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FOIA MARKER

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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: 91110
Folder ID Number: 91110-001

Folder Title:
Presidential Meetings - Memorandum of Conversations 7/1/92 - 7/9/92

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	1	4

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Memcon	Re: Meeting with Prime Minister Kiichi Miyazawa of Japan (7 pp.)	7/1/92	(b)(1)	C
02. Memcon	Re: Meeting between POTUS and President Mitterrand (9 pp.)	7/5/92	(b)(1)	S
03. Memcon	Re: Vice President Quayle's Meeting with Prime Minister Vagnorius of Lithuania (3 pp.)	7/9/92	(b)(1)	S
04. Memcon	Re: Meeting with Prime Minister Giuliano Amato of Italy (3 pp.)	7/6/92	(b)(1)	C
05. Memcon	Re: Opening Session 1992 Munich Economic Summit (14 pp.)	7/6/92	(b)(1)	C
06. Memcon	Re: Plenary Session 1992 Munich Economic Summit (3 pp.)	7/7/92	(b)(1)	C
07. Memcon	Re: Memorandum of Conversation (5 pp.)	7/7/92	(b)(1)	C
08. Memcon	Re: Private Plenary Session 1992 Munich Economic Summit (9 pp.)	7/7/92	(b)(1)	C
09. Memcon	Re: Afternoon Plenary Session 1992 Munich Economic Summit (3 pp.)	7/7/92	(b)(1)	C
10. Memcon	Re: Joint Plenary Session 1992 Munich Economic Summit (3 pp.)	7/8/92	(b)(1)	C

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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 7/1/92 - 7/9/92

Pinksheet Number: cap934
OA/ID Number: 91110-001
Date Closed: 1/29/2009
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
11. Memcon	Re: Heads of Delegation Meeting with President Boris Yeltsin at the 1992 Munich Economic Summit (11 pp.)	7/8/92	(b)(1)	SECRET
12. Memcon	Re: Meeting with Prime Minister Constantine Mitsotakis of Greece (4 pp.)	7/9/92	(b)(1)	SECRET
13. Memcon	Re: Meeting with Eduard Shevardnadze, Chairman of the State Council of Georgia (4 pp.)	7/9/92	(b)(1)	SECRET
14. Memcon	Re: Meeting with Manfred Woerner NATO Secretary General (3 pp.)	7/9/92	(b)(1)	S
15. Memcon	Re: Meeting with Chairman Stanislav Shushkevich of Belarus (3 pp.)	7/9/92	(b)(1)	SECRET
16. Memcon	Re: Meeting with President Leonid Kravchuk of Ukraine (5 pp.)	7/9/92	(b)(1)	S
17. Memcon	Re: Meeting with President Havel of Czech and Slovak Federal Republic (3 pp.)	7/9/92	(b)(1)	SECRET
18. Memcon	Re: Meeting with Presidents Ruutel of Estonia, Gorbunovs of Latvia, and Landsbergis of Lithuania (5 pp.)	7/10/92	(b)(1)	SECRET
19. Memcon	Re: Meeting with Prime Minister Constantine Mitsotakis of Greece (4 pp.)	7/9/92	(b)(1)	SECRET
20. Memcon	Re: Meeting with Manfred Woerner NATO Secretary General (3 pp.)	7/9/92	(b)(1)	S

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
21. Memcon	Re: Meeting with Prime Minister Suleyman Demirel of Turkey (2 pp.)	7/9/92	(b)(1)	S
22. Memcon	Re: Meeting with Aliza Izetbegovic, President of Bosnia-Herzegovina (4 pp.)	7/9/92	(b)(1)	S

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OA/ID Number: 91110-001
Date Closed: 1/29/2009
FOIA/Sys Case #: 2009-0275-S
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P-2/P-5 Review Case #:

JULY

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Kiichi Miyazawa
of Japan (U)

PARTICIPANTS: The President
The Vice President
James A. Baker, III, Secretary of State
Nicholas F. Brady, Secretary of Treasury
Brent Scowcroft, Assistant to the President
for National Security Affairs
Michael Armacost, Ambassador to Japan
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs and
Counselor, Department of State
Richard Solomon, Assistant Secretary of State
for East Asian Affairs
Karl Jackson, Assistant to the Vice President
for National Security Affairs
Douglas H. Paal, Special Assistant to the
President and Senior Director for Asian
Affairs, NSC
Torkel Patterson, Director for Asian Affairs,
NSC, Notetaker
Francis Seeds, Interpreter

Kiichi Miyazawa, Prime Minister
Nobuo Matsunaga, The Envoy of the Government
of Japan
Takakazu Kuriyama, Ambassador to the United
States
Motoji Kondo, Deputy Chief Cabinet Secretary
Kunihiko Saito, Deputy Foreign Minister
(Political Affairs)
Koichiro Matsuura, Deputy Foreign Minister
(Economic Affairs)
Yukio Sato, Director General, North American
Affairs Bureau, Ministry of Foreign Affairs
Kazuo Takeuchi, Executive Assistant to the
Prime Minister
Hajime Hayashi, Interpreter for Mr. Kondo
Daisuke Matsunaga, Interpreter for the Prime
Minster
Nobuaki Tanaka, Director of the First North
American Affairs Division

DECLASSIFIED
PER E.O. 13526

2009-0649-MR
SCS 1/6/2011

DATE, TIME
AND PLACE:

July 1, 1992, 3:40 - 4:30pm EDT
Cabinet Room

~~CONFIDENTIAL~~

Declassify on: OADR

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THE WHITE HOUSE
WASHINGTON

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of Japan (U)

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Kazuo Takeuchi, Executive Assistant to the
Prime Minister
Hajime Hayashi, Interpreter for Mr. Kondo
Daisuke Matsunaga, Interpreter for the Prime
Minster
Nobuaki Tanaka, Director of the First North
American Affairs Division

DATE, TIME July 4, 1992, 3:40 - 4:30pm EDT
AND PLACE: Cabinet Room

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The President: I am very pleased that on the eve of such a busy schedule preparing for the G-7 meeting, you would come here to see me. This is a tiny opportunity for me to repay the fine hospitality I received in Japan. I still remember it as a good visit even though the press tried to savage it. We made very good progress and I hope that we will be able to review that while we're together. I want to give you all a full welcome. (U)

Prime Minister Miyazawa: Thank you very much, we appreciate your hospitality. (U)

The President: Let's talk about G-7 issues. This is very important for our side. One of the key issues for us in Munich will be supporting economic growth. It's important for us all. I'm pleased with the statement your party made on economic growth and I hope you'll be able to announce details of domestic growth package soon. That would be very good. The Prime Minister has explained to me some of the complications, but we would hope that you are serious about promoting growth. Our econometric model, however, seems to differ somewhat from yours. We show that six to seven trillion yen will produce about 2.9% growth, rather than 3.5%. I recognize that these models are sometimes not particularly accurate. As you are aware, a Japanese supplemental budget that promotes substantial growth, through strengthening domestic demand rather than exports, presents a positive message to the G-7 partners. I feel funny discussing financial issues with Prime Minister Miyazawa because he's such an expert. He and Jim Baker worked out something similar under the Plaza Accords. (C)

I talked to Chancellor Kohl and President Mitterand about our negotiations over the Uruguay Round; they've been working hard to try to resolve our differences on agriculture before Munich. Kohl does not want discussion of the Uruguay Round to dominate Munich, but we are probing to see how far we can go. The President of France has invited the Secretary of State to come in before Munich to a ministerial to discuss GATT, but we're not sure we want to do that unless we know that we're going to make some progress. We'd like to get it moving. The Europeans weren't too flexible, but we think they have some more room. Frankly, I think that they have to move a little bit further. The Germans say the U.S. is closed, and that we are not supporting the Dunkel text. It may or may not be a good starting point but we need to give it a serious look. We will see whether or not the Europeans can move more; we are waiting to see if a "last gasp" effort will be effective. I strongly solicit the support of Japan. I want to be side-by-side with Japan to support us actively to bring remaining issues, including services and market access, to closure. (C)

It is critical that we provide support and reform to the growing market economies, and that was something I talked about at length with Boris Yeltsin. We believe in that well known adage that "trade is better than aid." (C)

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I told you that I'd raise the Northern Territories with Boris Yeltsin and I did. I told him that we are strongly on the side of Japan on this issue. It is so much in the Russian interest. Brent, do you have anything more to add on this? (C)

Brent Scowcroft: Well, he described some of the problems he had at home and he talked about interim measures that he would be taking and the fact that he would have to bring something with him when he goes to Japan. The man is faced with enormous problems. His ability to move is somewhat limited. (C)

The President: We have some more things to talk about today, including nuclear safety, LDC debt, a little bit more about Yeltsin in Munich or, if you'd like, we can talk about North Korea and other regional issues. Let me give you a chance to speak, Mr. Prime Minister. (C)

Prime Minister Miyazawa: Thank you for this briefing on some of the problems we face together. First let me congratulate you on your leadership. Your economy is doing better, the trade balance is turning to the better. You've been good at resisting protectionist moves. You had a very successful meeting with Yeltsin, and your agreement on reduction of nuclear weapons is really great. Your leadership is important and we do appreciate America taking the leadership role in the post-cold war world. Our relations have never been better. I had a good meeting with the Vice President. We agreed to aid to Eastern Europe, including some to Poland. I also want to thank you for your help with Mr. Kanemaru. (C)

The President: He's a fine man. We had a good visit. (U)

Prime Minister Miyazawa: Concerning Yeltsin, we've been briefed by General Scowcroft on his meetings here. I have met with most of the G-7 leaders on the Northern Territories issue; some are sympathetic, others are not. I do appreciate you making the Northern Territories issue a priority. Before the Yeltsin visit I expect that we'll have a meeting of our foreign ministers in August or September. (C)

The President: Do you share the feeling that Yeltsin's visit to Japan in September can take place without any progress, or does he need to make progress? (C)

Prime Minister Miyazawa: Yeltsin initiated this meeting some time ago in New York, so he is coming with his own ideas. Subsequently, his situation has gotten difficult, but hopefully there will be some breakthrough. Up to now, and historically, the Russians have been stonewalling, so let's see. (C)

The President: We offer our offices, if we can be of help. (C)

Prime Minister Miyazawa: Thank you. Mentioning this does make a difference. (C)

On the economy, we took special measures to front-load our budget this year, and it's made no impact. If that should not prove

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enough, which looks likely, it seems inevitable that we will have to take additional measures of substantial magnitude that will make the Japanese economy pick up later in the fall or hopefully at least by the end of the year. Hopefully this will put us on the path of sustainable growth. Secretary Baker and I did this in '87 with some success. We are trying to mobilize all of our resources. (Ø)

The President: Do you have any resistance to this? I can't image that anyone would be opposed to it. (Ø)

Prime Minister Miyazawa: Well, not in the political and economic circles, but in the bureaucracy, yes (laughter). My intention with this package is to use government bonds to develop sewage, parks, garbage disposal and improve the quality of life. In view of the fact that we export too much, while living in rabbit hutches, we are going to emphasize reducing working hours and increasing spending in science and technology and other areas for domestic growth. On the Uruguay Round, I'm hoping that the Secretary of State will be able to make a breakthrough, but we don't believe the outlook is rosy. But it would be wonderful if we could. Japan has one area that's a difficult issue, however. (Ø)

The President: Let me guess (laughter). Any flexibility in that area? (Ø)

Prime Minister Miyazawa: Well, no, but on market access Japan has been most forthcoming. On the other problem, we have the upper house elections. On the Russian problem, we heard from the Secretary General of the IMF that the Russian economy is worse than expected and that we need to wait until the IMF letter of intent with Yeltsin can be agreed. It's not likely that they can agree, but that's what we need to do. (Ø)

The President: May I make a comment? We had a briefing from the IMF and the Russian economy is doing worse. Having said that, we have to be flexible enough to help Yeltsin. He is up against very powerful reactionary forces. The IMF feels constrained by its own guidelines. We would like to find something as soon as possible, something tangible to put in the hands of Yeltsin. He's made some tough decisions, but of course he needs to do more. Yeltsin has taken some difficult steps, we know that he's trying, but it would be a terrible setback to see him thrown out and the hardliners be put back in. Secretary Baker do you have anything to say to this? (Ø)

Secretary Baker: Since my conversation with you earlier, we need to try to stretch to see if we can go along with IMF Managing Director Camdessus' suggestion that we provide \$1 billion for the first tranche, without tying him up in conditions. (Ø)

Secretary Brady: It would be one thing if we started from scratch but Camdessus got out in front and put this package out publicly. If he hadn't, maybe we could get this completed without embarrassing Yeltsin; but since the IMF has gone ahead, its going to be very difficult, so we need to be in such a

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position that we can do something. We are stuck. The only solution we're going to have is to provide him the \$1 billion that he needs to carry through. (C)

Prime Minister Miyazawa: We are not opposed to the \$1 billion for the first tranche. (C)

The President: Well symbolically it's important. I can't agree with the IMF to throw this out and two months later just cut him off. Yeltsin has a good message, he's trying to produce, he talks a good game and he's sincere, but his problems are enormous. We were very impressed when he came here. He's got an attractive young team around him. The Defense Minister backed him up big in the intercontinental ballistic missile discussions. His people are young, good people. They are serious. (C)

Prime Minister Miyazawa: You mentioned North Korea. The problems remain the same and we wonder to what extent we can expect much progress. An inspection by IAEA only is not adequate. There needs to be bilateral inspections also. We are suspicious of some of North Korea's preparations and we don't know very much about what they're doing. We need mutual inspections between the North and the South where the South can have more intrusive inspections. Our information is that the North is rather recalcitrant. We are still in the dark, especially about what's going on at Yongbyon; it's not clear. Japan has been negotiating with North Korea for normalization, but we will not finalize until we are certain that the nuclear issue has been resolved. I think your Under Secretary Kanter has been in touch with them and maybe he has more information. (C)

The President: We appreciate your efforts to hold the line. Dick Solomon, do you have anything to add on North Korea? (C)

Assistant Secretary Solomon: The strategy of the North is to split the South from the U.S., but we can't let them do that, and we won't let them do that. We agree that we need both inspections. The South has some incentives to keep the dialog going, but we are certain that they are going to hold firm. We're firm on the need for both inspections. In our own bilateral relations with the North, we have other issues besides the nuclear one, including proliferation, war remains and others, that we're going to have to take care of. But the fundamental issue that we have to keep in mind is that the North-South relationship has to be kept out in front. We are hoping too, that once the bilateral inspection is established it may lead to an arms control process. It's important to all of our security. (C)

Prime Minister Miyazawa: Well there seems to be some doves and hawks in Korea. (C)

The President: Where is Kim Il Sung's son? What do you think about him? (C)

Prime Minister Miyazawa: Well, the son is taking over from the father, but to what extent he will succeed is not clear. (C)

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The President: Our profiles indicate that he is not dependable, he's rather erratic and obsessed with perpetuating the myth of being better than everyone. I don't see any reason to think that his succession should be reassuring. (C)

Prime Minister Miyazawa: We really don't have much knowledge of him. (C)

The President: Dick, you're our expert, do you have anything to add? (U)

Assistant Secretary Solomon: Well, he's a bizarre fellow. He has some rather strange tastes; he's only met with Chinese foreign leaders and we really don't know much about him. (C)

The President: Mr. Prime Minister, will you comment on Cambodia? (C)

Prime Minister Miyazawa: All factions agreed to the Paris Accord and the establishment of the Supreme National Council, but at the second stage of UN peacekeeping the Khmer Rouge refused to demobilize. We've since then had this conference in Tokyo. We had an all night session to work out some problems and to push hard for reconciliation, but it failed. It seemed to me that the Khmer Rouge representative didn't have enough instructions or authority to make decisions. Now they are supposed to meet with the Khmer Rouge, in Phnom Penh, but Prince Sihanouk is having a diplomatic illness. People are rather pessimistic about what's going on there which makes the activities of UNTAC difficult. Unless the Khmer Rouge does agree the whole operation of peacekeeping may come into doubt. (C)

Secretary Baker: This is an extremely big and enormous operation. Japan has been very generous, Mr. President. We need to press China and Taiwan to be firm with the Khmer Rouge. (C)

Prime Minister Miyazawa: Well, we found China to be rather cooperative but the Thai we're not sure of. They had a leader for a while who seemed to be rather helpful but he didn't win the election. (C)

The President: Well, it looks like we're running out of time here, I wonder if we shouldn't adjourn. Would you like to come into my office with me and then we'll go out and make our statements to the press. Thank you all very much. (U)

-- End of conversation --

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THE WHITE HOUSE
WASHINGTON

6046

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting between POTUS and President Mitterrand

PARTICIPANTS: The President
Secretary Baker
Secretary Brady
General Scowcroft
Robert Zoellick (notetaker)

President Mitterrand
Minister Dumas
Hubert Vedrine, Presidential Assistant
Anne Lauvergeon, Presidential Assistant

DECLASSIFIED
PER E.O. 13526

2009-0649-MR
SCS 1/6/11

DATE, TIME July 5, 1992, 8:30 - 10:30 p.m.
AND PLACE: Munich, Germany

President Bush: Thanks for coming over. Hope we can work out dates for a meeting at Camp David or some place else. Sorry for being less flexible than I would like about the exact date. (U)

President Mitterrand: No problem, we will work something out. (U)

President Bush: It's important that we meet. I don't want to see a disconnect between the United States and France. We may have differences. But it's better to talk about them, get them on the table. This is an interesting period in the United States. We're in a presidential year; some are saying the U.S. has done its part, and that it's time to come home. It's a mood right below the surface. We also are facing a sluggish recovery. This adds to feelings of people asking why we should spend money abroad. My view is that it's in our own interest to have our troops here in Europe. I also believe most Europeans want us here. But I'm not sure I fully understand the heartbeat of the French on this question. I think I understand it when you and I discuss this subject, but then problems arise. There is a broad feeling in our government that the French are ambivalent about the U.S. presence. (U)

Perhaps you have concluded we'll leave. For us to remain, we need to put our emphasis on NATO. We know of your historic differences with NATO. But that's one reason I was anxious to meet, so I hope you'll be frank about our existing problems on questions of security for Europe. We get different answers on the Franco-German Corps from the French and from the Germans.

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We also have had differences in the NACC. I need to know where you're coming from. France is important to the security of Europe and elsewhere. I don't want us to be ships passing in the night. (S)

President Mitterrand: Our position is simple. We are members of the Atlantic Alliance. There have been no serious circumstances where we have failed to meet our obligations. We're present at political meetings. The status was designed by de Gaulle because of our nuclear armament. We couldn't deal with your nuclear doctrine in the way you wish, to put our very physical existence at stake. But then again this is speaking as if the Soviet Union is still as it was. I don't see how you believe that we make things difficult. My impression is we have good relations with the U.S., although they seem to complain. We pay for the Atlantic Alliance. We don't want to dismantle it. Of course, we won't move into the integrated command. But we have good relations between military staffs. So where are the difficulties coming from? I understand that you regret that France is outside the integrated command. But this has no serious impacts. We've been living with this since 1966. In all serious circumstances, the French and the U.K. have been very close to the U.S. So, I don't understand why the question is asked. (S)

Since the collapse of the Soviet Union, I haven't understood the reasons why you're trying to give NATO a new content. At the time that the threat of war is receding, it seems you want NATO's mission to expand. Why is this? You never discussed it with us. What does the U.S. want more than it had before? Do you want a political role? That's difficult to give a military organization. If I have any qualifications, it's that. But I'm not seeking to be stubborn. If you're keen on some ideas, let's discuss them. I remember at Williamsburg, when Ronald Reagan submitted a text talking about Japan and the Atlantic Alliance as if they were the same thing. Not to me. So I disagreed. In the Middle East, you saw our position and support on Iraq. In North Africa, you see our position. But I feel alien to Tokyo ... Taiwan. If there's a problem, we should discuss it. What responsibilities do you want to give to a renovated NATO? It seems you're striving to make NATO the only place to discuss defense problems. But there are other places. I know of the U.S.'s anxiety. In Rome, you showed great understanding on the WEU. But then we thought your position became firmer, that you hardened. (S)

It seems that any military unit alongside NATO gives you worry, even if it's in harmony with NATO. You had the same reaction to the Franco-German Corps. I don't see how I could differ with Kohl. The Corps represents the most we can do. Its value is primarily political. For more than a century, France and Germany were enemies. Now we meet together in Munich. What incredible memories. There were mistakes before the war. We abandoned the Czechs. I have neither illusions, nor ambitions to make the Corps into a new army. What is done is done. It's difficult to take it further. Others will join, but not many, perhaps the

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Belgians, the Luxembourgers, the Italians. But if they don't, it is of no matter. The Corps illustrates the reconciliation between France and Germany. It is a duet that demonstrates strength and power. We're not asking for more. It is not to conquer foreign lands. We intend no offensive actions anywhere. (S)

I don't see U.S. troops leaving for a long time; I'll be long dead, so that's not my aim. There are, of course, elements that could undercut you: public opinion, the press, budget. For the next four years the President will be you, I won't hide my feelings, but your successor may not have the same policies. So we need an organization to ensure our own security. Not against NATO, but with NATO. Look for a single example to the contrary of what I'm saying. (S)

President Bush: If you felt because of pressures that we'd pull out I would understand. But I have to ask myself what does the Franco-German Corps do? I understand that it would shore up your friendship. But our problem is that more differences seem to be appearing. We thought we'd agreed on the definition of CSCE security. We thought that France believed the U.S. should remain. But the more differences we encounter, the more questions raised in our minds of whether the U.S. is wanted. I would understand it if you think that we are pulling out, returning to 1938. And that's the Catch 22 that's created: that theme plays on sentiments in the U.S. As long as I'm President, we will stay. How much of our differences -- in NACC, CSCE, with the Franco-German Corps -- are because you think we're going to pull out? (S)

President Mitterrand: We don't feel a need to say yes without consultations. When you define your broad strategy, you're the most powerful, (cites various recent examples) and we don't want to learn what you're doing by reading it in the press. Of course you've been kind to write about the things you're doing, but others may not be. (S)

President Bush: Take the case of Yugoslavia, we didn't push. We said let others proceed. (S)

President Mitterrand: I'm trying to explain my reasoning. On each problem, it seems possible for us to reconcile our differences. If the Franco-German Corps is of no particular use, how can it hurt? (S)

President Bush: We get different definitions of the Franco-German Corps. Let Secretary Baker say a word. (S)

President Mitterrand: Let's be precise. All armed forces of the Western allies will inevitably exist within NATO. France is not within the military integrated command, but our own strategy operates within NATO. We want distance between the integrated military. But this Corps is a small part of the German army, perhaps 35,000 men. You're giving very

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formalistic answers. I can't imagine the Franco-German Corps will engage in any action outside of NATO. It would have to be complementary. (S)

President Bush: We're not seeking to encourage antagonism. (U)

Secretary Baker: The key is in your words. If the Corps is indeed complementary, fine. We've supported the European security and defense identity. But what we're worried about is duplication. We respect the French view on the integrated military command. But German forces would normally have priority assignment to NATO. The Germans tell us that their forces in the Corps will, but the French tell us something different. (S)

President Mitterrand: I don't understand. The Franco-German Corp has no direct instrument without NATO agreement. How would it do so? For example, if there's a conflict with Russia. The Franco-German Corps is an embryo, it would take 25 years or longer for Europeans to develop their own security. The Corps is as far as I can expect to go. (S)

Secretary Baker: Our concern is that the embryo will grow into a rooster and be duplicative of NATO. If its role is not clear, it will undermine the United States' consensus for NATO. You mentioned a possible political role for NATO. Yes, that is what we want. NATO is not just a military alliance, but it's a political alliance and that has been demonstrated in the past. So the new roles and missions for NATO means the enhancement of its political role as well as strengthening its military role. We have no problem with the European defense identity if it complements NATO, but doesn't duplicate it. But when we ask Germans if their forces have first priority to NATO, the Germans say yes, but you say something different. (S)

