

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

FOIA Number:
2009-0275-S

FOIA MARKER

**This is not a textual record. This is used as an
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Library Staff.**

Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Scowcroft, Brent, Collection
Series: China Chronological Files
Subseries: Non-Tiananmen Files

OA/ID Number: 91134
Folder ID Number: 91134-002

Folder Title:
China: Non-Tiananmen (November - December 1989)

Stack:	Row:	Section:	Shelf:	Position:
G	34	3	4	6

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01a. Memo	Douglas Paal to Brent Scowcroft Re: Possible Steps in U.S. -China Relations (2 pp.)	11/24/89	(b)(1)	TS
02. Memo	Robert M. Gates to Mark Edelman Re: [Classified Subject] (1 pp.)	11/24/89	(b)(1)	TS
03a. Memo	Douglas Paal to Brent Scowcroft Re: Your Meeting with U.S. Ambassador to China, James R. Lilley, Wednesday, December 6, 4:00 - 4:30 p.m. EST (1 pp.)	12/5/89	(b)(1)	S
03b. Talking Points	Re: Points To Be Made for Meeting with Ambassador to China James R. Lilley (1 pp.)	n.d.	(b)(1)	S
04. Memo	Brent Scowcroft to POTUS Re: Mitterrand, the Germans, U.S. -EC Cooperation and CSCE (3 pp.)	12/15/89	(b)(1)	S
05a. Memo	Robert L. Hutchings to G. Philip Hughes Re: The President's Meeting with Bettino Craxi, Secretary of the Socialist Party of Italy, December 6, 1989 (1 pp.)	12/18/89	(b)(1)	TS
05b. Memcon	Re: Meeting with Bettino Craxi, Secretary of the Socialist Party of Italy (5 pp.)	12/6/89	(b)(1)	TS

Page 1 of 1

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: China Chronological Files
Subseries: Non-Tiananmen Files
WHORM Cat.:
File Location: China: Non-Tiananmen (November - December 1989)

Pinksheet Number: cap1114
OA/ID Number: 91134-002
Date Closed: 5/1/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

~~TOP SECRET~~
NSC/S PROFILE

CHRON FILE
RECORD ID: 8910458
RECEIVED: 29 DEC 89 16

TO: SCOWCROFT

FROM: PAAL

DOC DATE: 24 NOV 89
SOURCE REF:

KEYWORDS: CHINA P R

PERSONS: DENG XIAOPING

SUBJECT: POSSIBLE STEPS IN US - CHINA RELATIONS

ACTION: ORIGINALS RETURNED TO NSC/S DUE DATE: 02 JAN 90 STATUS: C

STAFF OFFICER: PAAL

LOGREF:

FILES: PA NSCP: CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

DECLASSIFIED
White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cap NARA, Date 5/1/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSRLG

CLOSED BY: NSRLG

DOC 1 OF 1

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Withdrawal/Redaction Sheet

(George Bush Library)

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01a. Memo	Douglas Paal to Brent Scowcroft Re: Possible Steps in U.S. -China Relations (2 pp.)	11/24/89	(b)(1)	TS

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: China Chronological Files
Subseries: Non-Tiananmen Files
WHORM Cat.:
File Location: China: Non-Tiananmen (November - December 1989)

Date Closed:	5/1/2009	OA/ID Number:	91134-002
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:		MR Case #:	
AR Disposition:		MR Disposition:	
AR Disposition Date:		MR Disposition Date:	

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P-1 National Security Classified Information [(a)(1) of the PRA]
 P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
 P-3 Release would violate a Federal statute [(a)(3) of the PRA]
 P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
 P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA]
 P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA]

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

PRM. Removed as a personal record misfile.

