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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: Chronological Files
Subseries:

OA/ID Number: 91148
Folder ID Number: 91148-008

Folder Title:
Other (January - May 1990) [1]

Stack:	Row:	Section:	Shelf:	Position:
G	34	48	6	6

Withdrawal/Redaction Sheet

(George Bush Library)

Doc. No. / Type	Subject/Title	Date	Restriction	Classification
01. Memo	Timothy E. Deal to Brent Scowcroft Re: European Bank for Reconstruction and Development (2 pp.)	1/8/90	(b)(1)	TS
02. Memo	Timothy E. Deal to Brent Scowcroft Re: Summary of Conclusions of Meeting with Secretaries Baker and Brady on January 9: China and EBRD [European Bank for Reconstruction and Development] (2 pp.)	1/9/90	(b)(1)	TS
03a. Memo	Timothy Deal/Adrian Basora/Condoleezza Rice to Brent Scowcroft Re: European Bank for Reconstruction and Development (EBRD): Your Meeting with Baker and Brady, 11:00 a.m. Today, Treasury (2 pp.)	1/9/90	(b)(1)	TS
03b. Memo	David C. Mulford to Secretary Brady Re: European Bank for Reconstruction and Development (EBRD) (4 pp.)	1/6/89	(b)(1)	
04. Memo	Brent Scowcroft to POTUS Re: Family Planning and Abortion in China (2 pp.)	1/16/90	(b)(1)	TS
05a. Memo	Timothy E. Deal to Brent Scowcroft Re: Negotiations for the European Bank for Reconstruction and Development (EBRD) (3 pp.)	1/22/90	(b)(1)	TS

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Collection:

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WHORM Cat.:
File Location: Other (January - May 1990) [1]

Pinksheet Number: cap1239
OA/ID Number: 91148-008
Date Closed: 7/10/2009
FOIA/Sys Case #: 2009-0275-S
Re-review Case #:
P-2/P-5 Review Case #:

Withdrawal/Redaction Sheet

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
05b. Memo	To Secretary Brady, Baker, and General Scowcroft Re: EBRD [European Bank for Reconstruction and Development] Negotiations (3 pp.)	1/16/90	(b)(1)	C
05c. Memo	Timothy E. Deal/Eric Melby to Brent Scowcroft Re: IEPR Breakfast, 7:30 a.m., Friday, January 26, (3 pp.)	1/25	(b)(1)	S
05d. Memo	Timothy E. Deal to Brent Scowcroft Re: IEPR Breakfast, January 26, 1990 (2 pp.)	1/26/90	(b)(1)	S
06a. Memo	John Gordon to Brent Scowcroft Re: Your Meeting with Senators Rudman and Stevens February 1, 1990 at 10:00 am (1 pp.)	1/31/90	(b)(1)	C
06b. Talking Points	Re: Themes from Wehrkunde Speech (1 pp.)	n.d.	(b)(1)	C
07a. Memo	Timothy E. Deal to Brent Scowcroft Re: European Bank for Reconstruction and Development (EBRD) (2 pp.)	2/1/90	(b)(1)	C
07b. Draft Memo	Nicholas F. Brady to President Bush Re: European Bank for Reconstruction and Development (4 pp.)	1/31/90	(b)(1)	
08a. Outline	Re: Meeting with Prince Bandar Bin Sultan (1 pp.)	2/22/90	(b)(1)	S
08b. Talking Points	Points To Be Made for Meeting with Prince Bandar Bin Sultan [FOIA restrictions redacted] (2 pp.)	n.d.	(b)(1)	S

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Doc. No. / Type	Subject/Title	Date	Restriction	Classification
08c. Letter	President Bush to King Fahd (2 pp.)	1/5/90	(b)(1)	
08d. Memo	Sandra Charles to Brent Scowcroft Re: Courtesy Call for Prince Bandar with President Bush (1 pp.)	2/20/90	(b)(1)	S
09a. Letter	President Bush to President Elias Hrawi (1 pp.)	2/21/90	(b)(1)	
09b. Memo	From Brent Scowcroft to POTUS, Re: Reply to President Hrawi of Lebanon [FOIA restrictions redacted] (1 pp.)	2/20/90	(b)(1)	C
09c. Memo	Fom C. David Welch to Brent Scowcroft, Re: Reply to President Hrawi of Lebanon [FOIA restriction redacted] (1 pp.)	2/14/90	(b)(1)	C
09d. Memo	J. Stapleton Roy to Brent Scowcroft Re: Draft Reply from the President to Lebanese President Hrawi (1 pp.)	2/13/90	(b)(1)	C
09e. Draft	Re: Department of State Draft Reply (President Bush to President Elias Hrawi) (2 pp.)	n.d.	(b)(1)	
09f. Letter	Charge d'Affaires to John Sununu (1 pp.)	2/7/90	(b)(1)	
09g. Letter	President Elias Hrawi to President Bush (1 pp.)	2/6/90	(b)(1)	
09h. Letter	President Elias Hrawi to President Bush (1 pp.)	2/6/90	(b)(1)	
10a. Summary	Re: Heads of State Correspondence Summary (1 pp.)	2/29	(b)(1)	C

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10b. Cable	Re: Menem Letter to the President (2 pp.)	2/16/90	(b)(1)	C
11a. Memo	Brent Scowcroft to POTUS Re: Preparations for the Houston Economic Summit (3 pp.)	4/28/90	(b)(1)	C
11b. Memo	Eric Melby to Brent Scowcroft Re: Briefing the President on the Houston Summit (3 pp.)	4/12/90	(b)(1)	C
12. Letter	President Carlos Saul Menem to President Bush (2 pp.)	4/18/90	(b)(1)	C

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UNKNOWN FILE

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0131

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

Natl Sec Advisor
has seen

January 8, 1990

INFORMATION

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PER E.O. 13526

2010-0769-MA
10/31/2014 MM

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. DEAL ✓

SUBJECT: European Bank for Reconstruction and
Development

This memorandum supplements our phone conversation on January 6.

Jacques Attali sprang a number of surprises on his colleagues at the Key West Sherpa meeting regarding the French proposal for a European Bank (the EBRD). He spoke for the EC-12, but it was clear that the British and German Sherpas believed Attali had exceeded his mandate. Yet, in the name of Community solidarity, they were unwilling to challenge him directly. The Italian and EC representatives appeared to support Attali fully.

In his initial presentation, Attali made the following points:

- The EC-12 had given the go-ahead to establish the EBRD at the Strasbourg Summit in December. It was further agreed to an early launch of the institution, with paid-in shares due by December 1990.
- The objective of the January 15-16 meeting is to work out a draft agreement. Working groups would convene the evening of January 15 to discuss legal aspects, the Bank's mission, and contributing shares.
- The goal is an agreed draft by mid-February.
- Attali had personally conveyed an invitation for the Soviets to join during a recent visit to Moscow (this caught the Germans and British by surprise, much less the non-European representatives). The East European states were also invited. (The list of invitees appears to include all CSCE participants.)

The Japanese, U.S. and Canadian representatives expressed strong reservations about Attali's approach to the Soviets and East Europeans when the G-24 had not yet met and discussed the proposal. The Japanese Sherpa was especially outspoken on this point. David Mulford noted the general rule of having potential creditors to a new multilateral development bank meet in advance to establish rules and procedures before inviting potential borrowers to join the negotiations. He pointed out the precedential nature of this decision for Soviet membership in the IMF and other international financial institutions.

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Attali's response was arrogant and dismissive:

- This was a European initiative. If the non-Europeans could not -- or would not -- join, that was regrettable. But the Bank would be launched.
- Regarding Soviet membership, the articles would distinguish between contributing countries and beneficiary countries. The Soviets would not be able to draw on the Bank's credit lines, even though they would be a contributing member, until they could meet some concept of "democratic conditionality," which he was unable to define.
- Soviet membership in the EBRD would prepare the Soviets for eventual membership in the IMF.
- The tentative breakdown in contributing shares would be 8.5% for all major countries: 8.5% each for the EC Commission and the four EC members of the G-7; 8.5% each for Japan and the U.S.; 8.5% for the USSR; and 6.2% for the Eastern European countries (combined). Other country shares would be proportionally smaller. Overall, the EC-12 and Commission would have a 53% share of the Bank's capital.

After an increasingly heated discussion, Attali agreed to a new timetable (all meetings in Paris):

January 14	Meeting of G-24 (followed by G-7 dinner)
January 15-16	Meeting of G-35 (Soviets and Eastern Europeans included): Discussion of general principles only; no effort to reach agreement on Articles of Agreement
January 22	Additional meeting of G-7
January 29	Additional Meeting of G-24
Mid-February	Meeting of G-35

Comment: Attali outmaneuvered everyone, including his EC partners. All the invitees had responded positively to France's invitation before the Key West meeting and will be in Paris on January 14-16. Clearly, few of the invitees, with the possible exception of the EC Commission, knew how far Attali had committed them without their concurrence. He sprang the Soviet membership issue with little or no warning and had a detailed list of individual country shares which he had shared with no one in advance.

The issue is where we go from here. We are committed to attending the meeting next week, but that is all. Treasury is drafting a paper for you, Jim Baker and Nick Brady for review at a meeting tomorrow (now set for 11:00 a.m.) with the aim of identifying issues requiring Presidential decision. We will need that guidance before the weekend.

cc: Robert Blackwill, Karl Jackson

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NSC/S PROFILE

RECORD ID: 9000169
RECEIVED: 09 JAN 90 14

CHRON FILE

TO: SCOWCROFT

FROM: DEAL

DOC DATE: 09 JAN 90
SOURCE REF:

KEYWORDS: INTL INVESTMENT
EUROPE
EC

ECONOMICS
USSR

PERSONS:

SUBJECT: SCOWCROFT MTG W/ BAKER & BRADY JAN 9 / SUMMARY OF CONCLUSIONS / EBRD

ACTION: NOTED BY SCOWCROFT

DUE DATE: 12 JAN 90

STATUS: C

STAFF OFFICER: DEAL

LOGREF: 9000013 9000131

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
DEAL

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White House Guidelines

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

By CAE NARA, Date 7/10/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMEN

CLOSED BY: NSJRP

DOC 1 OF 1

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

0169
CHRON FILE

January 9, 1990

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. DEAL *TE*

SUBJECT: Summary of Conclusions of Meeting with
Secretaries Baker and Brady on January 9:
China and EBRD

**Natl Sec Advisor
has seen**

World Bank Loans to China

- Treasury will contact World Bank President Conable and ask him to: (a) delay circulation of documents for the proposed earthquake loan to China until the end of January (original schedule: January 18), and (b) defer World Bank Board consideration of that loan until mid-February.
- Regarding other World Bank loans for China, the USG position will be not to oppose a gradual resumption of loans for basic human needs (BHN); however, each BHN loan will be considered on a case-by-case basis. Treasury should urge the World Bank to stretch out the timetable for consideration of such loans (e.g., one every six weeks).
- Treasury will seek G-7 concurrence to discourage all non-BHN World Bank loans to China.

European Bank for Reconstruction and Development (EBRD)

- The U.S. will participate in negotiations beginning January 14 to establish the EBRD.
- In Paris, U.S. negotiators will indicate that U.S. participation in the Bank is subject to three conditions:
 1. The statement of mission and purpose in the EBRD's Articles of Agreement shall indicate that the Bank should focus its activities on promoting the private sector in Eastern Europe. Further, potential borrowers of EBRD resources should meet the test of "democratic conditionality," that is, demonstrate their commitment to democratic pluralism.
 2. The Soviet Union should have observer status in the Bank. If other countries participating in the negotiations do not accept the notion of Soviet observership, the U.S. could agree to Soviet membership in the EBRD, but only as a non-borrowing country.

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2012-2362-MR
2/10/2014 MM

3. In keeping with established practice in international financial institutions, limiting membership to sovereign states, the European Investment Bank should not be a member of EBRD.

cc: Robert Blackwill
Karl Jackson
Adrian Basora
Condi Rice

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~~CONFIDENTIAL~~

CHRON FILE 0158

Natl Sec Advisor
has seen

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

January 9, 1990

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ROBERT BLACKWILL/TIMOTHY DEAL ^{RB}
FROM: TIMOTHY DEAL/ADRIAN BASORA/CONDOLEEZA RICE ^{AAB CR}

SUBJECT: European Bank for Reconstruction and Development (EBRD): Your Meeting with Baker and Brady, 11:00 a.m. Today, Treasury

David Mulford has prepared a discussion memorandum (Tab I) for your meeting at Treasury today with Nick Brady and Jim Baker regarding the French-proposed EBRD. The group will also consider World Bank loans to China (separate electronic note from Tim Deal).

You have some background information already from Tim's memo regarding the EBRD discussions at Key West. Mulford's memo provides additional details and highlights the key issues on which our delegation at Paris will need guidance before January 14: (1) Soviet membership, (2) the scope of the Bank's operations, (3) country shares, and (4) the timetable for negotiations.

