps it could serve as an added incentive to Israel. After all, Jordan and Israel both are badly in need of water. (C)

Foreign Minister Giray: The best place to get water for this part of the world is from Iraq. The Tigris and the Euphrates have a huge water supply. (C)

President Ozal: Yes, but most of that comes from Turkey, where the Tigris and the Euphrates originate. (C)

The President: Do you think you could divert water away from Iraq? (S)

President Ozal: No, but that doesn't mean we can't use a lot of it for irrigation. I want to encourage Israel. My thought is that if you invest in an international pipeline, you're going to want to have peace and stability. (S)

The President: At today's press conference, I am sure to be asked about Cyprus. I think what I will say, if you agree, is that the United States simply wants to act as a catalyst. Is there something else I should say? At some point, I could say that Turkey is willing to attend a quadripartite meeting. (S)

President Ozal: We all want a solution to the Cyprus problem. We should be reasonable on both sides. This is not a simple problem. It is a very complicated one. But we genuinely want a solution. The solution should be based on UN resolution 649, which establishes a basis of 8 points. (S)

The basic problem, Mr. President, is that Cyprus was supposed to be a partnership. But between 1968 and 1974 that partnership collapsed. So my view is that when we hold a meeting, the idea would be for the two partners to deal with each other but with Greece and Turkey there to offer encouragement. From the Turkish side, our demand is that there be an effective Turkish guarantee. Otherwise, the Turkish Cypriots will not be prepared to go into an overall agreement. So this matter is of utmost importance. We also want there to be a bi-zonal federation with political equality between the two communities established in the constitution. The Greek side demands territorial concessions and the related question of the return of displaced Greek Cypriots. (S)

The President: Yes, I know from my discussions in Athens that territory is the key point for the Greeks. (S)

President Ozal: We will discuss these two points with them before a meeting with the Secretary General. I am prepared to be forthcoming and to declare so openly before the meeting. (S)

The President: But what would you declare? Would you offer a line? Mitsotakis asked me to convey to you their strong interest in the territorial question. I was told that if you can get Denktash to accept the Gobbi line, they could accept the points of importance to you. (S)

Foreign Minister Giray: No, the Greek side won't agree to this. They put these items on the table so as to prevent an agreement, not to produce one. (S)

The President: Well, I'm not sure you're right about that. Mitsotakis was quite clear to me. He said if you can agree to the Gobbi line, then he'll get Vassiliou to agree to the rest. I want you to know that I like and respect Mitsotakis. (S)

Foreign Minister Giray: But if we agree to the Gobbi line, the Greek Cypriots would get the high quality land. The Turkish Cypriots would have to give up this good land. (S)

General Scowcroft: Greece clearly wants an indication of flexibility on your part. (S)

President Ozal: We should both be reasonable. I asked the Greek Ambassador today why this land is so important. I pointed out to him that land is not important in Singapore because they have gone into services. The Greek Cypriots are doing the same thing. They are getting into services in a big way; and industry to some degree, but not so much agriculture any more. They don't really need that land; they don't need it as much as the Turkish

Cypriots. But Vassiliou just wants to say that he got some land. It's not important to them, but I can understand why he wants to be able to show that he got something. The Turkish Cypriots will be reasonable. We should be sure that this federation that we're talking about establishing is a stable one. Otherwise, we'll agree to something that won't last. (S)

The President: I guess you're talking about some kind of a loose federation. But tell me, if Mitsotakis said directly to you that he could accept the Gobbi line, what would you say? Would you say that that's way too much of a concession for you? (S)

President Ozal: Mr. President, I want you to know that we will be forthcoming on the question of territory. Not to the Gobbi line, but we will be forthcoming. (S)

The President: I know the UN Secretary General would love to help solve this problem before he leaves. We won't know who the next UN Secretary General will be, so there is a chance now. There is a chance because there are reasonable people on both sides. The United States will not butt into this, but we will help if we can. (S)

On the question of human rights, this is something we're committed to around the world. I know it's a very sensitive question for you here, but I thought I should raise it. (S)

President Ozal: Something has come up recently which gets a lot of press coverage in the west. There were some terrorists. One member of Parliament was killed. They said they were police. But they weren't police. Now this case is being used against us. The news travels quickly to Europe and from there to the United States where there is a hue and cry. (Ozal passes the President a note on human rights.) (S)