President Mitterrand: But this is devoid of content. Even the question is odd. How can we be different from NATO? To do what, to go where? (S)

Secretary Baker: Go wherever the head of it goes. (U)

Minister Dumas: We saw an example in Yugoslavia. The U.S. didn't want to get involved. But Europe may be concerned. So we need flexible relations with NATO and a European view. Europeans need something to help deal with such situations without being incompatible with NATO. Look at the Gulf. The WEU forces complemented the U.S. But for the moment we're only discussing German and French forces. On doublehatting, some nations will say they would like to participate but all troops will be in the integrated command. That's no problem. They'll be allocated twice. (S)

President Mitterrand: I have seen that the Franco-German Corps seems to be worrying the U.S., why is this? (S)

President Bush: It sends signals to the U.S. that you believe we won't remain. (S)

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President Mitterrand: It's not as clear as that. (U)

President Bush: It's clear to us. Congress says why should U.S. troops be in Europe? France has a new answer. We say NATO is a stabilizing force. Either you think we're leaving or that NATO is not important. It's fine to go march into Sarajevo. But the problem is if you think that the U.S. can't be counted on. (S)

President Mitterrand: It's impossible to compare this to the tremendous power of NATO, and I repeat we're part of NATO, we're one of two European countries with nuclear forces, small but enough to make a difference. This is not the same as all the forces with NATO. (S)

President Bush: I'm not being articulate on this. The signal is that we're not going to stay or that we're not wanted. (C)

President Mitterrand: Then what should we do? Leave the United States' military in charge of all decisions? (C)

Secretary Baker: No, establish true complementarity. Answer the questions about the Corps the same way as the Germans are answering them. You will develop it as a European defense identity to deal with problems that NATO won't. Where there's a conflict, it can be complementary, but not duplicative. (S)

President Mitterrand: Secretary Baker is the best spokesman of France's policy. (C)

President Bush: We have some CSCE problems. (S)

Secretary Baker: This is referring to the problem of NATO as a component of CSCE peacekeeping. We encountered great trench warfare in Oslo. Now we're repeating it in Helsinki. (S)

President Mitterrand: I'm not interested in that war. We're not going to return to trench warfare. Maybe it's possible for all of Europe to be in the same alliance, but I don't see how Bosnia and others would be a part of it. CSCE enabled us to join the former Soviet Union with Western Europe. I even had difficulty convening CSCE in 1989. But there was instability in that period. I held the conference in Paris. We were behind making CSCE a success. You were more concerned. I was all in favor of CSCE. If you can say they're all ready to join the alliance.... (C)

Secretary Baker: No, but all agree with the idea of a NATO peacekeeping force except France. (S)

President Mitterrand: Well, then we have the pleasure of an original position. Look at the heads in the former Soviet Union, they are all apparatchiks. They save their skin by becoming super nationalists. They're not the ones to give us lessons on loyalty to the alliance. (C)

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Minister Dumas: We would like to agree to call on NATO or the WEU as needed. (✓)

President Mitterrand: This is not a problem for us. (✓)

Minister Dumas: But in some situations it may not be a good idea for NATO to intervene. (✓)

President Mitterrand: This is not a big problem. We don't care much. What other forces are there than through NATO? (✓)

President Bush: Put on your historian's hat. Do you believe the United States will be in Europe in ten years? (✓)

President Mitterrand: Yes. I'm not sure about 50 years -- not because of the Europeans but because of the Americans. I understand the Franco-German business concerns you because of our different status in the alliance. But we all have constitutional differences. We can find a solution if we work on it. And we have no problems with the CSCE issue, I just find it amusing. (✓)

President Bush: Our objective is to achieve stability. (✓)

President Mitterrand: I have two worries: First, Russia has been rolled back from its achievements over three centuries. In some barracks or elsewhere, people will argue that Russia has been betrayed. They will feed on the discontent. This is not a probability, but I fear a coup even if through civilian leaders pandering to nationalism and for people seeking revenge. Second, I worry about Europe splitting up. We're going too far in splitting. This is counter to the historical trend. There are new states that never existed. Take for example, Byelarus, Kazakhstan, Moldova, Ossetia. There'll be wars. Specters are coming back. I'm not joking; I'm talking to the President of the United States, the most powerful country in the world. Watch Russia and Ukraine. That relationship will be of primary importance to Germany. Poland has always been a friend of France, but it's never been capable of governing itself. Do you think I have the illusion we could solve all this without you? (✓)

President Bush: The best signal to all of them is a strong united Western alliance. It avoids a signal to the United States that throws doubt on us. (✓)

President Mitterrand: Does it add suspicions on your part, with the press? (U)

President Bush: Don't feed the feeling in the U.S. I can contain it. Avoid a signal that sends the clock back to the '30s. (✓)

President Mitterrand: We can't give up on our personal thoughts. The things we propose aren't all stupid. We know Europe well.

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For example the Court of Arbitration. We set up one in the EC. It's a good system. Let me give you an example, through Yugoslavia. Once Yugoslavia started to break up the Germans wanted to recognize Slovenia and Croatia. I felt it was wrong to move quickly. We needed to define principles in law on the frontiers and minorities. But they rushed into unconditional recognition. A Court of Arbitration would have been useful in this circumstance. The minorities fear that they will be massacred. But we didn't succeed. We had a map. We were trying to determine which villages belonged to which groups. What I'm saying is not all French initiatives are bad. (S)

President Bush: I saluted you for your acts in Sarajevo. (U)

President Mitterrand: The idea was not to get negotiations started. We just wanted to open the airport. (U)

President Bush: It was very important symbolically. (U)

President Mitterrand: The plane had to land in Croatia. Tudjman wanted to have dinner with me. I said no. I'm not here to negotiate. Milosevic said don't land in Sarajevo it's too dangerous. I said I didn't want to ask the Serbian President for permission to land. (S)

President Bush: You stayed out of the political side, you stressed the humanitarian. (U)

Secretary Baker: It also sent a clear signal to the warring tribe that there's a price to be paid. (U)

President Bush: How was it received in France? (U)

President Mitterrand: Well, when I landed, a Serbian general there said that the international press was slandering the Serbs, but it's really the Moslems. I said how can they kill your men? Only because you're here. Why are you here? (S)

Coming back to CSCE, I don't see how there can be differences between the United States and France on where we want it to go. I think you're wrong on the Court of arbitration. (S)

Minister Dumas: The other problem is CSCE calling on NATO for peacekeeping. (S)

President Bush: Our difference isn't just one about the role of arbitration. It's the role of NATO. Everyone else agrees on this, but I know what's it like to be alone. Like me in Rio. (S)

President Mitterrand: Dumas says you want CSCE to call on NATO. We want the WEU to be available too. (S)

Secretary Baker: That's OK with us. The exact difference is that you want to make it difficult procedurally. (S)

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President Mitterrand: I'm not legalistic to that degree. Let's talk about things that exist. NATO does, luckily. The WEU barely exists. CSCE will do what it wants. That's no problem. Can you accept the Badinter proposal? (Ø)

[Then there follows a discussion in which we tried to explain that we hoped to figure out a way to let Badinter proceed even if we could not agree with it. We also explained our directed mediation proposal and how it would be complementary.] (Ø)

President Bush: I stopped in Poland on the way here. Walesa is trying but things are very difficult. I said we'd convert \$200 million from the stabilization fund to other uses. I hope you'll look at it. (Ø)

Anne Lauvergeon: The French shared 600 million on francs, we'd always planned to use it for Polish development projects. You have no problem with us. (Ø)

President Mitterrand: I'm very happy to do this. (U)

President Bush: I worry about Poland. (Ø)

President Mitterrand: Yes, there's disorder, there's chaos, there's not much political weight. They have a key role to play as a buffer between the Germans and the Slavs. Silesia and Pomerania are part of Poland now, but they were German. The Russians occupy part of Poland. (Ø)

President Bush: You're nice to say you'd see Baker on the Uruguay Round. We thought the European Community might come forward with some flexibility. But they were silent. So we didn't feel that the meeting was worth your time. We made two proposals. I just wanted to apologize for the lack of the meeting. (Ø)

President Mitterrand: It was better not to meet if there were going to be no change in position. (Ø)

President Bush: I know it's tough for you and us, but I think we're not far apart. (Ø)

President Mitterrand: I want GATT to be a success. It would stimulate the world economy. But we have big differences on agriculture. We've moved forward. The new agriculture policy is almost causing a peasant revolt. It goes in your direction on export subsidies. Exports will be cut at least 18 percent. It comes part of the way. We're ready to discuss the rest. We've fought on agricultural terms since 1985, but it's no longer the main issue. We have to focus on services and industry. (Ø)

President Bush: We understand. But too much of a departure from the Dunkel text will lead to a revolt in the United States and the Cairns group. (Ø)

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Secretary Baker: I think we're a lot closer than the parties and the public realize. We also need an agreement on market access in services. Your actions on CAP reform make a solution possible. I know it's painful. But we need to incorporate your CAP reform proposals in a text. If we can guarantee the sanctity of income support payments to farmers, what could you do for us on export subsidies in volume terms? I think that there is an agreement to be made. (Ø)

Anne Lauvergeon: There's a big difference between 18 and 24 percent. (Ø)

Secretary Baker: We think we can satisfy you on internal supports and then you can meet us on export subsidies. Some of our people say that there should be no agreement without the other areas that we are still lacking, but we don't agree. An agriculture deal would be a big step. We're not sure where to deal. Delors and Andriessen need to consider and consult with each member. But if you, Kohl, and Major instruct them to look at the income supports, to make payments inviolate, and then look at what you can do for us in exports subsidies. It would codify your past reform policies. If you gave them that general instruction, I think we can reach an agreement. (Ø)

President Mitterrand: I think we can move in this direction. We can't agree here, but we can move in that direction. (Ø)

Let me summarize. On NATO, WEU and the Franco-German Corps, you discussed the different explanations between German and France. The Franco-German Corps should be able to fulfill its own missions, NATO need not intervene, but they should decide jointly. I'm not closed to discussing further along these lines. On CSCE, we are prepared for conciliatory formula on using NATO and the WEU. We're quite prepared to give the maximum flexibility to reach agreement. Finally, I would be grateful if you would examine the Court of Arbitration. (Ø)

President Bush: We will have a look. (U)

President Mitterrand: As for GATT, the new CAP reforms can bring views on farm products closer. But 18-24 percent is a big difference. What could you do that would be comparable? We also need a comprehensive agreement for GATT. (Ø)

Secretary Baker: I wonder if it's useful to try and get a clearer understanding on complementarity in a working text. (Ø)

President Mitterrand: I agree. (U)

President Bush: I think the EC has offered 20 percent on export subsidies. (Ø)

Meeting closed with various pleasantries. (U)

-- End of Conversation --

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OFFICE OF THE VICE PRESIDENT
WASHINGTON

July 9, 1992

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MEMORANDUM OF CONVERSATION

SUBJECT: Vice President Quayle's Meeting with Prime
Minister Vagnorius of Lithuania

PARTICIPANTS: U.S.

The Vice President
Karl D. Jackson
Nick Burns, NSC
Jeff McKittrick

Lithuania

Prime Minister Vagnorius
Gabijs Petrauskas, Advisor to the Prime Minister
Stasys Lozoraitis, Lithuanian Ambassador to U.S.

DATE: July 6, 1992

TIME: 1:15 p.m.

PLACE: OEOB Office

The Vice President: Good to see you again. We have met in Indianapolis, Vilnius, and now here in Washington!

Prime Minister Vagnorius: And I have signed three agreements with you.

The Vice President: Right. Well, what's happened in Vilnius since I left there in February. I know the snow must have all melted!

Prime Minister Vagnorius: We are determined to move forward on reform without hesitation. The major focus in our country is on reform. We intend to continue the privatization of major industries. But there are several impediments. We have difficulties with some of our neighbors and the economic reform program is causing some problems.

The major issue for the entire region is democratization. Will it continue to completion? Or will certain forces stop it?

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There are some forces in the East that are hampering our efforts as well. This fall is crucial. It is the turning point in Russia and in Lithuania. Nobody can guarantee that we won't face some surprises in Russia this fall. We see some worrisome tendencies there and we're the first to feel the impact of any shifts.

So the time for the West to help us is now. First, to stabilize our trade relations. Second, to establish economic reform programs. And third, to regulate the removal of Soviet troops.

Turning to other issues facing Lithuania, we face an unexpected crisis because of the drought. We just had a meeting with the World Bank and we will raise this problem at the G-24 meeting as well. We need assistance with feed grain, primarily for our livestock herd, which we export as meat to our eastern neighbors.

But the priority item is the removal of foreign troops. The Russian government agrees with us, but the timing is still unresolved. It is critical to resolve it right now. If we could establish a time frame with Russia, the situation would stabilize. I hope the U.S. sympathizes and understands and will help us further on this. It is a priority item for us to remove the troops as soon as possible.

For our part, we are addressing the issue of housing for those troops. We have established a fund for housing them. Our funds are limited, however, and it is difficult to explain to our people why they should contribute money for housing an occupying force. That is why the housing fund must be joint; so our people can accept it.

The Vice President: You mentioned the problem Russia may face this fall. What is your impression of Yeltsin? He was just here, you know. He seemed to be in charge. He seems committed to democracy. He has a plan for the withdrawal of troops. In your view is Yeltsin strong enough? Or has he been weakened?

Prime Minister Vagnorius: Yeltsin is popular with the Russian people. But there are forces in Russia opposed to political and economic reform. They have become more vocal in recent weeks and indications are that they are increasing their efforts.

The major issue for Yeltsin is can he see the political and economic reform effort through to completion. This depends on aid from other governments and the establishment of conditions in Russia to help reform.

The major issue is the economic and social conditions in Russia. The people have to see that reforms will succeed.

The Vice President: What do you pick up on what's going on in the Russian military? Do the troops in Lithuania talk about what's going on back home?

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Prime Minister Vagnorius: The Russian forces in Lithuania are not interested in leaving. If we set up this fund, 70 to 80 million dollars worth, we will use it to provide monetary incentives for them to leave.

The Vice President: By building housing for them in Russia?

Prime Minister Vagnorius: The fund would not be only for housing, but also for dislocation compensation for the families of troops in Lithuania. There are other political motifs complicating the withdrawal issue. But in our talks with the Russians, we have offered the compensation package.

We are interested in providing monetary incentives to the families so they would want to leave. Or we would provide compensation to those troops who would want to remain, but not as troops.

This issue will be more difficult to resolve next year.

The Vice President: But the issue is not only housing. Don't they like Lithuania and see no future back home? There must be more at work than just monetary compensation can solve.

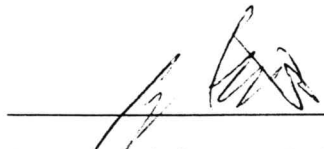
Prime Minister Vagnorius: For regular soldiers, there is a better opportunity if they return to Russia. But the socio-economic situation of officers is different. This is a unique situation that calls for innovative solutions.

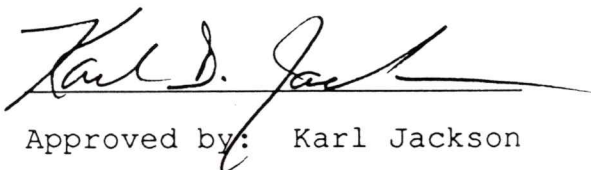
Another unique situation is economic reform in Lithuania. There are no more collective farms in Lithuania, but there are still collective farms in Russia and that has a major influence on the way things are ordered.

It took a great effort for us to eliminate collectives. And we had a difficult time setting up a production program. And if we succeed in completing this process, we will have a major impact on Russia. That's why the West should pay more attention to our situation.

The Vice President: We want Lithuania to make it. Trade and investment, like the framework agreement we are about to sign, are key elements. We also want democracy to succeed in Russia. You have our commitment to help.

Please give my very best to President Landsbergis. Tell him to keep up the good work.


Prepared by: Jeff McKittrick


Approved by: Karl Jackson

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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Giuliano Amato of Italy

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Brent Scowcroft, Assistant to the President
for National Security Affairs

Prime Minister Giuliano Amato
Foreign Minister Scotti
Ambassador Vallani

AND PLACE: July 6, 1992
DATE, TIME: Munich, Germany

The President: Welcome. I wish you the best of luck. Economic growth is one of the things we want to talk about. We should also, discuss Russia and Bosnia. (C)

Prime Minister Amato: I bring you greetings from President Scalfaro. We have new people. We share you sense of need for our economies to grow. After consumer expectations are higher, we must show that our systems work. Our public (budget) deficit is difficult. We went for months without a government. Then we had the Danish referendum. The first victim was the lira. We had two difficult days on Thursday and Friday. We won a confidence vote on Saturday by a 50 vote margin. We decided to hold prices and salaries. We have to reduce the public deficit significantly in the next six months. So we have to raise taxes for two-thirds of this and cut expenditures for one-third. If we succeed the deficit would go under 10 percent for the first time in years. We need solidarity by our friends at this moment. (C)

The President: What kind? (U)

Prime Minister Amato: The Central Bank has raised the rate by two points. (U)

The President: What does solidarity mean? (U)

Prime Minister Amato: If you could express appreciation for our program as soon as possible. (C)

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The President: We will certainly look at it. You have always been most understanding of us. And we will stay with you every way possible. (Ø)

Prime Minister Amato: The public sector won't come under the same pressure as private sector, which faces competition. (Ø)

The President: Is this unpopular? (U)

Prime Minister Amato: I'm sure it will be. (U)

The President: We respect your position on Bosnia and feel you were helpful in bringing the French along. We feel we need to move on GATT. We are fairly close. (Ø)

Prime Minister Amato: Do you hope to close before elections? (U)

The President: We would like to. We don't want it to dominate the summit, but we will push GATT around the fringes. (Description of Mitterrand meeting.) (Ø)

We are concerned about the debate about NATO, the Franco-German Corps, etc. There is a danger this will push the U.S. out of Europe. I did have a good talk with Mitterrand, however. (Ø)

Prime Minister Amato: We strongly share this view in strategic terms. We don't see how your European integration can work without strong U.S. relations. Without a strong U.S. presence, the Community would weaken. We feel strongly on this issue. (Ø)

The President: Italy has been great on this. I bring the subject up only to make our position clear with you. (U)

I would appreciate getting your views on Yugoslavia. (U)

Prime Minister Amato: It is difficult to have a view on this. It is a new problem and hard to assess. The realities are so intertwined. They can't agree on the status for minorities which will work. We can only hope to lower the temperature. The only solution is to have separate states with minority guarantees. (Ø)

The President: There is so much ethnic hatred coming out now. These same sorts of issues pervade the CIS. (Ø)

Prime Minister Amato: The key is growth to help assimilation. (U)

The President: Look at Czechoslovakia. Havel will be forced out. (Ø)

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Prime Minister Amato: Are you ready to bet on Yeltsin over the next months? (C)

The President: We have to. We don't want to pour money down a rat hole, but Yeltsin is trying hard and we have to bet on him. (C)

Prime Minister Amato: We hope the Japanese will give us a hand. These islands are important to them. (C)

The President: Can you help on the Polish stabilization fund? (C)

Prime Minister Amato: I received your message, and we are thinking about it. (U)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Opening Session
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

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

Francois Mitterrand, President of the
French Republic
Ms. Anne Lauvergeon, Deputy Secretary
General, Office of the President

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

Guiliano Amato, Prime Minister of the
Italian Republic
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Mr. Andrew Turnbull, Deputy Secretary,
Treasury

Kiichi Miyazawa, Prime Minister of Japan
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

DATE, TIME Monday, July 6, 1992, 2:15 p.m.-5:50 p.m.
AND PLACE: Residenz - Vierschimmelsaal
Munich, Federal Republic of Germany

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Chancellor Kohl: (Official opening.) Welcome. This is a particular honor for me, since this is the first Summit since unification and it's in Germany. Thank you for your help with unification. (U)

We have problems here in Germany. People want to right in a year or two wrongs that took forty years to develop. There are dramatic changes in Europe. Many problems here and elsewhere create uncertainty, but also opportunity. We need a message of realistic optimism, of positive expectations. There are difficulties in the world, although the overall situation is positive. We need to tackle challenges jointly. This Summit will give an indication of whether we can do this. (Ø)

Economic considerations are in the forefront for all of us: jobs, economic uncertainties. There are regressive trends in a number of nations. There are signs of recovery, but it's not assured. We especially need to address unemployment, especially among young people. We need to strengthen our forces while still keeping stability. We need new dynamism. This will help Central & Eastern Europe. (Ø)

With regard to the Uruguay Round, all eyes are on us. Last year's formula won't do. We can't just say we desire success. We can't negotiate here, but I urge you to consider a formula that will lend to readiness after Munich to bring this to a conclusion. I know this will be hard on some nations. LDCs have vested hopes in the economy and on the environment, post-Rio. (Ø)

Yeltsin is coming, too. We need a predictable basis for helping. We need data from Yeltsin. We can't pour money down a pit. We need reasonable conditions. (Ø)

We'll discuss Central and Eastern Europe, too. We can't say we're only concerned with the FSU. All of these countries suffered under the USSR. (Ø)

We had working groups focused on drugs. Good work has been done. I will send letters of thanks to them. (U)

We need to be open in our conversation and not just read from prepared texts. (U)

We need to come to results in an amicable spirit. Expectations are high. So welcome. I'd like to ask for a first round of brief statements. (U)

President Mitterrand: We will explore these problems. Let me raise questions to get the conversation going. Let's not forget that the G-7 is an economic summit; that's what it's called. We have looked at other issues, like drugs. This is fine, but let's start with the economy. (Ø)

We see half of our economies in recovery after recession, e.g., the U.S., and slow growth in Japan and Germany. France may be

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the most healthy, but we've only got 3 percent growth, so we won't flatter ourselves. The OECD says recovery is on the horizon, but they say it won't reduce unemployment. Unemployment is social/economic gangrene. It affects everything else. So we need to support recovery, and make inroads on unemployment. What instruments are available? Not many. First, we need signs of confidence in ourselves. We need to give the right impression. So we need a vigorous text. We need a drop in interest rates. I know Germany has difficulties, and is working hard on this. We're trying not to brag on the issue of interest rates, but I will mention it. (Ø)

Then there is the failure of GATT. We could discuss this, but this isn't really the right time. Once we get agreement, the markets will respond. (Ø)

So our first priority is to support recovery. (Ø)

Our second priority is aid the former Soviet Union (FSU), especially Russia. There have been a lot of announcements made, but the results don't always follow. We need to know more about the IMF's talks. All of the FSU needs aid. (Ø)

Third, there is the problem of nuclear power stations. When he visited Lithuania, our minister was discouraged. The risk of explosion is 100 percent in the next 15 years. We won't escape this. It's a lethal danger. It could permeate entire generations. And it would hurt the nuclear industry. France relies a lot on nuclear power, though there have been no accidents in France. We had problems with discharge and siting, but no longer. Chernobyl creates a psychosis. Twenty percent of France's electricity comes from nuclear power. What will happen? Experts need to submit reports. (Ø)

Finally, there is the issue of development: This is an issue in Africa, Oceania, and some Latin American countries. Now we add Central and Eastern Europe. The more prosperous nations must make sacrifices. We need agreement or a way to do this. (Ø)

Prime Minister Mulroney: The question is whether we'll influence the world or not. If the G-7 doesn't lead, who will? I know there are concerns about institutionalizing, and about media attention. But Canada favors a stronger G-7 role if we make our meetings less formal with less emphasis on communiques. I would like to focus especially on political problems: (1) lasting, stronger economic growth, (2) the FSU, (3) Yugoslavia. There is tragedy and disgrace in Yugoslavia. In the FSU, future generations will judge. Change won't be done overnight. But there is fundamental reform going on. (Ø)

I'd like to underline the nuclear safety initiative. We strongly support it. I got a letter from EBRD President Jacques Attali on the Bulgarian plant. If something happened, it wouldn't just be headlines; we'd be rushing for our planes. (Ø)