We are already committed to participate in these negotiations so we would not appear to have the option of sitting out this round of discussions. The President's relations with Mitterrand would suffer, given their discussions at St. Martin. But the French and the EC Commission have put us on the spot by inviting the Soviets and Eastern Europeans and by making significant decisions on shares, Bank objectives, and the negotiating framework and timetable without our concurrence or those of other potential non-EC contributors. Under these circumstances, we believe that the best approach is to attend the Paris meeting while seeking to slow the negotiating pace so that we can give more deliberate consideration to the important policy issues raised by the French initiative.

For today's meeting, we recommend that you seek to build a consensus on three key issues:

1. Soviet Membership: Soviet participation in the EBRD is a bad idea for several reasons. It would give the Soviets back some of their lost leverage over East European economic and political reform -- influence that they could use to slow the process of democratization and decommunization there. It would set a precedent for admission to the other IFI's, put the Soviets on an equal footing with the U.S. and other major contributors,

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2010-0769-MR

10/31/2014 MM

give them a role out of all proportion to the size of their economy, and open up the prospect of eventual massive Soviet borrowing, possibly at the expense of Eastern Europe. Attali has said the Soviets could not borrow until they met his undefined criterion of "democratic conditionality." But it is hard to imagine very rigorous criteria (either political or economic) being enforced by the proposed EC majority on the EBRD board of directors, especially with the Soviets present as major shareholders.

Since we probably cannot defer the question of Soviet membership with EBRD in Paris, we should seek to:

- Prevent the Soviets from becoming borrowing members.
- Keep their share as small as possible.
- Make the criteria for future Soviet access to Bank credits stringent.

2. Scope of Operations: We should endorse Mulford's suggestion that the focus of the Bank's activities should be on facilitating the transition to market economies in Eastern Europe by promoting and developing the private sector.

3. EC Commission and European Investment Bank (EIB) Membership: We should seek to limit membership in the Bank to sovereign nations as in the case of other MDBs. This may be less of an issue with respect to the Commission, but we should make every effort to keep the EIB out.

Finally, we believe that we should undertake a vigorous lobbying effort before the Paris meeting among non-EC European countries, Canada, Japan, Australia, and New Zealand. State should dispatch messages to Embassies calling for high-level demarches in capitals. Since the British and Germans seem to recognize that the French have exceeded the EC mandate, carefully worded messages to both countries might bolster our cause and put pressure on the French to be more flexible. We might also consider a special message or phone call to Mitterrand outlining our concerns.

Attachment

Tab I Mulford Memo to Brady



DEPARTMENT OF THE TREASURY
WASHINGTON

UNDER SECRETARY

6 JAN 1991

MEMORANDUM FOR SECRETARY BRADY

FROM:

David C. Mulford *DM*
Under Secretary
International Affairs

SUBJECT:

European Bank for Reconstruction and
Development (EBRD)

The French and the EC are moving ahead at a very fast pace on the establishment of the EBRD. They appear to have made a number of fundamental decisions as to membership, share ownership and structure without consulting the U.S., Japan and other non-European countries. Unless we also move quickly in formulating our own basic policies toward the EBRD, we may well be faced with a fait accompli. This would mean that we would be put in the difficult position of having to decide whether to join an organization whose membership, structure and operations were far less than optimal from our standpoint and which we would have limited ability to influence.

Current Status

Based on communications with the French and discussions at the Sherpas' meeting this weekend, the current state of play appears to be as follows:

Soviet Membership - The EC countries have agreed that the USSR should be invited to become a full, voting member with share ownership equal to that of the U.S. and the major European members. Apparently, no decision has been reached as to whether the USSR should be a borrowing member. Also, we are not sure whether the Soviets would join, if invited.

Scope of Operations - The French (and the proposed charter) envisage an EBRD with broad lending and investment powers which, in essence, combine existing World Bank and IFC lending programs. This means that the EBRD could lend on both market-related and concessional terms for basic infrastructure and other public sector projects as well as to state-owned enterprises. In addition, it would make broad policy-based and structural adjustment loans as well as equity investments.

Share Ownership - The French have proposed a maximum shareholding of 8.5 percent for any one member and suggested that the U.S., USSR, France, FRG, U.K. and Italy each have 8.5 percent. The EC and the European Investment Bank (EIB) would together also hold 8.5 percent. In addition, the proposed charter of the EBRD would assume that the EC members together with the EC and the EIB would always hold a majority of the

shares. An 8.5 percent share will not provide us with any special influence in the EBRD.

Timetable - The Europeans have indicated that they plan to move quickly and that, if the U.S. and other non-European countries can't reach decisions in a timely fashion, they will move ahead without us. To meet this objective, they have proposed an ambitious timetable to wrap up negotiations by mid February.

Issues for Decision

Given the current state of play, it would require a major effort at the Ministerial or, perhaps, Presidential level to prevent Soviet voting membership or to obtain a share ownership that would give us an ability to meaningfully influence ongoing decision-making in the EBRD. We may well be able to have a voice in determining (1) whether the USSR is to be a borrowing member (there is possibly some flexibility here on the part of the Europeans); (2) the precise scope of the EBRD's operations (i.e., we may be able to narrow the focus of lending and investment to a private sector orientation) and (3) whether the EC and the EIB become members.

Our negotiating team will need high-level policy guidance on a number of key issues prior to January 14 when negotiations commence in Paris. These issues are:

1. Soviet Membership - Soviet membership raises a number of issues which may hinge on whether or not the USSR is a borrowing member:

- Should the U.S. join the EBRD if the Soviets are a borrowing member with a share ownership equal to our own?
- Should our position be different if the Soviets are only a non-borrowing member?
- Will either type of Soviet membership prevent Congressional approval of U.S. funding for EBRD?
- Should we make a high-level effort with the Europeans to reverse the decision on Soviet membership or, at least, prevent the Soviets from becoming a borrowing member?

2. Basic Scope of EBRD Operations - The proposed charter for the EBRD would permit it to lend for basic infrastructure and other public sector projects and to state-owned enterprises. We believe that the Bank should be more narrowly focussed on the transition to market economies in Eastern Europe by promoting and developing the private sector. We may be able to mobilize support from the U.K., the FRG and, perhaps, Japan on this issue.

- Should we actively seek to narrow the scope of the EBRD's operations to limit its activities to the private sector?
- If we fail to achieve this objective, would this be sufficient reason for the U.S. to decline membership?

3. Budget Considerations - While the exact size of the Bank has not been decided, an 8.5 percent U.S. share could require annual U.S. subscriptions of roughly \$300 million for each of the next five years. Of this amount, roughly \$60 million per year of budget authority would be required for our paid-in capital. The balance of our subscription would remain on call to cover any defaults on EBRD capital market borrowings. This means that U.S. membership in the Bank would require a decision to commit substantial resources in a very tight budget environment.

- Should the U.S. commit to funding at these levels to enable us to participate in an organization which may have a membership, share ownership and operational scope which we do not agree with?

4. EEC and EIB Membership - The initial French proposal contemplates an important departure from established practice in international financial institutions by suggesting membership status for the European Economic Community and European Investment Bank. We would strongly prefer the traditional approach of limiting membership in multilateral development institutions to sovereign states. The EIB may have legal problems in becoming a member. Our strong opposition might prevent EC and EIB membership.

- Should the U.S. actively oppose EC and EIB membership and lobby the Japanese, Canadians, etc., for support on this issue?

5. Mobilizing Support for Our Position - There appears to be considerable resentment of the way the French, and perhaps the EC Commission, have made unilateral decisions on a number of key issues. The Japanese, Canadians and other non-Europeans are upset, and we believe that the U.K. and the FRG may have significant differences with the French on some of the key issues. Therefore, we may have some strong potential allies for our positions.

- Should we consider ways of mobilizing Japanese, Canadian and other non-European countries into a bloc that may help us reduce the European domination of the EBRD?

6. Political Eligibility Criteria - There is broad agreement among the Europeans that political criteria should be considered in the EBRD charter. At issue is whether or not this should be criteria for borrowing eligibility.

cc: Mr. Zoellick
Mr. McCormack ✓

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(George Bush Library)

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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.

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

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(b)(6) Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]
(b)(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
(b)(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
(b)(9) Release would disclose geological or geophysical information

THE WHITE HOUSE
WASHINGTON

January 16, 1990

1990 JAN 16 AM 11:43

THE PRESIDENT HAS SEEN

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT *B*
SUBJECT: Characterizing Defense Budget Reductions *GB 1-20*

Although your budget is not scheduled to go to the Hill until late this month, it already has been the subject of intense press and Congressional attention. Some on the Hill are eagerly anticipating a "peace dividend." Others see a budget in "freefall." Still others are pointing to a defense budget process they view as uninformed by any coherent strategic perspective or appreciation of the dramatic geostrategic changes that are taking place.

It is clear to all that the FY 1991 defense budget will be smaller than previously planned, and that this is largely the result of fiscal pressures. That said, we should recognize that how we characterize the strategic rationale underpinning the FY 1991 defense budget in Congressional testimony and public statements may have as telling an effect on national security as the budget itself. Not only will our characterization help shape the size and content of the defense program, it will also affect the perceptions of friends and adversaries about the nature of the American assessment of and engagement in a "post-containment" world.

As various spokesmen have previewed portions of the FY 1991 defense budget in backgrounders and responded to press leaks, we have tended to use one or the other of two different explanations for the budget cuts. Neither is entirely satisfactory.

Describing defense reductions as the product of fiscal constraints and an inescapable result of Gramm-Rudman-Hollings makes it more difficult for us to argue for an irreducible floor on what Les Aspin has described as a budget in "freefall." If we exaggerate the fiscal pressures, the Hill could have a field day savaging your defense budget request at the same time that it flails the Administration for the lack of a coherent strategy. At home and abroad this approach leaves us vulnerable to the criticism that we are oblivious to the revolutionary changes that are happening all around, or at least have no plan for seizing new opportunities and meeting new challenges.

cc: Vice President
Chief of Staff

Alternatively, describing defense reductions as the product of a reassessment of recent changes in the geostrategic environment might meet some of the demands we are already seeing on the Hill for a redefinition of our defense strategy. But such an approach in advance of consultations and agreements with our Allies would make it much harder for us to argue that they should hold the line on defense spending. After all, the appropriate response to these "favorable" changes in the security environment should be an Alliance decision benefiting them as well as the U.S. A unilateral assessment, therefore, risks triggering a spiral of Allied cuts that could undercut efforts to reach an early CFE agreement and to create a CFE architecture within which future reductions could be managed.

In fact, both of these characterizations of the FY 1991 defense budget are accurate but each is incomplete. We need to integrate both themes -- budget constraints and new international realities -- in a coherent and persuasive presentation of the defense budget. The FY 1991 cuts may be "fiscally driven," but they are being taken against a backdrop of changes in the world that make such reductions tolerable.

We should characterize the defense budget request as the first step in restructuring our defense program and military capabilities in ways that position us for ongoing and prospective changes in the security environment. We should emphasize the challenges we face in managing a defense planning process that anticipates developments such as a CFE agreement, but does not irrevocably commit us to a course of action should those anticipated developments fail to occur.

Publicly articulating an approach along these lines would help ensure that reductions are properly shaped by a changing strategic landscape whose implications the Administration has assessed. Even more so than in the past, the twin demands of fiscal constraints and a rapidly changing environment dictate that the defense program reflect the broad perspective of the executive against the more narrow, short-term and local interests that frequently motivate Congress.

The following could be some key themes in that perspective:

✓ ① - American power has been an important precondition to the positive changes we are witnessing in Soviet behavior and elsewhere in the international environment. This is a difficult period of transition in which we must sustain our strength and use it wisely to encourage continuation of the change it has fostered thus far.

② - If present trends continue we will have a fairly clear picture of what the security environment will look like by mid-decade and a good idea of what kind of military capabilities we will need. Our defense program is responsive to these emerging trends, but is keyed to currently changing realities, not hoped-for futures.

3 - In light of these emerging trends, our forces must continue to deter the Soviets, but also have increased utility for other, more likely, conflicts.

4 - Over time we envisage our active forces being smaller, more global in their orientation and having a degree of agility, readiness and sustainability appropriate to the demands of likely contingencies.

5 - The proposed budget, in both its overall level and its programmatic specifics, begins building toward these kinds of forces in a responsible way.

- But, in the near-term, because of the uncertainty of the trends with which we must deal, we must not take hard-to-reverse steps.

- Over the longer term we will continue to build a certain degree of reversibility into what we do as a hedge against unforeseen changes in the international situation.

- This is the essence of good defense planning and military strategy: allocating limited resources effectively to deal with an environment of fluid situations and a wide variety of possible contingencies.

- More than ever we need the support and understanding of Congress to ensure that our approach to reshaping and restructuring our military capabilities is coherent, and that it results in forces that are well suited to defend our interests in a rapidly changing world.

Such an approach is appropriately cautious but ties the defense program to real changes that are occurring in the world and sets the stage for future, more dramatic, adjustments should they prove warranted. In an admittedly difficult situation it allows the Administration to occupy some strategic high ground and use it as a defensible position from which to dampen unrealistic expectations for an immediate and large peace dividend. It also protects the Administration from accusations that its defense program is insensitive to changes in the international environment, and gives us leverage in resisting Congressional efforts to protect various constituencies against painful budget cuts.

