

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Ruud Lubbers, Prime Minister of the Netherlands (U)

PARTICIPANTS: The President
The Vice President
James A. Baker, III, Secretary of State
C. Howard Wilkins, Ambassador
Governor John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for National Security Affairs
Marlin Fitzwater, Assistant to the President and Press Secretary
Roger B. Porter, Assistant to the President for Economic and Domestic Policy
William K. Reilly, Administrator, Environmental Protection Agency
Robert Zoellick, Counsellor to the Department, Department of State
James Dobbins, Acting Assistant Secretary for European Affairs, Department of State
Robert D. Blackwill, Special Assistant to the President for National Security Affairs

Prime Minister Ruud Lubbers
Rudolf de Korte, Vice Prime Minister
Hans van den Broek, Minister of Foreign Affairs
Onno Ruding, Minister of Finance
Ed Nijpels, Minister of Housing
Richard Fein, Netherlands Ambassador to U.S.
Henry Wijnaendts, Director General, Political Affairs
M.J.D. van der Voet, Director, Information Service
Robert Meys, Head of Western Hemisphere Directorate
Jan Willem Holtslag, Advisor to the Prime Minister

DATE, TIME AND PLACE: July 17, 1989, 11:40 am - 12:45 pm
Binnenhof 20, The Hague

Prime Minister Lubbers said he was gratified and honored to host the President in the Netherlands and expressed the hope that the President could relax after his taxing European journey.

The Prime Minister said he particularly welcomed the President back. It is not a cliché that our countries share fundamental values. The Dutch are grateful to the President, especially for the determination the President expressed in Brussels to overcome the division of Europe. (U)

The President replied that it was hard to be formal with a man he considers a friend of long standing. The President said he was touched by Queen Beatrix's coming back from vacation to meet the President at the airport. The President, offering to share his impressions of the Economic Summit, said he would ask Secretary Baker to sum up the actions taken, especially as they might effect the Netherlands, and ask Mr. Reilly to discuss the environment. The President added that he would also like to discuss Eastern Europe and the amazing changes that have occurred in Poland and Hungary in the last two years. (U)

Secretary Baker began by saying the Summit was a great success. It was his ninth in one capacity or another and one of the most successful he had attended. The Summit dealt with trade, monetary policy, and debt, which is the most serious problem. The Summit participants agreed to a certain amount of debt relief for the Third World, especially for sub-Saharan Africa. The Secretary noted they also talked about the Uruguay Round and thanked the Prime Minister for his government's help in moving the process along. On questions of development, the Summit agreed on the importance of structural adjustment. There were extensive discussions on the environment, about which Mr. Reilly would be dealing with expertly, and on drugs. (U)

Secretary Baker, continuing, noted that the Summit also issued political declarations on East-West relations, reflecting the breathtaking changes in Eastern Europe, and on China, human rights, and terrorism. The President had stressed the importance of supporting change in Poland and Hungary. In Poland, the economy is in desperate shape, but political changes are quite dramatic. In Hungary, there are also political reforms and more encouraging economic reforms. The Secretary said that in three to four weeks there would be a follow-up meeting, to which he hoped the Netherlands would come, chaired by the EC Commission. There had been little debate on China. The President's policy of avoiding isolating China was adopted in Paris. Finally, there were strong declarations on human rights and the importance of combatting terrorism, and especially aircraft safety. (U)

The President added that it is important to ask what we want China to do now and what China can do now, mindful of the constraints on this aging generation. The U.S. is trying to preserve what it can of this relationship because of its

strategic importance. The President said the Administration is thinking this through and wanted to discuss this with the Dutch. (Ø)

Mr. Reilly observed that the Summit was wholly without precedent with regard to the environment, which accounted for one third of the communique. The Seven said action on an urgent basis is required to address a full phase-out of fluorocarbons, support for the Inter-Governmental Commission on Global Climate Change, and to focus special attention on developing countries and on Eastern Europe. Acid rain and pollution of rivers were of special concern. The Summit also supported industrial scientific research without delaying action. The Seven discussed the problem of tropical rain forests and the idea of debt-for-nature swaps. In short, he concluded, the Summit moved the environment from the margin to the mainstream. (Ø)