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On recovery, unemployment is the issue. It's probably highest in Canada. We'd be pleased with the U.S. level of 7.8 percent. We need more hopeful remedies. We can help each other with lower inflation, lower interest rates, and lower deficits. (Ø)

Another issue is collective security. Peacekeeping is the new challenge. I appreciated President Mitterrand's visit to Yugoslavia and the U.S. support for our troops if they're under fire. The world is looking for leadership, whether the issue is Uruguay Round or Rio follow-up. (Ø)

Finally, the LDCs think we don't care. They think we're preoccupied with the FSU and Central and Eastern Europe. It would be unfortunate if we let that impression prevail. We should support Trinidad Terms for the poorest of the poor. (Ø)

Prime Minister Major: You suggested we move from scripts and be franker. I strongly agree. We have political leaders here with great authority. We can't solve all problems, but failure will hurt all of us. The G-7 is on trial. (Ø)

I see the economy not doing well. A cold look at the situation is as follows. The world economy is sluggish, unemployment is too high, interest rates are generally too high. Growth rates are lower than our capacity and lower than we need in order to sustain improvements in living standards (or people's expectations) and to match LDC expectations. The world also sees what we said last year -- that we expected recovery. I thought so, too -- that there would be recovery in the second half of 1991. But we were wrong, badly so. All our publics expected more. People are concerned. We did have signs of recovery last year, but it wasn't sustained. We've fought against inflation, but it's a hard won battle. (Ø)

A short-term boost will be of no use; it needs to be sustainable. I'm very concerned about flat growth or even a dip. We joined the Exchange Rate Mechanism to help in the medium term. Italy is doing the same. We need to keep wage demands restrained. It's not happening everywhere. We still have large, unsustainable fiscal deficits, especially in the UK. Interest costs are high and this eats savings from the private sector. For the UK, three-quarters of the deficit is cyclical; one-quarter isn't. We need to bring this back into line. The key point is the evil of unemployment. It's too high -- around 10 percent for many of us; this is an immense loss. So we need a message to sustain recovery and create jobs, without throwing away the gains made against inflation. The U.S. discount rate cut is helpful. I hope Japan will tell us of fiscal efforts. (Ø)

We need the right macro/micro and structural mix. One issue is worker training/retraining. Wages need to reflect local markets and skills. The EC has particular responsibility to make conditions flexible. All this sounds like an ideal solution. These goals are hard to reconcile. (Ø)

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One point that would help is a successful Uruguay Round. I don't have a shred of doubt that it holds back confidence. We had language on this at Houston and London. A Uruguay Round agreement would produce big income gains, especially for the LDCs and former communist countries. Lack of a Uruguay Round agreement makes our aid discussion ludicrous. If we don't negotiate on this, we need at least to reinforce progress in the Round. (Ø)

There are other topics: Aid to the FSU. They face the risk of inflation and risks posed by their deficits. There doesn't seem to be an understanding that this could produce disaster, with fallout for everything. It raises the migration issue. We need to talk about their nuclear power plants. We live in the shadow of catastrophe. They don't have the money to deal with this problem or to provide for alternative power sources. (Ø)

There is also the issue of the poor nations. A GATT success would help them. We can't forget Somalia and the problem of drought in Southern Africa. There is no prospect of rain. There is probably going to be great loss of life, though this won't make the headlines. And we need to follow through on Rio. (Ø)

Finally, we'll meet in Japan in a year. We'll look back. We're at a pivotal time with a sluggish world economy, the problems of the FSU. One wish is that we'll look back not just at the wording of the Communique, but at the right strategic decisions. We need a clear look at these problems. (Ø)

Chancellor Kohl: Let's start in general terms, then look at specific issues in each nation. (U)

President Delors: I'd like to wait for the general economic discussion. (U)

Prime Minister Miyazawa: We need to sustain a policy of cooperation. For us to help Russia, they need to overcome their past legacy and act on the basis of law and justice. We want to reflect on the concerns of the Asia-Pacific. We also need to discuss political security. (Ø)

Prime Minister Amato: We attach great priority to recovery and growth. I would add a political reason for doing so. Opposition is growing in many nations that is different from in the past (in Italy, France, and, to some extent, Germany). This is not an issue of opposition parties, but of hostility to governing. Instability threatens democracy. It affects the U.S., too: this strange Texan. This new opposition is rising. (Ø)

We shouldn't just dwell on interest rates. The real problem is savings. We are generating savings, but need to get these savings put to work. We agree we need different words on the Uruguay Round. This is partly because we can't increase aid to the LDCs. We should be frank about it, and open our markets. We need to follow up on Rio. The G-7 needs a common position on follow-up. Nuclear safety is an important issue. It's also

important for its affect on our future use of nuclear energy. It affects public opinion. On aid to the FSU, I don't have much to add. (Ø)

We should spend time on Yugoslavia. We should also mention drugs and the related issue of crime. This is a sensitive issue in Italy. It's an international phenomenon. The murder of Judge Falcone was not decided in Italy. We need strong coordination on this issue. (Ø)

The President: I think most of the key issues were covered.

(1) We need to address ourselves to growth. I've listened to Prime Minister Amato on the subject of this strange political year. I've never seen anything like it. I hope the "strange Texan" he referred to was Perot! People are only saying, "throw the bums out." I'm determined to have us contribute to world growth. The U.S. deficit is outrageous; we've got to get it down. We had 2.7 percent growth in the first quarter. We were optimistic last year. Now most of us think we're moving, but too slowly. I salute the Italian government. I'm pleased with the cut in our discount rate. I'd be pleased to explain our plans on the deficit. (Ø)

(2) We need to discuss how to help Yeltsin. The IMF deal was good news. Yeltsin will say he only gets talk from us, not action. Yeltsin will say he's trying to make changes, and that the alternative is worse. (Ø)

(3) We'll talk about IFI help for Russia. We shouldn't be under fire for helping Russia vs. others; they've gone faster. But there are anxieties in the Ukraine. (Ø)

(4) The conclusion of the Uruguay Round is not only in our interest, but would be the best single thing for the LDCs. We're under fire on the spending front at home. We need to control the deficit. This puts us in conflict on aiding the LDCs. We have forgiven debt. We could have conflict here, but our position is based on our deficit. (Ø)

(5) Unemployment: Ours is up. I was surprised. The figure will be revised -- up or down. A lot of this is summer kids seeking jobs. I'm not excusing this, because it's a real blow. (Ø)

(6) We want to reuse the Stabilization Fund to help the Poles. I think there is a lot of agreement around the table. I may have differences with you, Helmut, but would like this mentioned (in the Communique). (Ø)

(7) Yugoslavia. I salute Francois. I'm interested in whatever else we can do, in suggestions. (Ø)

(8) I agree with Prime Minister Amato on improving savings. We need to get the deficit under control. The key is control of the growth of mandatory spending. (Ø)

(9) Uruguay Round: Let's get this finished. (Ø)

Chancellor Kohl: Let's focus purely on the economy now, then have coffee, and then look at LDCs. We'll have political questions at dinner. (U)

President Delors: Three elements justify our focus on the economy. First, disappointment. We all expected stronger recovery. We had weak investment. We need to discuss why. Second, all businessmen say they no longer expect anything from government. This is a cause of concern. Third, unemployment. (Ø)

I'm worried our Finance Ministers' cooperation is no longer as effective as it used to be. The Plaza and Louvre accords coped with financial challenges. Now we only see press references to different positions. (Ø)

Does a soft recovery reflect the lack of innovation, the end of a cycle? I don't think so. There is a lot going on, e.g., biotechnology. There is a low level of demand. Comecon trade is lacking so those countries look to us. A Uruguay Round success would help. Can we see more from Japan? It has a recovery program. For others, perhaps they rely too much on monetary policy and not enough on income/revenue controls. There is much to do in the budgetary field. Anti-inflationary policies are important, but inflation is very low compared to other periods of recovery. (Ø)

I see five areas: (1) Rebalancing: ask less of monetary policy; this could lead to lower interest rates. (2) Savings are insufficient. I see a trend toward higher long-term interest rates. The decline in public savings is a cause here. (3) Strengthen G-7 cooperation. Get the benefits of technological cooperation. (4) How to increase our association? Given limits, the best way is to open our markets in a Uruguay Round agreement, in the context of accords between the EC and Central & Eastern Europe and the FSU, and via debt relief for the LDCs. (5) Within the EC, we need to increase projects to increase competitiveness. The EC could help generate sustainable growth, both in the medium and longer term. (Ø)

Prime Minister Miyazawa: The Japanese economy is in bad shape now. We're in a bust period. The bust started at Plaza, in the days when Baker, Lawson, etc., struggled with the question of the yen's value. I stimulated Japan's economy in 1987. This had good effects on the economy, but two side effects: (1) Excessive yen in the market (due to public works spending, tax cuts, and government intervention) gave rise to a bubble. (2) Land prices skyrocketed, and so did shares. Speculators gained. The decline of land prices was healthy, but not the decline of stock prices. We had high private investment in this period. We're in a rut now, due to inadequate demand. We had excess revenue in the boom, but not now. How long will the bust last? We front-loaded 70 percent of our 1992 public works spending in April, but

this may not be enough. And we will have to make up (for this front loading) in early fall. We'll probably have extra stimulus like in 1987. I hope this will help with recovery. I hope we have a normal economy by the end of the year. (Ø)

We don't have large unemployment. We're almost fully employed. So we need higher investment. Both help me. I'll have to wait several months before I can say we're back to normal. An unfortunate trend is toward a higher trade surplus. It was over \$100 billion in 1991; I would expect a higher level in 1992, though it won't be as high as a percent of GNP: 2 percent vs. 4 percent (?). It embarrasses me. Germany needs to be our comrade. There is also the issue of capital increase for the World Bank. Any increase of exports to Japan is welcome. The UK and France are trying to encourage this. (Ø)

We've got a new five-year plan: for a better quality of life. It's true we export a lot and live in rabbit hutches. We'll shorten working hours, open more sewage plants, and make Japan into a country worth living in. We built a military 100 years ago at the expense of the people. We beat Russia. We lost WWII. But we're single-minded; after WWII, we shifted into exports. The habits of our bureaucracy haven't changed. We don't look to consumers or family life. We require a revolution in the state of mind of government officials. You can expect that in five years, we'll be a different country, though I hope we will still be competitive. We may not be able to have our cake and eat it, too. (Ø)

Prime Minister Amato: There is a difficulty with coordination at Summits. At first, we were effective because the subject was monetary policy. When we turned to structural [notetaker: did he mean fiscal?] policy, it was harder. The question is the medium point between monetary and structural policy: to increase savings and channel those savings into productive activity. We might work more together on this. Our greatest contribution would be to put our own economies in order. Public spending creates instability in Europe, higher interest rates, less help for LDCs. My government inherited a long period of pure monetary policy; only the Central Bank was acting. Industry was very dynamic and potentially competitive, but was quashed by the high lire rate to hold down inflation and high interest costs. We need to cut the cost of money through better incomes policy. We could start by cutting inflation and the deficit. Inflation was only just over 5 percent, but was 2 percent above the European average, and the economy pays for those costs. We need an incomes policy; this will be novel for Italy, because the private sector has low inflation, but public sector inflation is high. (Ø)

We need structural reforms. We need more savings, and to reach activities without intermediation that increase costs. This is true for social services and for industry. We're looking at our integrated pension system, trying to introduce elements of competition into our health system, and improving financial markets. Debt is more useful than venture capital now. We want

private capital in public investment. For example, the Eurotunnel -- which has had high costs and low return. (Ø)

Finally, will our political system manage to get through reforms of this type? When I left the Finance Ministry, I said we needed constitutional reform, less proportional voting, and to reduce the deficit. My successor came to the same conclusion. There is concern in Italy about the Parliament's ability to do this. Parliament is now looking to reorganize the constitution. This is unusual for the U.S. You examine the constitution all the time, but don't need to change it. We do. We need to move toward a majority system. There are two schools of thought: (1) The German model: a strong executive. (2) The French President. The question is whether we can carry out economic reforms at the same time. (Ø)

The President: On the U.S. economy, we were wrong last year. So the public thinks I'm disconnected. This makes me more cautious on predictions. Economists are second guessing again and believe our economy is less robust. I think we will grow in the second quarter, but less than in the first quarter, which was anemic. To give you an idea, 92 percent of T.V. news on the economy is negative; 80 percent on me is negative. Sixty percent of the American people thinks the economy is getting worse. (Ø)

Psychology affects the recovery; there are negative psychological effects (of this news coverage). Plus we're in a four year dance where the opponent has to say how bad it is. A recent survey shows that confidence is back a bit. We need to send a message that it's not business as usual. We need short, medium and long term actions. I salute Prime Minister Miyazawa's actions. I hope the trade deficit is cut soon; this would seen a good signal. (Ø)

The U.S. is trying to encourage growth through education, e.g., competitiveness in elementary and secondary education; R&D, where the government is spending \$90 billion/year, including for defense. This strategy has related elements. Basically, it's designed to open up society to competitiveness and free choice, while focusing government on helping people adapt -- for example through worker training. (Ø)

In education, we have six national goals: to implement America 2000; job training, youth apprenticeship. . . . On crime, we need to marry up our efforts to fight crime with our work in education and jobs. We're spending \$28.5 billion a year countering the drug problem. We're making some progress. We're working on deregulation, and getting some hell from the environmentalists. For example, we had the issue of the spotted owl vs. 30,000 jobs. This was not a pleasant fight. We have a good environmental record. Regulations are tough on small business. (Ø)

I'd like to return to make an appeal on the Uruguay Round. I think we're close. A Uruguay Round agreement would do more than any aid or spending. Maybe we could hammer this out here or later. It's worth a push. I'd be glad to answer questions. (Ø)

Chancellor Kohl: At dinner, we need to consider GATT again. (U)

We've highlighted unemployment in our Communique. Psychology is a problem in Germany, too. The situation is not typical. With unification, we added 17 million people. Their jobs were all tied to the old Warsaw Pact. We have great sympathy for Central and Eastern Europe and the FSU; we see a microcosm of their problems here in Germany. Unification helped stimulate activity in Europe. Now we have the collapse of the labor market in eastern Germany; trade with the East has collapsed. We have seen 1.8 percent growth in the first quarter for the western part of Germany; we may hit 2.0 percent this year. (Ø)

Our big domestic discussion is on spending and tax increases. Last week, our solidarity tax ran out. We need to push investment in the eastern laender and infrastructure spending. The problem now is putting money to good use; you need lead time. The privatization of public enterprises is two-thirds complete (8,000 of 12,000 firms). We're giving this a fresh boost, but it takes a year or more to change. We're happy to see foreign investors; France is in the lead. We can't mobilize more funds for Central and Eastern Europe and the FSU. Eighty-six billion dollars has been provided; Germany has provided 55 percent of this. We've submitted a new budget in 1993 and for the next three years which increases spending only 2.5 percent; we're giving this drastic treatment. There is no alternative; we need more savings. We will cope with the problems of the eastern laender. But we must not live beyond our means. The work week is too short. We need to cut government spending. We have explosive increases in health care costs. We can't just keep absorbing this. (Ø)

In sum, unification has led to big psychological problems. There have been no real sacrifices made in the western laender. We resolve to have a sound fiscal policy. We'll still be in an uproar, but the next important election is at the end of 1994. We expect to see results by then. In eastern Berlin, people want the same standard of living as in western Berlin. This is understandable, but not realistic. Those in the West say it took 40 years. So the people need patience. We need smaller steps than in the past, but we must be clear. (Ø)

President Mitterrand: By the way, I'd like to make a comment to Prime Minister Amato on the Channel Tunnel project. I think this is a great project. It's not working well, but involves no public funding at all. The clash is between the enterprises and the banks. It's not our fault. In France, public projects work well. Everyone assumes they don't. (I'm from a Socialist government.) (Ø)

France doesn't have a great deal to complain about. Our growth rate is the highest among the major partners. But public opinion doesn't show any progress. I inherited 140 percent inflation. Delors cut it to 10 percent. Now it's 3 percent. Our budget deficit is down. But if you ask people whether inflation has

come down since 1981, 63 percent will say no! I'm reassured that President Bush says he's a victim of the same phenomenon. This is important: skepticism must have been the reason behind it. Propaganda alone won't explain it. Maybe it's because these problems are everywhere. How does the G-7 convince the public, restore faith in ourselves, and end self-doubt? (Ø)

Our budget deficit is down to 1.7 percent. Turning to industry, we had a great deficit in the past, but our firms are in the black now for the first time since 1974. Annual production is up; market share is up. We have a healthy balance of payments. But unemployment is increasing. (Ø)

I'm not blowing my trumpet, but am pointing to psychological causes: failure is a disaster and success never gets recognized. We're doubting ourselves. We need to treat this psychological disease. The G-7 must be useful, whether through GATT or whatever. (Ø)

On the Uruguay Round, CAP allows some rapprochement. The U.S. and the EC should make some sacrifices. What can the U.S. do? You ask for 24 percent (cuts in export subsidies). What do we get in return? It's not that I'm not willing. I just can't accept the EC suffering from the economic power of our best friend. Is the U.S. a little deaf? What concessions are being made by U.S. producers? The farm problem is not the only one; there is also services. (Ø)

We're waiting for ideas to demonstrate to world opinion that we're on the winning side. (Ø)

Prime Minister Mulroney: A Canadian of German extraction named Krauthammer lives in Washington. He says the problems of modern society are so complex that if a leader leaves office popular, he has no greatness. This means absolute failures. . . . We all live with accumulated problems. Presidents Bush and Mitterrand pointed to the problem of the message. I saw a New York Times survey which reported that leading Presidential candidates were given 7.3 seconds to talk, while reporters get two and one-half minutes to criticize. This shows the serious challenges we face. (Ø)

I'll use my personal experience, since I'm the most unpopular leader here. We're coming out of two years of recession. We've had a proliferation of parties. We're full of one-trick ponies. Like Perot: When asked about the Rio UNCED Conference, he said he'd never heard of it. France has this, too: Le Pen. In Canada, some of our problems are self-inflicted. We've increased spending 14 percent a year for 10 years (?). Our deficit has risen to \$40 billion/year. This is equivalent to a \$400 billion U.S. deficit. 35 cents of every revenue dollar goes for debt servicing. Every Canadian gets \$1.33 in services for \$1 paid in taxes. Our national debt has doubled twice. (Ø)

What are the lessons? You can't spend irresponsibly for 15 years and say it didn't happen. You can't ignore the issue of

productivity. We cut spending. We cut the deficit in half as a percent of GNP. We reduced services -- to 98 cents per person. We negotiated a free trade agreement. Despite the recession, trade was up \$30 billion a year, creating 30,000 jobs in both our countries. We introduced the GST (goods and services tax). We've privatized. We've worked on wage settlements for the public sector. We've worked on NAFTA and GATT. Inflation is now 1.3 percent. Growth next year will be 5-6 percent. Interest rates are down. But I'm still unpopular because they want to live in a dream world. Prime Minister Major showed how to succeed. Have a serious plan, stick to it, and take it to the people. (Q)

President Bush noted problems. Can things turn around because the people believe in third party endorsement? They'll believe Mitterrand about Mulroney. The G-7 should say good things about the U.S.; it will help. (Q)

It will be good to work on GATT tonight. This group can say the economy is robust and the recovery will be sustained. The American public will believe us. The countries represented around this table have 22 million unemployed. We need to do better. The G-7 as a third party endorses growth. We need to exude optimism, confidence. We can overcome this. President Bush is the one who needs to fight off the crazies now; others will need to do this later. We need the G-7 to endorse sound policies and beat the press. (Q)

President Mitterrand: I'd like to add a word. We have to pay attention to this: In most social crises, the poor rise up against the privileged. But this is a disease of affluent nations. The wealthy complain more. This is a psychological issue and a moral one, too. We need men and women to believe that society gives them something to believe in. Our societies are sick because of affluence. France has one of the best standards of living, but the most protests. Perhaps it's something in human nature. Is affluence destructive? If we just juggle the statistics, we won't answer the questions put by Prime Minister Mulroney. Productiveness doesn't give happiness. (Q)

Prime Minister Major: This is a debate on the philosophy of unpopularity. It relates to the adversarial nature of debate. In the House of Commons, I get questions; I'm responsible for all the problems. We have the other side of the 1980s boom in the UK. Core inflation is falling and interest rates are down. But this hasn't inspired confidence and boosted spending. Now people are saving too much to get us out of recession. (Q)

Recession is harsh. Unemployment is high. Our fiscal deficit is up. Long-term unemployment is down. We had a recession of 2 percent last year. The consistent factor that hurts confidence is the value of property and equity. Houses are worth less. I think that until housing prices go up, people won't spend. Also the nature of unemployment is different. Now it's white collar people with large houses and mortgages who are unemployed.