We have a difficult job ahead of us and it is important to ensure that we all have a common, coherent rationale to use in presenting and defending the FY 1991 defense budget, beginning with a possible "defense budget summit" that some in Congress have suggested.

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

10302
ADD-ON

December 28, 1989

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ARNOLD KANTER *AK*
FROM: MICHAEL HAYDEN/DON PILLING *MP*
SUBJECT: Characterizing Defense Budget Reductions

Based on our conversation yesterday, we have edited the attached memo for the President so that it more directly and concisely addresses how we should articulate our FY 1991 defense program.

RECOMMENDATION

That you sign the memo to the President at Tab I.

Attachment
Tab I Memo to the President

**National Security Council
The White House**

PROOFED BY: _____

LOG # 10302

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Dep Exec	<u>1</u>	<u>[Signature]</u>	<u>F</u>
Philip Hughes	_____	_____	_____
Bob Gates	_____	_____	_____
Brent Scowcroft	_____	_____	_____
Philip Hughes	_____	_____	_____
Situation Room	_____	_____	_____
West Wing Desk	<u>2</u>	<u>27.12</u>	<u>[Signature]</u>
NSC Secretariat	<u>3</u>	_____	<u>R/K</u>
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A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

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**National Security Council
The White House**

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A = Action	I = Information	D = Dispatch	R = Retain	N = No further Action
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cc: VP Sununu Other _____

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The White House

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A = Action

I = Information

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cc: VP

Sununu

Other

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NSC/S PROFILE

RECORD ID: 9000474
RECEIVED: 22 JAN 90 08

TO: SCOWCROFT

CARBON FILE

FROM: DEAL

DOC DATE: 22 JAN 90
SOURCE REF:

KEYWORDS: ECONOMICS

PERSONS:

SUBJECT: NEGOTIATIONS FOR EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT /
EBRD

ACTION: NOTED BY SCOWCROFT

DUE DATE: 25 JAN 90

STATUS: C

STAFF OFFICER: DEAL

LOGREF:

FILES: WH

NSCP:

CODES:

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By cap NARA, Date 7/10/09

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

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PER E.O. 13526

2010-0769-MR
10/31/2014 MM

January 22, 1990

CHRON FILE

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT



Natl Sec Advisor
has seen

FROM: TIMOTHY E. DEAL 
SUBJECT: Negotiations for the European Bank for
Reconstruction and Development (EBRD)

Negotiations on the EBRD got off to a fast start last week in Paris with meetings of the G-24 on January 14 and the G-36 on January 15-16. Attached at Tab I is a joint memo from David Mulford, Richard McCormack and me which summarizes the outstanding issues and outlines the schedule of meetings ahead. The goal is to reach agreement on the Articles of Agreement for the Bank by the end of March.

The EBRD will be the first item on the agenda of the IEPR breakfast on January 26. We need to give guidance to the U.S. team which on January 30 will begin discussions in three separate working groups concerning the Bank's missions and objectives, the size of the fund and the distribution of shares, and legal questions. Frankly, we do not have much negotiating room given the EC-12's solid position and the unwillingness of anyone else to challenge the French and the EC. In the final analysis, our choice may be to join on conditions we don't like -- and even oppose -- or walk, with all that means for relations with Western Europe, Eastern Europe and the USSR.

What follows below are my impressions of the meeting to supplement the dry language of the joint memo.

From the start, this was a "made in France" operation, reflecting the enormously high importance the French attach to the exercise. And they carried off the conference in a way only the French can do: a Mitterrand opening speech, with a hand-shaking tour around the table afterwards; lavish food and drink with Pomerols and Medocs serving as table wines; attractive hostesses/messengers in haute couture color-coordinated suits; and a sarcastic and non-neutral chairman in the form of Jacques Attali. It was clear that the French had rammed their positions through the EC-12 and were not about to brook any criticism of their efforts -- or their decisions made in advance -- from the U.S., Japan or the lesser lights. As the Romanian delegate told me, this was pure European power politics at its best. "The Germans have already carved out their sphere of influence in Hungary and Czechoslovakia. The French see Romania as theirs. Poland is up for grabs." Against that background, it is not surprising that

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the "non regionals" made little headway on issues of importance to them. Our own decision to join or stay out of the EBRD will need to take account of the following realities":

-- The Soviets will be non-borrowing members.

-- The Articles of Agreement will, however, include specific reference to criteria such as the rule of law, multiparty democracy, and a private sector orientation even if the founding members (e.g., the USSR) do not necessarily meet these conditions at the time of the Bank's creation.

-- It will be larger than we want (about \$12 billion), leaving open the possibility of available financing for infrastructure loans, which we oppose and which could soak up enormous funds.

-- The U.S. and Japan will have shares equal to the major European contributors with EC dominance in total shares (53%) and the number of Bank directors (11 out of 20).

-- The Soviet/Eastern European combined share will be 10-12% with the Soviets holding half. All contributions will be in hard currency.

The Soviet position on membership and borrowing is ambiguous. In our bilateral with them, the head of their delegation implied that there was no point in their joining if they couldn't tap the Bank's resources. Yet, in their caucus with the Eastern Europeans, they apparently told the latter that they did not see themselves as borrowers for the next 4-5 years.

The presentations by the Soviets and Eastern Europeans on their economic situation and reform programs varied markedly in quality and candor:

-- The Soviet presentation was uninformative with pap out of the Brezhnev era. "Cooperatives are exploitative; private ownership is bad; we're not into privatization; but the USSR strongly suggests enhanced international cooperation."

-- The new Czechoslovak Minister of Finance stole the show, following immediately after the Soviets with the comment, "We don't want more cooperation; we want business." He made a clear and unambiguous commitment to a market economy. He concluded by offering as the new home of the EBRD a building in Prague that had served as a major bank 40 years ago and that had until recently housed the Institute of Marxism-Leninism and the Museum of the History of the Working Class. He stated that Czechoslovakia had no need for such institutions now.

-- The Romanian delegates, appointed on the eve of the meeting, expressed joy at their country rejoining the community of nations. They said that unfortunately they had not received the documentation about the Bank until arriving in Paris. Attali tastelessly blamed the Romanian mail system for the missed delivery.

-- The GDR and Hungarian delegation gave reasoned presentations with the former surprisingly outpacing the latter in outlining a truly radical reform program.

-- The Poles alone expressed concern about the heavy focus on the private sector and left no doubts they would be first in line when the Bank's windows open.

In sum, this was a unique conference, bringing together Western and Eastern European states, Asian members of the OECD, and the U.S. and Canada. The discussions among the G-24 were frank; among the G-36, less so. The French have a tight hold on the organization and continued to show flexibility only on procedural matters (i.e., the scheduling of meetings) and none on substance. I have been worried since the U.S.-EC Ministerial that the warm glow in U.S.-EC relations established in 1989 would begin to fade as the perennial trade issues (e.g., agriculture) once again raise their ugly head. The EC Commission's acquiescence in France's domineering performance at the Key West Sherpa meeting and at this conference may be a worrisome sign of problems ahead.

Attachment

Tab I Mulford/McCormack/Deal Memo

cc: Robert Blackwill
Karl Jackson

~~CONFIDENTIAL~~



DEPARTMENT OF THE TREASURY
WASHINGTON

UNDER SECRETARY

January 16, 1990

MEMORANDUM FOR SECRETARY BRADY
SECRETARY BAKER
GENERAL SCOWCROFT

FROM: UNDER SECRETARY MULFORD *DC/1*
UNDER SECRETARY MC CORMACK
NSC SENIOR DIRECTOR DEAL

SUBJECT: EBRD Negotiations

Summary

Negotiation of an EBRD is moving forward rapidly with strong support from European countries. Drafting task forces will meet at the end of this month followed by a second meeting of the G-24 (tentatively February 9) and a Plenary session of the full Bank membership (G-36) March 10-11. A third plenary is tentatively scheduled for late March to finalize the agreement or perhaps to have signing by Ministers. There will also be some opportunity for G-7 consultations on January 17 and perhaps in early February. We will need to reflect on the issues of key importance to us at senior levels in the Administration in the next two weeks. Many of these issues will need to be resolved before the G-24 and G-36 Task Forces convene on January 30 to engage in drafting the Charter of the Bank.

Substantive Issues

It is apparent from these discussions that the EC countries in general want the United States to join the Bank, although they are clearly willing to move forward reluctantly without us. The United States is isolated on some issues and will receive only marginal support from other non-regionals or from the UK and Germany on other issues.

Soviet Membership: The United States was alone in proposing observer status for the Soviets, except for some verbal sympathy from Japan. There is a reasonably strong consensus for Soviet membership as a non-borrower, although

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2010-0769-4A
8/22/2014 MM

- 2 -

it is clear now, even to the French, that the Soviet Union has effectively lost access to private capital markets and is in fact in arrears to France at this moment. Our position has been not to oppose the Soviets per se, but to lay claim to the need for both a commitment to a market-oriented economy and multi-party democracy and respect for human rights as conditions both for membership in the Bank and eligibility to borrow.

Private Sector Focus: All participants support a private sector focus, although this means very different things to different groups. Most countries favor lending to include infrastructure projects that promote productive investment which to many means the private sector. Some delegates argued for inclusion of policy-based lending which we firmly opposed. It is our judgment that it will be difficult to prevent infrastructure loans, but it may be possible by some definitional language to limit them to loans that promote the transition to a market economy.

Size: With few exceptions (U.S., Swiss, Japanese) there is agreement on capital of ECU 10 billion, with 30 percent paid-in over five years. The U.S., Swiss and Japanese argued for a smaller bank, noting that no case has been made to justify an ECU 10 billion bank. A paper defining a prospective lending program and we assume justifying ECU 10 billion will be distributed to participants. We fear in such a large bank that infrastructure lending would dwarf private sector investment and affect the character of the Bank. A dominance of lending to State institutions might in fact slow or prevent progress on the very transition the Eastern European countries want.

Eligibility Criteria and Democratic Conditionality: Membership will not be governed by criteria, simply because the general sentiment is that all participants at the present meeting are regarded as automatically eligible for membership. The Canadians stated that they supported criteria for both membership and borrowing. We supported the same position but later the Canadians seemed to back off from this position in private, staff-level discussions. In this regard the French strategy of inviting the Soviets appeared to be succeeding. But in the past few days the French have become aware that the Soviets are not presently regarded by markets as a triple A borrower with access to world markets. Instead, they are very keen to be a smaller shareholder with access as a borrower. We confirmed this in a bilateral meeting with the Soviets in which it was clear that they are uncomfortable with Democratic conditionality and

- 3 -

privatization. There appears to be widespread agreement among other participants that criteria including democratic conditionality should govern eligibility to borrow.

EEC and EIB: There was only marginal opposition from smaller European countries to EIB membership and no opposition to the EEC except for U.S. questions regarding precedent and double-representation.

Payment in Floating ECU: The French chair agreed after a strong U.S. intervention to examine possible remedies for dealing with our problem with an open-ended liability for payment of paid-in and callable capital. This is likely to prove a troublesome issue.

U.S. (non-regional) Share: We expressed possible interest in a larger shareholding than the 8.5 percent accorded to major European countries and Japan on the basis that the Europeans and the EC are double-counting and that we may wish to reflect a strong partnership with Europe. Share distribution was not discussed at the plenary and remains fluid.

Certain key issues involving management, staffing and procurement were not discussed. There is, however, strong European support for non-resident directors and a relatively large board. Non-regionals resisted this proposal.

This note is intended to provide an assessment of the current state of play on important issues. We will produce shortly a memorandum with recommended positions for decision on each of the issues addressed above.