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

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

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CHRON FILE

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THE WHITE HOUSE
WASHINGTON

9481

November 24, 1989



MEMORANDUM FOR MARK EDELMAN
Acting Administrator
Agency for International Development

SUBJECT: Abortion Practices in China (Ø)

I would appreciate AID conducting a thorough study of abortion practices in China, with particular focus on the use of forced or mandatory abortion as a family planning measure. We would like this study to be as comprehensive as AID's information makes possible. We would appreciate having the study by December 15. If more time is required to ensure as good a job as possible, please let me know. (Ø)

Robert M. Gates
Assistant to the President and
Deputy for National Security Affairs

cc: David Miller
Karl Jackson

CONFIDENTIAL

Declassify: OADR

~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 12958,
AS AMENDED
2000-0116-F11
201 3131110

~~SECRET~~

~~SECRET~~

CHRON FILE

9795

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

December 5, 1989



ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: KARL JACKSON *KJS*

FROM: DOUGLAS FAAL *DF*

SUBJECT: Your Meeting with U.S. Ambassador to China, James R. Lilley, Wednesday, December 6, 4:00 - 4:30 p.m. EST

Ambassador Lilley wants to discuss sorting out channels for communication with the Chinese leadership on several topics. He also hopes you will be able to take him to see the President for a few minutes to discuss the overall direction of China policy. The President's calendar shows Admin time when Lilley will be visiting you.

Up to now, Ambassador Lilley has used his consultations to advocate a tough rhetorical line toward Beijing, reduced expectations for political dialogue and cooperation, and expanded efforts to promote economic activity and trade. He will also want quickly to get into some of the sensitive issues with China.

RECOMMENDATION

That you use the points to be made at Tab A.

Attachment
Tab A Points to be Made

~~SECRET~~

Declassify on: OADR

~~SECRET~~

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PER E.O. 12958,
AS AMENDED
2000-D116-F11
OL 3/31/10

POINTS TO BE MADE FOR MEETING WITH
AMBASSADOR TO CHINA JAMES R. LILLEY

- Satellite Launch. Decisions will have to be made by mid-December on whether to issue export licenses for AUSSAT and Asiasat launches on Chinese rockets. Otherwise, the deals, involving \$300 million in sales for Hughes Aircraft, will fall through. What do you recommend?
- FMS. We face another round of negotiations with the Chinese before the next quarterly payment to continue FMS projects is due on December 15. The Chinese may seek resumption of deliveries of suspended arms sales at that time. What do you recommend?
- Channels. There has been some miscommunication with the Chinese as both sides have explored different channels. I would like you to be the primary channel on Fang Lizhi, given your proximity to him. But to isolate the issue of Fang from other things we might do with China, I would like any other steps in the near future to improve relations to be controlled here, where we can stay closely attuned to Congress.
- EXIM Sanction Waiver. The Exim Authorization Bill suspends Exim activity in China, contrary to the President's intention to maintain economic and commercial relations. What is your view on how soon to use the "national interest" waiver?

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NSC/S PROFILE

RECORD ID: 8910087
RECEIVED: 15 DEC 89 10

CHRON FILE

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 15 DEC 89
SOURCE REF:

KEYWORDS: GERMANY F R
BELGIUM
USSR

NATO
CSCE

PERSONS: MITTERRAND, FRANCOIS

KOHL, HELMUT

SUBJECT: MITTERRAND / GERMANS / US / EC COOPERATION & CSCE

ACTION: NFAR PER SCOWCROFT

DUE DATE: 19 DEC 89

STATUS: C

STAFF OFFICER: BLACKWILL

LOGREF:

FILES: PA

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

DECLASSIFIED

White House Guidelines

E.O. 12958, SEC 3.4 (B) September 11, 2006

By Cap NARA, Date 5/1/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSAJC

CLOSED BY: NSJRP

DOC 1 OF 1

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Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
04. Memo	Brent Scowcroft to POTUS Re: Mitterrand, the Germans, U.S. -EC Cooperation and CSCE (3 pp.)	12/15/89	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: China Chronological Files
Subseries: Non-Tiananmen Files

Document Partially Declassified

(Copy of Document Follows)

By EJ On 7/11/22

WHORM Cat.:

File Location: China: Non-Tiananmen (November - December 1989)