Usually, these people spend us out of recessions. The problem is no confidence; this is the biggest factor. (Ø)

There's been a lot of discussion of the Uruguay Round. I find that encouraging. I think the problems are political now. We should give the lead here. I hope we can make progress over dinner. The EC's CAP settlement should help us reach a solution. I see only four points of principal concern: (1) The level of internal supports for farmers. It shouldn't be a problem to cut this 20 percent in the aggregate. (2) Peace: I know we can do this. (3) Rebalancing: It's clear to me there can be a bargain. (4) Export volume: There are different options -- 6-8 years, aggregation, different base years. I know that 24 percent (cut in exports) is crucial. A Uruguay Round resolution could do as much as anything to regenerate growth. Also, with regard to Delors' point on opening markets to East-Central Europe, let's have the (association agreements?) come into effect before all 12 ratify. (Ø)

BREAK

Chancellor Kohl: Development aid and debt strategies: A lot of positive work is going on here. On Rio, we need to implement agreed actions as soon as possible through national policies. We need to consider the issue of development carefully given the lack of resources. On debt, some have mentioned the poorer LMICs. . . . (Ø)

Prime Minister Amato: We need to distinguish between types of aid. We need to provide resources to the poorest, not pure gifts or grants to the lower middle income countries (LMICs). (Ø)

Chancellor Kohl: Do you think the Sherpas can agree? (Ø)

Prime Minister Amato: I think so. (Ø)

Prime Minister Major: The poorest have no chance. We ought to help the LMICs, too. (Ø)

Chancellor Kohl: Agreed? (Ø)

Prime Minister Miyazawa: I'm concerned about the moral hazard. What are our criteria? There are different problems in the Eastern Hemisphere. (Ø)

The President: This raises a good question. We've tried to do a lot on the bilateral front. We've provided \$11 billion in debt relief, including \$3 billion for Latin America, Africa, and Bangladesh. But we can't do this in the Paris Club unless there are rescheduling options, as France has done. We have a budget deficit problem. We can't do more bilaterally. I can't answer questions like China. (Ø)

Prime Minister Major: We can try to answer on India. Sub-Saharan Africa can't pay. India can and does. India also gets a

lot of attention. It's in their interest to pay. Sub-Saharan Africa cannot pay their stock of debt. (Ø)

Chancellor Kohl: There is a big difference between the PRC, India and Sub-Saharan Africa. Can we ask Sherpas to agree on a text to endorse? (Ø)

Prime Minister Amato: Sub-Saharan Africa? (Ø)

Prime Minister Miyazawa: (Expresses reservations.) (Ø)

President Mitterrand: Let's not be too logical. We should work on case-by-case measures. (He mentions Poland and Egypt.) We've written off debt to 30 nations; they wouldn't pay anyway. I hope the text will come to a good result. We need to have a result. (Ø)

Prime Minister Mulroney: President Mitterrand said we started with the French speaking and then the Commonwealth countries, and then wrote off the debt of 40 countries in 1987 to give them a breathing space. We were embarrassed by Brundtland when she said Norway had reached the ODA 0.7 percent target. We're still far from it. Prime Minister Major got through Trinidad terms. (Ø)

Chancellor Kohl: We have a clear mandate to the Sherpas. We should say what we can on aid. For LMICs, sub-Saharan Africa, we agree on that. (Not clear what Kohl was referring to.) On Rio, we listened (to the LDCs for two and a half days). We also talked to the Baltics. Their need is very great. (Ø)

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Plenary Session
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
James A. Baker, III, Secretary of State
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

Helmut Kohl, Chancellor of the Federal
Republic of Germany
Klaus Kinkel, Minister of Foreign Affairs
Horst Köhler, State Secretary, Minister of
Finance

Francois Mitterrand, President of the French
Republic
Roland Dumas, Minister of State for Foreign
Affairs
Anne Lauvergeon, Deputy Secretary General,
Office of the President

Brian Mulroney, Prime Minister of Canada
Barbara McDougall, Secretary of State
for External Affairs
Derek Burney, Ambassador to the United States

Guiliano Amato, Prime Minister of the
Italian Republic
Gianni De Michelis, Minister of Foreign
Affairs
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Douglas Hurd, Secretary of State for Foreign
and Commonwealth Affairs
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan
Nobuo Matsunaga, Adviser to the Foreign
Ministry
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

DATE, TIME Tuesday, July 7, 1992, 9:40 a.m.-10:10 a.m.
AND PLACE: Residenz - Room 111
Munich, Federal Republic of Germany

Chancellor Kohl: Welcome. We will receive the report of our foreign ministers and adopt the Political Declaration and a statement on Yugoslavia. We want to make this public today, and will release the texts after we adopt them. Then we'll go to the next room for a discussion among Heads on the former Soviet Union, especially the issue of nuclear safety. (U)

Foreign Minister Kinkel: We have 3 papers: (1) the Political Declaration; (2) a special statement on Yugoslavia; and (3) the Chairman's statement. (U)

We've agreed on a political statement. It's more concise than in the past. It covers 3 main topics: (1) Central & Eastern Europe and the FSU; (2) weapons of mass destruction; and (3) the UN. We'll also comment on other topics, e.g., regional issues. (U)

(1) We see the Chairman's statement as a complement to the Political Declaration. It also fits with the Economic Declaration. Our motto is: Shaping the New Partnership. This is a partnership with Central and Eastern Europe and the new nations of the FSU, as well as the LDCs. It's a partnership of equality. We need to realize this partnership. (U)

(2) Next we have the Chairman's statement. (POTUS asked for copies. The Germans handed out the Chairman's paper and the Political Declaration.) (U)

(3) Next we have the statement on Yugoslavia. It begins with concern about the ongoing crisis and violence. We stress Lord Carrington's efforts and call on all parties to resume negotiations. We call for the parties not to endanger relief operations. We don't exclude the use of military means. The issue of Kosovo autonomy is discussed. (U)

President Mitterrand: I have two points. (Interruption)
Second, the reference to Lord Carrington's conference is OK as far as it goes. But I think if we could decide on a means to protect minorities through arbitration, it would be useful to do so. Our means are too limited. The EC conference is not enough. We need a broader international conference under the UN -- like the U.S. conference on the Middle East or Cambodia. The EC conference is too slender and has exhausted its possibilities. We're not trying to launch broad-based discussions; the G-7 is not for that purpose. I won't press this, but would like some modification in the text. (d)

Prime Minister Mulroney: I endorse President Mitterrand's suggestion. We should expand a conference to include minorities. (Ø)

Chancellor Kohl: We had a discussion last night. I got an instructive report. We discussed the international conference. I'm sympathetic. Let's accept the text in principle, but ask our foreign ministers to draft a few sentences. They would come after the second section. Let's not draft this here, but just agree in principle. (Ø)

Prime Minister Major: Let me flesh this out. There may be scope for an international conference and arbitration. But what if arbitration isn't accepted. Should it be imposed? If so, how? Sanctions? But we're doing this now. Or is it through military intervention, about which we all have reservations. So I'm cautious on arbitration. On an international conference, this may be the right way. But you need the will of those concerned for this to succeed, and we don't have this. I'm worried that we haven't had any discussions on this yet with Carrington, the UN, and the Russians. We're not yet clear on these points. The draft declaration has a concept of cooperation between the EC and the UN in the second paragraph. Perhaps we can build on this without saying what we'll do in advance. (Ø)

Chancellor Kohl: It's possible to find a common line. President Mitterrand proposes that arbitration might result from an international conference. So let's ask our foreign ministers to add a couple of sentences on an international conference. If they can agree, they need not come back to us. Agreed. (Ø)

-- End of Meeting --

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WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: President Bush's July 7 Meeting with
EC Commission President Delors (C)

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas Brady, Secretary of Treasury
General Scowcroft, Assistant to the President
for National Security Affairs
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs
W. Henson Moore, Deputy Chief of Staff to the
President
David Mulford, Under Secretary of Treasury
for International Affairs
David Gompert, Special Assistant to the
President and Senior Director for
European and Eurasian Affairs, NSC
Thomas Niles, Assistant Secretary of State
for European and Canadian Affairs

Jacques Delors, President, EC Commission
Frans Andriessen, Vice President, EC Commission
Henning Christopherson, Vice President,
EC Commission
Horst G. Krentzler, Director-General for
External Relation, EC
Pascal Lamy, Chef de Cabinet, Office of the
President of the EC
Johannes P. Wijnmaalen, Chef de Cabinet,
Office of the Vice-President of the EC
for External Relations and Trade Policy
Bernhard Zepter, Adviser, Office of the
President of the European Commission

DATE, TIME July 7, 1992, 7:45 a.m. - 8:15 a.m.
AND PLACE: Munich, Germany

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PER E.O. 13526

2009-0649-MR

SCS 1/6/11

The President: Our discussions yesterday on the Round were very general. Do you think the French were in a position to cut a deal? The impact of domestic politics is understandable, and we really have to be practical. (C)

President Delors: Secretary Baker and I were asked, yesterday, to seek to make a breakthrough; however, French Foreign Minister Dumas said that nothing would be possible until after the September 20 French referendum on Maastricht. The Commission had been prepared to make an effort to narrow the gap. We are embarrassed by the current state of affairs. (C)

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The President: The media is trying to raise expectations. The U.S. was ready to try, but there is no use trying if this is doomed to failure. (Ø)

Secretary Baker: Are there any new developments? (U)

President Delors: Dumas reported to Mitterrand on the discussion at the foreign ministers dinner and then I spoke to Mitterrand. Mitterrand said that he was prepared to give the U.S. volume reductions in subsidized grain exports, but would require, in return, limits on U.S. exports of cereal substitutes. Mitterrand explained that he had to be able to demonstrate to French farmers that the agreement is a good deal. (Ø)

Secretary Baker: This goes to the substance of the discussion. All participants should be interested in reaching an agreement in Munich. We should discuss the politics of the issue. The Community can argue that a deal that protected direct payments to farmers and cut significantly the U.S. EAP program was a good one from the EC point of view. However, I see doubt on the EC side that a deal is possible at this time. (Ø)

President Delors: It should be possible to reach agreement on a press statement which said, honestly, that progress had been made and that a good working procedure to resolve the remainder of the issues had been established. (Ø)

The President: Let me repeat, we are ready to seek a deal. (Ø)

(Delors and Andriessen offered suggestions for positive public statements.) (U)

President Delors: In conclusion, I just do not think it is useful to waste time on the Round. (Ø)

The President: I regret that conclusion. Let me mention any concern about your approach to a quota for bananas and its negative effects for GATT tariffication. (Ø)

President Delors: Others are also seeking exemptions, especially the Japanese on rice and Canadians on dairy. (Ø)

The President: We all have problems. In the U.S. case, it involves dairy, peanuts and sugar. Mulroney has told us that his political life depends upon securing an exemption for Canada's dairy program. (Ø)

President Delors: The EC is only asking for a temporary derogation on bananas. (U)

The President: The U.S. sugar interests could do the same. (U)

Secretary Baker: Care must be taken to avoid an action that causes the entire tariffication package to unravel. (U)

Secretary Brady: Failure to close the remaining gaps on the Round will feed the pessimistic mood in the economy. (U)

President Delors: I agree. (U)

The President: Yesterday's summit discussion on the world economy demonstrated that problems thought to be uniquely American are, in fact, present in all the summit countries. (U)

President Delors: I am sorry that at yesterday's session no one picked up my point that too much weight was being placed on monetary policy to control inflation and that fiscal instruments were largely immobilized due to high interest rates, which has a chilling impact on economic activity. (U)

Secretary Brady: In the United States, fiscal and monetary policy are headed in the same direction. (U)

The President: I am worried that Yeltsin would come to the Summit and complain afterward that all the G-7 does is talk while he is under fierce attack at home. Moreover, the \$1 billion due from the IMF doesn't go into his pocket, although he might not know that yet. (U)

Secretary Baker: What conditions has the Fund imposed for the \$1 billion? (U)

Mr. Christopherson: I understand that the key ones are a reduction in the budget deficit as a percentage of GDP. During my last visit to Moscow I found conditions the same as under Gorbachev -- little movement and no implementation. (U)

The President: Yeltsin has done some big things. (U)

Mr. Christopherson: The first tranche from the IMF will, in any case, have to go to the Fund for the first tranche of Russia's quota. (U)

Vice President Andriessen: What is the U.S. position on conditionality? Should the same conditions be established for Russia as for other fund borrowers? Some, such as UK Prime Minister Major, take the line that a more flexible approach was needed. (U)

Secretary Brady: The Fund is being more flexible, although some conditions, such as the reduction in the budget deficit, are being imposed. (U)

Secretary Baker: The Fund should concentrate on three key factors: the budget deficit as a percentage of GDP, the growth in the money supply and the establishment of a realistic exchange rate. (U)

Mr. Zoellick: A substantial part of the aid package is bilateral. The United States is moving ahead with some of its programs such as CCC credit guarantees. Secondly, the IBRD is working on a \$500 million general import program. A larger

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project loan package will be the next step. Finally, debt relief through a Paris Club agreement would be worth about \$2.5 billion annually. (U)

The President: What would the total U.S. contributions through Freedom Support be? (U)

Mr. Zoellick: That would amount to a total of \$7.5 billion, including \$1.5 billion in direct grants (including technical assistance). (U)

President Delors: Yesterday's discussion of nuclear safety did not reach conclusion. I would like Frans to explain the Community's position. (U)

Vice President Andriessen: On procedure, the EC prefers a multilateral program. On the program itself, the EC's contributions amounted to \$70 million in 1991 and \$130 million in 1992, with a further increase foreseen for 1993 to \$250-\$300 million. (U)

President Delors: The Community has undertaken a large program in Bulgaria, with the IAEA, on the Kozloduy station. (U)

The President: Bob, could you explain our program? (U)

Mr. Zoellick: We have agreed to the G-7 action plan and our bilateral support will probably amount to more than \$100 million over the next 2-3 years. For the next five years, the total program has been calculated at \$680 million, of which \$200 million would be contributed by the host countries. Thus, with the existing programs, it appeared that sufficient resources would be made available. What would a multilateral program be expected to do? I worry that it could serve as the launching pad for long-term projects for the overhaul/replacement of power plants with price tags in the \$20/40 billion range. (U)

President Delors: It is necessary to clarify what was being done bilaterally and what the function of a multilateral approach would be. (U)

Mr. Christopherson: We must not forget about the needs of the other 11 new states. Several EC members have taken individual states into their IMF "constituencies", and it would be helpful if the G-7 could say something about meeting the needs of those states. (U)

The President: Ukrainian President Kravchuk had been upset not to have been invited to Munich. (U)

Mr. Christopherson: Many of the new states are in substantially worse shape than Russia and have essentially no potential for export earnings. (U)

The President: We should also keep the needs of the Central/Eastern Europeans and the Baltic States in mind. (U)

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Mr. Christopherson: The EC will have separate programs for the Baltic States and that the IMF calculates their 1992 needs at about \$1 billion. (U)

President Delors: Each of them wants its own currency. (U)

Vice President Andriessen: Albania is in a deep economic crisis. (U)

The President: We were very impressed with President Berisha. (U)

Mr. Christopherson: Albania's uncovered needs in 1992 were relatively modest, about \$100 million. (U)

The President: I wonder how Albania made it before the democratic revolution. (U)

Mr. Christopherson: Is the United States prepared to aid Poland? (U)

The President: We are ready to convert our \$200 million share of the Polish stabilization fund to some other use and are encouraging the other contributors to do the same. The Germans might have problems with this idea. (✓)

Mr. Christopherson: Are you imposing any conditions on this action? (✓)

Mr. Zoellick: It is tied to the conclusion of a new IMF program. (✓)

Mr. Christopherson: The Poles still seek additional budgetary support for 1992. (U)

Mr. Zoellick: The latest IMF analysis indicates that better than expected growth and inflation performance may obviate that need. (U)

- End of Conversation -

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Private Plenary Session
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

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

Francois Mitterrand, President of the
French Republic
Anne Lauvergeon, Deputy Secretary
General, Office of the President

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

Guiliano Amato, Prime Minister of the
Italian Republic
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

DATE, TIME Tuesday, July 7, 1992, 10:20 a.m.-12:30 p.m.
AND PLACE: Residenz - Vierschimmelsaal
Munich, Federal Republic of Germany

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2011-0831-MR

SCS 4/15/13

Chancellor Kohl: We need to talk about our preparations for
President Yeltsin, including the safety of nuclear power plants.

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Our experience in eastern Germany shows that the damage is considerable. Problems grow day-by-day. All my information is that if the winter is harsh, the food situation will be more difficult. Less than 50 percent of the land is being used for grain. We need to structure our talks with President Yeltsin. We want to be helpful. This not a tribunal. But we need to be straightforward. (Ø)

President Yeltsin does face increasing difficulties. Let's recall that Gorbachev faced a putsch shortly after London. Our program is Help for Self-Help. We can't pour money down a bottomless pit. The invitation alone represents cooperation. The Sherpas have prepared a program of help for self-help. It includes concrete measures. We want specific pledges to come out of this. (Ø)

I'll start by briefing Yeltsin on what we're doing. We need to discuss the link between help for self-help and actions in the FSU. We can't just do this year after year. I hope Prime Minister Mulroney will start with political questions. Then we'll go to economic subjects. We'll reflect this in our press conference afterwards. We also have to note problems among republics. There is the issue of returning troops. It could be explosive because there is nothing to return to. They lived well in Germany. Now they have no prospects. This is dynamite. (Ø)

The President: Let me start with President Yeltsin's visit. I think it was successful. He's trying to distinguish himself from President Gorbachev. Given the rising nationalism at home, he needs balance, help and respect. We're pleased to see the structure of political topics after the statement. It will accord President Yeltsin respect. Let's get his views on Yugoslavia. I spoke to him; he said he'd stand with the West. (Ø)

Russia has the opportunity to open doors in the Asia-Pacific. I took up the Northern Territories issue. It's important to Kiichi Miyazawa. Yeltsin said he had problems. Yeltsin plans to visit Japan. We all need to stand by Japan. (Ø)

On the economy, Yeltsin and Gorbachev before him have taken courageous steps. But they have a long way to go. They are set up for failure if they expect a normal market economy overnight. The goal is to keep the democratic and market reform process moving forward. He'll talk with confidence about his actions. But he still faces roadblocks. The energy sector. He will stress areas of immediate interest. (Ø)

This is a challenge of political economy, not just technology. He needs to establish the fundamentals. He needs a political base through a middle class of property holders; to get retail shops into private hands, as Central and Eastern Europe did; to allow farmers to buy, sell, and mortgage land; and to give trucks to soldiers, which will earn them a living and provide competition. Yeltsin talks as if he understands, but I'm not sure he does. He needs to break up monopolies. Energy could be

a real model. He could get hard currency right away. I think he recognizes this, and may announce some moves. He has problems with his parliament. Our points could help him use these points at home. (Ø)

The IMF's phased approach will help us move forward. There is a danger of hyperinflation. I agree with the idea of a Consultative Group for Russia in the context of budgetary, monetary and structural reform. The World Bank has coordinated consultative groups in the past. (Ø)

Our Congress is moving on the Freedom Support Act. It passed the Senate. I hope to get it through Congress this month. We've pledged over \$7 billion in aid to the FSU and disbursed about 60 percent of this. This includes \$1.6 billion in grants. He will press for debt relief. We should give Paris Club rescheduling of principal and interest. He will ask us to open our markets. He will press for this to become a G-8. The present formula doesn't make sense. He's not a full-fledged participant. I'm open to discussing this. We could give him standing without putting him in the middle of the rest of our work. We could make him welcome, but not as a full member. (Ø)

This is an important meeting. He's worried about his right wing forces. And sometimes he makes optimistic statements he can't back up (e.g., the Minsk "agreement"). We need to take this into account. (Ø)

Chancellor Kohl: I talked to Yeltsin about the possibility of a putsch. He said the same as Gorbachev had said a year ago. I agree with President Bush on Yeltsin's euphoria. He can't carry his burdens without a positive spirit. But we have to look at this in the cold light of day. Yeltsin needs to know we have confidence in him. There are ups and downs in political life, particularly for him. He's got to find hope somewhere. On the G-8, I wouldn't discuss this. He's invited, he's welcome. The future is in the hands of history. We'll assess the situation regarding Japan. I urge that we not discuss this tomorrow. He's stuck to the status quo. (Ø)

Prime Minister Amato: President Bush and Chancellor Kohl made full statements. I don't have much to add. We need to help strengthen Yeltsin politically and psychologically. A post-Yeltsin period would be worse. So we need to help him overcome a difficult phase. I wouldn't discuss a G-8 or a G-7+1. The aim of the G-7 is to coordinate the economies of the most industrialized states. As President Bush said, you can't do that with an economy that's not a market economy. The relationship is political. I agree with Chancellor Kohl. Yeltsin will ask for things. We know what we can give him. We should ask him for things that would be useful for him. First, a readiness to solve the Northern Territories with Japan is important. Yeltsin is in a corner domestically, so there is no instant solution. But our aid could be used to advance a future solution. Second, is the issue of safeguarding common areas with other republics. If links are eroded -- trade, monetary, military -- there will be

big problems. The USSR survived through centralization of power. People will concentrate on the local market if they don't have (this power). An interstate commerce clause could be important as in the U.S. It's essential, though this may be beyond them. They need a single command of the armed forces, a monetary system, and prices. (C)

On the economy, I agree with President Bush. We need to shift the attention to aspects where we can have a partnership -- capital input with managers. Gorbachev's plans never reached reality. So if Yeltsin worked with us on energy, infrastructure (roads, telecom) in a profitable way, it would change the economy. We have things to offer apart from financing: (1) the IMF \$1 billion; (2) debt -- a 5 or 2-year moratorium; we need to decide; (3) technical assistance. I think we should comment on Russian troops in the Baltics. We also need to talk to the Balts about the rights of Russians there. It's hard to pull out troops if the Russians there receive discriminatory treatment. The constitutions should guarantee the rights of minorities there. A second issue is the legacy of Soviet scientists. President Mitterrand has a proposal to create a foundation. This is a great pool of experience. (C)

Chancellor Kohl: We're discussing Russia, but should talk about other republics, too. We'll meet Kravchuk in Helsinki. (C)

Prime Minister Miyazawa: We've pledged \$2.6 billion plus \$20 million to the nuclear scientists' centers. This is on top of the \$24 billion. We agreed to provide \$25 million for nuclear plant safety. We have a concrete proposition on simulator centers. They will need to replace less stable power stations. This could involve billions, not to mention jobs. (C)

Tomorrow, we'll be meeting as the G-7+1. We'll extend a clear message on aid to the market democracies. They need to implement the IMF's measures. They need macro reforms with micro/structural reforms. I expect Russia to take appropriate measures for the domestic legal structure. (C)

I appreciate the reference to territorial problems. It's important to integrate Russia into the Asia-Pacific as a constructive partner. This isn't just a bilateral issue, but is important for the whole international community. I hope this is a common message. (C)

Our nightmare is Russian sales of conventional arms -- to Libya, North Korea. They haven't sold to China yet, but the Chinese could afford a lot, including for the navy. The IMF recommendations can't include the disposal of weapons. This could make the PRC very strong militarily. As to inviting Yeltsin to the next summit, I need to examine the question before making any decision. So I'd appreciate not mentioning this to Yeltsin. (C)

President Delors: I last met Yeltsin on May 30. He expects a great deal, perhaps too much. He said he hasn't received a

kopeck; I explained that he was wrong. He didn't conceal his difficulties with the Ukraine. I see he had a meeting yesterday with the other 11 republics on military topics. He said there are problems running a country with 130 nationality groups. He welcomed the EC decision on providing \$250 million grant aid and counterpart funds. He wanted an agreement with the EC, like we have with the U.S. and Japan. We're working on this. On the economy, he admitted it's not working. We can't get an interlocutor on technical assistance; we can't implement \$2 billion worth of programs. (Ø)

There is a growing conflict between Gaidar and Volskiy's defense industrialists. Yeltsin plays one off against the other. There is no uniform monetary system; it's archaic. The economy is still deteriorating. Inflation was at 650 percent in the first quarter. Interest rates are negative. Oil exports are down, bottlenecks exist, facilities are obsolete. The European Energy Charter has been held up because of the lack of reliable spokesmen. (Ø)

On the other side: The IMF can't use the same approach (it's used elsewhere in the world). They can't move rapidly to budgetary reform. They need debt rescheduling. We need to structure our emergency relief; there are severe shortages. For the science foundation, the EC is pledging 4 million ECU. Re nuclear safety, we're at work in Bulgaria. We committed \$120 million. We know this is not sufficient for closedown. Chernobyl's radioactivity is eating away at (Ø)

Prime Minister Major: I agree with much of what President Delors said. We do Yeltsin no favors if we're not frank. Our obligation is to help him face his problems. A lot has happened in the last year. Twelve countries are no longer one. Those twelve have ties, hostilities, and historical burdens. There are barriers to trade. There is no control of the money supply. The economy is deteriorating greatly. A fall in output of 15 percent for the FSU is forecast. Some of this is fewer tanks. People are being paid for not producing. Unemployment is low in theory. But this is a fool's paradise. They can't survive. They're moving to a black market and a barter economy. Some other republics followed Russia in freeing prices. In Ukraine, there is no tangible sign of reform. They are focused on Russia. (Ø)

The key is Russia itself. If they succeed, others will follow. It is the most reform-minded and purposeful. I think Gaidar understands; Yeltsin knows less well, but he backs Gaidar. Parliament shows no sign of understanding. Yeltsin does deserve our support. He would like to go down in history as the one who implemented market reform. Gaidar is the best prime minister they'll get. But put it in the context of what's really been done (it's less impressive): There has been no real privatization. The gaps between words, especially in parliament, and actions is great. Laws and decrees are not carried out. On land reform, little ownership is established. Where it occurs, a farmer can take over vacant land, but has no legal title or right to sell. They have big factories. These can't be closed without

some social unrest. The reformers have setbacks: the budget, inflation. I think the deficit is up from 33 percent to 50 percent of GDP in the first six months of 1992 (?). The end product is hyperinflation. That's the alarming part. (Ø)

There are some positives: Enterprises are dealing with one another. Flats are being privatized. New businesses are springing up. Plots are being distributed for private farm production. (Ø)

I think the message should be:

(1) The IMF agreement is good. The deficit should move to 5 percent of GDP, and inflation to 10 percent/month.

(2) Be clear why we welcome this agreement: The Russian government must take actions to avoid hyperinflation. No government would survive this. I don't think he understands what hyperinflation would do. There is a sheer lack of control over money. You can't destroy confidence in money as you start with a money economy.

(3) ?

(4) This is politics, as well as economics. Presentation is as important as the contents. We need to stress his position. We can't extract reform commitments. We should build on our historic partnership.