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RECEIVED: 25 JAN 90 14

TO: SCOWCROFT

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FROM: DEAL
MELBY

DOC DATE: 25 JAN 90
SOURCE REF:

KEYWORDS: ECONOMICS
EUROPE EAST
EGYPT

USSR
PANAMA
CHINA P R

PERSONS:

SUBJECT: ISSUES FOR IERP BREAKFAST ON 26 JAN

ACTION: NOTED BY SCOWCROFT

DUE DATE: 29 JAN 90

STATUS: C

STAFF OFFICER: DEAL

LOGREF:

FILES: PA

NSCP:

CODES:

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White House Guidelines

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

By cap NARA, Date 7/10/09

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05c. Memo	Timothy E. Deal/Eric Melby to Brent Scowcroft Re: IEPR Breakfast, 7:30 a.m., Friday, January 26, (3 pp.)	1/25	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: Scowcroft, Brent, Files

Series: Chronological Files

Subseries:

WHORM Cat.:

File Location: Other (January - May 1990) [1]

**Document Partially Declassified
(Copy of Document Follows)**

By MM on 11/18/13

Date Closed:	7/10/2009	OA/ID Number:	91148-008
FOIA/SYS Case #:	2009-0275-S	Appeal Case #:	
Re-review Case #:		Appeal Disposition:	
P-2/P-5 Review Case #:		Disposition Date:	
AR Case #:	2000-0116-F/3(56)	MR Case #:	
AR Disposition:	Released in Part	MR Disposition:	
AR Disposition Date:	12/13/2006	MR Disposition Date:	

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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]
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- (b)(1) National security classified information [(b)(1) of the FOIA]
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- (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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0625

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

January 25, 1990

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. ^WDEAL/ERIC MELBY

Natl Sec Advisor
has seen

SUBJECT: IEPR Breakfast, 7:30 a.m., Friday,
January 26,

European Bank for Reconstruction and Development (EBRD)

Our negotiators need guidance from principals on several key issues relating to the EBRD. Working groups will meet in Paris on January 30 to review draft Articles of Agreement and the G-24 will convene on February 9. The issues are:

- Soviet Membership: Other G-24 members have rejected our suggestion of observer's status for the USSR. Mitterrand invited all who attended the January 15-16 meetings to participate as founding members. The remaining question then is whether and under what conditions the Soviets might become eligible to borrow. We believe that the U.S. must stand firm in opposing Soviet eligibility to borrow and make clear that we are prepared not to participate in the Bank if the Soviets come in as borrowers. We should first, however, seek to avoid being faced with this choice by high-level appeals to Mitterrand and other G-7 heads and by seeking to establish criteria for borrowers which the Soviets could not now meet (see next point).
- Eligibility Criteria: Careful formulation of criteria for borrowers (e.g., multiparty political system, rule of law, clear movement toward a market economic system) is important to keep the Soviets from tapping the Bank's resources. We should insist on the criterion of "democratic conditionality," as outlined above, and see that it appears not only in the preamble, but also in the operational articles of the Bank's charter. An ideal way to ensure that only the Eastern Europeans have access to Bank resources would be to establish a list of eligible borrowers which could be expanded only by a vote of a super-majority (e.g., 85%).
- Private Sector Focus: The emphasis should be on support for the fledgling private sector in Eastern Europe, although we may have to accept some lending for infrastructure. In that case, we should seek to limit such loans to projects that are essential to development of the private sector (e.g., telecommunications) or that will promote the transition to a market economy.

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2000-0116-F/3
12/17/2006 MM

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There are other serious issues for negotiation including the size of our share relative to others; the role of the European Investment Bank; the preference for resident over non-resident directors; and payment in floating ECU rather than dollars. However, unlike the Soviet borrowing question, none of these is serious enough to cause us to walk if we don't achieve our negotiating objectives.

Panama

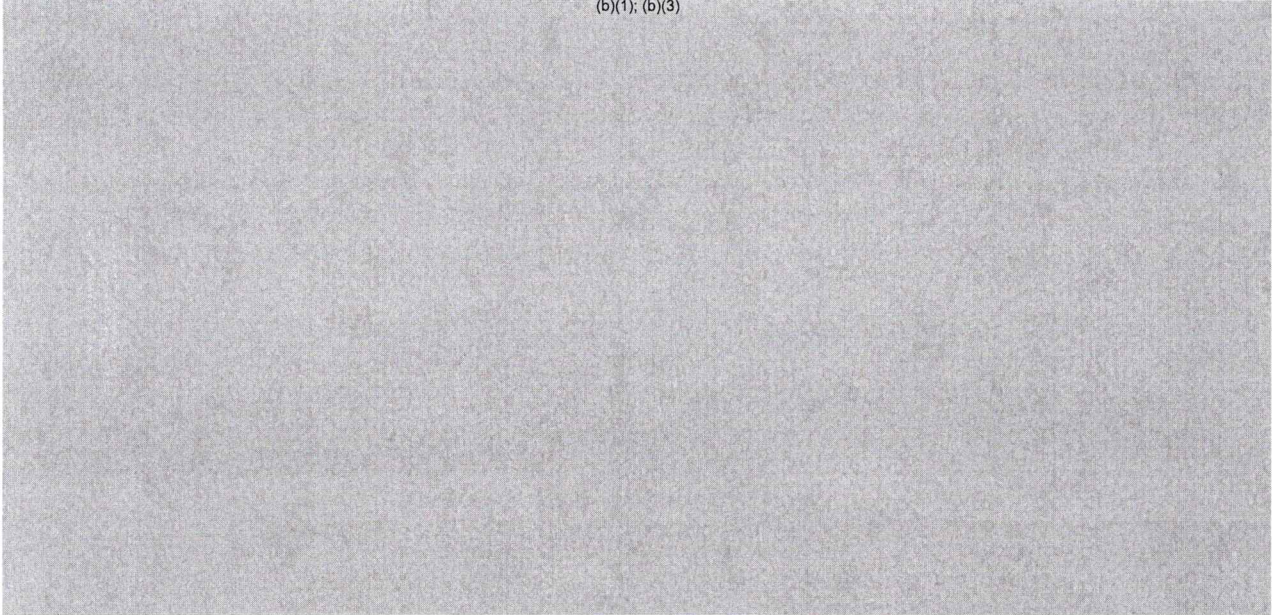
While there is no longer any disagreement on the size of the supplemental, State believes the \$500 million will be a tough sell on the Hill. As you will recall from Tuesday's meeting, Darman believes that we have a good chance of getting a Panama/refugee supplemental with offsets out of DOD's budget. Nonetheless, Baker wants to ensure there is a consistent Administration position in support of \$500 million and that Brady is engaged fully in defending it.

Egypt

Egyptian Foreign Minister Meguid asked Baker for support with the IMF. There are two key sticking points holding up an IMF agreement with Egypt: how quickly the exchange rate would be devalued and interest rates raised. Egypt argues the Fund's demands are politically unacceptable and unsustainable.

We have agreed to press the IMF to be more flexible, while telling Egypt to reach agreement with the Fund on a realistic program that can address Egypt's serious economic troubles. We need to push Egypt and the IMF closer, and follow up by looking at ways to address the \$1.2 billion financing gap Egypt must meet after agreement with the IMF.

(b)(1); (b)(3)



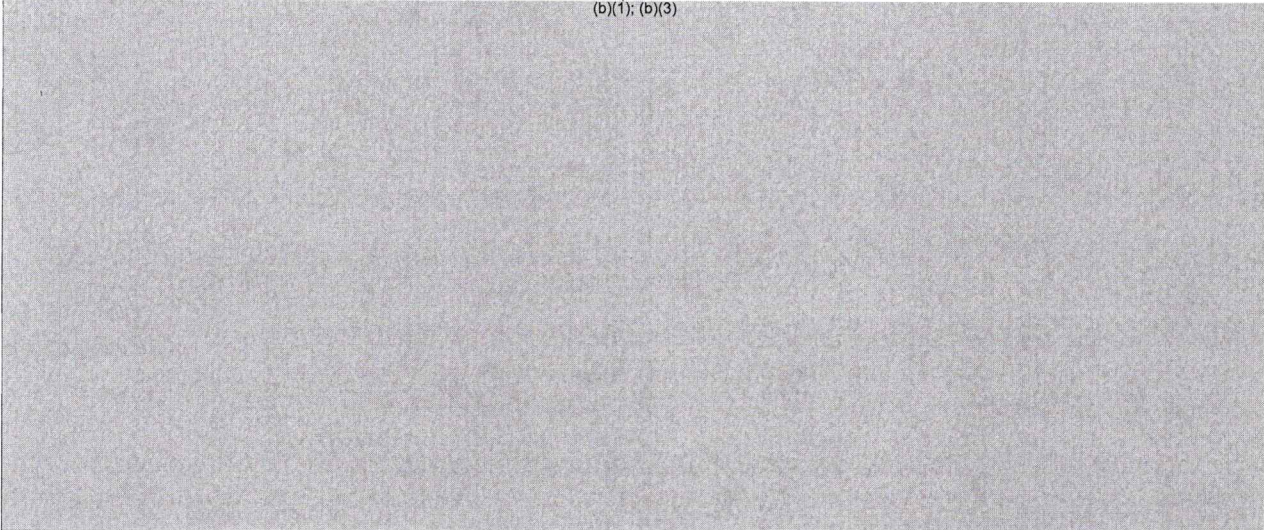
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(b)(1); (b)(3)



China MDBs

Treasury will outline the schedule for World Bank consideration of the earthquake and agricultural loans and other Basic Human Needs loans in the pipeline.

Concurrences by: Robert Blackwill, William Pryce, Doug Paal,
David Welch *(all cleared in draft D)*

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NSC/S PROFILE

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ACTION: NOTED BY SCOWCROFT

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CODES:

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

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
05d. Memo	Timothy E. Deal to Brent Scowcroft Re: IEPR Breakfast, January 26, 1990 (2 pp.)	1/26/90	(b)(1)	S

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Collection
Series: Chronological Files
Subseries:
WHORM Cat.:
File Location: Other (January - May 1990) [1]

Date Closed:	7/10/2009	OA/ID Number:	91148-008
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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RECORD ID: 9000800
RECEIVED: 31 JAN 90 17

TO: SCOWCROFT

CHRON FILE

FROM: GORDON
RODMAN

DOC DATE: 31 JAN 90
SOURCE REF:

KEYWORDS: GERMANY F R
ARMS CONTROL

EUROPE EAST
NATO

PERSONS: RUDMAN, WARREN

COHEN, WILLIAM S

SUBJECT: SCOWCROFT MTG W/ SEN RUDMAN & SEN COHEN

ACTION: NOTED BY SCOWCROFT

DUE DATE: 03 FEB 90

STATUS: C

STAFF OFFICER: GORDON

LOGREF:

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
BLACKWILL
GORDON
KANTER
RODMAN

DECLASSIFIED

White House Guidelines

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

By CAP NARA, Date 7/10/09

COMMENTS: _____

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OPENED BY: NSAMM

CLOSED BY: NSJRP

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~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

0800

NATIONAL SECURITY COUNCIL

WASHINGTON, D.C. 20506

January 31, 1990

CHRON FILE

Natl Sec Advisor
has seen

INFORMATION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: ARNOLD KENTER/PETER RODMAN/ROBERT BLACKWILL

FROM: JOHN GORDON

SUBJECT: Your Meeting with Senators Rudman and ^{STEVENS}~~Cohen~~
February 1, 1990 at 10:00am

We understand you plan to meet with Senators Rudman and ^{STEVENS}~~Cohen~~ to discuss the Wehrkunde Conference. A brief summary of the key points in your speech are at Tab I. You may wish to go over these with the Senators so that we are all highlighting the same points.

Cohen is the "head" of the American delegation and on the behalf of Baron von Kleist extended the invitations to the American party. A list of American participants is at Tab II. Cohen's party will depart for Munich Thursday evening. He will host a meeting of the American participants on Friday evening before a conference participants dinner with von Kleist.

There will be three main sessions in the conference. Saturday morning's session will focus around remarks by FRG Defense Minister Stoltenberg. The Saturday afternoon session center around remarks by French Minister of Defense Chevenement and SPD member Carsten Voight. Your turn in the barrel is Sunday morning.

We understand that Stoltenberg, Woerner, and General Galvin have asked to meet with you whenever a convenient time can be found.

Philip Zelikow concurs. P

Attachments

Tab I	Speech Themes
Tab II	American Participants

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Declassify on: OADR

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2010-0769-MR
10/31/2014 MM

THEMES FROM WEHRKUNDE SPEECH

- Conference theme -- **Opportunities and Risks in the 1990's**
- Central message is that the US has a continuing role in Europe and that we need to maintain NATO as the principal coordinating body on security matters as other centers of European power develop.

Other themes that go through the speech:

- Breathtaking changes in Europe are the result of our continuing support for the Alliance and to the investments we have all made in Alliance security.
- Key lesson is that changes we see in the East are ^{not} an accident. The Alliance helped create the conditions which have now had their inevitable effect.
- Can look to and lead a strategic transformation in Europe, but must not abandon the security underpinnings of the Alliance.
- There will be adjustment in US forces -- but US is in Europe to stay. Want to break the direct linkage to Soviet force numbers: we will stay, whatever the level of Soviet forces, as long as we are needed by our allies.
- Soviet Union will remain preponderant military power on the continent.
- Nuclear deterrence works and will continue to be needed. Soviets continue to modernize strategic forces.
- Discuss arms control, especially the new CFE proposal. I pay some attention to CSCE (it will be important to the US as another foot in door in Europe).
- US supports European economic unity -- and also European political and defense cooperation (a "European pillar"). Want to strengthen the consultative links between the US and Europe.
- Special attention to Germany and to Kohl -- no one can stand in the way of the will of the German people, least of all its friends.