The President: If there is abuse here in Turkey, then our position will be that you should change it. If there is not, in your view, then you should explain the real situation to us. But I will be prepared to tell the press that I raised it. (S)

-- End of Restricted Session --

Withdrawal/Redaction Sheet
(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09b. Table	Re: Steering Group (1 pp.)	n.d.	(b)(1)	

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 7/11/91 - 7/22/91

Date Closed:	1/28/2009	**OA/ID Number:**	91109-001
FOIA/SYS Case #:	2009-0275-S	**Appeal Case #:**	
Re-review Case #:		**Appeal Disposition:**	
P-2/P-5 Review Case #:		**Disposition Date:**	
AR Case #:		**MR Case #:**	
AR Disposition:		**MR Disposition:**	
AR Disposition Date:		**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]

C. Closed in accordance with restrictions contained in donor's deed of gift.

PRM. Removed as a personal record misfile.

Freedom of Information Act - [5 U.S.C. 552(b)]

(b)(1) National security classified information [(b)(1) of the FOIA]
(b)(2) Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
(b)(3) Release would violate a Federal statute [(b)(3) of the FOIA]
(b)(4) Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]
(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: President's Meeting with President Ozal of Turkey (U)

PARTICIPANTS:
The President
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Marlin Fitzwater, Assistant to the President and Press Secretary
Morton Abramowitz, Ambassador
James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs
David C. Gompert, Senior Director for European and Soviet Affairs, NSC
Marc Grossman, Deputy Chief of Mission, U.S. Embassy, Turkey
Nicholas Burns, Director for Soviet and and European Affairs
David Ransom, Director, Office of Southern European Affairs, Department of State (Notetaker)

Turgut Ozal, President
Mesut Yilmaz, Prime Minister
Safa Giray, Foreign Minister
Ozdem Sanberk, MFA Under Secretary
Nuzdet Kandemir, Ambassador to the U.S.
Barlas Dogu, Defense Minister
Engin Guner
Mithat Balkan, Presidential Advisor

DATE, TIME AND PLACE: July 22, 1991; 8:00 a.m. - 9:00 a.m.
Ciragan Palace, Istanbul, Turkey

The President: Let me begin by underscoring our view that Turkish ties to Europe are not competitive with U.S. ties. In fact we want to see Turkey in the EC. Second, we don't want to see U.S. troops go back into combat in Iraq. We have no big target list, as claimed by some UK papers. But we can't sit back if Iraq goes against UN resolutions and tries to reconstruct its nuclear capability. We have weapons with pinpoint accuracy, so I hope Iraq stops its lying and cheating on nuclear issues. (Ø)

President Ozal: What was that big gun Iraq had? (Ø)

The President: A gun with a very long barrel to project shells great distances. (Ø)

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
CDI 8/12/2009
2000-0429-F

President Ozal: We got a piece being shipped through Turkey and sent it back. Iraqis were angry. (C)

The President: Saddam Hussein says one thing, does another. Hard to believe him. Hope his army acts against him. Then: I want to give Iraq a chance. I'm not against Iraqi people. Even if it's some army man who takes over, if he lives up to the UN resolutions, I want him to know that Iraq has a future and won't have to live as a pariah. (S)

President Ozal: Baker is with Israelis today. Any report? (C)

The President: Yes, we're getting mixed Israeli responses. It's not totally negative. The Israelis are beginning to see reason to give the Baker initiatives a chance. (S)

General Scowcroft: King Hussein has agreed to lift the boycott in exchange for a settlement end. (C)

The President: Hussein fortunately has company for this position. Previously, he agreed with me to come to a peace conference -- but after a visit to Syria he came back with conditions. Now he's working on a joint delelgation. (C)

General Scowcroft: That's not a firm commitment. (C)

The President: Let me say that in my talks with Gorbachev there seems to be nothing which will be negative for Turkey. Arms control will help lift the cloud of fear. And Gorbachev understands now that the huge deals he wants in oil and agriculture there has to be, first, a union treaty with the republics. (S)

General Scowcroft: That might be in August, although the Ukraine says that is too early. The Ukraine is working on tax and other matters. They've voted to belong. (C)

The President: Gorbachev told me he was confident the Ukraine would come along. I want to go to Kiev. Gorbachev does not want me to go. If they persist, I won't go. (C)

President Ozal: What about the Balkans? (U)