(5) I hope we can hear what it's like in Russia; at the micro level, too. What are they actually doing to set up market structures? Are there plans for property rights, anti-monopoly policies, etc. We're committed to try to help. But success will come only from Russia itself. Self-help -- cooperation. (Ø)

This won't be a comfortable meeting, but a valuable one. I share your views on Northern Territories. I also agree on the troop withdrawal point. (Ø)

Prime Minister Miyazawa: The first IMF tranche is good news, but it's a drop in the bucket versus the \$24 billion program. Is it anti-climactic? What is your assessment? (Ø)

Prime Minister Major: They won't solve their problems with the first credit tranche. But it shows we're ready to respond if he moves. Russia gave commitments on interest rates, to build up its foreign exchange reserves, to cut expenditures 20 percent, to increase import tariffs, to cut credit supply increases. I see this as an indicator of good intent. (Ø)

Prime Minister Mulroney: President Yeltsin just visited. It was successful. He is traumatized by Gorbachev. He says Russia is 7 years behind because of Gorbachev and his half-reforms. He is testing the political limits of reform. He faces military opposition. We should probe about his immediate plans. What will he do next week and next month? We should speak plainly

about what we can and can't do; he thinks we can do anything. He needs to be treated with honor, e.g., on the IMF and debt rescheduling. (Ø)

Canada has already disbursed \$2.5 billion. Only Germany is ahead of us on a per capita basis. Yeltsin could get \$60 billion if everyone did the same per capita as we. We should highlight people-to-people contacts; we need to help reform take root. We should ask him to look into minority rights; he brushes this away. We also need to encourage him on the Baltics. He says he can't afford to bring the troops home. (Ø)

We should set the Tokyo Summit as the target to settle the Northern Territories. The nuclear arms agreement with the U.S. was the most important. We've failed to recognize the enormity of this. (Ø)

We need to say tomorrow that Yeltsin has done 3 times more than Gorbachev. To put this in perspective, we looked at the Marshall Plan. It involved \$12.4 billion over 4 years; 16 nations; 255 (?) million people. This translates to \$72 billion in today's dollars -- or 1.2 percent of U.S. GNP. We now are at 0.2 percent of our GNP. There was a kick in clause for Europe to help itself. The Marshall Plan was a most generous act. We think we're doing a lot, but just compare. (Ø)

Yeltsin has great pride and sensitivity. He's concerned with his image and how we treat him. We have to tell him the truth; what we can and cannot do. (Ø)

President Mitterrand: I don't have much to add. I'd stress 3 points. (Ø)

(1) Baltics: The Russian argument is not fully sincere. Hundreds of thousands of soldiers are there. They're in the heart of the capitals, such as Riga. The Balts fear incidents. They've got national pride. There is rotation among the troops; troops are sent in and the governments aren't told. This is tied to self-esteem; access to the sea; Peter the Great. (Ø)

Chancellor Kohl: These are elite troops. (Ø)

President Mitterrand:

(2) Scientific Potential: This is true in the nuclear field. Their scientists and top engineers shouldn't be available to anyone. We could benefit, too. (Ø)

(3) Nuclear power plants: There is a 100 percent certainty of an explosion in the next 15 years that will be as serious as Chernobyl. We would be gravely negligent if we don't grasp this issue. It would hurt all our nuclear plants. We meet 70 percent of our power needs (through nuclear), and all of our electricity. It's more economical than coal. (Ø)

The revolution is just starting. These leaders will pass from the scene. They're in the last stages of the Marxist era. (Ø)

Chancellor Kohl: Prime Minister Mulroney mentioned the Marshall Plan. It was an important part of my life. We were half-starved. Americans brought rations to our school. Unlike in 1919, the Americans remained and brought practical aid, not just soldiers. Recall Stalin at Yalta: Impoverishment would lead to world revolution. The Marshall Plan stopped that. We can point to this with gratitude, but this is also a model for us now. History doesn't repeat itself, but could. (Ø)

This is a vast country -- from Koenigsberg (Kaliningrad) to Vladivostok. It needs investment in the future. If it reverts, it will return to arms expenditures. Future generations will ask what we did. We can't leave them to their own devices. We need to talk about what we can and cannot do; their expectations are absurd. We need to be frank with Yeltsin, but this isn't a tribunal. (Ø)

I hope we can devote our last half-hour to the issue of nuclear power plants. I have to warn against saying it's just our neighbors' problem. There is no real alternative to nuclear power now. I hope we can agree on what the Sherpas have drafted. (Ø)

We don't want to confine ourselves to bilateral aid. Germany has already put up \$58 billion. It will be wretched if we don't do this jointly. If we do, we'll get into figures amounting to \$700 million over five years. Needs more. (Ø)

Prime Minister Miyazawa: (Disagreeing.) What do you mean by jointly? (Ø)

Chancellor Kohl: Two aspects: (1) Bilateral aid coordination. This is a good idea. (2) Agree to do this in a collective way. (Ø)

Prime Minister Amato: I support the Chairman's proposal. We should pool our efforts, and affirm a modest amount over five years. We should have a Common Fund, perhaps. Let's just agree to the principle here. (Ø)

The President: I oppose another fund and bureaucracy. Considerable amounts have been pledged; we'll do our part. That's why we have brackets (in the text). Let's get bilateral commitments to cover nuclear safety. I hate to object to a new international organization, but I fear bureaucracy. We're reserved on a fund. We have money available, so let's do the assistance on the basis of coordination. (Ø)

President Delors: I'm looking at the text. Different objective. Fund within the context of the G-24. (Ø)

Chancellor Kohl: There is no danger of a bureaucracy. The idea is to have a practical effect. Please reconsider this; we can come back to it. (Ø)

Prime Minister Miyazawa: Is this money for the EBRD? (Ø)

Chancellor Kohl: No. (Ø)

Prime Minister Mulroney: I understand it's within the purview of the EBRD. (Ø)

(Exchange of views.)

The President: There is an international organization already working. What's then to be done? (Ø)

President Delors: It's an existing organization with new tasks. The Fund is to stimulate bilateral action. (Ø)

Prime Minister Mulroney: I'm also concerned with bureaucracy. These funds should be only for near-term actions. I understand: (1) no new bureaucracy; (2) donors manage; (3) EBRD to administer; and (4) coordination through the G-24. (Ø)

Chancellor Kohl: If you look at EBRD management practices. . . . When contracts are being granted, there is no fear of getting cut out. Can we agree to break off this discussion for now and come back to it later today? (Ø)

Prime Minister Major: There is a misunderstanding. The fund is a backup for gaps in the bilateral efforts, filler for cracks. (Ø)

Chancellor Kohl: Yes. Bilaterally you focus on points of interest. (Ø)

BREAK FOR LUNCH

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Afternoon Plenary Session
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
Nicholas F. Brady, Secretary of the
Treasury
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

Helmut Kohl, Chancellor of the
Federal Republic of Germany
Theodor Waigel, Minister of Finance
Jurgen Moellemann, Minister of Economics
Horst Köhler, State Secretary, Ministry of
Finance

Francois Mitterrand, President of the
French Republic
Michel Sapin, Minister of Economy and
Finance
Anne Lauvergeon, Deputy Secretary
General, Office of the President

Brian Mulroney, Prime Minister of Canada
Don Mazankowski, Deputy Prime Minister,
Minister of Finance
Derek Burney, Ambassador to the United States

Guiliano Amato, Prime Minister of the
Italian Republic
Piero Barucci, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Norman Lamont, Chancellor of the
Exchequer
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan
Tsutomu Hata, Minister of Finance
Kozo Watanabe, Minister for International
Trade and Industry
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

DATE, TIME
AND PLACE:

Tuesday, July 7, 1992, 2:30 p.m.
Residenz - Vierschimmelsaal
Munich, Federal Republic of Germany

Chancellor Kohl: Welcome. We'll have a brief summary of the Heads' discussion and then hear from Ministers Waigel and Moellemann. I want to finish before 5:00 pm. I'd like to thank our guests for their frank, friendly tone. (U)

We want a message of optimism from Munich. We want to concentrate on economics. We all need recovery. It's beginning, but is slow. We need to cultivate the recovery and boost it. We need higher and sustainable growth, low inflation, and to make inroads into unemployment. We need to show confidence. We've had intensive talks about unemployment. We see this as a human problem, not just a statistic. We all want low interest rates, but recognize the specific problems of each of us. We discussed GATT. We cannot negotiate here, but we don't want the same generalities. We want success. I hope the wording will lead to clear perspectives. We discussed drugs, poverty, migration, the environment, debt relief for certain poorer countries, support for Central and Eastern Europe. We discussed the FSU and "help for self-help." We talked about nuclear safety; I hope we can find wording. We have an historic opportunity. (Ø)

Finance Minister Waigel: We're conscious that the recovery has begun, but there are great differences -- and weaknesses. A Uruguay Round agreement would help. We need to bundle different national measures, and keep inflation and deficits down. Unemployment is of a structural nature, and growth alone has limited effects. We talked about the IMF report on Russia. (Ø)

The IMF program foresees a three-phase plan. There will be a first tranche loan. This will be the basis for further debt relief. The cutoff date on existing Soviet debt will be maintaining. There still needs to be all-encompassing adjustment. We agreed on nuclear safety and on G-24 coordination. We discussed LDCs and aid, and the Enhanced Structural Adjustment Facility (ESAF) issue. All these issues are interrelated. There was discussion of the issue of debt forgiveness. (Notetaker was interrupted.) (Ø)

Finance Minister Moellemann: Need to stress (for FSU and Central and Eastern Europe) structural change and modernization. Munich is the beginning of a new structural policy coordination. They need: (1) to reduce subsidies; this helps budget and better use of investment; (2) strengthen competition and deregulation/privatization; (3) strengthen international trade; (4) work on environmental policy. We need to connect the macro and the structural aspects. They need a legal framework for private investors; this demands a positive investment climate and

non-discrimination against foreign investors. There needs to be protection on intellectual property. And improvement of the environment. All this is true for both the FSU and CE/EE; we discussed the latter, too. There should be follow-up through economics and finance ministers with CE/EE in Japan. (Ø)

Chancellor Kohl: Comments? (U)

Prime Minister Amato: In paragraph 8, we could stress employment more; stress training and the use of savings. There is a link here to lower interest rates. (Ø)

Chancellor Kohl: This can be touched upon, but don't lengthen the text. (U)

Secretary Brady: Finance ministers agreed to strengthen the language on growth as an overall objective -- though leaving to each nation to do this in its own way. We should leave no doubt growth is the answer. (Ø)

Chancellor Kohl: Growth and stability go hand in hand. (U)

Finance Minister Mazankowski: We want more language in paragraph 10 on unemployment. Refer to labor market reform. Address chronic structural unemployment. (Ø)

Prime Minister Major: Caution. We want more growth, less unemployment and training. But I have a reservation: What are the two energizers? (1) Lower interest rates and (2) the Uruguay Round. But we have nothing to say on either. We can say what we want, but there's no progress on ways to deliver. The opposition will point to fine words; we should be able to point to something tangible. Can't lower interest rates for reasons we all understand. Nor can we expect a breakthrough in the UR. So we can't say no to business at home to be confident. The disjunction between what we say and what we can achieve is stark. (Ø)

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Joint Plenary Session
1992 Munich Economic Summit (U)

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

Helmut Kohl, Chancellor of the Federal
Republic of Germany
Klaus Kinkel, Minister of Foreign Affairs
Theodor Waigel, Minister of Finance
Jurgen Moelleman, Minister of Economics
Horst Köhler, State Secretary, Ministry of
Finance

Francois Mitterrand, President of the
French Republic
Roland Dumas, Minister of State for Foreign
Affairs
Michel Sapin, Minister of Economy and Finance
Anne Lauvergeon, Deputy Secretary General,
Office of the President

Brian Mulroney, Prime Minister of Canada
Barbara McDougall, Secretary of State for
External Affairs
Don Mazankowski, Deputy Prime Minister,
Minister of Finance
Derek Burney, Ambassador to the United States

Guiliano Amato, Prime Minister
The Italian Republic
Vincenzo Scotti, Minister of Foreign Affairs
Piero Barucci, Minister of the Treasury
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Douglas Hurd, Secretary of State for Foreign
and Commonwealth Affairs
Norman Lamont, Chancellor of the Exchequer
Andrew Turnbull, Deputy Secretary, Treasury

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Kiichi Miyazawa, Prime Minister of Japan
Nobuo Matsunaga, Adviser to the Foreign
Ministry
Tsutomu Hata, Minister of Finance
Kozo Watanabe, Minister for International
Trade and Industry
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

DATE, TIME Wednesday, July 8, 1992, 9:20 a.m.-10:15 a.m.
AND PLACE: Residenz - Room 111
Munich, Federal Republic of Germany

Chancellor Kohl: Let's turn to the Economic Declaration. You have the draft. On two paragraphs, there are comments: 8 and 46. (U)

President Delors: I suggest including the European Energy Charter in paragraph 35. We'll give you a text. (Ø)

Chancellor Kohl: Let's return to it after seeing the text. (U)

URUGUAY ROUND

Prime Minister Amato: On paragraph 8, I think it's right to send a clear signal on progress and on achieving a solution by the end of 1992. But what is the purpose of the two paragraphs in brackets? They raise individual questions where agreement is lacking. These subjects are more suitable for the GATT negotiators. Also, there could be more specifics on services. (Ø)

Chancellor Kohl: I have to contradict you. These are accurate reflections. If we pass over (Ø)

President Delors: The second paragraph shows differences from last year; it shows that there are smaller difficulties. It's useful. (Ø)

Prime Minister Major: We have to justify a statement of progress. These two paragraphs do so. This is the minimum. We can't hide our disappointment. Last year, we expected agreement by 1991. Now we say 1992 without saying what we'll do. We all pledged our personal involvement. Not sure why we should now be unambitious. (1) I believe (less) would be disappointing. (2) The text will be weaker than London if we cut the two paragraphs. (Ø)

Chancellor Kohl: (Urges the Italians to accept.) (Ø)

The President: We associate ourselves with Prime Minister Major. I see in the papers that people think our elections make it harder to get an agreement. This is not true. We came prepared to negotiate. It would be good to get an agreement. We've all said that world growth is critical. We'd say nothing without these two paragraphs. This is the bare minimum. Good things are said on CAP reform. If we cut this, the signal could be that the Uruguay Round is dead. We're ready. If people have practical suggestions, we're ready. Politics should be to get a successful conclusion. We're ready now or at any time up to November. (Ø)

Chancellor Kohl: Can Italy remove the brackets? (Ø)

Prime Minister Amato: Our agreement is total; we won't veto (the bracketed text). (Ø)

Chancellor Kohl: Thanks, I appreciate it. (U)

NUCLEAR ENERGY

Foreign Minister Dumas: Paragraph 46 is not efficient. Don't like "consensus." Coordination at some levels. No mention of a figure. We want to delete "consensus." We want one body to coordinate in the EBRD. (Ø)

Chancellor Kohl: This is a difficult paragraph. Some fear enormous capital needs, some reference to \$25 billion. Could we substitute for "consensus"? (Ø)

(Exchange of views. Paragraph 46 agreed.) (Ø)

ENERGY CHARTER

The President: The first sentence is OK, but not the second. (Ø)

President Delors: We need the second sentence to achieve results. (Ø)

(Discussion. Accept as the second sentence: "We urge rapid conclusion of the preparatory work." Economic Declaration adopted.) (Ø)

Chancellor Kohl: I talked to President Yeltsin. We'll hear from him and then have a general discussion. At 10:40, we'll meet in the Hall for the reading of the Declaration. (U)

-- End of Meeting --

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Heads of Delegation Meeting with
President Boris Yeltsin at the
1992 Munich Economic Summit (U)

PARTICIPANTS: George Bush, President of the
United States of America
Robert Zoellick, Under Secretary of State
for Economic and Agricultural Affairs

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

Francois Mitterrand, President of the
French Republic
Anne Lauvergeon, Deputy Secretary
General, Office of the President

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

Guiliano Amato, Prime Minister of the
Italian Republic
Umberto Vattani, Diplomatic Counsellor

John Major, Prime Minister of the United
Kingdom of Great Britain and Northern
Ireland
Andrew Turnbull, Deputy Secretary, Treasury

Kiichi Miyazawa, Prime Minister of Japan
Koichiro Matsuura, Deputy Minister for
Economic Affairs, Ministry of Foreign
Affairs

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

Boris Yeltsin, President of the
Russian Federation
Yegor Gaidar, Acting Prime Minister
Peter Aven, Minister for Foreign Economic
Relations

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DATE, TIME
AND PLACE:

Wednesday, July 8, 1992, 3:05 p.m.-5:40 p.m.
Residenz - Kaisersaal
Munich, Federal Republic of Germany

Chancellor Kohl: Warm welcome, particularly to President Yeltsin and PM Gaidar. I hope we'll have a frank and open conversation. We will end at 6 p.m. sharp. President Yeltsin and I will have a press conference at 6:55 p.m. (Ø)

We've been discussing the dramatic changes in Russia. Your presence here is living proof of that. We all see the major challenges, but also opportunities. We discussed reforms in Central and Eastern Europe and the FSU, particularly in Russia. We all know what energy, power, courage, and determination are required, and we pay tribute to you. We're excited to hear what you'll say. We don't want to interfere in your domestic concerns; we want to encourage you. What is going on is of interest to all of us. Backsliding would hurt us, cost us dearly. We know the difficulties you face. Macro stabilization is a prerequisite for political stability. Privatization is important. Your job will be easier if you mobilize foreign investment. We'll support you in developing a legal structure. The safety of nuclear power plants is important. The shock of Chernobyl is still with us. (Ø)

We've drawn up 10 points we want to discuss. Our idea is comprehensive partnership. Our offer of assistance goes beyond Russia. Help for self-help. (Ø)

(1) Support of financial institutions. The IMF has agreed with you on a three-phase program; the first credit tranche is important.

(2) Period of grace for debt.

(3) Export credits. Would like a counterpart from you (?).

(4) Technical help. Tangible assistance to build markets.

(5) Support for private investment, especially in oil and gas. This will be a success for you.

(6) Trade concessions.

(7) Management training for privatization, consultancies.

(8) Cooperation in arms conversion, space technology, science.

(9) Nuclear plant safety.

(10) Consultative Groups to encourage structural reforms, coordinate with you, if you agree. (Ø)

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We're partners here. It's not a question of rich and poor. Russia has a great history and culture. We need a friendly and frank exchange, to say what's true. Perhaps Prime Minister Mulroney would like to speak. (Ø)

Prime Minister Mulroney: I have been asked to speak on political matters; this is a synthesis of our opinion. Your presence is a vote of confidence in you and the Russian people. We want to help you succeed. We know you have a proud history. You are coming as a partner looking to get his country off the ground. (Ø)

You need a free and open society for reforms. There are 7 nations here, who represent a large share of the world's GNP. Economic well being is tied to openness. There are great differences among us: cultural, geographic, language, etc. What keeps us together and explains our success? It's freedom. The key is liberty and democracy. It doesn't emerge overnight. It's fragile, ungainly, but pure and impressive. Genuine political freedom is linked to the market and prosperity. You can't have bits and pieces. We know you're building a reform constituency. You face daunting problems. As if we didn't have any. Canadians are waiting to bury me. Your courage on the tank is a symbol of your political courage. Tolerance and respect for minorities are at the heart of democracy. You face problems of ethnic nationalism. Your commitment to reform is a powerful example for others. (Ø)

I know you're preoccupied with your neighbors. Relations with Ukraine are essential to stability; we hope you'll work out the Crimea. We'd like to know how you see these relations evolving. On the Baltics, we urge you to reach settlements on the timing of withdrawal. Even a gradual withdrawal would be positive. I know you're worried about where to put the troops. But we understand you're also rotating troops in. It's important to show movement on this soon. We will speak to the Balts on Russian minorities. (Ø)

Congratulations on an historic arms control agreement. We all agree that your work in this area reduced pressures for proliferation. It will help redirect resources. There is the problem of the flight of experts. The Moscow Science Center will help. (Ø)

International law and justice provide the basis for resolving the Northern Territories with Japan. I know you feel the importance of this bilaterally; but the consequences affect all of us. (Ø)

We welcome your peacekeeping support at the UN. We'd like to hear your assessment of Yugoslavia. We want to work with you as a partner. The peacekeeping agreement on Moldova is important. (Ø)

Prime Minister Major: I'd like to add my welcome. We will be frank to help you overcome difficulties. We all have practical interests in Russia. We all have sympathy and admiration. Big

changes took place in the last year. The USSR was a different country: it had a command economy, wasn't democratic, and didn't have a freely-elected leader. This meeting is different. (Ø)

The task in front of you is huge. You've joined the family of democratic nations, but not yet the world economy. Change will take time and will be painful. It is the right way, the only way, to secure economic well-being. We all have problems, but there's more on your table. We do have experience. The changes that have occurred over the past year add to the difficulty. There was a single monetary and economic area. Now there are barriers to trade, effective control of the money supply has been lost. This is not a technical matter. There is risk of hyperinflation. It would destroy the market economy before it's born. There is a sharp fall in output. Much of the decline comes in appropriate areas -- e.g., tanks -- but jobs in these factories did give people wages. But they're getting wages without production now. New firms are being established, some of them private. There will be a showdown over the infrastructure of the market economy -- privatization, land reform, operation of the bankruptcy law. Laws and decrees need to be implemented and enforced across Russia, e.g., privatization must go widely. Land reform is not just allowing farmers to own their land, but legal title, ability to sell, etc. You face unemployment. People are being paid for jobs that don't exist. There are still subsidies for your social services. You need to move the subsidies from enterprises. You'll face unemployment on a new scale. You need a social safety net. Money will need to be taken from subsidies. (Ø)

There is risk of hyperinflation. You've got budget deficit and credit problems. Countries don't survive these problems without great damage; it lasts. It may be hard to explain hyperinflation. The market economy needs money people can trust. If money loses value, so will everything else in society. Wages lose value. A painful economic reform can be a recipe for disorder; but hyperinflation can be the seed of revolution.

So the IMF discussions are critical. Tough targets were agreed to, but they are crucial, essential. I hope the IMF agreement will be a bargain between Russia, the IMF, and the G-7; it's a partnership. It will be difficult. It will work; we believe this. Investment will follow from abroad; yours can be the first government to privatize. With the right legal framework, billions could flow. A revolution in living standards will occur. (Ø)

So we have the release of the \$1 billion; there is more to come. There is generous debt rescheduling. We'll continue technical assistance (banking experts to clean up and interest others in our banks). Bilaterally, we will release \$500 million in export credits. A GATT agreement could help. The safety of nuclear power plants worries all of us. (Ø)

There's a crucial wider point: If you complete what you've begun, this will contribute to political stability and faster

growth, etc. We have an interest in your success. We want to work as partners. We have two hours here to hear what will be done and how, your timetable, what practical steps you plan to take, and your problems. The more we know in detail, the more we can help. At the end of the day, your policies will determine your success. The price of success will be very great. The converse is true, too. (Ø)

President Yeltsin: Let me begin by expressing gratitude for being able to attend this leading Western forum. This direct contact should be friendly, not formal. This includes problems in Russia. We'll reply to your questions in the spirit that you're not expressing doubt, but have a genuine desire to have our problems elucidated first hand. (Refers to Gaidar, too.) (Ø)

The world has changed greatly following the collapse of communism and totalitarianism. The Cold War has ended. We're in transition toward partnership. But we've delayed. There are still differences between East and West. We're proceeding confidently on the road to freedom, civil rights, rule of law. We need radically new approaches in our relations. (Ø)

Bilaterally, we've discussed this. But it's not yet accomplished in Japan. In the course of an official visit in September, I'm convinced that we'll find a way to solve problems. The Northern Territories issue is bilateral, but it's important to understand that you wish to bring mutual understanding and open economic cooperation. It's in your declaration. We'll seek that road. The Russian people have had a hard time. The psychological burden will make it difficult. The economy will help solve some of your other problems. We've studied your economic and political declarations and will support them and move in those directions. (Ø)

Now I'll discuss problems. I regret that economic reform was not initiated 6 years ago. We can't turn the clock back. We've had a firm march for 6 months. We can't agree on a march back; we're following this month to month. These 6 months for Russia have been bitter. Seventy years wiped out the notion of private property. It used to evoke an allergy; now we need to change our thinking. The second stage of our reform started July 1 in the Deeping Program which runs through 1993 and 1994. We're reaffirming the strategies of the first part and will be deepening it, especially as concerns property. There's not been much progress on privatization. This is true. But for 74 years we lived by levelling. Now there are 150,000 private farms. They're small, but there. This will rise four and five times, and soon will be millions. We have a clear program for privatization. It's not just shops. We have the legislative basis for joint stock companies, which will be for all large enterprises in the first stage. If we stick to it, they'll be about 70% by 1993. (Ø)

Next is the issue of inflation. I understand your and the IMF's concerns. It's not just a concern to me, but a painful subject.