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Declassify on: OADR

~~CONFIDENTIAL~~

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PER E.O. 13526
2010-0770-142
E8 11/30/15

January 16, 1990

AMERICAN PARTICIPANTS IN THE WEHRKUNDE CONFERENCE 1990

Total: 46

United States Senate

Honorable William S. Cohen (R-Maine)
Honorable Ted Stevens (R-Alaska)
Honorable Warren Rudman (R-New Hampshire)
Honorable William V. Roth, Jr. (R-Delaware)
Honorable John S. McCain, III (R-Arizona)
Honorable Bob Kasten (R-Wisconsin)
Honorable John Glenn (D-Ohio)
Honorable Barbara A. Mikulski (D-Maryland)

United States House of Representatives

Honorable Les Aspin (D-Wisconsin)
Honorable Marvin Leath (D-Texas)
Honorable William L. Dickinson (R-Alabama)
Honorable Jon L. Kyl (R-Arizona)

Executive Office of the President

Mr. Brent Scowcroft
Assistant to the President for National Security Affairs

Ambassador Robert Blackwill
Special Assistant to the President for European and Soviet
Affairs

Department of Defense

Honorable Dave Gribbin
Assistant Secretary of Defense (Legislative Affairs)

Lt. General George L. Butler, USAF
Director for Strategic Plans and Policy (J-5)
Joint Staff

Lt. General George Monahan, USAF
Director
Strategic Defense Initiative Organization

General John Galvin, USA
Supreme Allied Commander Europe and Commander in Chief, U.S.
European Command

Lt. General Frederick M. Franks, Jr., USA
Commander, VII Corps

Mr. Michael G. Hanpeter
 Director, Plans and Programs
 National Defense University

Dr. Joe Halgus
 German Desk Officer
 Office of the Assistant Secretary of Defense for
 International Security Policy

Department of State

Ambassador Vernon Walters
 U.S. Ambassador to the Federal Republic of Germany

Ambassador Will Taft
 U.S. Permanent Representative to NATO

Mr. David J. Fischer
 Consul General of the United States, Munich

Arms Control and Disarmament Agency

Honorable Ronald F. Lehman II
 Director

Ambassador David Smith
 U.S. Negotiator for Defense and Space

Ambassador R. James Woolsey
 U.S. Negotiator to the Negotiations on Conventional Forces
 in Europe

Media

Mr. Dan Rather
 CBS News

Mr. John Dancy
 NBC News

Mr. John Laurence
 ABC News (London)

Mr. Benjamin Schemmer
Armed Forces Journal International

Mr. John Fialka
The Wall Street Journal

Mr. Bob Woodward
The Washington Post

Ms. Molly Moore
The Washington Post

Mr. Michael Gordon
The New York Times

Mr. Charles Corddry
The Baltimore Sun

Mr. Pat Towell
Congressional Quarterly

Mr. Walter Hahn
Editor-in-Chief
Strategic Review

Academicians, Consultants, and Businessmen

Senator John G. Tower

Dr. Edward Teller
Lawrence Livermore National Laboratories

Dr. Helmut Sonnenfeldt
Brookings Institution

Dr. Edward Luttwak
Center for Strategic and International Studies

Dr. Fred Ikle
Center for Strategic and International Studies

Mr. Wyle

Mr. Peter Hughes
Croton Institute

Mr. Robin Beard
Croton Institute

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NSC/S PROFILE

RECORD ID: 9000787
RECEIVED: 31 JAN 90 09

TO: SCOWCROFT

~~CONFIDENTIAL~~

FROM: DEAL

DOC DATE: 01 FEB 90
SOURCE REF:

KEYWORDS: INTL FINANCE

EUROPE EAST

PERSONS:

SUBJECT: EUROPEAN BANK FOR RECONSTRUCTION & DEVELOPMENT / EBRD

ACTION: SCOWCROFT APPROVED RECOM

DUE DATE: 03 FEB 90

STATUS: C

STAFF OFFICER: DEAL

LOGREF:

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
DEAL

DECLASSIFIED

White House Guidelines

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

By CAP NARA, Date 7/10/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND _____ W/ATTCH

OPENED BY: NSMEN

CLOSED BY: NSJRP

DOC 1 OF 1

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~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

0787

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

GREEN FILE

February 1, 1990

Natl Sec Advisor
has seen

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

FROM: TIMOTHY E. DEAL ✓

SUBJECT: European Bank for Reconstruction and
Development (EBRD)

David Mulford would like your reaction to the draft memorandum to the President at Tab I concerning the EBRD. Nick Brady wants to refer in the memorandum to agreement among you, Brady and Baker on the specific issues. The memorandum, particularly with the changes suggested by Bob Zoellick, accurately reflects the discussion at Friday's IEPR breakfast that the "deal breakers," under which the U.S. would decline to participate in the Bank, are:

-- Soviet membership as a borrowing country until they have made significant progress in meeting the criteria of "democratic conditionality" (i.e., a commitment to a multi-party system and the rule of law) and in moving toward a free market economy. The memorandum, as revised by State, would require our negotiators to propose that the Bank's articles include a list of eligible borrowing countries (minus the USSR), that additions to the list be approved by an 85% supermajority, and that tough economic and political criteria be incorporated into the charter. State's proposals make our position clearer, and we support them. Given EC-12 attitudes, however, reaching agreement on conditions such as these will be a herculean task.

-- Payment of Membership in ECU. While this appears at first glance to be a technical problem, it could have far-reaching repercussions in terms of our contribution to the World Bank, IMF and regional development banks. These institutions might well follow suit and seek to convert their respective capital base to SDRs or other composite currency units if we agreed to pay the EBRD in ECUs. Congress would balk at any action that would result in U.S. contributions being open-ended and subject to exchange rate movements. Surprisingly, at the breakfast, Baker, perhaps drawing on his prior experience as Secretary of the Treasury, said this issue was of equal importance to the Soviet borrowing question. (Bob Blackwill and I question whether this is the kind of issue -- in isolation -- which would keep the U.S. out of the Bank. We have, therefore, suggested that the memorandum to the President state that the two Secretaries recommend against U.S. membership if the ECU problem cannot be resolved, but that it not refer to your position since

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PER E.O. 13526

2010-0770-MR
MM 2/5/2016

you did not have an opportunity to express your views on this point.)

If Treasury agrees to work from the State revised draft and make the change suggested on the ECU payment issue, I recommend that you concur in the draft memo. You will, of course, have an opportunity to convey any further thoughts in your covering memorandum to the President.

Mulford hopes to discuss this position with G-7 counterparts on February 2 and consequently has asked for your early reaction. Our final position would be conveyed to the G-24 at the February 9 meeting in Paris, and we would need the President's decisions on these two key points by then.

Concurrence by: Robert Blackwill *HHB, RZ*

RECOMMENDATION

That you authorize me to inform Mulford that you concur in the draft memorandum to the President as revised by State.

Approve



Disapprove

Attachment

Tab I Draft Memo to the President as Revised by State

DRAFT

MEMORANDUM FOR PRESIDENT BUSH

FROM: Nicholas F. Brady

SUBJECT: European Bank for Reconstruction and Development

President Mitterand raised with you the matter of U.S. participation in a proposed European Bank for Reconstruction and Development (EBRD) during your Caribbean meeting with him last fall. Negotiations to establish the Bank are proceeding rapidly and the French, who continue to be the driving force behind the Bank, hope to conclude an agreement by mid March.

Secretary Baker, General Scowcroft and I have discussed the issue of U.S. membership in the Bank and agree that:

- U.S. membership would serve U.S. foreign and economic policy interests in Europe; and
- The U.S. should negotiate to join the Bank provided that the Europeans are willing to agree to the U.S. position on two fundamental issues:

(1) Restrictions on borrowing by the USSR; and

(2) Method of payment of our membership subscriptions. *(Gen Scowcroft did not participate in discussion of this point)*

Background and Size of U.S. Shareholding - U.S. membership in the Bank gives us an opportunity to participate in a creative partnership with Western Europe in an area of critical mutual interest. However, the French and the other Western European nations have agreed among themselves that the Bank will be controlled by the members of the European Economic Community. To ensure this control, they have agreed that:

- The European Community and the European Investment Bank should be shareholders of the Bank with status equal to that of the sovereign country members; and
- The Charter of the Bank should ensure that the European members will always hold 51 percent of the voting control of the institution.

These basic conditions were enshrined in the Heads of State Communiqué agreed at the Summit of European Heads at Strasbourg on December 9, 1989 and cannot be altered.

We believe the best way to maximize U.S. influence in the formation and operation of the Bank is for the U.S. to obtain the largest individual country shareholding in the Bank. This would underline the importance we attach to supporting this institution as a U.S. partnership with Europe. We would recommend a U.S. shareholding of 10 percent vs. the proposed 8.5 percent for each major European country and Japan. If the proposed Bank is capitalized as expected at European Currency Units (ECU) 10 billion (approximately \$12 billion) with 30 percent paid-in capital, our subscription at 10 percent would be \$242 million per year over each of the next five years, of which \$75 million per year would require budget authority for paid-in capital.

We believe that most Western European countries can accept the U.S. as the largest single shareholder and that East European countries would be strongly favorable. However, if we are unable to achieve this objective, we would not recommend that the U.S. refuse to participate in the Bank.

^{paid in hard currency.}
Restrictions on Soviet Borrowing - The Europeans have agreed that the Soviets will be a member of the Bank with a five to six percent share. We do not believe that Soviet membership per se is a sufficient reason for the U.S. to refuse to participate in the Bank. However, Soviet membership raises sensitive domestic political issues which could prevent Congressional approval of U.S. membership if U.S. funds appropriated by Congress were used for loans to the Soviets.

^{the following}
Therefore, we believe that it should be a precondition for U.S. membership that the Soviets be prohibited from borrowing from the Bank until they have made significant movement toward democracy and a free market economy. We have instructed our negotiators to ~~attempt to establish adequate~~ ^(and especially borrowing) restrictions on Soviet borrowing through appropriate charter provisions: ~~However~~ If they are unsuccessful in achieving ~~this objective~~, we (Secretary Baker, General Scowcroft and I) would recommend against U.S. membership in the Bank.

^{(satisfactory restrictions,}

Method of Payment of Membership Subscriptions - The Europeans want capital subscriptions to be paid in ECU with the value of the ECU determined at the time each payment is made. The ECU is a composite currency unit whose value in U.S. dollar terms is subject to fluctuation. Since this would prevent fixing in advance the dollar value of our contributions of paid-in and callable capital, we would face an open-ended funding commitment, which could create an insurmountable budget problem in Congress as we seek the necessary authorization and appropriations. In addition, if we were to agree to make payment in ECUs without fixing in advance its dollar value, this would cause the World Bank and the regional development banks to press for conversion of their respective capital bases to SDRs, another composite currency unit whose value fluctuates in U.S. dollar terms.

Insert
A
(attached)

The French have indicated that they will try to find a way to accommodate the U.S. needs on this issue. However, if we are unsuccessful, ~~we~~ would recommend against U.S. membership.

Jim Baker and I

Action Requested - We would like to communicate our firm positions on Soviet borrowing and form of payment of our subscription to our counterparts in the major European countries prior to a senior-level negotiating session scheduled for Friday, February 2, 1990. However, before doing so, we would like to have your concurrence or guidance on the following positions:

- (1) The U.S. should not join the Bank if we are unable to negotiate satisfactory restrictions on Soviet borrowing from the Bank.

_____ Agree _____ Disagree _____ Let's Discuss

- (2) The U.S. should not join the Bank if we are unable to negotiate a satisfactory method for the payment of U.S. subscriptions to the Bank.

_____ Agree _____ Disagree . _____ Let's Discuss

(Insert B (attached))

Insert A (for page 2)

- proposing that the EBRD Articles include a list of eligible borrowing countries (not to include the USSR) and that additions to this list be subject to approval by an 85 % supermajority of the Bank's shareholders; and
- proposing tough, explicit political and economic criteria for borrowers to be incorporated into the charter. This would help preclude Soviet borrowing and address the possibility of a reversal on reform in Eastern European countries.

Insert B (for page 3)

Other Issues to Consider - In the negotiations to date we have also been working to orient the EBRD to emphasize direct support for private sector development in borrowing countries. Prospects appear good for achieving some measure of success on this issue.

~~SECRET~~
NSC/S PROFILE

RECORD ID: 9000857
RECEIVED: 02 FEB 90 09

TO: PRESIDENT

CHRON FILE

FROM: GATES

DOC DATE: 21 FEB 90
SOURCE REF:

KEYWORDS: SAUDI ARABIA

AP

PERSONS: BANDAR

SUBJECT: PRES MTG W/ PRINCE BANDAR ON 22 FEB / TALKING POINTS / PARTICIPANTS
LIST

ACTION: NOTED BY PRES

DUE DATE: 06 FEB 90

STATUS: C

STAFF OFFICER: CHARLES

LOGREF:

FILES: PA

NSCP:

CODES:

DOCUMENT DISTRIBUTION

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FOR CONCURRENCE

FOR INFO

CHARLES
HAASS

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White House Guidelines
E.O. 12958, SEC 3.4 (B) September 11, 2006
By cap NARA, Date 7/10/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

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CLOSED BY: NSJRP

DOC 5 OF 5

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CHRON FILE

THE WHITE HOUSE

WASHINGTON

February 21, 1990

MEETING WITH
PRINCE BANDAR BIN SULTAN

THE PRESIDENT HAS SEEN
2/22/90

DECLASSIFIED
PER E.O. 13526

2010-0770-MP
mm 2/5/2016

DATE: February 22, 1990
LOCATION: Oval Office
TIME: 11:15 - 11:25 a.m.

FROM: BRENT SCOWCROFT

Rg fm

I. PURPOSE

To receive a letter from King Fahd responding to your request for additional Saudi support for Afghanistan.

II. BACKGROUND

Last month you sent King Fahd a letter (Tab C), delivered by Judge Webster, asking for additional Saudi support for the Afghan Resistance. Prince Bandar recently returned from the Kingdom and has a letter for you from the King responding positively to your request. In addition, Prince Bandar may want to talk with you briefly on the current situation in Lebanon and the peace process, sharing the King's views on these subjects. You might ask about King Hussein's recent visit to Saudi Arabia, and reiterate your desire for King Fahd to come for a State visit this year. Bandar has advised that late July would be good time to invite the King.