Date Closed: 5/1/2009	OA/ID Number: 91134-002
FOIA/SYS Case #: 2009-0275-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #:	MR Case #: 2009-1151-MR (503)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 8/14/2015

RESTRICTION CODES

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

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

Deed of Gift Restrictions

- C(1) Closed by Executive Order 13526, governing access to national security information
- C(2) Closed by statute or by the agency which originated the information
- C(3) Closed in accordance with restrictions contained in donor's deed of gift [formerly listed as only C]
- PRM. Removed as a personal record misfile

Presidential Records Act - [44 U.S.C. 2204(a)]

- P-2 Relating to the appointment to Federal office [(a)(2) 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]

PNSA has Seen

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THE WHITE HOUSE
WASHINGTON

December 15, 1989

1989 DEC 15 PM 2:15

PNSA FILE

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT *BS*

SUBJECT: Mitterrand, the Germans, U.S.-EC Cooperation and the CSCE

In addition to the briefing book which you have received, I wanted to give you some final thoughts on handling Mitterrand's increasing concerns about German reunification.

The European Community and the Future of Germany

3.3(b)(1); 3.3(b)(6)

Mitterrand and Kohl had a heated discussion at the Strasbourg Summit concerning German reunification. 3.3(b)(1); 3.3(b)(6) Mitterrand asked Kohl if German reunification was now more important to Bonn than EC integration. Kohl avoided answering directly.

With this downward trend in relations between Bonn and Paris, it is likely that Mitterrand has concluded that the reemergence in spades of the German Question has made U.S.-French cooperation more important than at any time in the post-war period. He has made clear in a variety of public statements and at two NATO Summit meetings that the United States has an indispensable role in managing the future of Europe. This does not mean, however, that Mitterrand in particular and the French in general have lost their legendary prickliness regarding an overly aggressive U.S. attempt to insert itself into the middle of internal EC deliberations.

This brings me to Jim Baker's Tuesday speech in Berlin. In that speech, Jim proposed "that the United States and the European Community work together to achieve, whether it's in treaty or some other form, a significantly strengthened set of institutional and consultative links." This, of course, followed up on similar comments you made at your Boston University commencement speech and subsequently in Europe.

Our concept here is that more intimate U.S.-EC consultations will both help the other Europeans manage the Germans more successfully in the extraordinarily delicate period ahead, and give us more influence in resisting the protectionist pressures that come out of Brussels in the context of EC 92. This latter

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cc: Vice President
Chief of Staff

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PER E.O. 13526

2009-1151-MR
EJ 8/14/15

~~SECRET~~

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consultative mechanism will become increasingly important as the Congress and domestic American lobbies fasten on the dangers to the United States of the Community erecting barriers to U.S. goods and services in order to strike a final deal among themselves on EC 92.

The issue of U.S. ties to the European Community has a long and bitter history in U.S.-French relations. DeGaulle wanted no American role in European construction and Henry Kissinger's attempt in 1973 to strengthen U.S. ties with the Community triggered a poisonous year of recrimination with France.

As we consider the place of enhanced U.S.-EC consultation along the lines of Jim's speech, we have to be especially alert to any effort by the Allies, including the French, to gradually replace NATO with the EC as the primary channel of Transatlantic political cooperation. Such an evolution would severely damage our capacity to manage developments on the Continent and further call into question the relevance of the Alliance and the common defense in the 1990's. This potential problem may have receded somewhat in recent months as turbulence in Europe has led French officials to express in public new found enthusiasm for NATO as an institution. Nevertheless, injecting just the right amount of substance and importance into each of our consultative mechanisms with the Europeans (bilateral, NATO, Quadripartite, Summit Seven, G-24, EC) will not be easy in the period ahead and if we are not careful, we may ourselves gradually diminish our ability to guide events in Europe.

The questions before us now are therefore (1) whether Mitterrand is sufficiently worried about the future of Germany that he will support enhanced U.S.-EC cooperation, both as a counterweight to Bonn and as a further means to try to ensure continued U.S. involvement in Europe; (2) whether we can intensify U.S.-EC consultation without undermining our traditional links with the Europeans where we have a more central voice in the proceedings.