It's declining. In June, it was 11%, versus 300% in January; by 1993, it will return to 3%. Inflation will blow up all our reforms. This is a confidential gathering. We have to take care of all states of the CIS. The USSR budget consisted of subsidies to them. Now we don't have formal subsidies, but half a year's difference is owed us -- 300 billion rubles, or \$10 billion. We can't ask them to pay. It would repulse them, including the three nuclear powers. We want to carry through, at least until it is irreversible. We've got a bold government. I personally support it. We will follow through. There is no way back. (Ø)

We have about \$70.7 billion in external debt. Frankly, we can't pay. We are paying interest: for deliveries of food, grain from the U.S. and others. We won't follow the Bolsheviks of 1917 and renounce our debt. We will pay. No CIS republic has paid a cent to us; we pay for them, too. I look to you for your support in the London and Paris Clubs, to support a realistic rescheduling time frame. (Ø)

As for nuclear plant safety, with assistance from the U.S., Canada, Germany, and France, we'll have a program. The first stage is for the next 2-3 years. We want to close down all first generation plants. The second stage is to retrofit the second generation plants under IAEA safeguards. The cost is \$10-15 billion. Most of this falls on us. But Chernobyl shows the danger. We hope that one-third of this comes from others, for equipment and operational training, etc. The third stage is to get new stations installed. We have pretty clear ideas on where to build them. We understand concerns and are taking practical steps. (Ø)

Next, we want to liberalize our external economic relations. We've reached the first stage with the IMF. Thank you for your help. It should get easier. We've eliminated differences of principle. It's unrealistic to completely liberalize energy and fuel prices. There are limits to peoples' patience. This is our biggest difference. We've adopted laws, removed barriers, established MFN status. We look to you to remove obstacles. You're closed to us. This costs us more than the assistance we get. This is a paradox. What to say about GATT? This is good news, but other barriers exist. We need more export possibilities. We could swell our hard currency earnings. (Ø)

We have a decline in production. It's one of our most difficult issues. It's down 15% in six months. You're right that the largest part is in the military-industrial complex. You know how militarized our economy is. It's a sclerosis. We impoverished our people for military uses. Now we're working on conversion of defense industries. I've talked about this with you and businessmen. We need a common program. You have technical and engineering experience. This is vital. We're discussing how to stabilize in the fall; it's not getting much worse in the second quarter -- the big decline was in the first quarter. (Ø)

The mass media is carrying reports of a possible putsch. I can't understand the actions of national communists. No objective

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prerequisites for a putsch exist. All military-defense leaders are committed to the President, the Prime Minister, and to the Supreme Soviet. (Ø)

CIS: It's only 6 months old, too. You have more experience in commonwealth. There are differences, but views are converging. Especially with Ukraine. Agreements have removed the main bones of contention. We still have the problem of the ruble zone. The first IMF credits will be used for this. We've discussed mechanisms to counter difficulties if one republic moves to its own currency. (Ø)

Regarding trouble spots, you're well informed. Shevardnadze and I signed an agreement on South Ossetia. We're implementing it now. Forces are being pulled back. We have agreement with Moldova for disengagement. (Romanian and Bulgarian troops can help.) Nagorno-Karabakh requires a CSCE mechanism. This will be discussed in Helsinki. The conflict goes way back; everyone is well armed. It's a dangerous situation. (Ø)

Political decisions have been taken on the Baltics. There are 100,000 troops, and they are to be withdrawn. There is no other possible decision. These are left over FSU forces. Russia didn't send them. We finance them and are obligated to withdraw them. We agreed for a timetable for the second half of 1992 and 1993. We'll stick to it. There are financial difficulties, and housing problems, etc. But the most important thing is that we don't intend to beef up these forces. Our tour there is for 2 years. We're not bringing single divisions up to strength as troops leave. It's easier to withdraw some officers and equipment. (Ø)

We signed an agreement with President Bush. We will strictly carry out nuclear weapons destructions. We signed with Belarus, Ukraine and Kazakhstan on the withdrawal of nuclear weapons and the NPT. We will carry out these obligations. Some missiles have already been withdrawn (SS-18s). (Ø)

We welcome a Consultative Group with persons from your nations to prepare for the next meeting (Tokyo Coordinating Conference?). (Ø)

I discussed with Secretary Baker moving on the sale of land and bankruptcy. We now have private land ownership, including by foreigners. (Ø)

Some 50% of our population lives below the poverty line. This causes real pain. I hope you can help us ease social tensions. Greater hope for the success of reform will help. (Ø)

I hope I have answered your questions. I don't want to abuse my time. There are no East-West divisions now. The rules of the game should be equal for us all. (Ø)

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Prime Minister Amato: Russia is now part of Europe. It had drifted away. I want to thank you and President Bush for your arms agreement. I'd like to ask for a few clarifications. (C)

(1) Inflation: How is it diminishing? We know there are products in the shops. My son is in Russia, as Boris Yeltsin knows, but prices are high. Is demand declining, so prices come down?

(2) The relationship between the decline of production and the military apparat does exist. Our companies could help you.

(3) You're reassuring on relations with the republics, regarding non-proliferation and the use of forces. Is there a problem with the monetary system, e.g., with Ukraine? Are your companies using international prices with other republics? What are the consequences of this?

(4) Nuclear plant safety: \$10-15 billion has been mentioned for second generation plants. You said that one-third of this would come from outside, for equipment, etc. Assistance could be more helpful if Russia eliminated duties on these materials. Are you prepared to lift them?

(5) I agree on the need for debt rescheduling. (C)

President Yeltsin: It would be interesting to hear from Prime Minister Gaidar, too. (C)

Prime Minister Gaidar: Regarding inflation, of course, the fall in prices for the mass of goods is something we can only dream of. We're trying to prevent hyperinflation. It would end democracy. This is a real and serious risk. We started reforms at a time of easy money. Prices took off at first, but tight money policy has been turning this back, slowing the rate of growth. We used financial instruments to bring them down. In January, inflation was 345%; February - 308%; March - 208%; May - 17%; June - 19%. It's still high; there's inertia behind it. (C)

And this is not against a background of increased production. Linkages are breaking down, and military production is declining -- whole sectors of the economy. Also, we have forced cuts in imports because of the lack of hard currency. It hurts production. We hope you can help. (C)

Re world prices, decontrol has moved prices up to world levels for many products, except fuel -- which we'll bring up over the course of two years. There are vast and concealed subsidies. (C)

Re tariffs on nuclear equipment imports, we will certainly reduce these. (C)

President Mitterrand: Others raised questions. I don't need to repeat them except one: Russia is part of Europe. It's

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illuminating to say this because we'd forgotten. It's not part of our working circuit. Gorbachev and Yeltsin are Europeans. Even we have our faults; I know President Bush, Prime Minister Mulroney, and Prime Minister Miyazawa feel that. Many of our criteria should apply to you. It's a different order of magnitude. You're in a period of transition which will be quite long. Forty years ago many of us struggled to get on our feet. Russia is one of the great states. Russians are no less gifted than others; they only lack experience and habit. For 74 years you were absent. You had your own system; it failed -- astonishingly quickly. (Notes link between market economics and democracy.) Great scientific developments. We want a foundation for young people. This is an elite like ours. Misguided for military. You will become a true competitor -- this will be all the better. (Ø)

There are two duties for Russia to fulfill. It's not just a matter of granting political and economic freedom. First, to address the social consequences of brusque change. Hundreds of thousands of people will be destabilized. They have a right to live. Inequalities could lead to discord, disavowal of their leader. You need to ensure they can earn their livelihood. I wonder how Russians manage. They're very patient. This can't go on forever. Second, your strategic arms agreements are worthy of the gratitude of the world. They gave a new impulse; I hope there is follow-up. Need time to digest. I hope someday to stop nuclear testing. I know George Bush and John Major don't agree. Since you continue them, I will, too. But I regret it. It's absurd. We have no enemies. (Ø)

You should set up a plan for withdrawal from the Baltics; they're worried. You need to recognize their sovereign rights. I think nuclear plants are the main danger. We need a rapid response to \$10-15 billion -- one-third from us. We need to face this by summer. Ethnic disputes worry us. Seeking tribal divisions. (Ø)

Re Yugoslavia, we need an international force to protect minorities. All are afraid. Rule of law guaranteed. International Arbitration Court. Need to stop Yugoslav contagion. Need to force states to accept international arbitration. If they see the U.S. and Russia associated with this idea, it will give it strength. Could add military sanctions. Prime Minister Mulroney realizes this. Most countries breaking up had a dictatorship or empire. Higher power protected (minorities?). Who does now? You'll have these problems in your own area. This is not to accuse; the new fashion affects us all. Need rule of law. (Ø)

The President: I can't add anything. Two questions, perhaps for Prime Minister Gaidar. First, you asked about access to our markets. Is there one category, or are you referring to everything? Second, knowing of the historical friendship of Russia with Yugoslavia, do you have difficulty with our communique? We should act in concert if we can. Perhaps you have a unique role. (Ø)

President Yeltsin: We fully support your declaration on Yugoslavia. I reaffirm our phone agreement re UNSC. Also applies to Croatia. Need to broaden our view; it's not just Serbia and Croatia. May involve the UN and Russia re Croatia and Serbia. (Ø)

Prime Minister Gaidar: We face a whole series of obstacles because we were isolated for many years. First, metals. Uranium sales are shut out -- this is particularly important for the conversion of industries from nuclear weapons production. Mineral fertilizer. Aluminum. Mercury. Cast iron. Wood materials. Second, high technology. Especially the COCOM limits. There has been progress, but this is still a major restraint. Space, etc. (Ø)

Prime Minister Miyazawa: Your success is important to all of us. So is the principle of law and justice: we announced package on this basis. \$1.4 billion in trade insurance re oil and natural gas. (\$200 million for natural gas can be agreed on soon.) Multilaterally, we support the IMF, the World Bank, the Science Centers, \$25 million for nuclear power safety. Camdessus said the release of the first billion dollars will come soon. We welcome this. For Prime Minister Gaidar, do you expect agreement with the IMF? A debt agreement? (Ø)

Prime Minister Gaidar: This is the approach. The first credit tranche opens the way for broad cooperation. In August, we'll negotiate a standby, and agree by October 1. We'll negotiate a Stabilization Fund so we can activate it when the prerequisites are created, perhaps by the end of the year. The way is opened for Paris and London Club debt reschedulings. (Ø)

President Yeltsin: I would like to add on debt: We could go boldly for debt-for-equity swaps. Give property, buildings, facilities, plants, land, minerals. There is vast oil in Sakhalin. (Ø)

Prime Minister Amato: Regarding barriers to trade and COCOM, it could be useful to check on the criteria applied. Perhaps they're less favorable than for nations without the partnership we have. (Ø)

Prime Minister Major: President Yeltsin's point on debt-for-equity swaps is very important. This has immense possibilities. It's the most encouraging thing in a long time; it's worth all else here. (Ø)

President Delors: I have 3 questions regarding Russian-EC cooperation. (Ø)

(1) Regarding trade restrictions, the EC applies MFN to Russia. We've eliminated quantitative restrictions on state enterprises; 85% of all goods enter duty free. On aluminum, despite your low (electricity prices and therefore low prices?), we've taken no anti-dumping actions. Uranium is a problem.

(2) To develop our technical assistance, including training, we've committed 1.3 billion ECU. But we lack a single interlocutor. I think you said you'd set up one central point of contact. Will you?

(3) Is energy aid going to be needed next autumn? (Ø)

And other questions: (1) What about the ruble zone? (2) How to attract private investment? Is there a way to guarantee a return on capital and dividends? Like a debt-for-equity arrangement? (3) Many difficulties are linked to your distribution system. How can we help here, especially in the spirit of a market economy? (Ø)

Prime Minister Gaidar: We have no interest in dumping. As a former finance minister, I can assure you that all our exports suffer from our weak exchange rate. We're grateful to the EC for technical assistance. We need a market infrastructure, massive training, lawyers, accountants; and to upgrade our agriculture, especially our livestock and modernization of distribution. Technical assistance coordination would be a natural for the Consultative Group. Regarding guarantees, we're pleased that the U.S. moved on the bilateral investment agreement; we're working also on this with Japan. Our most important medium-term task is political risk insurance and insurance for other risks. (Ø)

President Yeltsin: I'm very satisfied with our conversation and grateful for the understanding you've shown. I appreciate the style of openness and mutual confidence here. We've been equally candid. I want to thank you for the actions you've taken and for support of Russia's reforms. This concerns all of us. It's inspiring and encourages us. (Ø)

Chancellor Kohl: This was an unusual discussion. There was real frankness. President Mitterrand went beyond just economic issues -- to think about where we're coming from and where we're going to. As a German, I'm sensitive to Russia's role. We were on the way to Russia, as it were (?). (Ø)

Now we'll go to our press conference. I'll make clear the hard work that has been done here. The most important things to say: Your success will be our success. Any falling back to old structures will be disappointing. Now we're in Munich. In 1938, we were on the verge of WWII. Now we have great opportunities. This is the most favored generation of the century. The most important thing is to signal optimism, confidence, and hope. (Ø)

Prime Minister Miyazawa: As the next chair.... Thanks for this successful summit. (U)

-- End of Meeting --

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THE WHITE HOUSE

WASHINGTON

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PER E.O. 13526

2009-0649-MR

SCS 1/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Constantine Mitsotakis of Greece

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
David C. Gompert, Senior Director for European and Eurasian Affairs, NSC, Notetaker

Constantine Mitsotakis, Prime Minister of Greece
Lucas Tsilas, Diplomatic Advisor to the Prime Minister
Virginia Tsouderou, Under Secretary for Foreign Affairs

DATE, TIME July 9, 1992, 7:30 a.m. - 8:00 a.m.
AND PLACE: Guest House, Helsinki, Finland

The President: I want to hear from you especially on Cyprus and Macedonia. (φ)

Prime Minister Mitsotakis: Thank you for receiving me. I have the same two topics to discuss with you. On Macedonia, I believe we are close to a resolution. The EC decision facilitates a solution but Gligorov has yet to accept this decision. I think Gligorov's domestic decision is strong. He can implement this if he wants to. I think he wanted the government to fall. It should not be an insurmountable problem for him to accept the EC decision. The U.S. position will be decisive with him. This is how I feel. I think the U.S. should adopt a clear stand. (φ)

The President: We have tried to hold back on recognition. Your proposal seems okay with us. What makes you think Gligorov is prepared to accept it? (φ)

Prime Minister Mitsotakis: If Gligorov is convinced that there is no alternative, he will go along. This is a terrible problem for him domestically. But if it is not solved, it will continue to be a crisis. All Greeks oppose any other solutions. If Greeks are hostile to Macedonia, there cannot be co-existence.

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But we are ready to recognize them if they accept our proposal on the name. There is no hostility toward them. (C)

The President: Is there some way you can reach out directly to Gligorov? Do you believe he knows your heart beat on this? (C)

Prime Minister Mitsotakis: I have used public statements and private contacts to connect with him. (C)

The President: Reach out if you can. (C)

Prime Minister Mitsotakis: I will make a speech and reach out in that way. Also we are prepared to provide aid. (C)

The President: Does Gligorov really understand your sincerity on this? (C)

Prime Minister Mitsotakis: What I can't do is meet with him. We have used intermediaries. I'll do what I can to convince him that we want his country to exist. It is in our interest. (C)

The President: We think the Macedonians have done a good job on how they have gone about trying to achieve their international status. Why is it that you can't meet with him? (C)

Prime Minister Mitsotakis: As soon as he accepts a name that does not include "Macedonia" I will be ready to meet with him. In the meantime, Douglas Hurd will go to Skopje on July 18. (C)

Secretary Baker: We have sent the message to Gligorov saying that we would support your proposal. We have made it clear to them that this is the EC decision and we support it. (C)

Prime Minister Mitsotakis: We have to try harder to convince Gligorov. (C)

Secretary Baker: But he came to see us and we told him the facts. (C)

Prime Minister Mitsotakis: We have to insist. (C)

Secretary Baker: We are worried about the situation in Macedonia. (C)

Prime Minister Mitsotakis: I told the Europeans that they have to choose and then persuade Gligorov. We want stability in the south of what once used to be Yugoslavia. This could be our first success from this crisis. But the U.S. must insist. He will be prepared to decide this. He has people who want to settle it. Such a solution will also increase the U.S. prestige in Greece and in Europe. (C)

Secretary Baker: Even if Gligorov agrees, will this political situation permit him to survive? (C)

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Prime Minister Mitsotakis: Gligorov has control. He can accept this. But it is hard for him to shift especially from the hard core people who surround him. (Ø)

The President: Maybe we can escalate our presentation to Gligorov. I understand what you want. Maybe we could do something in connection with Hurd's visit. I still wonder if Gligorov can survive. But I can see what I can do. (Ø)

Prime Minister Mitsotakis: The dual name compromise eliminates no one. It is a fair compromise. (Ø)

Secretary Baker: Have you suggested what the formal name would be? (Ø)

Prime Minister Mitsotakis: It can be anything they want as long as doesn't include "Macedonia." (Ø)

The President: We will see what can be done. We are terribly worried about instability in this region. (Ø)

Prime Minister Mitsotakis: If we solve the Skopje problem and are careful about the Kosovo, perhaps we can keep the war out of the South. (Ø)

The President: We were impressed with the new Albanian President. Berisha is a good man. (Ø)

Prime Minister Mitsotakis: I agree. (U)

On Cyprus I know about the efforts you are making. We have a great opportunity right now. I went to Istanbul twice. (Ø)

The President: I know that Demirel likes you. (U)

Prime Minister Mitsotakis: I have met with Ozal, Inonu, Demirel, and Cetin. Cetin in particular is a great man. I try to create a good atmosphere with Turkish public opinion during my visits but I will be frank. I am still not sure that the Turks want a settlement of the Cyprus problem. Demirel, Cetin, and Yilmaz all said that they are ready but I am not sure that they have reached a final decision. We may be in the last days, please keep up the pressure on them. I've tried to be helpful. (Ø)

The President: Don't you need to lean on our friend Vassiliou? If there is a problem on either side, we will weigh in. I know the territories and refugees are key for you. The Secretary General's proposal seems reasonable, that is his so-call "set of ideas." (Ø)

Prime Minister Mitsotakis: Territory is key. (Ø)

The President: You are asking us to keep after Ankara. (Ø)

Prime Minister Mitsotakis: Yes, in order to keep the pressure on Denktash. (Ø)

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The President: We have little influence on Denktash. (Ø)

Prime Minister Mitsotakis: Denktash doesn't really exist. I will be seeing Demirel while I am here. (Ø)

The President: So will I. Let's see what we can all do to bring this to a conclusion. (Ø)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

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PER E.O. 13526
2009-0644-MR
SCS 1/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Eduard Shevardnadze, Chairman of
the State Council of Georgia (U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs
Thomas Niles, Assistant Secretary of State
for European and Canadian Affairs
David C. Gompert, Senior Director for
European and Russian Affairs, NSC Staff,
Notetaker
Interpreter

Eduard Shevardnadze, Chairman of the State
Council of Georgia
Aleksandr Chikvaide, Minister of Foreign
Affairs
Sergei Tarasenko, Assistant to the Chairman
Interpreter

DATE, TIME July 9, 1992, 8:05 - 8:25am
AND PLACE: Guest House, Helsinki

The President: I am very pleased to see you. I know you are
confronting great difficulties. We've been through a lot
together including the 55 speeches we are hearing together here
in Helsinki but at least everybody is keeping it short. Castro
came to Rio and everyone expected a two hour speech but give the
man credit he finished in the allotted seven minutes. (U)

Chairman Shevardnadze: But we know he can talk for six hours.
(U)

The President: Well I am just delighted to see you. Obviously
we want you to succeed. We respect you for taking on this
challenge. I would like to hear from you about how it is going.
(P)

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Chairman Shevardnadze: Thank you. Everyone comes to the U.S. President with requests. We have decided not to ask for anything. You have been generous with your support and assistance, you played a decisive role for our country. If it had not been for your recognition policy, there would be no democracy today in Georgia. Jim's visit has historic significance and we welcomed him with a big crowd. (Ø)

Secretary Baker: I have to tell you a story about that. You know we have great confidence in Eduard. He said let's go greet the crowd so we plunged in. At that point, my friend the Foreign Minister said, this is extraordinarily dangerous. Our confidence in Eduard was put to a test. (U)

Chairman Shevardnadze: Of great importance to my country was membership in the IMF. Your word on that was decisive. We also got help on medicines -- insulin and hospital equipment without which our situation would have been impossible. (Ø)

The President: Are things under control now? (Ø)

Chairman Shevardnadze: Yes. Your Embassy is staffed and working well. We have cooperation working in specific areas. I hope that we can be of use to you as well. Let me give you a run-down on our situation. Slowly, we are making democracy and stabilization irreversible. Consolidation is taking place. In October we will have elections. They should go well. So we are finding solutions. There is one conflict (Ossetia) but it is not too great. We are building good relations with Russia and Ukraine. Our relations with Turkey are not bad. Our relations with Iran are within allowable limits so I am more optimistic now about our future. But we still have some problems. Georgia is small but in an interesting geo-political location. It is on the border between Islam and Christianity, between North and South. Maybe we can play an interesting role in avoiding this large conflict. I am also now engaged in Black Sea cooperation, where Turkey is playing a constructive role. (Ø)

The President: We, of course, have good relations with Turkey and Prime Minister Demirel. (Ø)

Chairman Shevardnadze: The most dangerous and explosive area is the Caucasus. We have to think about security structures. We will support regional organizations. I can foresee the involvement of Turkey, the Caucasus states, and Russia. Turkey is taking the lead and should be supported. Some forces in Turkey want to take a different (less cooperative) tact. I would like to talk to the U.S. about our region, either with Jim or perhaps in a working group. (Ø)

The President: This type of cooperation is in our own interest. We are worried about these conflicts that are breaking out. We have a high regard for the Turks and know we can work with Demirel. He is reasonable. Tell me more about Iran. (Ø)

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Chairman Shevardnadze: Our Prime Minister had a promising first meeting with the Iranians. Rafsanjani hinted that they want to regularize political and economic relations with the European countries. Iran is interested in moving its goods through Georgia and the Black Sea to Europe. Its' options are the Black Sea, the Caspian, and the Gulf. We should work with Iran. They have promised Georgia oil and gas. I am concerned that the Caucasus will be fought over among Turkey, Iran and Russia. (✓)

The President: I am pleased to hear that you are getting along with Russia. We have told Yeltsin of our high regard for you. And they say they are positive toward Georgia. (✓)

We know about your problems with regard to grain. I admire you for not making a request and I am embarrassed to say that I don't have an immediate answer but I wanted you to know that we are sensitive to your problem. Jim will ask the Saudis if they can do something. I am not sure what we can do because of our law on dispensing food aid under PL. 480. We will try as hard as we can. I cannot promise anything but we feel your need in our hearts. (✓)

Secretary Baker: Have you heard from the Saudis? (✓)

Chairman Shevardnadze: We will need the credits or we will die. The Georgian economy was part and parcel of the Soviet economy which has fragmented and collapsed. I know about your problems. I know you can not make large moves at this time. Maybe the Saudis or the Kuwaitis can help. Maybe the IMF can help. It depends on whether we can be given the status of a developing country. (✓)

The President: What is of the utmost urgency? (✓)