III. PARTICIPANTS

See Tab B

IV. PRESS PLAN

White House photographer.

V. SEQUENCE

11:15 - 11:25 a.m. - Courtesy Call

Prepared by: Sandra Charles

Attachments

Tab A Talking Points
Tab B Participants
Tab C President's Letter to King Fahd

cc: Vice President
Chief of Staff

~~SECRET~~

Declassify on: OADR

~~SECRET~~

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
08b. Talking Points	Points To Be Made for Meeting with Prince Bandar Bin Sultan [FOIA restrictions redacted] (2 pp.)	n.d.	(b)(1)	S

Collection:

Record Group: Bush Presidential Records

Office: Scowcroft, Brent, Files

Series: Chronological Files

Subseries:

WHORM Cat.:

File Location: Other (January - May 1990) [1]

**Document Partially Declassified
(Copy of Document Follows)**
By MM on 3/27/2023

Date Closed: 7/10/2009	OA/ID Number: 91148-008
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 #: 2010-0770-MR(507.01)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 2/5/2016

RESTRICTION CODES

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- (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

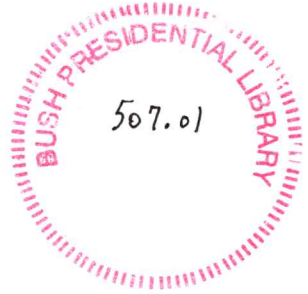
- C(1) Closed by Executive Order 13526, governing access to national security information
- C(2) Closed by statute or by the agency which originated the information
- C(3) Closed in accordance with restrictions contained in donor's deed of gift [formerly listed as only C]
- PRM. Removed as a personal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

SECRET

POINTS TO BE MADE FOR MEETING WITH
PRINCE BANDAR BIN SULTAN



AFGHANISTAN

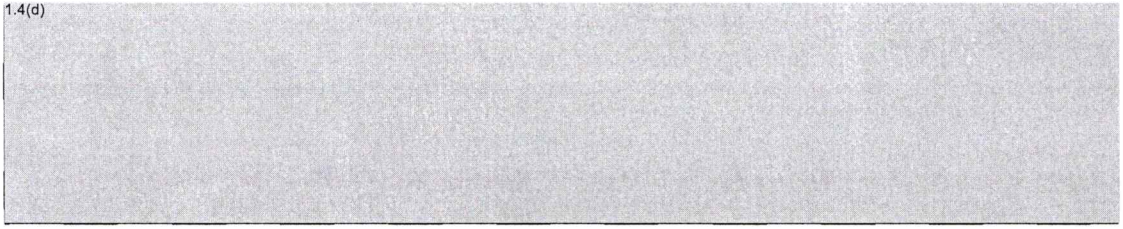
- Please tell the King how much we appreciate continued Saudi support for our mutual cause in Afghanistan. Judge Webster has conveyed the results of his very positive talks to me.
- We hope that military pressure can be brought to bear on the regime forces to force it and the Soviets to accept the political process Secretary Baker tabled in Moscow.
- The failure of the Afghan interim government to broaden its base and concern about a Muslim fundamentalist government are the major impediments to convincing the Soviets to drop Najibullah. We do not intend to force the Mujahidin to negotiate with him. However, the outcome of the loya jirga will determine how we proceed next spring. We will want to stay in close touch with you and Pakistan.

LEBANON

- We firmly support the Hrawi government. General Aoun should step aside in favor of the legitimate government. This is the best way to realize the promise of the Taif agreement, especially Syrian withdrawal. Aoun has only brought the Syrians in deeper.

--

1.4(d)



SECRET

Declassify on: OADR

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PER E.O. 13526

2010-0770-MR
MM 2/5/2016

~~SECRET~~

~~SECRET~~

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1.4(d)

PEACE PROCESS

- We continue to pursue a trilateral meeting in Cairo as the next step, leading to an Israeli/Palestinian dialogue and ultimately to elections in the occupied territories.
- There are steps the Arabs could take to help improve the environment for peace, such as ending the economic boycott of Israel and rescinding the Zionism is racism resolution.
- On Soviet Jewish immigration to the occupied territories, it is important to distinguish between immigration to Israel and settlement in the occupied territories. We strongly support Jewish emigration from the Soviet Union, especially with the strong anti-semitic climate there. We intend to take in emigres here. We do not support settlements in the occupied territories by these immigrants (or anyone else); and US funds will not be used for this purpose.

KING HUSSEIN VISIT TO THE KINGDOM

- I understand King Hussein was in the Kingdom to meet with the King. Was this just a routine visit?

FAHD STATE VISIT

- Please tell the King I look forward to seeing him sometime this year. Let us know what might be a good time for him to come, since I understand his knee surgery will require a long recuperation here.

~~SECRET~~

~~SECRET~~

PARTICIPANTS

U.S.

The President

John H. Sununu, Chief of Staff

Brent Scowcroft,

Assistant to the President for National Security Affairs

Robert M. Gates,

Assistant to the President and Deputy for National
Security Affairs

Sandra Charles, Director, Near East and South Asian Affairs,
NSC Staff

Saudi Arabia

Prince Bandar Bin Sultan, Ambassador to the U.S.

THE WHITE HOUSE

WASHINGTON

January 5, 1990

Dear King Fahd:

I have again asked my good friend, Judge William Webster, to convey to Your Majesty my wishes for your well-being and my thanks for your continued role in helping the Afghan people achieve genuine self-determination. Working together, the United States and the Kingdom -- under Your Majesty's wise counsel -- helped give the brave and valiant Afghan Mujahedin the wherewithal to drive the occupying Soviet forces from their country.

The challenge now is to assist the Mujahedin consolidate their victory over the Soviet Union by removing the current leadership in Kabul. This next stage in this historic struggle will require continued fortitude on the part of the Mujahedin and continued resolve on the part of their closest friends. Only in this way can diplomacy succeed and an acceptable settlement emerge.

The Mujahedin are carrying the fight to the enemy. They are achieving success in keeping the regime tied down to fortified garrisons around the country and in Kabul itself. What the Mujahedin need above all, and cannot provide on their own, is a significant infusion of additional ordnance to counteract the massive Soviet supplies propping up Najibullah.

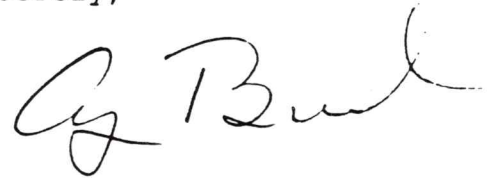
I ask that Your Majesty join with your allies in the United States to ensure a continuation of ongoing support so that the Mujahedin can do

what is required to bring peace to Afghanistan in 1990. As the Mujahedin prepare themselves for the arrival of spring and the opening of the mountain passes through which their vital supplies must travel, I would urge that Your Majesty join with us in providing as much support as possible in the next few weeks. It is essential to order military supplies now if they are to be on hand when the snows melt.

I am confident that with our continued joint support we will be able to look back at 1990 and say that what we did truly made a difference.

With my best wishes for the continued prosperity of the Kingdom of Saudi Arabia I remain,

Sincerely,

A handwritten signature in dark ink, appearing to read 'Fahd', written in a cursive style.

Fahd ibn Abd Al-Aziz Al Saud
Custodian of the Two Holy Mosques
King of the Kingdom of Saudi Arabia
Riyadh

~~SECRET~~

~~SECRET~~

0857 ADD ON

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 20, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: RICHARD N. HAASS 
FROM: SANDRA CHARLES 
SUBJECT: Courtesy Call for Prince Bandar with
President Bush

Attached at Tab I is the meeting memorandum for Prince Bandar's courtesy call on the President on Thursday, February 22, at 11:15 a.m. Prince Bandar plans to present a letter from King Fahd responding to the President's request for additional Saudi support for Afghanistan. Bandar also will want to discuss recent developments in Lebanon and the peace process.

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments

Tab I Memo to the President
Tab A Points to be Made
Tab B Participants List
Tab C President's Letter to King Fahd

~~SECRET~~

Declassify on: OADR

~~SECRET~~

DECLASSIFIED
PER E.O. 13526

2010-0770-MR

MM 2/5/2016

CHRON FIL

THE WHITE HOUSE

WASHINGTON

February 21, 1990

Other

Dear Mr. President:

I read your letter of February 6 with great concern. I am acutely aware of the renewed suffering of innocent civilians in Lebanon because of the recent horrible fighting. The American people, too, have seen on their evening news broadcasts the terrible scenes of destruction in East Beirut. Our hearts are with you and those who continue to suffer as a result of this senseless violence.

I am pleased to tell you, however, that my Ambassador to Lebanon, John McCarthy, on February 13 declared Lebanon eligible for special relief because of the fighting. His declaration will allow us to provide \$250,000 worth of emergency aid to help those most affected by the fighting. This aid is in addition to the \$7.5 million in economic and development assistance and the \$14 million in food aid that we have allocated for Lebanon, through private humanitarian organizations.

As President of Lebanon, you have the authority and responsibility to make crucial decisions about the future of your country and the lives of all Lebanese. As you face these hard choices, you can be sure of our continuing support for you and your government in the courageous effort to rebuild Lebanon through implementation of the Taif Agreement.

With my heartfelt prayers for an immediate return to peace in your country,

Sincerely,



His Excellency
Elias Hrawi
President of the Republic of Lebanon
Beirut

Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09b. Memo	From Brent Scowcroft to POTUS, Re: Reply to President Hrawi of Lebanon [FOIA restrictions redacted] (1 pp.)	2/20/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records

Office: Scowcroft, Brent, Files

Series: Chronological Files

Subseries:

WHORM Cat.:

File Location: Other (January - May 1990) [1]

Document Partially Declassified
(Copy of Document Follows)
By MM on 3/27/2023

Date Closed: 7/10/2009	OA/ID Number: 91148-008
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 #: 2010-0770-MR(508.01)
AR Disposition:	MR Disposition: Released in Part
AR Disposition Date:	MR Disposition Date: 2/5/2016

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]

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

1014

DECLASSIFIED IN PART
PER E.O. 13526

2010-0770-MR
MM 2/5/2016

THE WHITE HOUSE
WASHINGTON

February 20, 1990

THE PRESIDENT

1990 FEB 20 11 6:3

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Reply to President Hrawi of Lebanon

Purpose

To inform President Hrawi of our aid to Lebanon and assure him of continued support.

Background

President Elias Hrawi wrote to you on February 6 (Tab B), during the height of recent intra-Christian fighting in the enclave^{1.4(d)}

The draft response to Hrawi (Tab A) deliberately does not address this delicate issue directly. On the positive side, it conveys good news about additional emergency aid and notes our other foreign assistance contributions.

1.4(d)

The State Department concurs.

RECOMMENDATION

That you sign the letter to Lebanese President Hrawi at Tab A.

Attachments

Tab A Response to President Hrawi
Tab B Letter from President Hrawi

cc: Vice President
Chief of Staff

~~CONFIDENTIAL~~

Declassify on: OADR

~~CONFIDENTIAL~~



Withdrawal/Redaction Sheet

(George Bush Library)

Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
09c. Memo	Fom C. David Welch to Brent Scowcroft, Re: Reply to President Hrawi of Lebanon [FOIA restriction redacted] (1 pp.)	2/14/90	(b)(1)	C

Collection:

Record Group: Bush Presidential Records

Office: Scowcroft, Brent, Files

Series: Chronological Files

Subseries:

WHORM Cat.:

File Location: Other (January - May 1990) [1]

**Document Partially Declassified
(Copy of Document Follows)**

By MM on 3/27/2023

Date Closed:	7/10/2009	OA/ID Number:	91148-008
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 #:	2010-0770-MR(508.02)
AR Disposition:		MR Disposition:	Released in Part
AR Disposition Date:		MR Disposition Date:	2/5/2016

RESTRICTION CODES

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

- (b)(1) National security classified information
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- P-2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

1014

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

February 14, 1990



ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: RICHARD N. HAASS

FROM: C. DAVID WELCH

SUBJECT: Reply to President Hrawi of Lebanon

Lebanese President Hrawi wrote to the President on February 6, during the thick of the fighting in the Christian enclave,

1.4(d)

A response to Hrawi would be a helpful demonstration of U.S. support at a time when his performance is flagging, but we would recommend that the President not address

1.4(d)

1.4(d) The response recommended by State (Tab A) steps carefully around this sensitive point, which has already been dealt with by our Ambassador in Syria directly with Hrawi's envoys. On the positive side, the response notes our assistance, including very recent emergency aid, to Lebanon this fiscal year.

RECOMMENDATION

That you sign the attached memorandum to the President (Tab I), forwarding a draft response (Tab A) to a letter from Lebanese President Hrawi.