I recommend that you raise Jim's suggestion for increased U.S.-EC consultation in your private meeting with Mitterrand and ask him for his reaction. It would be a mistake in my judgement to press Mitterrand on the matter since he has probably not had time to digest the implications of our proposal.

CSCE

Mitterrand's objectives in accepting Gorbachev's proposal for a Helsinki II Summit in Geneva in 1990 are unclear. The French have traditionally supported the CSCE process strongly among other reasons because it downplays the role of the Alliances in

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European Security and minimizes the influence of the United States. We are not sure if these factors are still in Mitterrand's mind. We do know that he was furious with Kohl for not consulting on the Chancellor's Ten Points. That might have affected his agreement in Kiev with Gorbachev to support the Helsinki II idea, a development that was widely seen in the French press as expressing Franco-Soviet cooperation to slow down German reunification. In any event, Soviet officials have admitted that they have no idea what Gorbachev may have in mind concerning a CSCE Summit next year. Nevertheless, the NATO Ministerial communique released today in Brussels leaned forward on this Soviet proposal and the Allies seem to want to push ahead before any analysis is done by either national governments or by NATO.

In my view, we can use the CSCE as Jim suggested in Berlin as one among several institutional instruments to help influence events in Europe. However, this notion of a Helsinki II Summit is dangerous:

- It would divert attention away from CFE and our attempt to get a Treaty and have a CFE Summit in 1990;
- It could well develop into an open-ended negotiation about the future of Europe in about the worst possible multilateral setting one can imagine; and
- Our own influence in such a large and uncoordinated gathering would be minimal.

It is my impression that Mitterrand has not thought through the implications of this Helsinki II concept. Your talking points on this issue express skepticism and ask him to explain what Gorbachev and he would like such a meeting to accomplish.

Conclusion

Mitterrand, like the rest of us, is searching for a way to both influence the Federal Republic and manage the Soviet Union in a situation which could become very dangerous very fast. We need to persuade him that there is no place for impulsive Western actions or proposals in this environment. We also need to gently remind him that we must take the greatest care not to undermine Kohl in the year before his December 1990 election, and avoid giving the general impression to the German people that self-determination is fine for everyone in Europe except them.

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NSC/S PROFILE

RECORD ID: 8910159
RECEIVED: 18 DEC 89 11

TO: HUGHES

CHRON FILE

FROM: HUTCHINGS

DOC DATE: 18 DEC 89
SOURCE REF:

KEYWORDS: ITALY

MEMCON

PERSONS: CRAXI, BETTINO

SUBJECT: MEMCON OF PRES MTG W/ CRAXI / SEC OF SOCIALIST PARTY OF ITALY

ACTION: NOTED BY HUGHES

DUE DATE: 21 DEC 89

STATUS: C

STAFF OFFICER: HUTCHINGS

LOGREF: 8909777

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION

FOR CONCURRENCE

FOR INFO

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By Cop NARA, Date 5/1/09

COMMENTS: _____

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OPENED BY: NSJWF

CLOSED BY: NSDAI

DOC 1 OF 1

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10159

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~CONFIDENTIAL~~
~~CONFIDENTIAL~~

December 18, 1989

ACTION

MEMORANDUM FOR G. PHILIP HUGHES

FROM: ROBERT L. HUTCHINGS *RZH*

SUBJECT: The President's Meeting with Bettino Craxi,
Secretary of the Socialist Party of Italy,
December 6, 1989

At Tab I is the Memorandum of Conversation for the President's meeting with Secretary Craxi.

Concurrence by: Adrian A. Basora *AAB*

RECOMMENDATION

That the Memorandum of Conversation at Tab I be filed for the record.