Chairman Shevardnadze: We are experiencing hunger. The Turks have helped us. We have ten days of food supplies left. (✓)

The President: We will try our best. This has nothing to do with our election. The problem is that we evidentially have nothing left under the normal program. (✓)

Chairman Shevardnadze: Mr. President, what you've said about this is better than receiving the grain itself. (✓)

Secretary Baker: What is your view on South Ossetia? (✓)

Chairman Shevardnadze: Things are better. I met with Yeltsin and am trying to settle the problem with him. Russian extremists were causing a problem. Yeltsin made a basic decision so there is less fighting now. There is still some shooting but negotiations have begun. (✓)

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The President: We had a good meeting in Munich with Yeltsin. He was very serious about what needs to be done. Given your key and constructive role, I wanted you to know that. (Ø)

Chairman Shevardnadze: You have to support Yeltsin. The reactionaries in Russia -- the so-called "Red-Browns" -- are the biggest threat to all of us. (Ø)

-- End of Conversation --

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Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
14. Memcon	Re: Meeting with Manfred Woerner NATO Secretary General (3 pp.)	7/9/92	(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 7/1/92 - 7/9/92

Document Partially Declassified
(Copy of Document Follows)
By SCS (NLGB) on 7/20/11

Date Closed:	1/29/2009	OA/ID Number:	91110-001
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:	2000-0233-F3 (159)	MR Case #:	
AR Disposition:	Released in Part	MR Disposition:	
AR Disposition Date:	3/14/2011	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

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DECLASSIFIED IN PART
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2000-0233-F/3
SCS 3/14/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Manfred Woerner NATO Secretary General

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Zoellick, Under Secretary of State for Economic and Agricultural Affairs
Thomas M. T. Niles, Assistant Secretary of State for European and Canadian Affairs
David C. Gompert, Senior Director for European and Eurasian Affairs, NSC, Notetaker

Manfred Woerner, NATO Secretary General
Gephardt von Moltke, Assistant Secretary General
Roland Wegener, Director of the Private Office

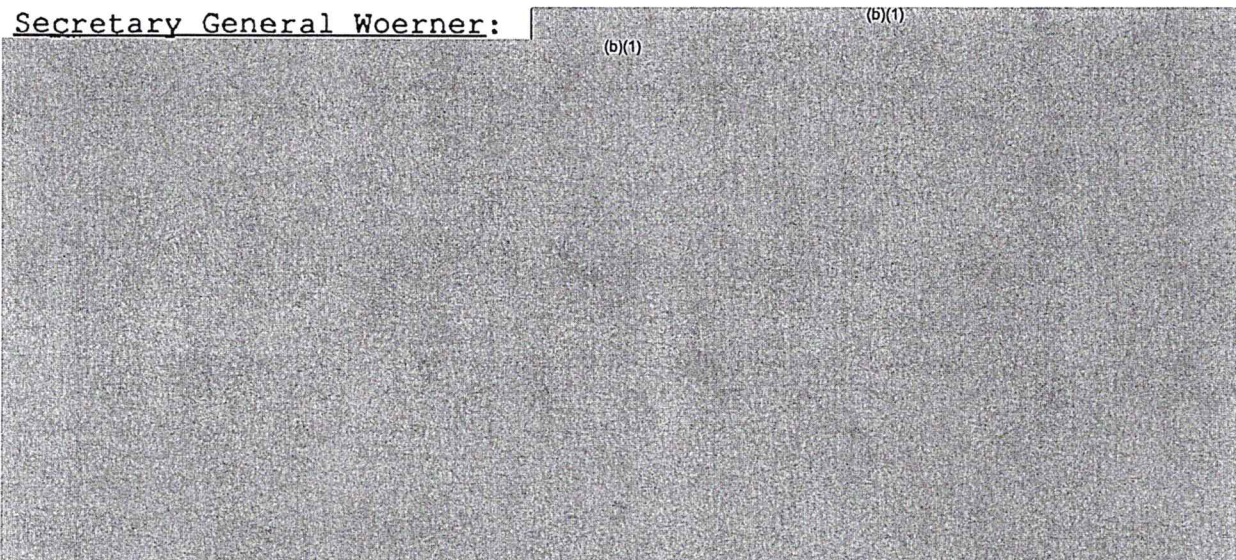
DATE, TIME July 9, 1992 11:00 - 11:30 a.m.
AND PLACE: Helsinki Fair Center, Finland

The President: Tell me about yesterday's NATO meeting. We are not trying to push the WEU off the scene. I take it there may be a serious problem with the French. We are running into this a lot. (C)

Secretary General Woerner:

(b)(1)

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The President: What is this talk about the WEU opening up a land corridor? (C)

Secretary General Woerner:

(b)(1)

(b)(1)

The President: What is the attitude of the French? (C)

Secretary General Woerner:

(b)(1)

(b)(1)

Secretary Baker: I have been talking to the other foreign ministers and they have been talking to Dumas. I have to wonder about whether we want a NATO ministerial here in Helsinki. It could appear as if we are seeking to displace the WEU. Could we not just have a quiet conversation? We are prepared to see the WEU involved as much as NATO is. (S)

Secretary General Woerner:

(b)(1)

(b)(1)

Secretary Baker: What the President has said is this. The U.S. cannot sit back on a humanitarian role. We support use of all necessary means the not too settle the political problem. We haven't ruled anything out, but we are unlikely to provide ground combat forces. We would consider making air and naval forces available. NATO might play a useful role. I offered that to Boutros Ghali. Amato definitely would support NATO-WEU coordination. (S)

The President: What if Boutros Ghali says that NATO should go into Bosnia? Would we have some obligation? (S)

Secretary General Woerner:

(b)(1)

(b)(1)

(S)

The President: If NATO were not involved what would the WEU do? (C)

Secretary General Woerner:

(b)(1)

(b)(1)

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(b)(1)

Secretary Baker: Yes, maybe. But propose we do it cooperatively between NATO and the WEU. We would cooperate for this discrete problem. The question of intervention is a separate bridge to cross. (S)

The President: But we have to consider how we define this at the beginning. We can't be contradictory. We will cooperate with the WEU and provide sea and air forces. But I want to be careful about NATO being in the lead. (S)

General Scowcroft: This could be a precedent setting. If NATO stays in the background, France will say that such conflicts are to be managed by Europeans. Also let's not forget that these are NATO ships. (S)

Secretary General Woerner: (b)(1)

(b)(1)

Secretary Baker: We can confront that question later. The key is not to prejudge it. (U)

Secretary General Woerner: (b)(1)

(b)(1)

(S)

Secretary Baker: The WEU will not be able to handle it if the situation gets bloody. (S)

Secretary General Woerner: Let's stay in touch. I will be talking to everybody today. (U)

Secretary Baker: The real issue is this. Why not go to the French, sit down with them and say we don't want a confrontation? This is the time to put that behind us. Let's fess the agriculture question by doing it cooperatively. (S)

Secretary General Woerner: Okay, I would expect you to prepare the ground with the French. (S)

Secretary Baker: In the meantime, Gompert, Zoellick or Niles will stay in touch with you. (S)

The President: I am trying to look over the horizon. I don't see how we can say that the NATO is in and the U.S. is out. (S)

- End of Conversation -

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2009-0649-MR

SCS 1/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Chairman Stanislav Shushkevich of
Belarus (U)

PARTICIPANT The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for
National Security Affairs
Henson Moore, Deputy Chief of Staff
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs
Thomas Niles, Assistant Secretary of State for
European and Canadian Affairs
Robert Hutchings, Director for European and
Eurasian Affairs, National Security Council
(Notetaker)

Stanislav Shushkevich, Chairman of Supreme
Soviet, Belarus
Pavel Kozlovskiy, Minister of Defense
Petr Kravchanka, Minister of Foreign Affairs
A. Sychev, Director of External Economic
Relations, Ministry of Foreign Affairs
N. Buzo, Counselor, Department of Information,
International Humanitarian Corp. & Human Rights
O. Ryabkov, Interpreter

DATE AND TIME July 9, 1992, 3:30 - 4:00pm
PLACE: Helsinki Fair Center, FinlandThe President: So far this is an interesting conference. (U)President Shushkevich: I am also pleased with it. I was glad to get your letter about the CSCE. I share your approach. It corresponds to ours. I am happy with the activities of your ambassador and your embassy. They enable us to solve issues very quickly. (U)The President: You have gotten off to a quick start. I view this as very important to our own interests. I thought we ought to get together and would like to hear anything that is on your mind. Be as frank as you wish. (U)

I want to mention our interests in the rapid ratification of CFE and your assurance to the NPT as fast as you can. We are off to a good start and we want to go forward. You gained respect for your position on START and NPT. The other point I want to mention is the importance of working with the IMF to get a comprehensive economic reform going. The floor is yours sir, Welcome. (Ø)

President Shushkevich: Mr President, first thank you for the opportunity to meet you. We have had many opportunities to meet with Secretary Baker. Our views have not changed. We shall fulfill every share of our obligations to the FSU. They want Belarus to be nuclear free and we support the establishment of a nuclear free belt in Europe. Unfortunately, there are some technical difficulties with our CFE ratification. I stress technical difficulties. Due to the excess of democracy in our country our deputies now have a chance for two months vacation and I have not used my constitutional right to reconvene our parliament. (Ø)

The President: That way you can bring them back in a good mood. (U)

President Shushkevich: You understand our difficulties with the economic situation. But, in contrast to the former Soviet Union, we would like to develop sophisticated modern technology. We supply ourselves with food stuffs. We do not have enough raw material unfortunately to have well trained, disciplined engineers and work force. We appreciated very much your humanitarian aid from volunteers and non governmental organizations after the Chernobyl disaster. We need assistance in education and training. In scientific assistance, we have received from Argonne National Laboratory in Chicago. This has allowed us to avoid an emotional approach regarding Chernobyl. We would appreciate your government's support.

The President: What is the status of nuclear power in Belarus? Are there nuclear plants there? Is that what you are referring to? (Ø)

President Shushkevich: Mr President, the terrible irony is - we never had a single power plant on the territory of Belarus. Chernobyl was 9km from our border but in a different territory - in the Ukraine. Yet, our territory received 70% of the fallout. (Ø)

The President: Did you receive power from Chernobyl? (Ø)

President Shushkevich: It is difficult to determine where precisely we were supplied with energy. We were buying it from others including Chernobyl - also from plants in Lithuania, Ukraine and Russia. We have never had a single power plant on Belarus soil. (Ø)

The President: What about power today? (U)

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President Shushkevich: Mr President, we are now in a perverse situation. It is difficult to imagine even for the President of the United States that our per capita consumption of raw oil is about the same as the U.S.A. We buy it all from Russia.

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
16. Memcon	Re: Meeting with President Leonid Kravchuk of Ukraine (5 pp.)	7/9/92	(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 7/1/92 - 7/9/92

Document Partially Declassified
 (Copy of Document Follows)
 By *g* (NLGB) on 10/12/10

Date Closed:	1/29/2009	OA/ID Number:	91110-001
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:	2000-1198-F(5)	MR Case #:	
AR Disposition:	Released in Part	MR Disposition:	
AR Disposition Date:	2/5/2003	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

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THE WHITE HOUSE
WASHINGTON

DECLASSIFIED IN PART
PER E.O. 12958, AS AMENDED

2000-1198-F

Re 2/5/03

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Leonid Kravchuk of
Ukraine (U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Henson Moore, Deputy Chief of Staff
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs
Thomas Niles, Assistant Secretary of State
for European and Canadian Affairs
Robert Hutchings, Director, European and
Eurasian Affairs, National Security Council
(Notetaker)
Interpreter

Leonid Kravchuk, President of Ukraine
Anatoliy Zlenko, Foreign Minister
Interpreter

DATE, TIME July 9, 1992, 4:05 - 4:23pm
AND PLACE: Helsinki Fair Center, Finland

The President: It is good to see you again. (U)

President Kravchuk: I see you every day on television. The G-7 meeting was covered widely. (U)

The President: I think it went well. There is a spirit of unity. When did you arrive? (U)

President Kravchuk: Two days ago. We were in Brussels and I visited NATO headquarters. I had good discussions with the NACC. I also addressed the World Jewish Congress. (U)

The President: How did that go? (U)

President Kravchuk: The Congress is organized very well. The main topic was the fight against anti-semitism. (U)

The President: Yes, the head of the U.S. is Edgar Bronfman. We like him. (C)

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President Kravchuk: I had a long talk with him. He is of Ukrainian origin. He supported the idea of starting businesses in the Ukraine. (Ø)

The President: They've got plenty of money. You might get him to invest some of that Bronfman money. Well, how are things going? The science and technology center is a high priority for us. We want to get that going. (Ø)

President Kravchuk: Yes, our parliament has already ratified the trade agreement. Peace Corps training is starting. American businessmen were attracted to the Ukraine after my visit to the U.S. I think that had a good effect. (Ø)

The President: So many Americans wish you well. You have a good base of people who are interested in your success. I did want to ask when you can accede to NPT. This is a priority for us. I would encourage you to move as soon as possible. (Ø)

President Kravchuk: It is mainly a matter of timing. The documents are ready. The parliament is starting to consider it. We have already ratified CFE. We have a program now for the ratification of START. As soon as the parliamentary vacation is over in September I have no doubts that we will ratify. (Ø)

The President: I had a fairly optimistic assessment from President Yeltsin of his visit with you. Do you share that impression? (Ø)

President Kravchuk: Yes, it went very well. (Ø)

The President: I had a talk with you about that. We talked about the Crimea. (Ø)

(b)(1)

The President: What flag flies on those ships. I asked President Yeltsin that but I can't remember. (Ø)

(b)(1)

The President: Good. How about the Moldovan problem? We want to see it peacefully resolved without border changes. (Ø)

(b)(1)

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(b) (1)

The President: Is it a nuclear plant? (U)

(b) (1)

The President: The Moldovans called for a multi-national peacekeeping force of neighboring countries? (S)

(b) (1)

Secretary Baker: Do you want CSCE approval of that? (S)

(b) (1)

Secretary Baker: Would this peacekeeping force go into Transdneistr or just on the river? (S)

(b) (1)

The President: What are your thoughts about that? The Bosnian president came in to see me with a heartrending story of the suffering in Bosnia. (S)

(b) (1)

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(b) (1)

The President: How much do you think Milosevic is the problem? Will things get better if he were out of the picture? (S)

(b) (1)

The President: The army would have to be forcefully put back or in the face of force, go back. (S)

(b) (1)

The President: Are threats enough or are they crazy enough to fight? I ask because the Bosnian president said that if they see muscle they will go away. (S)

(b) (1)

The President: There is no simple solution. (S)

President Kravchuk: That is right. We tried to discuss it in Moscow. (S)

The President: Have the Turks been helpful? (S)

(b) (1)

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The President: I'm afraid we are running out of time. I have to give a speech later on this afternoon but I promise mine will be short. (U)

President Kravchuk: I am very glad to have had this opportunity for a meeting. (U)

The President: I am so pleased. There was great satisfaction with your visit to Washington. We have a keen interest in your success. (U)

- End of Conversation -

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Havel of the Czech and Slovak Federal Republic

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Marlin Fitzwater, Counsellor to the President and Press Secretary
W. Henson Moore, Deputy Chief of Staff
Robert Zoellick, Under Secretary of State for Economic and Agricultural Affairs
Thomas Niles, Assistant Secretary of State for European and Canadian Affairs
Robert Hutchings, Director, European Affairs, NSC, Notetaker

DECLASSIFIED
PER E.O. 13526

2009-0649-MR
SCS 11/6/11

Vaclav Havel, President of the Czech and Slovak Federal Republic
Jozef Moravcik, Foreign Minister
Alexander Vondra, Foreign Policy Advisor to the President
Michael Zantovsky, Press Spokesman for the President
Jan Kubis, Ministry of Foreign Affairs
Alexandra Brabcova, Interpreter

DATE, TIME July 9, 1992, 4:30 - 4:50 pm
AND PLACE: Helsinki Fair Center, Helsinki, Finland

President Havel: Thank you very much for your recent letter.
(U)

The President: I want to express, as President of the United States, my full confidence in President Havel and my great respect for him. The American people identify with him as a man of freedom. (The press corps leaves). I wanted to get that statement out while the press was still here. I confess I don't understand what your legislature is doing with you and your great stature around the world. (✓)

President Havel: Mr. President, let me again thank you for finding the time for this meeting. I will offer a brief explanation of our situation. After the recent parliamentary elections, developments accelerated in a way that makes it increasing likely that our State will divide. For my part, I exerted a great deal of effort to keep a common state of equal

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federal units. But this seems to have been superseded by the dramatic flow of history. It looks like the division will take place. Links will remain, though, the two republics will develop contractual links. Let me make two other remarks. First, if the division takes place, both republics will have as their objective, moving in the same direction in foreign policy, market economy, democracy and joining Europe, so the basic orientation will remain the same. Second, this will take place in a constitutional, civilized way, we will not become a hot bed of instability. Our two peoples have never been enemies, so we see no reason for conflict, although the technical process will be difficult. (Ø)

The President: What is the process? What has to take place, technically. (Ø)

President Havel: The first act will be a declaration of sovereignty by the Slovak parliament. Followed by a Slovak constitution in August. By the end of September a decision will be taken as to how the constitutional structure of the state or states is to be determined. The constitution of the Czech republic is also being developed. My days are numbered, maybe I'm the last federal President of my country. Nevertheless, maybe the offices of Czech and Slovak Presidents will be created, and I offer my services to my fellow citizens. (Ø)

The President: The vote on your reelection, with your great standing in the world, what prompted this outcome? (Ø)

President Havel: The situation in our parliament is we have two chambers, a House of the Peoples and a House of the Nations. It is not possible for the larger people, the Czechs, to out-vote the smaller. I got enough votes in the Czech lands, but not enough in the Slovak part of the House of Nations. (Ø)

The President: Were they simply doing that to assert the first step to separation? (Ø)

President Havel: It has been interpreted that way, although MPs who voted against me deny it. I don't see it as opposition to myself as a person, although some may feel that way, but rather I have been linked to the concept of the Czech-Slovak Federal State. But perhaps our foreign minister, who was elected in these recent elections, would offer a different opinion. (Ø)

Foreign Minister Moravcik: No, I agree fully. (Ø)

The President: Let me ask you something, I'm sure the answer is no, but is there anything we can do to help? First, we respect the internal affairs of peoples and don't want to interfere. But if there's anything we can do to facilitate what you want -- clearly, if there are two separate countries, we want to work with both. But I would hate not to ask whether there's anything we can do to help preserve a federal state within the bounds of proper international behavior. (Ø)

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President Havel: I think this is an historical movement. It does not make sense to try to stop it. We have not succeeded from inside, it would not make sense to try from outside. But what would make sense would be if the U.S. stressed the importance of adherence to correct constitutional procedures, and, given the geo-political importance, that the process be accomplished in a civil way. (Ø)

The President: We can certainly do that. And we will look for an opportunity to do so. (Ø)

Secretary Baker: I understood there would be another round of elections on July 16. Is it a foregone conclusion that your candidacy was voted down finally and conclusively? (Ø)

President Havel: The situation is as follows: on July 16th the next round of elections for the Presidency will be held, two votes will be taken. Those in the previous round are banned. But if no new President is elected in the third round, the unsuccessful candidates from the first round can run. This process can go on indefinitely. My impression is that I should not take part in this strange comedy. (Ø)

The President: Perhaps you can write a comedy about this. I'm afraid I have to go and give my speech. (U)

President Havel: May I call attention to the fact that Mr. Zantovsky, my press spokesman, will be the next Ambassador to the U.S. and I would be happy if the new U.S. Ambassador could come soon. (Ø)

The President: It is up to our Senate right now, but it should move quickly. Let's talk to Senator Biden and Senator Pell and say that President Havel has requested this. He has great influence with them and others in Congress. (Ø)

- End of Conversation -

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THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
PER E.O. 13526

2009-0649-MR
SCS 1/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Presidents Ruutel of Estonia,
Gorbunovs of Latvia, and Landsbergis of
Lithuania

PARTICIPANTS: The President
James A. Baker III, Secretary of State
General Scowcroft, Assistant to the President
for National Security Affairs
Robert Zoellick, Counselor
Robert Hutchings, Director, European Affairs,
NSC, Notetaker

Arnold Ruutel, President of Estonia
Anatolijs Gorbunovs, President of Latvia
Vytautas Landsbergis, President of Lithuania

DATE, TIME July 10, 1992, 10:25 - 10:55 am
AND PLACE: Helsinki Fair Center, Helsinki, Finland

(Continuing conversation begun during photo op.)

President Landsbergis: Some high persons in Russia are speaking
even aggressively. (S)

The President: Against all three countries? In what sense? Are
they making aggressive statements like wanting to take over? (S)

President Landsbergis: They are using tactics. Military
officials also imply things. For example, the Minister of
Defense issued a decree that soldiers could defend themselves by
force of arms. This is creating a psychological atmosphere that
is quite dangerous. (S)

The President: Is this with regard to defending the Russian
minority or overall? (S)

President Landsbergis: It is an additional gimmick I would say.
(S)

President Gorbunovs: It is evident that Russia admits to a
strategic interest in the Baltics. If the statements by
President Yeltsin would be matched to their commitments we would
see over the next year a withdrawal of all troops at least from
capitals. This would stabilize the situation and create an

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atmosphere of trust that would be the basis for further negotiations. (§)

President Landsbergis: There is no danger of a denial of human rights for Russians in the Baltic countries. (§)

The President: That is very important so that there will be no excuse for those forces being there. (§)

President Ruutel: The Estonian proposal was for there to be a withdrawal this year of offensive troops. I have proposed this also in a letter to Russian Foreign Minister Kozyrev. But we have information that recently Russian units in Estonia were supplied with combat munitions. We know there are social difficulties with the accommodations of soldiers in Russia but we could help them in building housing, we could offer the capacities of our construction organizations. The Russians say they can finance additional construction work but maybe they should also get credits from the West so that they could pay us for this. But if housing is built or not built this should not be a pre-condition for the withdrawal of these forces. (§)

The President: No, I understand that entirely. (U)

President Ruutel: But we could do our utmost to help build houses there so as to reduce social difficulties in Russia. If this problem could be solved in this positive way it could do a great help for Russia in the reconstruction process. (§)

The President: I worry about the red/brown problem, the reactionary right and the military right, will that complicate your lives or can you manage? (§)

President Ruutel: If Russia should be helped in building houses and in addressing the problems with their military it would also be a great help for Yeltsin. (§)

Estonia Foreign Minister: The only way to help Yeltsin is to be tough with him and not repeat the error we made with Gorbachev. (§)

Lithuanian Foreign Minister: We pushed Gorbachev into the arms of the military, Gorbachev lacked a hard message from the West when he returned from his trips abroad. If Yeltsin receives such a message it could help him in dealing with his hard liners. (§)

Estonia Foreign Minister: We must help him with his arguments. (§)

The President: That message is pretty clear but I'm interested that you think it may not be that clear. (§)

President Landsbergis: The troops can go home, it is not a problem of hundreds of thousands of houses but a relatively smaller number. (§)

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The President: It is true that they are not putting new people in as attrition takes place? (S)

President Landsbergis: We demanded that many times but it is not true. They are trying to introduce new truths, it is a strange game they are playing with us. (S)

Lithuanian Foreign Minister: They promised us that also just last week but still they are coming. (S)

The President: President Yeltsin said to me that they are not replacing enlisted men. (S)

President Landsbergis: Yeltsin promised the same thing to me but they have been continuing to replace their troops. (S)

The President: We have made the point very clearly there is no doubt in Yeltsin's mind, we may be able to be helpful. These points are helpful because we want them to honor their public line, we want this to be followed through. (S)

President Ruutel: In my opinion western aide should be made dependent upon Russian behavior in the Baltic States and the withdrawal of Russian troops as well as dependent further democratization in Russia. (S)

Estonia Foreign Minister: You were told in Munich by Yeltsin that the task of redeploying these forces would be formidable. They used numbers like a 100 or 120 or 130 thousand housing units, but we know that many of these soldiers have homes in Russia or other means of getting houses, so the question is not one of 120,000 but maybe 18-20,000 housing units. So Yeltsin's not given you an honest number, they are just playing for time. (S)

The President: What possible good is it for Yeltsin to have these troops there? (S)

Latvian Foreign Minister: If you read Russian military doctrine you will see four points. First, free access to the Baltic Sea; second, that no third states stationed forces in this area; third, that there be no military alliance against Russia; and fourth, that the rights of the Russian minority be protected. (S)

President Landsbergis: They say that they will defend mother Russia. (S)

The President: That's a good reason to get them the hell out. (S)

Lithuanian Foreign Minister: Housing is an excuse, many officers have apartments in Russia, many others in our capitals have apartments in our towns. So this social issue is no excuse. (S)

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The President: Why are they keeping their forces in Germany?
(S)

Latvian Foreign Minister: That is a different kettle of fish because of their doctrine regarding the Baltic states. (S)

President Landsbergis: They want to keep troops in our countries as long as possible. (S)

Ambassador Meri: It is the new Brezhnev Doctrine. The Russian Deputy Defense Minister said that Russians have a duty to protect all Russians with military means if necessary. This is the new Brezhnev Doctrine developed by the Russian military. There was an interview that Kozyrev gave in Izvestia that was very important and frank. If there is another coup I would not like to be in Kozyrev's position, this document has been underestimated in the west. (S)

The President: What did he say? (U)

Ambassador Meri: That Russian policy is made by the generals and the mechanisms to implement these policies are military. (S)

The President: I would like to see this article. (S)

Mr. Zoellick: This is the red/brown article that you referred to Mr. President. (S)

Ambassador Meri: It is a game of pretext to show that Russian officers are loyal to him. (S)

The President: Perhaps it is a document to make the military feel better, we'll take a look at it. (S)

Ambassador Meri: Russia has no European policy just as the West and the U.S. don't have a Russian policy. (S)

The President: You don't think we have a policy toward Russia??!
(S)

President Ruutel: Mr. President, (U)

The President: Wait, I want to finish this. We think we have a pretty sound policy. You don't think so? (S)

Ambassador Meri: It is so dynamic a period that we have to adjust every month, there cannot be a tactical approach. But as you said recently, we need to deal with principle. (S)

The President: That is what I believe, that is our doctrine.
(S)

President Landsbergis: There is also the problem of defense conversion. (S)

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The President: We have sent teams there but you know we are facing the same situation in the U.S. Out in California where we are closing many bases they ask what I'm going to do. It's not easy but we have sent teams there. It's very important that defense conversion be successful so as to break up the military industrial complex there. This is in the interest of the Baltic states, it is also in the interest of the U.S. We've spent trillions of dollars over the years to defend against Russia but it won't be easy to address this defense conversion issue, there is so much they must do in the area of market reform for this to work. (S)

(Side discussion between Estonian President and President Bush regarding Estonia's desire to bring two Americans of Estonia background now working at the Pentagon into Estonia as military advisors. The Estonia President referred to a letter recently sent to Secretary Cheney. President promised to look into it.)