Attachments

Tab I Memorandum to the President
Tab A Letter to President Hrawi
Tab B Letter from President Hrawi

DECLASSIFIED IN PART
PER E.O. 13526

2010-0770-MR

MM 2/5/2016

~~CONFIDENTIAL~~

Declassify on: OADR

~~CONFIDENTIAL~~



United States Department of State

Washington, D.C. 20520

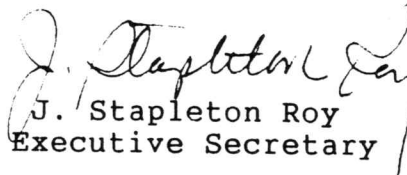
February 13, 1990

CONFIDENTIALMEMORANDUM FOR BRENT SCOWCROFT
THE WHITE HOUSE

Subject: Draft reply from the President to Lebanese President Hrawi

Lebanese President Elias Hrawi wrote to President Bush on February 6 expressing his concern over the renewed violence in Lebanon and asking the United States to help.

Attached is a draft reply for signature by the President which expresses the President's concern for the suffering of Lebanese civilians. The response also outlines for Hrawi American aid to Lebanon for FY90 and notes that U.S. Ambassador to Lebanon John McCarthy declared Lebanon a disaster area and that the Office of Foreign Disaster Assistance (OFDA) will provide \$250,000 in emergency aid to meet the critical need.


J. Stapleton Roy
Executive Secretary

Attachments:

- Tab 1 - Draft response from the President to President Hrawi.
- Tab 2 - Incoming letter from President Hrawi.

15

CONFIDENTIAL
DECL: OADR

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PER E.O. 13526
2010-0771-MR
Eg 12/7/15

DEPARTMENT OF STATE

DRAFT REPLY

Dear Mr. President:

I read your letter of February 6 with great concern. I am acutely aware of the renewed suffering of innocent civilians in Lebanon because of the ^{recent} horrible fighting, ~~in the past two weeks~~. The American people, too, have seen on their evening news broadcasts the terrible scenes of destruction in East Beirut. Our hearts are with you and those who continue to suffer as a result of this senseless violence.

I am pleased to tell you, however, that ^{my} ~~our~~ Ambassador to Lebanon, John McCarthy, on February 13 declared Lebanon eligible for special relief because of the fighting. His declaration will allow ^{us} ~~our Office of Foreign Disaster Assistance~~ to provide \$250,000 worth of emergency aid to help those most affected by the ~~savage week of~~ fighting. This aid is in addition to the \$7.5 million in economic and development

His Excellency

Elias Hrawi,

President of the Republic of Lebanon,

Beirut.

assistance and the \$14 million in food aid that has been allocated for Lebanon, ~~and which will be funneled to Lebanon~~ through private humanitarian organizations.

As President of Lebanon, you have the authority and responsibility to make crucial decisions about the future of your country and the lives of all Lebanese. As you face these hard choices, you can be sure of our continuing support for you and your government in the courageous effort to rebuild Lebanon through implementation of the Taif Agreement.

With my heartfelt prayers for an immediate return to peace in your country,

Sincerely,

George Bush

*Embassy of Lebanon
Washington*

7 February 1990

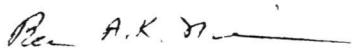
The Honorable John Sununu
Chief of Staff
The White House
Washington, DC 20500

Dear Gov. Sununu:

Please accept my apologies regarding the way
President Hrawi's letter was delivered; it was an unfortunate
result of misunderstanding and inexperience.

We deeply appreciate, however, the United States government's
strong support for Lebanon.

Respectfully,


Bassam A.K. Naamani
Charge d'Affaires, a.i.

*Embassy of Lebanon
Washington*

6 February 1990

The Honorable George Bush
President
United States of America
Washington, DC 20500

Dear Mr. President:

As Lebanon witnesses successive tragedies, the most recent being the massacres of the past six days in the areas east and north of Beirut, which even the efforts of His Holiness the Pope and the Papal Nuncio have failed to stop;

As I listen to the constant screams and shouts of women and old people in the shock of so much death, as we witness the children trapped in shelters, in schools, and apartments without water, electricity, and food;

As the ruined hospitals have run short of medical supplies and are unable to function, I find myself, as head of the legitimate government, helpless to answer the appeals for help from all quarters of my people, including those under the thumb of the crimes and terror of those who have rebelled against the legitimate authority;

I appeal to you with all that is in me to take whatever steps necessary for our salvation, and for your support for steps I feel obliged to take, as the legitimate head of state whom you and the world have recognized, to put an end to the tragedy of the Lebanese people.

With my kindest regards and best wishes,

Sincerely,

Elias Hrawi
President of the
Republic of Lebanon

1017

Embassy of Lebanon PRES NOTED SUMMARY
Washington

6 February 1990

The Honorable George Bush
President
United States of America
Washington, DC 20500

Dear Mr. President:

As Lebanon witnesses successive tragedies, the most recent being the massacres of the past six days in the areas east and north of Beirut, which even the efforts of His Holiness the Pope and the Papal Nuncio have failed to stop;

As I listen to the constant screams and shouts of women and old people in the shock of so much death, as we witness the children trapped in shelters, in schools, and apartments without water, electricity, and food;

As the ruined hospitals have run short of medical supplies and are unable to function, I find myself, as head of the legitimate government, helpless to answer the appeals for help from all quarters of my people, including those under the thumb of the crimes and terror of those who have rebelled against the legitimate authority;

I appeal to you with all that is in me to take whatever steps necessary for our salvation, and for your support for steps I feel obliged to take, as the legitimate head of state whom you and the world have recognized, to put an end to the tragedy of the Lebanese people. //

With my kindest regards and best wishes,

Sincerely,

Elias Hrawi
President of the
Republic of Lebanon

*Embassy of Lebanon
Washington*

6 February 1990

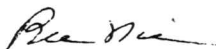
The Honorable John Sununu
Chief of Staff
The White House
Washington, DC 20500

Dear Mr. Sununu:

Kindly find enclosed a letter from His Excellency
President Elias Hrawi addressed to The Honorable George Bush,
President of the United States of America.

I would appreciate your delivering this message to the
President at your earliest convenience.

Sincerely,


Bassam A.K. Naamani
Charge D'affaires, a.i.

As stated.

WASHFAX RECEIPT

THE WHITE HOUSE

C

MESSAGE NO. _____ CLASSIFICATION CONFIDENTIAL PAGES 1

FROM G. PHILIP HUGHES 24 _____
(NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION PRES LTR TO PRES HRAWI

LOG # 1014

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
<u>STATE</u>	<u>MR. J. STAPLETON ROY</u>	<u>EXEC SEC</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

REMARKS *FOR IMMEDIATE CABLING ** SIGNED ORIGINAL TO FOLLOW***

DECLASSIFIED

White House Guidelines

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

By CAR NARA, Date 7/10/09

NATIONAL SECURITY COUNCIL
DISTRIBUTION RECORD

LOG 9001014
DATE 21 FEB 90

SUBJECT: PRES LTR TO PRES HRAWI OF LEBANON RE CONTINUED SUPPORT FOR EFFORTS
DOCUMENT CLASSIFICATION: ~~CONFIDENTIAL~~

EXTERNAL DISTRIBUTION:

DATE

TIME

SIGNATURE

ROY, J
DEPARTMENT OF STATE
ROOM 7224, MAIN STATE
2201 C STREET, NW
WASHINGTON, DC 20590

COPY: ORIGINAL

DECLASSIFIED

White House Guidelines

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

By CAF NARA, Date 7/10/09

DATE, TIME, SIGN THE RECEIPT AND RETURN TO: NSC SECRETARIAT, ROOM 379 OEOB

PAGE 01 OF 01 PAGES

NATIONAL SECURITY COUNCIL

ID 9001014

REFERRAL

DATE: 22 FEB 90

MEMORANDUM FOR: ROY, J

STATE SECRETARIAT

DOCUMENT DESCRIPTION:

TO: HRAOUI, ELIAS

SOURCE: PRESIDENT

DATE: 21 FEB 90

SUBJ: PRES LTR TO PRES HRAWI OF LEBANON RE CONTINUED SUPPORT FOR EFFORTS
TOWARD PEACE

REQUIRED ACTION: FOR DISPATCH

DUE DATE: 22 FEB 90

COMMENT:

FOR

Walter E. Aoy

GEORGE VAN ERON

DIRECTOR NSC SECRETARIAT

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506~~CONFIDENTIAL~~

NOTED

February 21, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT
THROUGH: G. PHILIP HUGHES
FROM: GEORGE VAN ERON 
SUBJECT: Heads of State Correspondence Summary

Attached at Tab I is a summary of the Heads of State correspondence received by the Secretariat since Friday, February 17.

The responses to the letters from Presidents Menem and Dos Santos were coordinated with Pryce and Ordway respectively.

RECOMMENDATION

That you forward the attached summary to the President.
Approve _____ Disapprove _____

Attachments

TAB I	Summary for the President	
Tab A	President Menem	- Argentina
TAB B	President Dos Santos	- Angola
TAB C	Prime Minister Hawke	- Australia
TAB D	Prime Minister Andreotti	- Italy

DECLASSIFIED

White House Guidelines

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

By CAF NARA, Date 7/10/09

~~CONFIDENTIAL~~THE PRESIDENT HAS SEEN
2-24Heads of State Correspondence Summary

President Menem of Argentina - February 14, 1990
(Received February 16)

President Menem thanks you for your letter regarding the negotiations between Great Britain and Argentina on the normalization of relations and the status of the Falkland Islands. He underscores how sensitive and important an issue this is for Argentina. He particularly thanks you for facilitating the dialogue between the two countries.

President Menem emphasizes that full reestablishment of diplomatic relations must put an end to the exclusion zones in this area. He stated that alternatives exist which take into account the interest of both parties without provoking political difficulties and expresses the hope that the talks in Madrid will be successful (NSC staff comment: As you know they were).

He welcomes you to Argentina with the same warmth with which you received him in Washington. He extends his best wishes to Barbara.

President Dos Santos of Angola - February 15, 1990
(Received February 16)

President Dos Santos acknowledges your letter of February 9 and thanks you for communicating directly with him on your concerns. In a lengthy response, he narrates his governments' serious efforts to negotiate peace and to avoid military action. He blames UNITA for breaking the ceasefire and requiring a military response. He expresses his disappointment at your "unqualified support" of UNITA. He informs you that a new set of ideas for economic and political reform have been given to Ambassador Cohen and that a ceasefire proposal has been passed to Mobutu. He also reiterates the elements for a peaceful solution.

He would welcome the opportunity to meet with you to discuss these matters in greater detail.

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Declassify on: OADR

Pres. Menem
Letter only

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PER E.O. 13526

2010-0711-MR

EJ 121715

WHITE HOUSE SITUATION ROOM

PRES NOTED SUMMARY

PAGE 01 OF 02

PRT YANERON

SIT AYEPS PRES MSGS PRYCE VAX

PREC PRIORITY CLAS > ~~CONFIDENTIAL~~ <DTG> 162110Z FEB 90

FM AMEMBASSY BUENOS AIRES

TO RUEHC/SECSTATE WASHDC PRIORITY 9270

INFO RUFHLD/AMEMBASSY LONDON 3844

RUFHMD/AMEMBASSY MADRID 2412

RUEHDT/USMISSION USUN NEW YORK 2353

~~CONFIDENTIAL~~ BUENOS AIRES 01663

E.O. 12356: DECL: OADR

TAGS: PREL. AR. UK. US

SUBJECT: MENEM LETTER TO THE PRESIDENT

1. ~~CONFIDENTIAL~~ -- ENTIRE TEXT.

2. MFA HAS PASSED THE EMBASSY A COPY OF LETTER FROM PRESIDENT MENEM TO PRESIDENT BUSH (PARAGRAPH 3) RESPONDING TO THE LATTER'S MESSAGE ON THE MADRID II TALKS. ALTHOUGH THE LETTER IS UNDATED, IT APPEARS TO HAVE BEEN DRAFTED/SIGNED FEBRUARY 14. ACCORDING TO THE MFA, THE ARGENTINE EMBASSY IN WASHINGTON WAS TO HAVE PASSED THE MENEM MESSAGE.

3. INFORMAL EMBASSY TRANSLATION OF THE MENEM MESSAGE FOLLOWS:

QUOTE: DEAR GEORGE:

IT GAVE ME GREAT SATISFACTION TO RECEIVE YOUR LETTER IN WHICH YOU REFERRED TO THE NEGOTIATIONS BETWEEN OUR COUNTRY AND GREAT BRITAIN. AS YOU KNOW, IT CONCERNED AN ISSUE THAT IS VERY SENSITIVE FOR ALL ARGENTINES, AND FOR MY PART, I HAVE SOUGHT TO GIVE EVERY IMPULSE POSSIBLE TO THE SEARCH FOR SOLUTIONS WHICH WILL REESTABLISH NORMALITY IN OUR RELATIONS.

I WANT TO THANK YOU FOR THE VALUABLE CONTRIBUTION THAT

~~CONFIDENTIAL~~

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PER E.O. 13526
2010-07-14
ES 12/115

PRIORITY

~~CONFIDENTIAL~~

WHITE HOUSE SITUATION ROOM

PAGE 02 OF 02

YOU AND YOUR GOVERNMENT HAVE MADE TO MAKE THE DIALOGUE POSSIBLE AND TO FACILITATE UNDERSTANDING OF OUR DIFFERENT POINTS OF VIEW. THIS CONFIRMS THAT ARGENTINA AND THE UNITED STATES ARE LOYAL AND REAL ALLIES. SINCE IN THESE COMPLEX SITUATIONS ONE EXPRESSES HIS FRIENDSHIP IN ITS TRUE DIMENSION.