The President: I should ask you. We joined the world in calling for the unity of Yugoslavia but shifted our position later to say we could accept changes but wanted to see the peace kept. (U)

General Scowcroft: All parties seem to agree with Slovenian independence. Now they are trying to negotiate a stand-down of all militias and the withdrawal of the Army from Croatia. It's very hard to separate the populations there. (C)

President Ozal: The only solution is a loose federation, but Yugoslavia is going to lose a lot of income if Slovenia is out. (C)

The President: Do you have much trade with Yugoslavia? (U)

President Ozal: Not so much but there are many Muslims there who look to Turkey -- six or seven million, mostly Bosnians. Then there are some Turks. I'm thinking of a Balkan tour. I'll go to Romania too. (S)

The President: Romania has been lagging but is coming on now. We don't want to drag our feet. What about Albania? Baker had an amazing reception there. It shows where the hearts of people are in communist countries. (S)

President Ozal: And it will be the same in Iraq if there is an election. Everyone wants to get rid of communist parties. (S)

The President: Yeltsin was well-behaved in the States this time: not demanding and defensive. The last time he held out in the White House basement, insisting that General Scowcroft agree to see an aide as well as him. Yeltsin backed down, but this time, with a big vote under his belt, he seemed confident. He seems reasonable now. For instance, I've told Gorbachev that it's hard for us to consider aid to the Soviet Union when the Soviets are still supplying Cuba with large amounts of aid. We have a hemisphere of democracies now, less one, and that's no small matter. Yeltsin is against aid to Cuba, and to Afghanistan, and he wants to see the Baltics go. Gorbachev keeps saying he has to find constitutional ways of doing that. So Yeltsin gets our strong support. I don't know what will happen with him in Moscow. When Baker invited him to our Embassy in Moscow, he refused to come. We'll treat him like any other elected official. What about Armenians, in this regard? (S)

President Ozal: They want independence -- but they have old enemies in Georgia and Azerbaijan. Their only way out is through Turkey. We are giving it to them. (S)

General Scowcroft: Wouldn't they be safer staying in the Soviet Union? (S)

President Ozal: Maybe, but they want out. They are an old nation. (S)

Prime Minister Yilmaz: The solution for both Yugoslavia and the USSR is the same: loose federation. (S)

General Scowcroft: You're negotiating with the southern republics. (S)

Prime Minister Yilmaz: We have agreements with five republics. Nothing political, but with specific economic, cultural and trade matters. (S)

President Ozal: The Yugoslavian outcome will reflect history. In the fight between the Austro-Hungarian Empire and the Ottomans, the former got Slovenia and Croatia. Then the Russians entered, siding with the Serbs, and made it a three power area.

In the end, the Ottomans lost everything. Slovenia and Croatia may separate, but the others are more inclined to this side, because there are more Muslims. (S)

General Scowcroft: What about Macedonia? (U)

President Ozal: The language is like Bulgarian, not Greek. Macedonia is new, created after WW II. The Greeks say there is no Macedonian nation. I think, in the end, Albania will benefit. There are three million Muslims in Yugoslavia. This will be a problem for the Greeks. (S)

The President: What is your political time-table? (U)

President Ozal: We must have elections by next November but Parliament could decide by majority vote to do so earlier. It will probably be sooner. Who will win in Britain? (S)

The President: Tories aren't doing so well -- economic problems, the Thatcher- Heath arguments from the left and the right of the party. But Major does better personally than Kinnock in the polls, so he thinks that will help his lagging party in the elections. It's hard to say, but I'd bet on the Conservatives. (S)

President Ozal: They've been too long in power. What about France? (U)

General Scowcroft: There's a lot of candidates: Chirac, Barre, Giscard. Rocard is a good man. (S)

President Ozal: We agree. (U)

The Bush: Mulroney is down in the polls but doing better. Separatism is a problem there too, and he is criticised for Meech Lake, and he is also criticised for his strong support of the U.S. Elections could be tough. (S)

President Ozal: Which is worse in an election: recession or inflation? (U)

The President: Jobs are most important, by a wide margin, unless inflation is very high. We have some differences with the Central Bank on this. In the U.S. the question is whether we have a robust recovery or slip back to a recession. People are hurting in the U.S. although the recession isn't deep. Fortunately, there is not much pressure for new spending programs. People don't want them. The people are ahead of the Congress on this. (S)

Mr. Sununu: The Congress is confused politically on this.