- End of Conversation _

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THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
PER E.O. 13526

2009-0649-MR
SCS 11/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Constantine Mitsotakis of Greece

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
David C. Gompert, Senior Director for
European and Eurasian Affairs, NSC,
Notetaker

Constantine Mitsotakis, Prime Minister of
Greece
Lucas Tsilas, Diplomatic Advisor to the
Prime Minister
Virginia Tsouderou, Under Secretary for
Foreign Affairs

DATE, TIME July 9, 1992, 7:30 a.m. - 8:00 a.m.
AND PLACE: Guest House, Helsinki, Finland

The President: I want to hear from you especially on Cyprus and Macedonia. (Ø)

Prime Minister Mitsotakis: Thank you for receiving me. I have the same two topics to discuss with you. On Macedonia, I believe we are close to a resolution. The EC decision facilitates a solution but Gligorov has yet to accept this decision. I think Gligorov's domestic decision is strong. He can implement this if he wants to. I think he wanted the government to fall. It should not be an insurmountable problem for him to accept the EC decision. The U.S. position will be decisive with him. This is how I feel. I think the U.S. should adopt a clear stand. (Ø)

The President: We have tried to hold back on recognition. Your proposal seems okay with us. What makes you think Gligorov is prepared to accept it? (Ø)

Prime Minister Mitsotakis: If Gligorov is convinced that there is no alternative, he will go along. This is a terrible problem for him domestically. But if it is not solved, it will continue to be a crisis. All Greeks oppose any other solutions. If Greeks are hostile to Macedonia, there cannot be co-existence.

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Declassify on: OADR

But we are ready to recognize them if they accept our proposal on the name. There is no hostility toward them. (✓)

The President: Is there some way you can reach out directly to Gligorov? Do you believe he knows your heart beat on this? (✓)

Prime Minister Mitsotakis: I have used public statements and private contacts to connect with him. (✓)

The President: Reach out if you can. (✓)

Prime Minister Mitsotakis: I will make a speech and reach out in that way. Also we are prepared to provide aid. (✓)

The President: Does Gligorov really understand your sincerity on this? (✓)

Prime Minister Mitsotakis: What I can't do is meet with him. We have used intermediaries. I'll do what I can to convince him that we want his country to exist. It is in our interest. (✓)

The President: We think the Macedonians have done a good job on how they have gone about trying to achieve their international status. Why is it that you can't meet with him? (✓)

Prime Minister Mitsotakis: As soon as he accepts a name that does not include "Macedonia" I will be ready to meet with him. In the meantime, Douglas Hurd will go to Skopje on July 18. (✓)

Secretary Baker: We have sent the message to Gligorov saying that we would support your proposal. We have made it clear to them that this is the EC decision and we support it. (✓)

Prime Minister Mitsotakis: We have to try harder to convince Gligorov. (✓)

Secretary Baker: But he came to see us and we told him the facts. (✓)

Prime Minister Mitsotakis: We have to insist. (✓)

Secretary Baker: We are worried about the situation in Macedonia. (✓)

Prime Minister Mitsotakis: I told the Europeans that they have to choose and then persuade Gligorov. We want stability in the south of what once used to be Yugoslavia. This could be our first success from this crisis. But the U.S. must insist. He will be prepared to decide this. He has people who want to settle it. Such a solution will also increase the U.S. prestige in Greece and in Europe. (✓)

Secretary Baker: Even if Gligorov agrees, will this political situation permit him to survive? (✓)

Prime Minister Mitsotakis: Gligorov has control. He can accept this. But it is hard for him to shift especially from the hard core people who surround him. (Ø)

The President: Maybe we can escalate our presentation to Gligorov. I understand what you want. Maybe we could do something in connection with Hurd's visit. I still wonder if Gligorov can survive. But I can see what I can do. (Ø)

Prime Minister Mitsotakis: The dual name compromise eliminates no one. It is a fair compromise. (Ø)

Secretary Baker: Have you suggested what the formal name would be? (Ø)

Prime Minister Mitsotakis: It can be anything they want as long as doesn't include "Macedonia." (Ø)

The President: We will see what can be done. We are terribly worried about instability in this region. (Ø)

Prime Minister Mitsotakis: If we solve the Skopje problem and are careful about the Kosovo, perhaps we can keep the war out of the South. (Ø)

The President: We were impressed with the new Albanian President. Berisha is a good man. (Ø)

Prime Minister Mitsotakis: I agree. (U)

On Cyprus I know about the efforts you are making. We have a great opportunity right now. I went to Istanbul twice. (Ø)

The President: I know that Demirel likes you. (U)

Prime Minister Mitsotakis: I have met with Ozal, Inonu, Demirel, and Cetin. Cetin in particular is a great man. I try to create a good atmosphere with Turkish public opinion during my visits but I will be frank. I am still not sure that the Turks want a settlement of the Cyprus problem. Demirel, Cetin, and Yilmaz all said that they are ready but I am not sure that they have reached a final decision. We may be in the last days, please keep up the pressure on them. I've tried to be helpful. (Ø)

The President: Don't you need to lean on our friend Vassiliou? If there is a problem on either side, we will weigh in. I know the territories and refugees are key for you. The Secretary General's proposal seems reasonable, that is his so-call "set of ideas." (Ø)

Prime Minister Mitsotakis: Territory is key. (Ø)

The President: You are asking us to keep after Ankara. (Ø)

Prime Minister Mitsotakis: Yes, in order to keep the pressure on Denktash. (Ø)

The President: We have little influence on Denktash. (C)

Prime Minister Mitsotakis: Denktash doesn't really exist. I will be seeing Demirel while I am here. (C)

The President: So will I. Let's see what we can all do to bring this to a conclusion. (C)

-- End of Conversation --

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
20. Memcon	Re: Meeting with Manfred Woerner NATO Secretary General (3 pp.)	7/9/92	(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 7/1/92 - 7/9/92

Document Partially Declassified
(Copy of Document Follows)
 By SCS (NLGB) on 7/20/11

Date Closed:	1/29/2009	OA/ID Number:	91110-001
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:	2000-0233-F3 (159)	MR Case #:	
AR Disposition:	Released in Part	MR Disposition:	
AR Disposition Date:	3/14/2011	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]
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 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.

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(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

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THE WHITE HOUSE
WASHINGTON

5611

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2000-0233-F/3
SCS 3/14/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Manfred Woerner NATO Secretary General

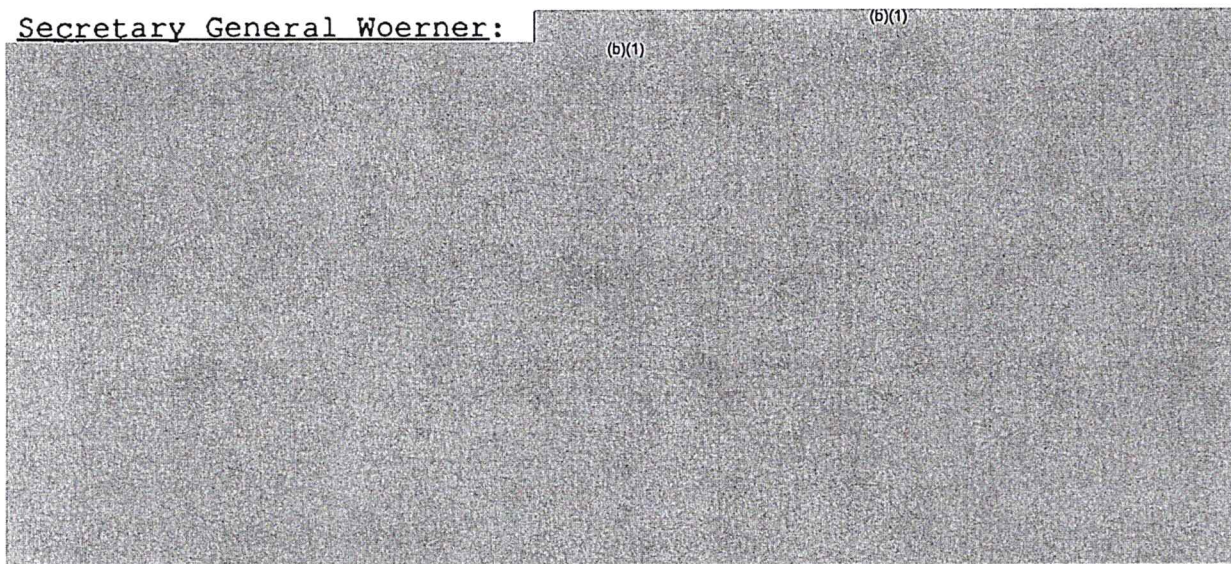
PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
Robert Zoellick, Under Secretary of State for Economic and Agricultural Affairs
Thomas M. T. Niles, Assistant Secretary of State for European and Canadian Affairs
David C. Gompert, Senior Director for European and Eurasian Affairs, NSC, Notetaker

Manfred Woerner, NATO Secretary General
Gephardt von Moltke, Assistant Secretary General
Roland Wegener, Director of the Private Office

DATE, TIME July 9, 1992 11:00 - 11:30 a.m.
AND PLACE: Helsinki Fair Center, Finland

The President: Tell me about yesterday's NATO meeting. We are not trying to push the WEU off the scene. I take it there may be a serious problem with the French. We are running into this a lot. (C)

Secretary General Woerner:



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The President: What is this talk about the WEU opening up a land corridor? (S)

Secretary General Woerner:

(b)(1)

(b)(1)

The President: What is the attitude of the French? (S)

Secretary General Woerner:

(b)(1)

(b)(1)

Secretary Baker: I have been talking to the other foreign ministers and they have been talking to Dumas. I have to wonder about whether we want a NATO ministerial here in Helsinki. It could appear as if we are seeking to displace the WEU. Could we not just have a quiet conversation? We are prepared to see the WEU involved as much as NATO is. (S)

Secretary General Woerner:

(b)(1)

(b)(1)

Secretary Baker: What the President has said is this. The U.S. cannot sit back on a humanitarian role. We support use of all necessary means the not too settle the political problem. We haven't ruled anything out, but we are unlikely to provide ground combat forces. We would consider making air and naval forces available. NATO might play a useful role. I offered that to Boutros Ghali. Amato definitely would support NATO-WEU coordination. (S)

The President: What if Boutros Ghali says that NATO should go into Bosnia? Would we have some obligation? (S)

Secretary General Woerner:

(b)(1)

(b)(1)

(S)

The President: If NATO were not involved what would the WEU do? (S)

Secretary General Woerner:

(b)(1)

(b)(1)

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(b)(1)

Secretary Baker: Yes, maybe. But propose we do it cooperatively between NATO and the WEU. We would cooperate for this discrete problem. The question of intervention is a separate bridge to cross. (S)

The President: But we have to consider how we define this at the beginning. We can't be contradictory. We will cooperate with the WEU and provide sea and air forces. But I want to be careful about NATO being in the lead. (S)

General Scowcroft: This could be a precedent setting. If NATO stays in the background, France will say that such conflicts are to be managed by Europeans. Also let's not forget that these are NATO ships. (S)

Secretary General Woerner:

(b)(1)

(b)(1)

Secretary Baker: We can confront that question later. The key is not to prejudge it. (U)

Secretary General Woerner:

(b)(1)

(b)(1)

(S)

Secretary Baker: The WEU will not be able to handle it if the situation gets bloody. (S)

Secretary General Woerner: Let's stay in touch. I will be talking to everybody today. (U)

Secretary Baker: The real issue is this. Why not go to the French, sit down with them and say we don't want a confrontation? This is the time to put that behind us. Let's fess the agriculture question by doing it cooperatively. (S)

Secretary General Woerner: Okay, I would expect you to prepare the ground with the French. (S)

Secretary Baker: In the meantime, Gompert, Zoellick or Niles will stay in touch with you. (S)

The President: I am trying to look over the horizon. I don't see how we can say that the NATO is in and the U.S. is out. (S)

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THE WHITE HOUSE
WASHINGTON

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2009-0649-MR
SCS 11/6/11

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Suleyman Demirel
of Turkey

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert Zoellick, Under Secretary of State for
Economic and Agricultural Affairs
Thomas M. T. Niles, Assistant Secretary of
State for European and Canadian Affairs
David C. Gompert, Senior Director for
European and Eurasian Affairs, NSC,
Notetaker

Suleyman Demirel, Prime Minister of Turkey
Hikmet Cetin, Minister of Foreign Affairs
Ozdem Sandberk, Deputy Secretary for Foreign
Affairs

DATE, TIME July 9, 1992, 12:15 - 12:45 p.m.
AND PLACE: Helsinki Fair Center, Helsinki, Finland

The President: Turkey is playing a useful role in the whole region. Thank you for your leadership on the extension of Provide Comfort. We have great confidence in your leadership and I want you to know that you are important to the United States. I admire the way you handled Provide Comfort. You were right to get Parliament on board. Now what's on your mind? (C)

Prime Minister Demirel: I think this was better done by Parliament. It gives Provide Comfort more legitimacy. I believe we have done the right thing to ensure humanitarian protection for the Kurds in Northern Iraq. But we still have some worries. Now that these people are safe from Saddam Hussein we do not know how far they will want to go. We want things to go no further. A Kurdish state in northern Iraq will create serious problems for Turkey. I was pleased with the resolution of the U.S. Congress respecting the unity of Iraq. The USG has also said this and it is useful for you to repeat it. We don't want to give birth to a new Kurdish nation. (C)

The President: I understand. What happened with regard to the bombing incident with Mrs. Mitterrand? (C)

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Prime Minister Demirel: The Kurds have various groups and can't control them all. (C)

The President: I would like your view on Bosnia. Will Milosevic back down if we demonstrate the use of force? (S)

Prime Minister Demirel: This problem is not limited to Sarajevo. Milosevic will continue if he is not stopped. It is important to show determination. (S)

The President: Do you mean that we should go beyond the humanitarian effort? (S)

Prime Minister Demirel: Perhaps the humanitarian effort should go beyond Sarajevo? (C)

The President: Izetbegovic made an emotional case to me just now. He said that heavy arms continue to pour in. What is your judgment about this? (C)

Prime Minister Demirel: I'll tell you what has to be done. All CSCE members must decide that something must be done to stop the massacre otherwise CSCE will have no credibility. We should do whatever is necessary. Everyone is saying that the UN should use military force. How and where to use force is another matter. (S)

The President: We are thinking about the structure of NATO/WEU cooperation. (C)

Prime Minister Demirel: Everything should come from the UN. (C)

The President: No question about that. (U)

Prime Minister Demirel: Maybe the UN Security Council can make a new decision. (C)

The President: We have to decide whether to pursue NATO/WEU cooperation or risk eroding the role of NATO. (C)

(After this conversation the President walked with PM Demirel back to the Plenary, during which he raised the subject of Cyprus.) (C)

-- End of Conversation --

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Aliza Izetbegovic, President of Bosnia-Herzegovina (U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President for National Security Affairs
David C. Gompert, Senior Director for European and Eurasian Affairs, NSC
Notetaker

Aliza Izetbegovic, President of Bosnia-Herzegovina
Haris Siladjic, Prime Minister of Bosnia-Herzegovina

DATE, TIME July 9, 1992, 11:45am - 12:30pm
AND PLACE: Fair Center, Helsinki, Finland

President Izetbegovic: Thanks for seeing me. European intervention in the Bosnia crisis will not work without the U.S., so we would appreciate U.S. interest. Sarajevo is now open but it is still under attack. It is a miracle that any aircraft can land. The UN Resolution said that the airlift should be just the first step. It called for the creation of a security zone around the city. Aggression is continuing all around Bosnia. The Serbs are sending new reinforcements. As for the humanitarian aspect, the situation is horrible and we don't even know what is happening throughout the country. They have destroyed the telephone and TV system. We do know that genocide is being committed, but we don't know the scale. That is why we want the world to take an interest. That why we need the Red Cross. We need to be able to get access to the closed regions. I would appreciate it if the U.S. could send agencies along with the ICRC into the closed areas. (C)

I also want to raise with you the problem of the weapons. We asked the U.S. to do what it can to get the JNA out of Bosnia. The UN Security Council Resolutions are not being respected. The Serbs say that their soldiers are only local Bosnians. Our position is that Bosnians-Serbs can stay in Bosnia but their arms must be returned to Serbia or be concentrated and put under UN

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control. If they are not prepared to do this then these arms should be destroyed. This means that your air force must go in under the UN. I am grateful for humanitarian relief, but this is the problem we have to confront. (C)

The President: Are you saying that you have no faith in the sanctions? (C)

President Izetbegovic: They are just ignoring the sanctions. (C)

Secretary Baker: Do you agree that Romania is the biggest problem? (C)

President Izetbegovic: The Serbs have large war reserves. They could fight for a long time and they are crazy enough to keep fighting. Time is working against us. The centers of Bosnian resistance cannot hold on for long. The Serbs can wage war longer than we can resist. We have to prevent them from reinforcing. The question is how. We would like to see the UN deploy observers along the Serb-Bosnian borders. This will require a limited number of UN peacekeeping troops. I know that there are still some tanks coming in from Serbia as well as aircrafts. The JNA jets are still active. They say that they are assigned to "Bosnian-Serb Army". (C)

The President: What do you make of the Croats' intentions and their role in Bosnia? (C)

President Izetbegovic: I talked to Tudjman, he reconfirmed Croatian recognition about the territorial integrity of Bosnia. He has twice offered diplomatic relations. There are some Croatian units fighting Bosnia but these are local Bosnia Croats. They are getting some arms and some soldiers from Croatia. But these Croatian forces are exposed to Serbian aggression also. Therefore, it helps Bosnia since it engages those who otherwise devote their full efforts against us. The Croats may have had plans for the future. But it is clear that we can not possibly match both Croatian and Serbian action. (C)

The President: We think that Croatia has some responsibility and we recommend that you talk to the Germans about this. (C)

Let me state our position on Bosnia. We are committed to alleviate humanitarian suffering. We are also discussing this with the WEU and what NATO might do to enforce sanctions. We will not give up on the sanctions and we will not give up in support diplomacy. But may stop short of inserting forces on the ground. We think outside force could bring on more conflict. I don't want there to be any false expectations about this, we don't believe that the problem can be solved militarily. We will support the UN fully on sanctions. (C)

If there were one other thing you could ask of us, what would it be? Are we using our diplomatic leverage? (C)

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President Izetbegovic: It seems to me you are doing all you can on the diplomatic front. And you can see what it has achieved and failed to achieved. What remains will require limited military action. We are sensitive to the dangers to the loss of life. We are definitely not requesting ground troops, but we are requesting the help of your air force to hit large concentrations of Serbian weapons and air fields. We have to find a way to eliminate the disproportion means available to the two sides or else you can give us arms. But this is not our preference. It is better to remove or destroy the JNA weapons in Bosnia. Even the removal of Milosevic will not suffice. We must remove the heavy weapons. (C)

The President: In our assessments these weapons are widely dispersed. (C)

President Izetbegovic: Well then at least around Sarajevo. (C)

The President: Whenever we ask our military for their assessment of Sarajevo, they say one thing: Dien Bien Phu. The Europeans say the same thing. This city sitting in a basin of mountains around it makes it vulnerable. (C)

Prime Minister Siladjic: There are other names that comes to mind when you mention Bosnia. Names like Auchwitz and Treblinka. Mr. President forgive me for being so blunt. People are being loaded into sealed wagons and taken to Hungary. There are 27 concentration camps in Bosnia. Seven children were shot while they were playing. We are dealing with monsters. I am sure that we will lose another 40,000 citizens in Banjak Luka. 50,000 people want to escape to Hungary. The Serbs say that this is their city. One, of course is not. The world and the U.S. must help us. We don't want parades on our airports while our people are dying. The sanctions were applied thanks to the intuition of Secretary Baker, but we will lose another 40-50,000 people. So far we have not seen gas chambers but we know that there were 14 trucks of civilian bodies removed and if this is not stopped, it will lead to a much larger Balkan war. There is another aspect of this. I just came from Saudi Arabia and that situation in Bosnia will galvanize the extremist in Muslim countries. This is a very important political consideration. Again Mr. President, I apologize if I have been rude. (C)

The President: Not at all. This brings home the picture very clearly. This helps me understand what we are up against. We want the bloodshed to end. We are prepared to maintain humanitarian relief. We are determined to see a peaceful settlement. I think the only real difference is the question of introducing U.S. air power. (C)

Prime Minister Siladjic: They will turn chicken under your pressure. (C)

The President: Are you talking about delivering an ultimatum? (C)

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I hope you understand reluctance of any U.S. President to commit troops to battle. But I promise you we will stay engaged and I know the Europeans want to help. (C)

President Izetbegovic: This is a European problem but it is also a world problem. (C)

The President: We are not detached from this problem, we are a part of Europe. We feel very strongly about this. (C)

Prime Minister Siladjic: The Europeans will not act, they need your leadership. (C)

-- End of Conversation --

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