WE HAVE SOUGHT THE MOST ACCEPTABLE FORMULAS TO RESOLVE THE QUESTION OF THE PROTECTIVE ZONE, TAKING INTO ACCOUNT THAT. IF IT CONSTITUTES FOR GREAT BRITAIN A SECURITY ASPECT FROM THE POLITICAL POINT OF VIEW, FOR US IT IS ESSENTIAL THAT THE FULL REESTABLISHMENT OF OUR DIPLOMATIC RELATIONS PUT AN END TO EXCLUSION ZONES IN THIS AREA. ALTERNATIVES EXIST WHICH TAKE INTO ACCOUNT THE INTERESTS OF BOTH PARTIES WITHOUT PROVOKING POLITICAL DIFFICULTIES. WHICH MAY PROVIDE THE BASIS OF AN ACCORD.

I SINCERELY HOPE THAT THE MEETINGS THAT WILL TAKE PLACE WITHIN A FEW HOURS IN MADRID CONCLUDE WITH POSITIVE RESULTS. WHICH REFLECT THE SINCERE DESIRE OF THE ARGENTINE AND BRITISH PEOPLES TO RESUME DIALOGUE. BEFORE FINISHING I WANT TO REITERATE, GEORGE. THAT IT WOULD GIVE US GREAT PLEASURE TO RECEIVE YOU IN ARGENTINA WITH THE SAME WARMTH WITH WHICH YOU RECEIVED ME IN WASHINGTON. I HOPE THAT YOUR CALENDAR WILL ALLOW YOU TO

MAKE THIS VISIT, WHICH WOULD GIVE US SUCH GREAT PLEASURE. I ASK THAT YOU PASS MY AFFECTIONATE AND RESPECTFUL BEST WISHES TO YOUR WIFE, BARBARA, AND I SEND YOU EXPRESSIONS OF MY MOST SINCERE FRIENDSHIP.

FORBORD

BT

#1663

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~
NSC/S PROFILE

RECORD ID: 9002864
RECEIVED: 12 APR 90 12

CHRON FILE

TO: PRESIDENT

FROM: SCOWCROFT

DOC DATE: 28 APR 90
SOURCE REF:

KEYWORDS: ECONOMIC SUMMIT

PERSONS:

SUBJECT: PREPARATIONS FOR HOUSTON ECONOMIC SUMMIT 23 - 25 MAR

ACTION: NOTED BY PRES W/ COMMENT

DUE DATE: 16 APR 90

STATUS: C

STAFF OFFICER: MELBY

LOGREF:

FILES: WH

NSCP:

CODES:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO

DEAL

MELBY

DECLASSIFIED

White House Guidelines

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

By CAP NARA, Date 7/10/09

COMMENTS: _____

DISPATCHED BY _____ DATE _____ BY HAND _____ W/ATTCH _____

OPENED BY: NSRLG

CLOSED BY: NSLMS

DOC 2 OF 2

~~CONFIDENTIAL~~

CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

April 28, 1990

APNSA Has Seen

THE PRESIDENT HAS SEEN

1030 APR 28 1990

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT

SUBJECT: Preparations for the Houston Economic Summit

The Personal Representatives ("Sherpas") of the seven Summit participants and the EC met in San Francisco March 23-25 to continue substantive preparations for Houston. The meeting was a stock-taking exercise, touching on the traditional economic issues (e.g., near-term economic outlook, the GATT trade negotiations, the Western approach toward developing countries) as well as some newer political/economic topics (e.g., the economic effects of German reunification, the integration of the Soviet Union into the world economic system). Highlights of the Sherpa meeting are at Tab A.

The other Summit participants are eager to find out what we have in mind for Houston. Because of the tremendous political and economic changes since you and your Summit colleagues last met together in Paris, and the need for a coherent G-7 strategy for dealing with them, Houston has the potential to be a path-breaking Summit.

Global economic issues are coming to the fore. Traditionally, we have tended to measure America's strength and place in the world in terms of our military superiority. But today national power also rests heavily on the strength and resiliency of our economy. This poses new tests for American leadership.

One of your challenges at Houston will be to find ways to strengthen economic and political cooperation among the G-7 to meet successfully the economic challenges of the 1990s. In that regard, we need a strategy that integrates domestic policies into an increasingly dynamic global economy; that intensifies the pressures to tear down the remaining barriers to the free movement of labor, capital, goods and services; and that offers to developing countries and the emerging democracies of Eastern Europe genuine support for the implementation of market economic principles.

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PER E.O. 13526

2010-0771-MR
E8 127115

cc: Vice President
Chief of Staff

CONFIDENTIAL

Declassify on: OADR

CONFIDENTIAL

CONFIDENTIAL

~~CONFIDENTIAL~~

A possible theme for Houston which incorporates these ideas would be "Democracy and Free Markets: the Twin Pillars of Freedom." What we would seek to do under this theme would be to emphasize that democratic revolutions will not succeed if the new democracies do not attack their economic problems with the same fervor they have shown in dismantling one-party states and moving toward political pluralism. What is required is a frontal attack against highly centralized, heavily subsidized, and woefully inefficient statist economies. The same principles -- and lessons -- apply to Eastern Europe and Latin America and could be applicable to many military-led or military-dominated governments in Africa when they take their first step toward the ballot box.

Promoting democracy and free markets suggests the following results from Houston:

- (1) A political statement endorsing democracy and democratic institutions as an inalienable right of all peoples. While not interfering in the internal affairs of other countries, the G-7 would predicate their economic and political efforts on a commitment by others to political freedom and democratic change.
- (2) An economic communique that would acknowledge the vital role of democracy and free markets in promoting individual freedom, growth and prosperity. The communique would also commit the G-7 countries to:
 - work for a stable international economic order in the 1990s on the basis of shared responsibility and leadership;
 - conclude the Uruguay Round of Multilateral Trade Negotiations in December 1990 with substantial, progressive results in all 15 areas. The rapid dismantling of barriers to international trade, particularly among industrialized countries, is necessary to ensure that newly democratizing countries, and developing countries committed to market economies, can find markets for their goods;
 - support the integration of Eastern European countries into the world economic system and to give material and technical assistance where appropriate;
 - work with newly industrializing economies to ensure their willingness and ability to assume progressively the responsibilities and privileges of full membership in international economic institutions;
 - support with adequate financial and technical resources, both bilaterally and multilaterally, those developing countries which undertake genuine political and economic reform.

CONFIDENTIAL

~~CONFIDENTIAL~~

CONFIDENTIAL

~~CONFIDENTIAL~~

- work on a global basis to develop effective international cooperation to deal with common threats to mankind, particularly environmental degradation and narcotics.

Next Steps

We would appreciate your reactions to these ideas so that we can begin to insert them or others into the Summit preparatory meetings and start work on an issues paper, which will become the cornerstone of the economic communique.

Attachment

Tab A Highlights of San Francisco Sherpa Meeting

Brunt
Themes
parade
I like
(1), to assert
democracy - dem. inst.
as 'inalienable right'
or
any chance to include
help for Democracies
in Latin America
So. America

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

DECLASSIFIED
PER E.O. 13526

2010-0771-MR

MM 1/20/2016

April 12, 1990

ACTION

MEMORANDUM FOR BRENT SCOWCROFT

THROUGH: TIMOTHY E. DEAL *DEAL*

FROM: ERIC MELBY *MELBY*

SUBJECT: Briefing the President on the Houston Summit

Jim Cicconi suggested to Tim that we send the President periodic reports on the status of preparations for the Houston Economic Summit. Cicconi said that he had the impression last year that the President was confronting some major issues relating to the Paris Summit for the first time on the eve of the opening sessions. With the President being host, we believe it essential to inform him about issues currently under review and get his reaction so that we shape the outcome to fit his objectives and interests.

Tab I gives a brief status report on recent discussions among the Sherpas and elaborates on a Summit theme relating to democracy and free markets, which we discussed in the White House Summit Group meeting on March 27.

A Summit Initiative?: A Fresh Look at International Institutions

We have not included in the proposed memorandum an idea for the Summit which we are developing internally. Briefly, we believe the President could seize the initiative at the Summit and, perhaps more important, set the course of the international economic debate for the 1990's by calling for a complete review of the mission, functioning, and resource base of the Bretton Woods Institutions (IMF, World Bank, GATT), the regional development banks, the OECD, and perhaps even some UN bodies (e.g., UNIDO, FAO). The role of these organizations has become blurred over time with the IMF and World Bank, for example, often engaged in overlapping policy reform programs. Moreover, with the exception of the OECD, they have frequently tended to support statist views on economic policymaking at the expense of free market principles, and thus run counter to trends sweeping through much of the developed world and Eastern Europe.

What the President might do would be to call for a G-30 type conference, hosted by the U.S., in the fall of 1990 to initiate such a review, which probably would take 2 years to complete, with a possible mid-term evaluation by the 1991 Economic Summit.

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The invitees could include the G-7 and other selected representatives from industrialized countries; the Asian NICs; developing countries from Africa, Asia and Latin America; the USSR; and some of the new democracies in Eastern Europe. Such a conference might have several objectives:

- Examine how best to promote international economic coordination and cooperation in the 1990's and beyond.
- Consider ways to strengthen and promote market economies in developing countries.
- Clarify the respective roles of such institutions as the IMF, World Bank and GATT, whose missions today are no longer distinct while integrating the regional development banks into a cohesive policy reform structure.
- Target bilateral and multilateral aid programs on the need for developing countries to adopt meaningful reform programs.
- Reintegrate the USSR into world economic fora and decision-making.
- Create a forum for a meaningful dialogue with developing countries without the cant and futility of North-South Summits as favored by the French.

This would be a major undertaking, but the timing may be right and the need is clear. It would thrust the President into leadership on the international economic front where his position is not as clear as on East-West relations, German unification, and the U.S.-EC dialogue.

The key agencies (e.g., Treasury) and the institutions which are candidates for review no doubt would oppose this effort, preferring to make very modest adjustments rather than addressing fundamental questions. So we would not wish to explore the idea if you do not believe it is worth pursuing. If we were to take such an initiative, we would want to discuss it with a restricted group within the Administration. Then, if the President endorsed the approach, he could let his counterparts know of our intentions a few weeks before the Summit. That would give other countries enough time to give a considered response while minimizing the risk of an orchestrated campaign by proponents of the status quo.

Scheduling Details

On the schedule, we met with Fred Malek on April 6. Malek said that when he met with the President on April 4, the President indicated a preference for the NSC schedule with slight modifications. These include: (1) a non-Summit related "Western Night" on Sunday, July 8, to which any Summit participant in town would be invited; and (2) a social dinner with spouses on

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Tuesday, July 10 (in place of the traditional working dinner). Malek plans to send a revised schedule to the President this week.

Concurrences by: Robert Blackwill, Karl Jackson, David Miller

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Attachments

Tab I Memo to the President

Tab A Highlights of San Francisco Sherpa Meeting

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PRES NOTED SUMMARY

UNOFFICIAL TRANSLATION

Letterhead: President of the Argentine Nation

Buenos Aires, April 18, 1990



To the President of the
United States
Mr. George Bush
Washington, D. C.

Dear Mr. President:

It was indeed a great pleasure for me to meet with the Vice President of the United States of America, during his brief stay in our country. This occasion gave us an opportunity to talk about some important issues which are of interest to our bilateral relations, and about problems of our hemisphere. Vice President Quayle gave me the letter you so kindly sent me and which I greatly appreciate.

We talked about the possibility of you visiting Argentina next September, and once more I want to convey to you the satisfaction it will give me to welcome you not only as the President of the United States of America but as a distinguished friend.

I understand that you will also visit other Latin American countries. Latin America is going through an exceptional moment since democracy, having been trapped by dictatorial governments, is spreading peacefully through almost all the countries in our region. I am hopeful that, in a not too distant future, this way of life will also be chosen by those countries which have not yet opened their political institutions to the will of the people. I want to convey to you, George, the firm assurance that Argentina will fight so that the right of the people to freely choose their authorities will be respected all over the world.

As you are aware my Administration promotes a comprehensive reform of the government and of the economy, based on free market and private initiative, both essential elements of political freedom. Nevertheless, it is not an easy task to achieve these goals, our program is tough and there is opposition not only from the working force but also among enterprises which see their interests affected.

That is why we will continue to need the political support of the United States in our firm commitment to go ahead with the changes which have often been announced but which are now being implemented. Your Administration's support within the international finance organizations, as well as the access of our products to U.S. markets will greatly assist us in our endeavor. In a world of increasing integration, we hope that trade and investment will be the cornerstone of our bilateral relations.

We have before us a historic opportunity and I am convinced that we can work together so that democracy and development can become an enduring reality in Argentina and in all of Latin America.

My regards to your wife Barbara and the assurances of my sincere friendship.

Signed: Affectionately,
Carlos Saúl Menem