Approve _____ Disapprove _____

Attachment
Tab I Memorandum of Conversation

~~CONFIDENTIAL~~

Declassify on: OADR

DECLASSIFIED
White House Guidelines
E.O. 13526, SEC 3.4 (b), September 11, 2006
By *21* NARA, Date *11/8/02*

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

10159

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Bettino Craxi, Secretary of the
Socialist Party of Italy (U)

PARTICIPANTS: U.S.
The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert L. Hutchings, Director for European
Political Affairs
James F. Dobbins, Principal Deputy Assistant
Secretary of State for European and
Canadian Affairs
Interpreter: Sim Smiley

Italy
Bettino Craxi, Secretary of the Socialist
Party
Rinaldo Petrignani, Ambassador
Interpreter: Elvira Bonaccorsi

DATE, TIME December 6, 1989, 10:05 - 10:35 a.m. EST
AND PLACE: Oval Office

The meeting preceded the photo opportunity, as the Italian press was not available at the beginning of the session. (U)

The President: Are you here on a private visit? (U)

Secretary Craxi: Yes. I hope you were not seasick at Malta.
(U)

The President: In addition to the substance of the meetings, the weather added some thrills. The press tried to make something of the fact that we were on ship and could not make our dinner, and also that Chairman Gorbachev could not go to Slava or Belknap, but that is all irrelevant. It had nothing to do with whether the meeting went well. (U)

Secretary Craxi: The impression was excellent. It was not a case of substantive decisions, but a general wave is coming. What is happening in Europe is truly extraordinary. (U)

The President: It is amazing. I wanted to get your impressions, particularly on German unification. Clearly, Gorbachev is uneasy about that. (U)

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Declassify on: OADR

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PER E.O. 13526

2009-1151-MR
SCS 7/8/13

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Secretary Craxi: Of course. (U)

The President: He was not upset with anything the U.S. had said on the subject, but he did specifically mention the recent statement by the Federal Chancellor. I defended Chancellor Kohl, noting that he was not setting any timetable for unification. I wanted to ask you, and get your private judgment, about something that happened at NATO. I spelled out the points on what the U.S. position is on German reunification. There were four points.
(Ø)

Secretary Craxi: I know them. (U)

The President: Prime Minister Andreotti had a rather forceful reaction. Then Chancellor Kohl jumped in. I wondered what I was missing. Andreotti did not seem upset with the U.S., but I wondered if you knew the background to what was going on. (Ø)

Secretary Baker: It seemed his concern revolved around the term "self-determination." (Ø)

Secretary Craxi: Andreotti, I think, was thinking about something which is actually overtaken by events. He has talked about one German nation, two German states, but this is still an open question. Personally, I believe this is the most important matter, but not the one that can be solved first. I think these matters have to be accompanied by a new balance in Europe. I am thinking of Poland and Czechoslovakia. In terms of this we can deal with the German Question. These regimes are in a crisis situation, though it is not a new situation. Is it possible to have free elections in Czechoslovakia? I am not sure. When the day comes that it is possible to vote in the GDR, the path to reunification will be open. The Communists would get, say, 15 percent of the vote. (Ø)

The President: Clobbered, yes. The thing for the West to do is to stick with our position, the longstanding NATO position, and not act as if we are calling for reunification now. Let time take care of this. Today is Wednesday. You cannot tell me what will happen Thursday, and I cannot tell you. (Ø)

Secretary Craxi: I think caution is necessary. In Hungary, the situation will evolve. I am concerned about Czechoslovakia. (Ø)

The President: Why are you concerned about Czechoslovakia? (Ø)

Secretary Craxi: I see the Czech party really holding out. It is my intention to go to Prague soon, in the next couple of days. I have many friends among the dissidents. There may come about an explosive situation. (Ø)

The President: What would be an explosive situation? (Ø)

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Secretary Craxi: This could happen, for example, if some protests were met with force. (Ø)

The President: Soviet-backed, or Czechoslovak? (Ø)

Secretary Craxi: I was thinking of a Czechoslovak action, without Soviet support. I think Gorbachev has been overtaken by events. He couldn't even have imagined that what has occurred would happen. Not even we imagined this. (Ø)