The President: You have to understand that, in America, we control nothing. Look at MFN for China. I think it's good for us, for the G-7 and for Hong Kong, but some of my strongest supporters in Congress, who campaigned hard for me, are leading

the fight against MFN due to human rights. We have to deal with their motion, and defeat it with veto tactics -- one third plus one, including Republicans. It's very hard to govern this way. Because we must always deal with legislation from Congress, the Times and the Post say we have no domestic program. It's not true. Now, to add to all this, we have election year posturing -- the four year dance. Senator Bradley attacked me. I don't think this will spill over on US-Turkish relations, but who knows. At least there is no Armenian relation. (S)

Mr. Sununu: There could be spill-over in the textile area. (S)

The President: That's true. We almost lost a big vote last year. Another vote could come during the Mexico or Uruguay rounds -- which might help -- and although it's going to be an election year, we're so committed to openness that most Republicans won't leave us. I'm not worried about running against quotas. I did so in the prmaries in 1980, even in the south, which is important to us. The problem is that the quota crowd is well funded, and retailers, who might reflect the public's desire for lower prices, are not much of a counter-weight. (S)

President Ozal: Our problem is different, George. We have become a consumer society. Even ten years ago there was still only one black and white TV channel; now there are six, in color, and with satellites you can get 30. All of our channels have ads, so even remote villages have refrigerators and now everyone wants cars. The consumer drive is fueled by salaries. Ten years ago 1.3 million Turks had government jobs, and it cost us $300 million dollars. Today 1.4 million have such jobs, but it costs us $11 billion. To keep up, we need growth. I've been telling the Prime Minister to worry about this more than inflation. We did well last year -- 10.2% real growth, despite the Gulf crisis -- but growth in the last quarter, when the Gulf business slowdown caught up with us, was actually negative. So I'm telling the Prime Minister to get the economy going. (S)

The President: Turgut, we're running out of time, so let me turn to another subject. We had a small flap here when Mitsotakis had his Ambassador in Ankara call Ambassador Abramowitz to say that my press conference statement made it appear that he had accepted a quadripartite conference. Now, I'm sometimes unclear, though it is better than Dana Carver makes out on Saturday Night Live. So we got back to Mitsotakis to say he was wrong in this interpretation, and yesterday I told the press that there was no agreement on the part of all the parties. But now I find out that, after working on Mitsotakis, he is ready to come to a meeting. So maybe we can issue a statement at the end of my visit. This statement seems to be what Turkey wants. (The President hands the statement to President Ozal.) (S)

General Scowcroft: Mitsotakis based his decision on what you said: "I am prepared to be flexible." (S)

President Ozal: Yilmaz will go to this meeting, not me. I'll work on it, of course. (Ø)

Prime Minister Yilmaz: We can't agree with the statement in this form. There's nothing here about a quadripartite meeting, and the Greek Cypriots just yesterday said they would turn down such a meeting. This statement should mention that four parties are coming -- and not others, though we accept the UNSYG in the chair. (Ø)

The President: The statement talks about the SYG, and his approach is for four parties. Let's not lose this opportunity. We have turned the Greeks around. We can't be helpful if we lose this chance. (Ø)

Prime Minister Yilmaz: I'm afraid some other countries might want to come to the meeting. I don't like the phrase international. (Ø)

The President: But we've got to get something. Otherwise, to heck with it. But we've got to try. (U)

Prime Minister Yilmaz: Look, we are sincere in our desire to solve this problem. We want to work with you. We will be forthcoming and flexible. But, the Greeks must give up the hope that the USG will put pressure on Turkey. (Ø)

The President: I put pressure on Greece, and now I don't want to see matters set back. (Ø)

Mr. Gompert: The Greeks went to Vassiliou to get agreement on this statement. (Ø)

Prime Minister Yilmaz: All we want is for the Turkish Cypriot side to be treated as equals. The key word is quadripartite. (Ø)

(Various drafting changes were passed back and forth across the table.)

The President: We're running out of time. (U)

President Ozal: This matter is very simple. These two communities have repeatedly met. I have now proposed to add Turkey and Greece. This is helpful. Why should the Greeks reject this? (Ø)

(Note for the record: the meeting adjourned, and both sides embarked for the airport, where agreement was reached on a text.)

-- End of Conversation --