Secretary Baker added that the Summit Declaration welcomed changes in the Soviet Union but emphasized the need for a strong NATO. (Ø)

General Scowcroft said it was not clear whether Chairman Gorbachev had sent his letter to make news, but such was its result. His broad suggestion for closer cooperation shows a definite departure from past autarkic approaches. If the Soviet leadership is serious, this initiative may be part of this historic shift. It is not clear, however, whether they realize how far they have to go. (Ø)

The President alluded to press speculation about whether Gorbachev might attend a G-7 meeting. That would be impossible, of course, but the Summit did not want to be begrudging. This had been a major topic at the President's press conference. (Ø)

Mr. Fitzwater observed that this surprising element became important because the rest of the Summit had gone so smoothly. (Ø)

Prime Minister Lubbers found it reassuring that Gorbachev, with all his problems, had time to write a letter. The Prime Minister said that the Dutch are positive about the G-7 summit but somewhat apprehensive about how the G-7 fits in with other Western institutions, especially regarding financial and economic matters. (Ø)

Foreign Minister Van Den Broek said the communique was helpful and harmonious, but wondered how the discussions on monetary coordination would be carried out. Would it be in the G-7, where the Dutch do not participate, or in the IMF and other multilateral financial institutions, as the Dutch would prefer? The U.S. had created these institutions, and the Foreign Minister said he hoped the U.S. would protect them. The Dutch are often

asked to follow up on G-7 decisions, and would like to be involved from the beginning. The Foreign Minister asked to what extent the Russians have in mind obtaining credits through, for example, the IMF. That would make the IMF a different sort of institution. As to the international debt strategy worked out by Secretaries Baker and Brady, the Dutch would have to examine the question of whether more capital resources should be made available for the IMF. (Ø)

The President replied that the Soviets will try to get economic help from the West in any way they can. Gorbachev knows his economy is in trouble. (Ø)

Secretary Baker noted that all the discussions within the G-7 assumed that the international monetary institutions would remain the center of this effort. As to the Dutch wanting to be present at takeoff as well as landing, the U.S. would take note of this very sensible point. The Soviet Union's joining international financial institutions is premature and would fundamentally change the charter of the IMF and World Bank. GATT would have to come before the others. (Ø)

The President commented that General Jaruzelski said he would welcome it if the heads of the World Bank and IMF came to Poland to speak to the Polish people on the need for sacrifice and reform. This would help Jaruzelski shift the onus for austerity from himself to an external body. His was a cri de coeur. The President said he could not imagine that happening in the Soviet Union. Nor could the scene in Gdansk, with the enormous crowds, happen yet in the Soviet Union. In Poland and Hungary, as well as at the G-7, the President had stressed that the U.S. offers no threat to Gorbachev. (Ø)

Prime Minister Lubbers said he hoped for intensified global efforts on the economy, but also expressed worry about new tensions between North and South. Forests are a global problem, which must be worked on together with the South. (Ø)

Mr. Mathis said it might be possible to establish a link between the World Climate Convention and the G-7 to address the CFC problem. (Ø)

Mr. Reilly noted that the question of international funding for world environmental issues is a delicate one. Perhaps the World Bank and the regional banks would be possible sources of funding. (Ø)

Governor Sununu noted that the U.S. will spend a quarter of a billion dollars this year on research modeling for environmental efforts. (Ø)

Mr. Mathis added that at a conference in the Hague in November, the Dutch hoped to improve our capacity to cooperate on the environment. (Ø)

Mr. Reilly emphasized the need for concentrating efforts on existing institutions. (Ø)

Prime Minister Lubbers agreed that this was an increasingly important issue for politicians everywhere. He stressed the need for a pragmatic approach and close cooperation between the U.S. and the Netherlands. (Ø)

The President, concluding, mentioned that he had discussed the environment with President Sarney at the Hirohito funeral and agreed that this is a very sensitive issue that demands careful handling. (Ø)