The President: Exactly. And he has closed the door on the use of force, I believe. The question is: is there some circumstance that could make him open that door again? (Ø)

Secretary Craxi: This may happen, but we must make a distinction between the East bloc countries and the internal situation in the USSR. The Soviet Union will not intervene with force in an East bloc country. He is trying to maintain control but is aware that he may lose it. (Ø)

The President: I worry about the German situation. The use of force would go against what he has said, but he has lots of troops there. (Ø)

Secretary Craxi: I think he is trying to ride along with the situation, trying to avoid trauma or shock. I think they are convinced a new era has dawned. Take their attitudes toward the U.S., which are totally different, and toward Europe in general. This is because the system is crumbling. (Ø)

The President: If he pulls back, all of us have to handle the situation so as not to rub his nose in it. We would need to let him adjust. (Ø)

Secretary Craxi: If the U.S. withdraws from Western Europe with conventional arms, the U.S. taxpayer will be happy because he is paying less. The problem Gorbachev raises is not so much conventional as nuclear. (Ø)

The President: I was talking politically -- about the collapse of his system and the defeat of his ideology and philosophy. (Ø)

Secretary Craxi: That philosophical system is a total failure. This winter the Poles asked the EC for bread and flour. (Ø)

The President: Let me tell you why I said what I did. Gorbachev took vigorous exception to our talking about "Western values" winning the day, but he agreed that if we called them "democratic values" it would be okay. I took that as a very important point, a point of pride. He is trying to change toward more democratic values -- pluralism, press freedom, debate, and economic change; but he has the pride of not saying that the values of the West have prevailed and those of the East have failed. (Ø)

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Secretary Craxi: Yes, but he will not be able to come out of this tight spot unless he opens up toward the capitalist systems. I have discussed this with his economic adviser, Aganbegyan. I gave him the example of Italy, which became an important industrial country because we have U.S., German, Swedish, and Dutch industry. An international synergy has come about in our country. If they do not open up, how will they solve their economic crisis? They are trying to set up cooperatives, but that is no solution. (Ø)

The President: Yes. We found a disconnect in our meetings about how to open up. The Soviets have no knowledge of how market economies work. (Ø)

Secretary Craxi: Yes. It is a problem of culture and habit. I would like to raise the Palestinian question. We want to find a way to start a dialogue. It is a serious matter in an international situation going toward sunny days that we are unable to unblock the situation. (Ø)

The President: We are trying. Secretary Baker is trying very hard to get Israel and representatives of Palestine to talk. (Ø)

Secretary Craxi: Arafat knew I was coming to Washington and sent me a note before I left. The PLO is insisting that if there is to be a Palestinian delegation, they should be represented on it. Israel does not take kindly to this idea. (Ø)

Secretary Baker: We are working very hard, as the President just indicated. We are close to a situation in which we can satisfy both the Palestinians and the Israelis on substance, so long as neither insists too much on symbols. Everyone knows there will be no dialogue unless the PLO acquiesces to Palestinians sitting down with Israelis, but acquiescence is not the same as specific approval. (Ø)

The President: It is tough, very tough. Lebanon worries us, too. (U)

Secretary Craxi: But it is felt with regard to Palestine that in the end it is U.S. influence that will get things moving. (Ø)

The President: Then others need to exert influence, too. We are not going just to tell Israel to sit with the PLO. The PLO needs to be influenced as well. Israel has come closer, grudgingly, but Arafat is not going to get what he wants -- the PLO sitting down with Israel. Regardless of what we want, that won't happen. (Ø)

Secretary Craxi: This is really tricky, because the Palestinians on the West Bank are really far worse than the PLO. These are tricky formalities. (Ø)

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Secretary Baker: I am not sure you can convince Israel of that.
(Ø)

Secretary Craxi: [These brief remarks were made during a photo opportunity.] Castro is a big problem. (Ø)

The President: Castro is way behind Gorbachev. He cannot seem to cut the umbilical cord. (Ø)

-- End of Conversation --

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~~CONFIDENTIAL~~